



Banco de Sabadell, S.A.
Directors Remuneration Policy

March 2019

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1. Introduction

The General Meeting of Shareholders, held on 19 April 2018, approved the current Directors Remuneration Policy for the years 2018, 2019 and 2020, in accordance with articles 529 septdecies, octodecies and novodecies of the Capital Companies Act, which includes the principles applicable to the remuneration of directors as members of the Board of Directors, as well as the remuneration of directors who perform executive functions and, in the case of the latter, the remuneration items in the Directors Remuneration Policy coincide with the Senior Management Remuneration Policy.

On 20 December 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 amendment of the Banco Sabadell Group Remuneration Policies, comprising: the Senior Management Remuneration Policy, the Group's Identified Staff Remuneration Policy, the Banco Sabadell Group's Remuneration Policy and the Banco Sabadell Spain's Remuneration Policy, with a view to incorporating certain amendments required by legislation and good practices.

In accordance with article 529 novodecies of the Capital Companies Act, the General Meeting of Shareholders is responsible for approving this Directors Remuneration Policy (the "Directors Remuneration Policy" or the "Policy") which, once approved by the General Meeting of Shareholders, replaces in all its terms the policy approved on 19 April 2018, and which will be in force for 2019, 2020 and 2021, including certain changes to the executive director remuneration system. The remuneration system for directors in their capacity as members of the Board of Directors has not undergone any changes and its terms and conditions are identical to those established in 2018.

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 sustainability of the business and the company, 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 Group'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 professional track record and responsibility, regardless of the employee's gender.
 - Aligning with market standards, while providing 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 assumed:
 - An appropriate balance between the various components of remuneration.
 - Consideration of current and future risks and results, not encouraging the assumption of risks that exceed the level tolerated by the Institution.

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- A simple, transparent and clear system. The Banco Sabadell Group Remuneration Policy will be understandable and easy to communicate to the entire workforce.

The Remuneration Policy contemplates a vision of total remuneration taking into account all the remuneration elements and the relationship between them, establishing an appropriate balance between fixed remuneration and variable remuneration, and a distribution of remuneration between the short and long term, safeguarding the rights and interests of customers.

1.2. Banco Sabadell's Remuneration Committee.

Apart from advising specifically on the proposed Directors 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.

In accordance with the provisions of article 62 of the Articles of Association, at the end of 2018, Banco Sabadell's Remuneration Committee comprised 4 non-executive directors, all of whom are independent, as follows:

Chair, Ms. Aurora Catá Sala

Member, Mr. Anthony Frank Elliott Ball

Member, Ms. Maria Teresa Garcia-Milà Lloveras

Member, Mr. George Donald Johnston

Non-Member Secretary: Ms. María José García Beato

1.3. Main developments in the Directors Remuneration Policy.

The most significant developments in the Remuneration Policy, with respect to the Remuneration Policy approved by the General Meeting of Shareholders of 19 April 2018, only affect the executive directors' remuneration system and are the same amendments incorporated into the Senior Management Policy, their detail being as follows:

- Review of the malus and clawback clauses to include criteria based on earnings and risks, and elimination of the need for malice or negligence,

extending the scope of application of the clauses. The following factors will be considered when applying them:

- Significant failures in risk management by the institution or by a unit.
 - An increase in capital requirements at the institution or one of its business units that was not planned for at the time the exposure was generated.
 - Regulatory penalties or legal convictions for events attributable to the unit or the staff responsible for them. Additionally, failure to comply with the institution's internal codes of conduct.
 - Improper conduct, whether individual or collective. Negative effects deriving from marketing unsuitable products, and the liability of persons or bodies making such decisions, will be considered especially significant.
- Better definition of the procedures and responsibilities of the various bodies and departments in connection with remuneration.
 - Quarterly payment of the amounts derived from post-contractual non-competition clauses, capped at the amount of remuneration that would have been paid in the non-competition period if the person were still employed.
 - Post-contractual non-competition clauses subsist at most until the first age of ordinary retirement established in the current legislation at any given time. Such clauses must be expressly included in the contracts and approved by the Remuneration Committee.
 - The Group's annual and multi-year objectives must include correction factors or minimum thresholds (trigger objectives) linked to the Group's capital and liquidity indicators.
 - Modification of the *ex ante* adjustments, which may be applied at the level of the Group, the unit or the country, or even the individual, in order to cover the various types of risk.
 - This variable remuneration adjustment, which can reduce the initial amount of available remuneration to zero, ensures that the variable remuneration is fully aligned with the risks assumed.
 - The variable remuneration adjustment will cover all the cases or situations that might have an impact on the Group's risk profile and that were not fully factored into the assessment of the objectives set at the beginning of the year.

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- If the Maximum Distributable Amount (MDA) established by the regulations is reached, the variable remuneration may be reduced or eliminated entirely.
 - Improvement of the definition of the cap consisting of 100% of fixed remuneration for a given year. This cap can be raised to 200% of fixed remuneration, subject to approval by the General Meeting of Shareholders, in the cases expressly defined in the Policy.

2. Banco Sabadell's Director Remuneration System

The Banco Sabadell Directors' 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.

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 a maximum of 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 amounts are payable for attendance at 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, as the Board of Directors will approve annually.

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 Directors 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 Directors 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 amended by the Board of Directors on 20 December 2018.

The executive directors' remuneration for performing executive functions comprises:

- 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 providential plans.

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. 15% of contributions are treated as discretionary pension benefits and, consequently, are linked to the percentage attainment of the beneficiary's short-term targets, capped at 100% of the amount.

- 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 (reference amount of 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.

- 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 a long-term variable remuneration system, to which end a target amount and multi-year 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 directors' 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.

The following criteria apply to the executive directors' remuneration system:

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

Variable remuneration is capped at 100% of the fixed remuneration for a given year. The cap can be raised to 200% of the annual fixed remuneration items, subject to approval by the General Meeting of Shareholders, in the cases expressly defined in the Policy, there being no scope for discretion on the part of the Remuneration Committee at the time when it is recognised.

- Ex ante adjustment of variable 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. For this adjustment, factors relating to the Institution's risks and results will be taken into account and the adjustment may be at the level of the Group, unit or country, and even the individual, in order to cover the various types of risk.

- This variable remuneration adjustment, which can reduce the initial amount of available remuneration to zero, ensures that the variable remuneration is fully aligned with the risks assumed.
 - The variable remuneration adjustment will cover all the cases or situations that might have an impact on the Group's risk profile and that were not fully factored into the assessment of the objectives set at the beginning of the year.
 - If the Maximum Distributable Amount (MDA) established by the regulations is reached, the variable remuneration may be reduced or eliminated entirely.
- Deferral and payment in equity instruments.

Both short-term variable remuneration and long-term remuneration will be deferred over five years and 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.

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- 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 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 clauses.

Short-term and long-term variable remuneration not yet received (up to 100% of the amount) will be subject to clauses for the reduction or cancellation of deferred amounts (malus), in the event of the poor financial performance of the Bank as a whole or of a specific division or area or of the exposures generated by the executive director to whom they are applicable. For these purposes, the performance assessment will be compared with subsequent performance of the variables that contributed to achieving the objectives.

In this respect, the following factors will be considered:

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- Significant failures in risk management by the Institution or a unit.
 - An increase in capital requirements at the Institution or one of its business units not planned at the time that exposure was generated.
 - Regulatory penalties or legal convictions for events attributable to the unit or the staff responsible for them. Additionally, failure to comply with the institution's internal codes of conduct.
 - Improper conduct, whether individual or collective. Negative effects deriving from marketing unsuitable products, and the liability of persons and bodies making such decisions, will be considered especially significant.

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

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 of deferred variable remuneration for an executive director.

- Application of clawback clauses.

Short-term and long-term variable remuneration (up to 100% of the amount) will be subject to clawback clauses for the amounts received (up to 100% of the amount), in the event of the poor financial performance of the Bank as a whole or of a specific division or area or of the exposures generated by the executive director to whom they are applicable. For these purposes, the performance assessment will be compared with subsequent performance of the variables that contributed to achieving the objectives.

In this respect, the following factors will be considered:

- Significant failures in risk management by the Institution or a unit.
- An increase in capital requirements at the Institution or one of its business units not planned at the time that exposure was generated.

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- Regulatory penalties or legal convictions for events attributable to the unit or the staff responsible for them. Additionally, failure to comply with the institution's internal codes of conduct.
 - Improper conduct, whether individual or collective. Negative effects deriving from marketing unsuitable products, and the liability of persons and bodies making such decisions, will be considered especially significant.

Application of clawback clauses may 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.

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 the clawback of variable remuneration received by an executive director, depending on the characteristics and circumstances of each particular case.

- Payments for early termination of contract and post-contractual non-competition.

Compensation for termination is subject to the evaluation of breaches of applicable regulations by the executive director. Poor results or improper conduct of the executive director will not, therefore, be rewarded, and payments will not be made the event of clear breaches by the executive director that justify the immediate cancellation of his/her contract or his/her dismissal.

The Institution may include clauses in contracts for compensation for early termination and payments for post-contractual non-competition, with a limit of two years' remuneration and in force until the first age of ordinary retirement established in the current legislation at any given time. Such clauses must be expressly included in the contracts and approved by the Remuneration Committee.

The amounts derived from post-contractual non-competition clauses will be paid quarterly, up to a maximum of the amount of fixed remuneration that would have been paid in the period of non-competition if the executive director had still maintained his/her relationship with the Institution. This amount will be paid in equal instalments over the period in which the non-competition obligation subsists following contract termination and only if the executive director fulfils the commitment to abstain from competition and has not attained the first age of ordinary retirement under the legislation in force at any given time.

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 – Chief Executive Officer (CEO)
- José Luis Negro Rodríguez – Director-General Manager
- María José García Beato – Director – Secretary General
- David Vegara Figueras – Director-Chief Risk Officer¹

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
- David Martínez Guzmán – Proprietary
- José Manuel Martínez Martínez – Independent
- José Ramón Martínez Sufrategui – Independent
- Manuel Valls Morató – 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. This maximum limit is the same as the limit set for 2018. Remuneration will be set annually within this limit by the Board of Directors subject to a favourable report from the Remuneration Committee.

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 2019 to determine the remuneration for the Board of Directors.

In 2019, the remuneration for members of the Board of Directors approved on 31 January 2019 by the Board of Directors in accordance with market parameters, within the established overall total amount, is as follows:

	Remuneration	Per diem attendance fees (per meeting)
Chairman	175,650 euro	5,273 euro
Vice-Chairman	95,250 euro	2,886 euro
Rest of members	75,000 euro	2,272 euro
Lead Independent Director	22,000 euro (additional)	

Non-executive directors also collect the following remuneration for chairing or being members of Board committees:

Audit and Control Committee	Chairman	40,000 euro
	Member	20,000 euro
Appointments Committee	Chairman	20,000 euro
	Member	10,000 euro

Remuneration Committee	Chairman	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 2019: the Chair of the Sabadell Guipuzcoano Advisory Board will receive at most 30,600 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 providential plans or long-term incentive schemes.

The Annual Report on Director Remuneration will provide an itemised breakdown of the amounts to be received by each director for their non-executive functions during the corresponding year. This report will be published on the Spanish National Securities Market Commission (CNMV) website and on the Banco Sabadell website, and will be submitted for approval by the General Meeting of Shareholders.

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:

Based on a proposal by the Remuneration Committee, on 31 January 2019, the Board of Directors approved the following individual amounts for 2019:

- The fixed salary of the Chairman, the CEO, the Director-General Manager and the Director-Secretary General is the same as in 2018. In this regard,

the fixed salary consists of 1,701,000 euro for the Chairman, 1,350,000 euro in cash for the CEO, 705,000 euro for the Director-General Manager and 500,000 euro for the Director- Secretary General. For the new executive director, Chief Risk Officer, it will be 450,000 euro.

- 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 2019 as in 2018, when it totalled 69,680 euro.

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

Banco Sabadell's contribution in 2019 is expected to amount to approximately 36,071 euro for the Chairman, 955,023 euro for the CEO (due to interest rate and income base adjustments), 18,261 euro for the Director-General Manager, 703,023 euro for the Director-Secretary General and 85,500 euro for the Director-Chief Risk Officer.

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.

While this policy is in force, the overall maximum fixed remuneration for all executive directors, within which the Board of Directors will set the individual remuneration on the basis of a favourable report from the Remuneration Committee, will be 8 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 Directors Remuneration Policy is amended.

The information on the fixed salary relating to executive directors and 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, and will be submitted for approval by the General Meeting of Shareholders.

b) Short-term variable remuneration:

The target amount of short-term variable remuneration established for 2019 by the Board of Directors remains unchanged with respect to 2018. In this connection, this amount is as follows: the Chairman: 1,300,000 euro; the CEO 1,100,000 euro; the Director-General Manager: 350,000 euro; and the Director-Secretary General: 220,000 euro. In the case of the Director-Chief Risk Officer, it will be 100,000 euro.

To calculate the short-term variable remuneration for 2019, the following objectives were established, and were approved by the Board of Directors on 31 January 2019, 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.

During the term of this policy, the overall maximum limit of target variable remuneration for all executive directors, within which the Board of Directors will set the individual targets on the basis of a favourable report from the Remuneration Committee, will be 5 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 Directors Remuneration Policy is amended.

c) Long-term remuneration:

- The executive directors are beneficiaries of the following incentive plans granted in previous years and still current:
 - o Supplementary long-term incentive 2016-2019 linked to the appreciation by the Banco Sabadell share ("ICLP2016"), approved by the General Meeting of Shareholders on 31 March 2016. The Chairman is assigned 1,600,000 rights; the CEO is assigned 1,400,000 rights; and the Director-General Manager is assigned 800,000 rights.
 - o 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 CEO is assigned 1,500,000 rights; and the Director-General Manager is assigned 800,000 rights.

- o Supplementary long-term incentive based on the increase in the value of the shares of Banco Sabadell 2018-2021 (the "Incentive"), approved by the General Meeting of Shareholders on 19 April 2018, which will be paid 55% by delivery of Banco de Sabadell shares, and the remaining 45% in cash.

On the basis of fulfilment of the objectives for 2018, the Chairman vested 1,275,000 rights, i.e. 75% of the rights assigned initially; the CEO consolidated 1,125,000 rights, i.e. 75% of the rights assigned initially; the Director-General Manager consolidated 600,000 rights, i.e. 75% of the rights assigned initially; and the Director-Secretary General consolidated 720,000 rights, i.e. 90% of the rights assigned initially.

- At its meeting of 31 January 2019, at the proposal of the Remuneration Committee, the Board of Directors approved a new long-term remuneration system, based on the fulfilment of annual and multi-year objectives and setting a target amount (amount to be received in the event of 100% compliance with targets) equivalent to a percentage of the fixed salary, of 30% (Chairman and CEO) or 25% (Director-General Manager, Director-Secretary General and Director-Chief Risk Officer).

The amounts of this system may be maintained, reduced or increased (respecting, in any case, the limit of the ratio between fixed and variable remuneration items described in section 2.2 of this Policy) depending on the fulfilment of certain annual objectives. Subsequently, the adjusted amounts will be subject in turn to the fulfilment of certain multi-year objectives and their payment will depend on it. The established objectives will be described in the Annual Report on Director Remuneration.

In any case, once the annual objectives have been measured, the adjusted amounts will be subject to the requirements on deferral and payment in capital instruments described in section 2.2 of this Policy.

The overall maximum long-term incentive limit will be determined by the corresponding resolution of the General Meeting of Shareholders in each year and, in the case of any alternative long-term remuneration system not subject to the approval of the General Meeting of Shareholders and

approved by the Board of Directors, its maximum amount will not exceed 2 million euro annually.

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:

- Duration: The contracts are indefinite.
- Fixed remuneration: The contracts provide for the payment of fixed remuneration to executive directors under the terms and conditions detailed above.
- Variable remuneration: The contracts provide for the payment of variable remuneration to executive directors under the terms and conditions detailed above.
- Providential schemes: The contracts provide for executive directors' participation in the providential schemes, under the terms and conditions detailed above.
- Benefits: The executive directors' contracts provide for them to enjoy the benefits and flexible remuneration schemes that the Bank has established for its other employees, in the same terms as the latter.
- Confidentiality: The contracts include a confidentiality clause that obliges directors not to disclose, either during the term of the contract or thereafter, any confidential data, procedures, methods, information, or commercial or industrial data referring to the Bank's business or finances.
- Restitution and use of company assets: All material goods, information media, files, documentation, manuals, etc. that the directors have in their possession must be returned to the Bank at the time of termination of the contract.
- Malus and clawback clauses: Clauses of this type apply in the cases defined in this Policy.
- Early termination: Executive directors' contracts provide for indemnity amounting to at most 2 years' total annual remuneration.
- Non-competition: Executive director contracts contain post-contractual non-competition clauses.

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 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 Directors 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 Directors 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 Chief Executive Officers, 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.

In 2019, 2020 and 2021, the three-year 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 2019, 2020 and 2021, 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.