

REPORT BY THE BOARD OF DIRECTORS OF BANCO DE SABADELL, SOCIEDAD ANÓNIMA IN CONNECTION WITH TAKING COGNIZANCE OF THE AMENDMENT OF THE BOARD OF DIRECTORS REGULATION REFERRED TO IN ITEM SEVEN OF THE AGENDA OF THE GENERAL MEETING OF SHAREHOLDERS OF BANCO DE SABADELL, SOCIEDAD ANÓNIMA SCHEDULED FOR 28 MARCH 2019, AT SECOND CALL

At a meeting on 21 February 2019, based on a proposal and report by the Audit and Control Committee, in accordance with the procedure established in article 3 of the Regulation of the Board of Directors, the Board of Directors resolved to amend articles 5, 11, 12, 14 bis, 17, 23 and 24 of the Regulation of the Board of Directors, contingent upon approval of the amendment of the Articles of Association submitted to the General Meeting of Shareholders.

The amendment of the Regulation of the Board of Directors is a direct consequence of the amendment of the Articles of Association proposed to the General Meeting of Shareholders and arises from the need to adapt the wording to the new wording of the Articles of Association in connection with the Board Committees, specifically to rename the Executive Committee as the Delegated Committee and to eliminate the expression "Delegated" in connection with the Committees of the Board of Directors.

The amendments presented for the General Meeting for it to take cognizance of them are as follows:

"ARTICLE 5. GENERAL SUPERVISION FUNCTION

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

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

3. *Without prejudice to the foregoing, the Board of Directors acts mainly as an instrument of supervision and control, and delegates the management of ordinary business matters of the Company to the executive organs and management team.*
4. *Powers may not be delegated where they are required by law or the Articles of Association to be exercised directly by the Board of Directors or are necessary for the responsible performance of the general function of supervision.*
5. *Specifically, to ensure better and more efficient performance of its general supervisory duties, the Board undertakes to discharge the responsibilities provided by law, including:*
 - a) *those deriving from the generally-applicable corporate governance standards.*
 - b) *approving the Company's general strategies;*
 - c) *appointing and, as necessary, removing the company's senior executives;*
 - d) *appointing and, as necessary, removing directors of the Company's subsidiaries;*
 - e) *identifying the Company's and its consolidated Group's main risks and implementing and monitoring the appropriate internal control and reporting systems.*
 - f) *setting policy on the reporting and disclosure of information to shareholders, the markets and the general public;*
 - g) *setting policy on treasury stock in accordance with any guidelines laid down by the Shareholders' Meeting;*
 - h) *authorising transactions between the Company and directors or significant shareholders which may lead to conflicts of interest; and*
 - i) *generally deciding on business or financial transactions that are of particular importance for the Company; and*
 - j) *those specifically envisaged in this Regulation.*
6. *The delegation or assignment of the power to represent the Bank to one or more directors, whether individually or collectively, binds them to inform the Board of any actions they take in the exercise of such powers which go beyond ordinary administration.*
7. *The Board of Directors shall have the power and the function to determine and establish the limits and conditions governing risk and lending transactions that may be arranged by each of the subsidiaries, and the fees and general conditions to*

which such transactions must conform, without prejudice to the functions of the subsidiaries' Board of Directors.

8. *In performing its functions of representing BANCO DE SABADELL, S.A., the Board of Directors shall designate the Chairmen of the governing bodies of the operating subsidiaries.*

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

ARTICLE 11. BODIES OF THE BOARD OF DIRECTORS

1. *The Board of Directors may, with the quorum established by the Articles of Association, permanently delegate, in whole or in part, such of its powers as may legally be delegated, as it may see fit, to members of the Board, to be exercised by them collectively as the Delegated Committee.*
2. *The Board of Directors must establish the Board Committees that the Company is required to establish by law, and at least the following:*

- Delegated Committee*
- Audit and Control Committee*
- Appointments Committee*
- Remuneration Committee*
- Risk Committee*

3. *The Board Committees shall meet upon notice being given by their Chair. Absent specific provisions in the Articles of Association and in this Regulation, the rules of functioning established by this Regulation in relation to the Board shall apply, provided that they are compatible with the Committee's nature and purpose.*
4. *Without prejudice to the specific provisions of this Regulation with regard to each committee of the board, the committees shall comprise two or more directors, as decided by the Board of Directors, and shall be chaired by the Chairman of the Board of Directors or, in his absence, by the director designated by the Committee itself from among its members. The Secretary of each of the Board Committees shall be appointed by the Board of Directors and need not be a director. In any event, minutes shall be countersigned and ratified by the Secretary or Vice-Secretary of the Board, who shall issue such certificates as may be pertinent.*
5. *Each Board Committee may require the attendance at its meetings of such executives, including executive directors, as it sees fit, to which end it shall notify the General Manager(s) to schedule their attendance.*

6. *Without prejudice to the specific provisions of this Regulation with regard to each Board Committee, the Chairman of each Committee shall determine the order or frequency of meetings and give notice of same.*
7. *Any Director may request that the Board be informed of any matter that is within the remit of any of the Board Committees.*
8. *The committees of the Bank's Board of Directors may also exercise those same functions for those subsidiaries or dependent companies which, under the legislation applicable at any given time, are also required to have such bodies.*

ARTICLE 12. DELEGATED COMMITTEE

1. *The Delegated Committee shall comprise at most six directors, who shall be appointed by the Board of Directors, and its composition in terms of director categories shall be similar to that of the Board itself.*
2. *The Delegated Committee shall coordinate the Bank's executive management and, to this end, adopt any resolutions and decisions within the scope of the powers vested in it by the Board of Directors.*

The Delegated Committee shall report its decisions to the Board of Directors.
3. *The Chairman of the Board of Directors shall always be a member of the Delegated Committee and act as its Chair.*
4. *It shall meet whenever convened by its Chairman or by the Vice-Chairman standing in for the former, and its meetings may be attended by any person, whether related to the Company or otherwise, who is invited to attend, by a decision of the Committee itself or the Chairman of same, for the purposes to be determined on the basis of the purpose of the matter in question; such persons may speak but not vote.*
5. *The Committee Secretary, who need not be a director, must be designated by the Board of Directors, which must also designate a substitute secretary for cases of illness or absence.*
6. *The Committee shall be quorate if at least one-half of its members are in attendance in person or by proxy; it shall adopt all resolutions by majority of those in attendance, in person or by proxy; the Chairman shall have a casting vote in the event of a tie. Members of the Committee may grant proxy to another member, but no member may hold more than two proxies.*
7. *The resolutions of the Commission shall be entered in a minutes book, and the minutes shall be signed by the Chairman and the Secretary or, where applicable, by those who played those roles at the meeting in question, by virtue of the provisions of this Regulation.*

ARTICLE 14bis REMUNERATION COMMITTEE

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

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

2. *Without prejudice to the other duties assigned to it by law, the Articles of Association, the Board of Directors or this Regulation, the Remuneration Committee shall have the following basic duties:*

- a) *proposing the director remuneration policy to the Board of Directors.*
- b) *proposing, to the Board of Directors, the remuneration policy for general managers and others performing senior management functions who report directly to the Board of Directors, the Delegated Committee or the 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.*
- h) *verifying the information on remuneration contained in the various corporate documents, including the Report on Director Remuneration.*

3. *The Remuneration Committee shall meet whenever the Board or its Chairman requests that it issue a report or adopt a proposal, and whenever it is advisable in order to properly discharge its duties. In any event, the Committee must meet once per year to prepare the information on director remuneration that the Board of Directors must approve and include in its annual public documentation.*

4. *The Committee shall also determine the bonuses for the senior executives of the Bank and its subsidiaries at the proposal of the General Manager(s).*

ARTICLE 17. BOARD OF DIRECTORS MEETINGS

1. *The Board of Directors shall meet once per month and, upon the initiative of the Chairman, as many times as he sees fit for the proper operation of the Company. The notice of meeting shall always contain the Agenda, which must set out, among other points, the issues relating to reports from subsidiaries and Board Committees as well as any proposals and suggestions made by the Chairman and the other members of the Board and the General Manager(s) of the Bank, which must be presented at least five working days in advance of the date of the Board meeting; such proposals must be accompanied by the pertinent material for distribution to the directors. The Board itself shall approve the minutes and set the date of the next meeting.*
2. *The Chairman may convene extraordinary meetings and set their agenda in the notice. He must also convene a meeting at the request of any member of the Board, as provided in the Articles of Association. If the Chairman fails to give notice of a meeting in the five business days following receipt of a request in this connection from any director, the latter may ask the First Vice-Chairman to give notice of a meeting subject to the same advance notice.*
3. *Notice of extraordinary meetings of the Board may be given by telephone where the Chairman considers that it is warranted by the circumstances.*
4. *Both ordinary and extraordinary meetings may transact business that is not on the agenda, provided that the decision to do so is adopted unanimously.*

ARTICLE 23. DIRECTORS' GENERAL OBLIGATIONS

1. *In accordance with this Regulation, the director's function is to guide and oversee the management of the company with the objective of maximising its value in benefit of the shareholders.*
2. *In the course of carrying out his duties, the director must act diligently as an orderly businessman and loyal representative and, in particular, is obliged to:*
 - a) *Obtain information and prepare adequately for meetings of the Board and the bodies of the Board to which he belongs.*
 - b) *Attend the meetings of the bodies of which he is a member and participate actively in debates so that his opinion makes an effective contribution to decision-making.*
 - c) *Perform any specific task entrusted to him by the Board of Directors that falls reasonably within his commitments.*

- d) *Investigate any irregularities in the management of the company of which he becomes aware, and monitor any risk situation.*
 - e) *Urge those persons capable of calling a meeting to convene an extraordinary Board meeting, where necessary, to discuss any items deemed relevant, or to include such items in the agenda of the next meeting.*
3. *Directors must avoid situations of conflict of interest in the terms defined in the Capital Companies Act, including those where the beneficiary of the prohibited acts or activities is a related party of the director.*

ARTICLE 24. DIRECTORS' DUTY OF CONFIDENTIALITY

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