



# Presentation of Banco Sabadell's Annual Report on Director Remuneration

23 February 2018

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## 1. Introduction

Banco Sabadell presents this document, which accompanies the Annual Report on Director Remuneration, to give details of the main features of the report and of the applicable Policy. This document is available on the Bank's website at [www.grupobancsabadell.com](http://www.grupobancsabadell.com) in the section on Corporate Governance.

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.

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

The main principles of the Remuneration Policy are as follows:

1. Promote medium- and long-term business and social 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 Bank's long-term business strategy, objectives, values and interests.
2. Ensuring competitive, equitable remuneration (external competitiveness and internal fairness):
  - Ability to attract and retain the best talent.
  - Rewarding track record and responsibility.
  - Aligned with market standards and flexible to adapt to changes in the situation and in the demands of the sector.
3. Reward performance, by aligning remuneration with the results achieved by the individual and level of risk assumed:
  - 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 entity.
  - Simple, transparent and clear system. The remuneration policy must be understandable and easy to communicate to the entire workforce.

## 1.2. Banco Sabadell Remuneration Committee

In accordance with article 62 of the Bank's Articles of Association, the Remuneration Committee's functions include proposing, to the Board of Directors, the remuneration policy for directors, general managers and others performing senior management functions, and the individual remuneration and other contractual conditions for executive directors, exercising oversight to ensure that they are complied with.

At the end of 2017, the Remuneration Committee comprised 4 non-executive directors, all of whom were independent directors:

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. Remuneration benchmarking

Each year, Banco Sabadell performs a comparative analysis of the remuneration of the Board of Directors, the executive directors, the members of senior management and the members of the identified staff.

Executive director remuneration for 2018 has been established with reference to a benchmark of 16 European banks and another comprising ten Spanish companies in the IBEX-35 index whose market capitalisation exceeds €6,000 million.

### COMPANIES USED AS BENCHMARK

Banks in the European benchmark group		Companies in the domestic benchmark group	
Crédit Agricole	Caixabank	Santander	BBVA
Santander	KBC Groep	Gas Natural Fenosa	Ferrovial
BBVA	Swedbank	CaixaBank	Abertis
Intesa San Paolo	Bankia	Amadeus	Bankinter
Nordea Bank	Unione di Banche Italiane	Bankia	Red Eléctrica
Natixis	Mediobanca		
ABN Amro Group	Bankinter		
Groupe Société Générale	Skandinaviska Enskilda Banken		

## 2. Director Remuneration Policy

The Director Remuneration Policy that is currently in force was approved by the General Meeting of Shareholders on 31 March 2016 for the years 2016, 2017 and 2018 in accordance with the provisions of articles 529 septdecies, octodecies and novodecies of the Spanish Capital Companies Act, and it includes the principles applicable to the remuneration of the directors for their functions as members of the Board of Directors, as well as the remuneration of directors who perform executive functions, which is the same as the policy applicable to senior management of Banco Sabadell.

It is planned to ask the forthcoming General Meeting of Shareholders to approve an amendment to the Director Remuneration Policy for the years 2018, 2019 and 2020 as a result of the amendments made to the Banco Sabadell Remuneration Policy to incorporate new regulatory approaches and align it with best practices in the field of corporate governance.

The main new features of the Director Remuneration Policy are as follows:

- 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.
- For executive directors:
  - A clearer delimitation of the proportion between fixed and variable remuneration.
  - A better definition of short-term variable remuneration and of long-term remuneration.
  - Greater detail in the definition and measurement parameters of 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.
  - Extension to 5 years of the deferral period applicable to executive directors' short-term variable remuneration and long-term remuneration.
  - Introduction of multi-year objectives, with defined parameters, for the long-term incentive linked to the share's appreciation, and an 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. That adjustment will be based on risk factors and the entity's results. If the bank's capital is less than the Maximum Distributable Amount (MDA), the variable remuneration will be reduced or eliminated entirely.
  - Revision of the malus and clawback clauses with a better definition of the cases where they apply.

- 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 the cases expressly defined in the Policy, there being no scope for discretion on the part of the Remuneration Policy at the time when it is recognised.

These measures were incorporated into the Senior Management Remuneration Policy by a decision of the Board of Directors of Banco Sabadell on 1 February 2018.

### 3. Director remuneration for their status as members of the Board of Directors

The members of the Board of Directors of Banco Sabadell at 31 December 2017 were as follows:

- José Oliu Creus – Chairman (Executive)
- Javier Echenique Landiribar – Vice-Chairman (Independent)
- Jaime Guardiola Romojaro – Managing Director (Executive)
- Anthony Frank Elliott Ball (Independent)
- Aurora Catá Sala (Independent)
- Pedro Fontana García (Independent)
- María Teresa García-Milá Lloveras (Lead Independent Director)
- George Donald Johnston (Independent)
- José Manuel Lara García (External)
- David Martínez Guzmán (External proprietary)
- José Manuel Martínez Martínez (Independent)
- José Ramón Martínez Sufrategui (Independent)
- José Luis Negro Rodríguez (Executive)
- Manuel Valls Morató (Independent)
- David Vegara Figueras (Independent)

### 3.1. Director Remuneration in 2017

The directors' remuneration in 2017 for their functions as members of the Board of Directors consisted of remuneration in which up to 50% was dependent on attendance at Board meetings.

The remuneration envisaged for 2017 was as follows:

	<b>Remuneration in 2017</b>
Chairman	214,200 euro
Vice-Chairman	116,800 euro
Other directors	91,800 euro
Lead Independent Director	20,000 euro (additional)

Additionally, non-executive directors collected amounts for membership of Board sub-committees:

<b>Committee</b>	<b>Position</b>	<b>Amount</b>
Audit and Control Committee	Chairman	30,600 euro
	Member	15,300 euro
Appointments Committee	Chairman	15,300 euro
	Member	7,650 euro
Remuneration Committee	Chairman	30,600 euro
	Member	7,650 euro
Risk Committee	Chairman	65,000 euro
	Member	15,300 euro
Executive Committee	Member	65,000 euro

The total amount actually collected by the members of the Board of Directors in 2017 is as follows:

**Remuneration actually received by the members of the Board of Directors in 2017**

Members of the Board of Directors in December 2017. Thousand euro

Directors		Board of Directors	Audit and Control Committee	Appointments Committee	Remuneration Committee	Risk Committee	Executive Committee
Josep Oliu Creus	Chairman (Executive)	214,200					0
Javier Echenique Landiribar	Deputy Chairman (Independent)	112,627					63,194
Jaime Guardiola Romojaro	Managing Director (Executive)	91,800					0
Anthony Frank Elliott Ball	Independent	31,991		1,912	1,912		
Aurora Catá Sala	Chair of the Remuneration Committee and Appointments Committee (Independent)	91,800		15,300	30,600		
Pedro Fontana García	Independent	7,998	0				
María Teresa García-Milà Lloveras	Lead Independent Director	111,800	19,125	4,462	7,650	15,300	
George Donald Johnston	Independent	19,820			1,275	0	
José Manuel Lara García	External	83,455	3,825				
David Martínez Guzmán	Proprietary External	66,764					
José Manuel Martínez Martínez	Independent	91,800					63,194
José Ramón Martínez Sufrategui	Independent	87,627	15,300				
José Luis Negro	Director-General Manager (Executive)	91,800					0
Manuel Valls Morató	Chair of the Audit and Control Committee (Independent)	91,800	22,950			7,650	
David Vegara Figueras	Chair of the Risk Committee (Independent)	91,800				65,000	

*\*Joined the Board of Directors in 2017*

Directors Mr. Joaquín Folch-Rusiñol Corachán and Mr. Joan Llonch Andreu collected 49,551 euro and 55,926 euro, respectively, for the time during which they were members of the Board of Directors and the various sub-committees. Additionally, Mr. Joan Llonch Andreu received 5,100 euro for membership of the Sabadell Guipuzcoano Advisory Board.

Some directors are also members of Advisory Boards, for which they received the following remuneration: the chair of the SabadellGuipuzcoano Advisory Board received 30,600 euro and members of the SabadellGuipuzcoano Advisory Board received 15,300 euro. Members of the Sabadell Urquijo Banca Privada Advisory Board received 15,000 euro.

The amounts actually received depended on the date of appointment and on meeting attendance; they are itemised in Annual Report on Director Remuneration (hereafter "ARDR").



### 3.2. Director remuneration in 2018

Directors' remuneration in 2018 for membership of the Board of Directors is broken down as follows:

- Remuneration for membership of 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 amounts are payable for attendance at extraordinary meetings of the Board of Directors.

The maximum total amount of remuneration for the Board of Directors as established by the General Meeting of Shareholders has been unchanged since 2014 at the amount of €2.5 million, and has been maintained for 2018.

The individual directors' remuneration was reduced in 2009 and again in 2013, and has remained unchanged since then. Director remuneration is established on the basis of reports on director remuneration in Spain published by KPMG and Spencer Stuart and by comparison with the remuneration for membership of the Boards and committees of Spain's main financial institutions. For 2018, the Board of Directors has decided to adapt the remuneration for members of the Board of Directors and sub-committees to market parameters in the terms set out below.

	<b>Remuneration in 2018</b>	<b>Attendance fees 2018 (per meeting)</b>
Chairman	175,650 euro	5,273 euro
Vice-Chairman	95,250 euro	2,886 euro
Other members	75,000 euro	2,272 euro
Lead Independent Director	22,000 euro (additional)	

Additionally, non-executive directors receive remuneration for chairing or being members of Board sub-committees:

<b>Committee</b>	<b>Position</b>	<b>Amount</b>
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	Chair	70,000 euro
	Member	20,000 euro
Executive Committee	Member	80,000 euro

The directors who are members of Advisory Boards received the following remuneration: the chair of the SabadellGuipuzcoano Advisory Board receives at most 30,600 euro and members of the SabadellGuipuzcoano Advisory Board at most 15,300 euro. Members of the Sabadell Urquijo Banca Privada Advisory Board receive at most 15,000 euro.

Non-executive directors do not qualify for the compensation or benefits of bank employees nor are they members of providential schemes or long-term incentive programmes.

## 4. Director remuneration for performing executive functions

In addition to their remuneration for membership of the Board of Directors, executive directors collect remuneration for their executive functions under the same headings as members of Banco Sabadell senior management. It comprises fixed remuneration (a fixed salary, the benefits allocated to Banco Sabadell employees, and contributions to a providential scheme), short-term variable remuneration, and a long-term incentive plan whose individual allocation is approved by the General Meeting of Shareholders.

### 4.1. Remuneration for executive directors in 2017

#### 4.1.1. Chairman

A. Fixed remuneration:

- Fixed salary: 1,701,000 euro
- Benefits: 71,004 euro
- Contributions to providential schemes detailed in the ARDR: 176,625 euro

B. Short-term variable remuneration: 1,667,380 euro resulting from applying, to the target for 2017 (1,300,000 euro), the percentage of 103.26% corresponding to the attainment of the Group's objectives for 2017, detailed in section 5.a. of this document, and 25% corresponding to the qualitative assessment provided for in the definition of objectives published in the 2016 ARDR, applied to the Chairman by the Remuneration Committee on the basis of the importance of the corporate and strategic decisions made during the year that resulted in an increase in the Bank's value and capital position.

C. Long-term incentive: The 2014-2017 long-term incentive plan expired during the year without generating the right to collect any amount, and he was assigned 1,700,000 rights under the 2017-2020 Supplementary Incentive by a decision of the General Meeting of Shareholders in 2017.

#### 4.1.2. Managing Director

A. Fixed remuneration:

- Fixed salary: 1,312,900 euro
- Benefits: 23,425 euro

- Contributions to providential schemes detailed in the ARDR: 3,411,670 euro, as a result of the final ordinary funding contribution by virtue of pre-existing contractual commitments.

B. Short-term variable remuneration: 1,135,860 euro resulting from the application of the 103.26% attainment of the Group's objectives in 2017 to the 2017 target (1,100,000 euro).

C. Long-term incentive: The 2014-2017 long-term incentive plan expired during the year without generating the right to collect any amount, and he was assigned 1,500,000 rights under the 2017-2020 Supplementary Incentive by a decision of the General Meeting of Shareholders in 2017.

#### **4.1.3. Director - General Manager**

A. Fixed remuneration

- Fixed salary: 705,000 euro
- Benefits: 2,446 euro
- Contributions to providential schemes detailed in the ARDR: 16,793 euro

B. Short-term variable remuneration: 361,410 euro resulting from the application of the 103.26% attainment of the Group's objectives in 2017 to the 2017 target (350,000 euro).

C. Long-term incentive: The 2014-2017 long-term incentive plan expired during the year without generating the right to collect any amount, and he was assigned 800,000 rights under the 2017-2020 Supplementary Incentive by a decision of the General Meeting of Shareholders in 2017.

#### **4.2. Executive director remuneration in 2018**

##### **4.2.1. Chairman**

A. Fixed remuneration:

- Fixed salary: 1,701,000 euro
- Benefits for a similar amount to 2017
- Contributions to providential schemes: approx. 32,000 euro

B. Variable remuneration: 1,300,000 euro for 100% attainment of the objectives detailed in the next point of this presentation for the year 2018.

C. Long-term incentive plan in the terms to be determined by the General Meeting of Shareholders in 2018.

##### **4.2.2. Managing Director**

A. Fixed remuneration:

- Fixed salary: 1,350,000 euro
  - Benefits for a similar amount to 2017
  - Contributions to providential schemes: approx. 760,000 euro due to interest rate and income base adjustments.
- B. Variable remuneration: 1,100,000 euro for 100% attainment of the objectives detailed in the next point of this presentation for the year 2018.
- C. Long-term incentive plan in the terms to be determined by the General Meeting of Shareholders in 2018.

#### **4.2.3. Director - General Manager**

- A. Fixed remuneration:
- Fixed salary: 705,000 euro
  - Benefits for a similar amount to 2017
  - Contributions to providential schemes: approx. 17,000 euro
- B. Variable remuneration: 350,000 euro for 100% attainment of the objectives detailed in the next point of this presentation for the year 2018.
- C. Long-term incentive plan in the terms to be determined by the General Meeting of Shareholders in 2018.

#### **4.3. Long-term incentive plan 2018**

In 2018, it is planned to submit a new Long-term Incentive Plan to the General Meeting of Shareholders; the plan will cover the Chairman, the Managing Director and the Director-General Manager, as well as the Group's senior management and the identified staff.

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, 55% of which will be paid in the form of shares of Banco Sabadell, subject to the deferral periods provided in the applicable regulations and set out in the Banco Sabadell Remuneration Policy, which is five years in the case of executive directors, with the result that the incentive, if any, will be collected in 2022, 2023 and 2024. The shares that are delivered will be subject to a one-year lock-up from the delivery date. The number of rights will be proposed to the General Meeting of Shareholders individually for each executive director. This will not entail dilution in any event due to the absence of new share issues.

The number of rights assigned to each beneficiary will be adjusted in the first quarter of 2019 as a function of their individual attainment of the assigned annual objectives; if attainment is 80% or higher, the beneficiary will retain the amount of shares assigned initially; below 60% attainment will entail forfeiture of all the assigned rights.

Receipt of 100% of the rights will be conditional upon fulfilment of a number of multi-year objectives which cannot, in any event, result in an increase in the number of rights to be settled.

The multi-year performance period will cover the years 2018, 2019 and 2020 (the objectives are detailed in section 5.c of this document).

## 5. Description and assessment of the remuneration targets

Below is described the degree of attainment of the targets for short-term variable remuneration in 2017, the definition of the objectives and assessment methods for the short-term variable remuneration for 2018, and the definition of the multi-year targets for the Long-term Incentive Plan that is to be submitted to the forthcoming General Meeting of Shareholders.

### a) Degree of attainment of the targets for short-term variable remuneration in 2017

The Board of Directors determined the degree of attainment of the following objectives, applying the weightings established at the beginning of the year:

#### 2017 OBJECTIVES

Objective	Weighting	Attainment in 2017
Net profit	15%	98.61%
Risk-adjusted profit	15%	150.00%
Spread + fees	15%	120.31%
Expenses + depreciation and amortisation	15%	71.52%
Reduction in problem assets	10%	118.85%
Cost of risk	10%	91.51%
TSB migration	10%	75.00%
Customer experience	10%	86.52%
<b>Total</b>	<b>100%</b>	<b>103.26%</b>

The Board of Directors empowered the Remuneration Committee to make an adjustment of +/- 25%, on reasoned grounds, in the qualitative assessment of the executive directors' performance.

### b) Definition of objectives and assessment methods for the short-term variable remuneration for 2018

For the calculation of the short-term variable remuneration for 2018, the following objectives were established, and approved by the Board of Directors at a meeting held on 1 February 2018, which broadly coincide with the Group's objectives for the year, including both risk control and management metrics, as well as solvency, capital and strategic objectives, establishing reference figures that coincide with those objectives:

2018 OBJECTIVES	WEIGHTING
Risk-adjusted profit - Economic Value Added	20%
Efficiency	20%
Return on Equity (ROE)	20%
Reduction in problem assets	15%
Strategic indicators	15%
Customer experience	10%

- Risk-adjusted profit (EVA), with a 20% weighting. This indicator will be achieved in full if Banco Sabadell attains the risk-adjusted earnings target set in the 2018 budget. Risk-adjusted profit (EVA) is defined as the sum of two components:
  - Economic Value Added (EVA) generated for shareholders in the year, i.e. the value created in the year in excess of the cost of the minimum capital required (taking into account the risk assumed, based on minimum regulatory capital and the cost of capital).
  - The increase in the bank's available equity, i.e. the variation in the excess tangible book value with respect to the minimum regulatory capital requirement.
- Efficiency, weighted 20%. This indicator will be achieved in full if the ratio of personnel and other administration expenses to gross income attains the level set out in Banco Sabadell's 2018 budget.
- ROE (Return on equity), weighted 20%. This indicator will be achieved in full if Banco Sabadell attains the ROE (excluding corporate transactions) targeted in the 2018 budget.
- Reduction in problem assets, weighted 15%. This indicator will be achieved in full if Banco Sabadell attains the reduction in real estate and doubtful assets targeted in the 2018 budget, defined as the sum of two components:
  - Group real estate assets: Foreclosed real estate outside the Asset Protection Scheme (APS) + 20% of foreclosed real estate inside the Asset Protection Scheme (APS)
  - Doubtful assets: Doubtful real estate assets outside the Asset Protection Scheme (APS) + 20% of doubtful real estate assets inside the Asset Protection Scheme (APS).
- Strategic indicators with regard to Transformation, Brand and Business Banking and market shares, with a weighting of 15%, which will be measured by the increase in synthetic share of the bank's products and services, the increase in market share in Business banking, the increase in brand awareness, and a measurement of the brand and transformation indicators.
- Customer experience (Net Promoter Score), weighted 10%. The customer experience objective is a leading indicator of reputational risk; it measures Banco Sabadell's relative position.

Actual receipt of the variable remuneration will depend on the degree of attainment of the established objectives; the Remuneration Committee is empowered to apply, on reasoned grounds, a qualitative margin of adjustment of +/- 25% to executive directors' performance assessment.

Attainment parameters have been set between 50% and 150% for each of the objectives, based on a non-linear scale of attainment established beforehand by the Remuneration Committee for each objective. Attainment of under 50% is considered as 0% for the purposes of counting attainment.

In order to qualify for variable remuneration, overall attainment of the objectives must exceed 60%. No variable remuneration is earned under 60%, and no additional variable remuneration is earned above 150%.

### c) Definition of the multi-year objectives for the Long-term Incentive Plan

Fulfilment of the Incentive Plan to be submitted to the General Meeting of Shareholders will be measured in the years 2018, 2019 and 2020. The incentive will be of value to the extent that the share appreciates with respect to the reference value. The plan also introduces multi-year objectives that may result in a reduction (but never an increase) in the value of the incentive:

<b>2018-2020 objectives</b>	<b>Weighting</b>
Relative Total Shareholder Return (TSR)	25%
Liquidity Coverage Ratio	25%
Capital (CET1)	25%
Return on Risk Adjusted Capital (RoRAC)	25%

- Relative total shareholder return (TSR): weighted 25%, this will be measured at the end of the period by comparison with the following entities.

#### **Comparables for TSR measurement**

ABN AMRO Group NV	Unione di Banche Italiane, SpA,
Bankia, S.A.	Caixabank S.A.
Banco Santander, S.A.	Natixis, S.A.
Mediobanca Banca di Credito Finanziario SpA	Banco BPM SpA
Bankinter S.A.	Nordea Bank AB
BBVA, S.A.	KBC Groep NV
Skandinaviska Enskilda Banken AB	Intesa Sanpaolo SpA
Swedbank AB	Société Générale, S.A.
Crédit Agricole, SA	

TSR performance will be measured using the arithmetic means, rounded to the third decimal place, of the closing price of the share in the first twenty trading sessions following:

- The beginning of the measurement period (1 January 2018).
- The end of the measurement period (31 December 2018).

If Banco Sabadell's TSR at the end of the period is:

- Among the bottom three in the sample, this will be classified as 0% attainment of the objective.
- Between the bottom three and the median of the sample, this will be classified as 50% attainment of the objective.
- Between the median and the top eight in the sample, this will be classified as 75% attainment of the objective.
- Among the top eight in the sample, this will be classified as 100% attainment of the objective.
- Liquidity Coverage Ratio: with a 25% weighting, attainment of the target in connection with the Liquidity Coverage Ratio will be measured on the basis of the level established in the bank's RAS (Risk Appetite Statement). If that objective is exceeded, this will be classified as 100% attainment of the indicator. Failure to achieve that objective will be classified as 0% attainment.
- Capital (CET1): with a 25% weighting, attainment of the target in connection with CET1 will be measured on the basis of the level established in the bank's RAS (Risk Appetite Statement). If that objective is exceeded, this will be classified as 100% attainment of the indicator. Failure to achieve that objective will be classified as 0% attainment.
- RoRAC: with a 25% weighting, attainment of the target in connection with the RoRAC will be measured on the basis of the cost of equity. Exceedance of that objective will be classified as 100% attainment of the indicator. Failure to achieve that objective will be classified as 0% attainment.

The aforementioned indicators will be measured in the first quarter of 2021; the number of rights may be reduced (but never increased) in line with the percentage achievement of objectives, where this is less than 100%.

## 6. Executive directors' contracts

The contracts of Banco Sabadell's executive directors conform to the usual parameters in senior management contracts and meet the legal requirements for contracts of this type, with the following main terms and conditions:

- Contract term: Indefinite
- Fixed remuneration: In accordance with the terms and conditions set out 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 the Annual Report on Director Remuneration.
- Providential schemes: In accordance with the terms and conditions set out in the Annual Report on Director Remuneration.
- Benefits and flexible remuneration programmes: those established by the Bank for all employees, in the same conditions as the other beneficiaries.
- Confidentiality: applicable during the contract term and thereafter.
- Regulation of the use and restitution of company property.
- Indemnity clause providing for the equivalent of two year's total remuneration in the event of early termination.

## ANNEX 1

### ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

#### ISSUER IDENTIFICATION DATA

**DATE OF END OF REFERENCE YEAR**

31/12/2017

**TAX ID NUMBER**

A-08000143

**CORPORATE NAME**

Banco de Sabadell, S.A.

**DOMICILE**

AVENIDA ÓSCAR ESPLÁ, 37 - ALICANTE

# ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

## A Company Remuneration Policy for the current year

A1. Describe the Company's remuneration policy. Include the following information in this section:

- General principles and fundamentals of the remuneration policy.
- Most significant changes in the remuneration policy with respect to the previous year and changes made during the year to the conditions for the exercise of previously awarded options.
- Criteria used and composition of groups of comparable companies whose policies have been considered in establishing the company's remuneration policy.
- The proportion between variable and fixed remuneration and standards for determining the components of the directors' remuneration package.

### Describe the remuneration policy

The Remuneration Policy (the "Policy") of Banco de Sabadell, S.A. ("Banco Sabadell", the "Bank" or the "entity") 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 Policy complies with the European Directives and Regulations and with the existing legislation, particularly Law 10/2014, of 26 June, on ordering, supervision and solvency of credit institutions, Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on ordering, supervision and solvency of credit institutions, and the EBA Guidelines on Internal Governance (GL 44), as well as Bank of Spain Circular 2/2016, of 2 February, to credit institutions, on supervision and capital adequacy, which completes the adaptation of Spanish law to Directive 2013/36/EU and Regulation (EU) 575/2013.

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

1. Promote medium- and long-term business and social 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 Bank'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.
  - Aligning with market standards and flexible to adapt to changes in the situation and in the demands of the sector.
3. Reward performance, by aligning remuneration with the results achieved by the individual and level of risk assumed:
  - An appropriate balance between the various components of the remuneration.
  - Consideration of current and future risks and results, not encouraging the assumption of risks that exceed the level tolerated by the entity.
  - Simple, transparent and clear system. The remuneration policy must be understandable and easy to communicate to the entire workforce.

Apart from the Director Remuneration Policy, which was approved by the General Meeting of Shareholders on 31 March 2016 for the years 2016, 2017 and 2018, the Banco Sabadell Remuneration Policy comprises: the Remuneration Policy for Senior Management, the Remuneration Policy for the Group's Designated Collective, the Remuneration Policy for the Banco Sabadell Group and the specific remuneration policies of the group companies, including the Remuneration Policy for Banco Sabadell Spain.

The Remuneration Policy (made up of the policies listed above) was reviewed by the Remuneration Committee on 26 January 2018 in order to adapt it to the most recent applicable regulations, and the necessary amendments were made to ensure it is aligned with the law and best practices in the field of corporate governance.

Based on a proposal from that Committee, the Board of Directors approved the Banco Sabadell Remuneration Policy at a meeting on 1 February 2018.

Since the Director Remuneration Policy, approved by the General Meeting of Shareholders on 31 March 2016 for the years 2016, 2017 and 2018, includes both the remuneration system for directors for their duties as members of the Board of Directors and the remuneration system applicable to directors performing executive functions, which is the same as that applied to members of senior management, the new remuneration policy for directors for the period 2018-2020 will be submitted to the next General Meeting of Shareholders in order to incorporate the new features and criteria set out in the Banco Sabadell Senior Management Remuneration Policy.

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 and variable remuneration, and a distribution of remuneration between the short and long term, safeguarding the rights and interests of customers.

The components into which the remuneration of all Banco Sabadell employees, including senior management, is structured are the following:

- A sufficient amount of fixed remuneration so as not to encourage excessive risk-taking. This includes the following items:
  - Fixed salary, which comprises the sum of guaranteed remuneration components linked to the set of functions and responsibilities of the person's position and that recognise the employee's contribution in that position.
  - Benefits, which aim to complement the monetary and non-monetary remuneration with other elements that increase the loyalty and commitment on the part of Banco Sabadell employees. Benefits apply to all Banco Sabadell employees, including members of the identified staff and senior management, using the same criteria. Benefits may vary according to territory, the sector and/or the collective agreement that is applicable to the employee.
  - Pension benefits and providential schemes, which vary in type and amount depending on the group to which the employee belongs, in order to cover retirement and other contingencies appropriate to the nature of the functions performed by certain employees. At the proposal of the Remuneration Committee, the Board of Directors may assign specific providential plans to members of senior management and the identified staff.
- Short-term variable remuneration, which is defined annually and whose main purpose is to reward performance during the year measured through objectives aligned with the risk incurred. The main goals of the short-term variable remuneration are to promote the attainment of the short- and medium-term strategic objectives without encouraging risk-taking in excess of the level tolerated by the entity, as well as motivating employees to improve their performance. The payment of this variable remuneration in the case of the members of the identified staff and of senior management is deferred and paid in equity instruments, in accordance with the applicable regulations and with decisions by the competent bodies.
- Long-term remuneration for the members of the senior management and the identified staff, which 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 an amount and multi-year objectives may be established, in combination with the executive's performance; or a proposal, for approval by the General Meeting of Shareholders, of a system based on the appreciation of the share price tied to the attainment of certain multi-year objectives in combination with the individual's performance, which is deferred and paid in equity instruments in accordance with the applicable regulations and the decisions of the competent bodies, thus aligning the remuneration with long-term results and with the interests and risks of the shareholders.

The long-term supplementary incentive programme 2016-2019, approved by the General Meeting of Shareholders on 31 March 2016, and the supplementary incentive programme based on the appreciation of Banco Sabadell shares in 2017-2020, approved by the General Meeting of Shareholders on 30 March 2017, are currently in force. It is planned to propose to the General Shareholders' Meeting a new incentive plan based on the share's appreciation that is similar to previous years' plans but which will incorporate multi-year objectives for the group and additionally the assessment of the individual performance by each member of the identified staff and senior management, in accordance with the EBA guidelines; specific allocation of this remuneration will be decided by the Board of Directors once it is approved by the General Meeting of Shareholders.

The variable remuneration for executive directors, senior management and the identified staff in a given year may amount to at most 100% of one year's fixed remuneration. As in previous years, it is planned to ask the General Meeting of Shareholders to raise that the ceiling to 200% of the fixed annual remuneration for a limited number of persons based on the nature of their duties and in the cases expressly set out in the Policy, without there being any discretionality at the time of its recognition by the Remuneration Committee. The variable remuneration of the executive directors, senior management and the identified staff is deferred and paid in equity instruments in the following terms and percentages:

- Deferral by five years for executive directors and members of senior management and three years for the rest of the identified staff.
- Deferral of at least 60% in the case of executive directors and for those members of senior management and the identified staff with especially high remuneration. Deferral of at least 40% for the other members of senior management and the identified staff.
- Deferred variable remuneration is paid in shares of Banco Sabadell in the proportion of 55% for executive directors and members of senior management and 50% for the rest of the identified staff.

The term "especially high variable remuneration" is defined as amounting to over 1.5 million euro.

The shares received by executive directors as variable remuneration are under lock-up for a period of one year after their delivery.

Unless they own shares amounting to the equivalent of twice their variable annual remuneration, executive directors may not dispose of the shares they receive until at three years have elapsed from the time of delivery. The above condition will not apply to any shares that the director must dispose of to cover tax obligations related to their delivery.

Executive directors, members of senior management and the rest of the identified staff may not use personal hedging strategies with ad hoc financial products or any mechanism that guarantees that they will collect part or all of the remuneration.

In the case of executive directors, members of senior management and the identified staff, their short-term variable remuneration and long-term remuneration may be subject to reduction (malus clause) in the deferral period and clawback in the deferral and lock-up period, if the Board of Directors so decides on the basis of a proposal by the Remuneration Committee. Those clauses will apply in the following events:

- Where malice or gross negligence by an executive results in material restatement of the group's consolidated financial statements, at the criterion of the external auditors.

- Where a breach by the executive of internal regulations or internal codes of conduct, including, in particular, those relating to risks, is classified as serious or very serious (in the case of malus clauses) or very serious (in the case of clawback clauses).
- Where malice or gross negligence on the part of the executive results in a serious failure in the entity's risk management.
- Where malice or gross negligence on the part of the executive results in a material change in the entity's regulatory or economic capital base.

Variable remuneration is subject to ex ante adjustments to ensure its alignment to risk. This remuneration will not accrue, or will be reduced, if the capital of the bank is lower than the Maximum Distributable Amount (MDA) or if the Remuneration Committee decides to apply a correction factor due to the Group's risks or results.

Each year, Banco Sabadell uses the Spencer Stuart Board Index 2017 and the assistance of Willis Towers Watson to perform a comparative analysis of the remuneration of the Board of Directors, the executive directors, the members of senior management and the members of the identified staff.

To establish the remuneration of the executive directors in 2018, a group of 16 European banks (Crédit Agricole, Groupe Société Générale, Santander, BBVA, Intesa San Paolo, Nordea Bank, Natixis, ABN Amro Group, CaixaBank, Skandinaviska Enskilda Banken, KBC Groep, Swedbank, Bankia, Unione di Banche Italiane, Mediobanca and Bankinter), and another domestic set with a peer group consisting of 10 Spanish IBEX-35 companies with a market capitalisation of more than 6,000 million euro (Santander, BBVA, Gas Natural Fenosa, Ferrovial, CaixaBank, Abertis, Amadeus, Bankia, Red Eléctrica, Bankinter) are used, which provide guidance in determining the remuneration mix as well as the competitiveness of the remuneration assigned to them. The same sample of IBEX-35 companies indicated above was used for senior management. This ensures that the remuneration of executive directors and senior management is in line with market parameters.

Banco Sabadell also carries out, on an annual basis and with the advice of Willis Towers Watson, a comparative analysis of the individual remuneration of the other members of the identified staff, as well as a joint analysis of the remuneration of the rest of the workforce. From those analyses it can be concluded that Banco Sabadell's Remuneration Policy is in line with market parameters.

Members of the Banco Sabadell Board of Directors who do not have executive functions collect only an amount of fixed remuneration plus meeting fees, capped at fees for at most 11 ordinary meetings; directors may collect per diems for at most two meetings per year which they miss for justified reasons provided that they grant proxy in those cases. No amounts are payable for attendance at extraordinary meetings of the Board of Directors.

In addition, they receive other amounts for chairing or being a member of Board sub-committees, and of any of Banco Sabadell's Advisory Boards.

Non-executive directors do not qualify for the remuneration or benefits that apply to Bank employees, identified staff or senior management, and they are not members of the long-term incentive schemes based on share price appreciation that the General Meeting of Shareholders has adopted.

**A2. Information on the preparatory work and decision-making process followed to determine the remuneration policy and the role, if any, performed by the Remuneration Committee and other supervisory bodies in shaping the remuneration policy. This information should include any mandate given to the remuneration committee, its composition and the identity of the external consultants whose services have been used to define the remuneration policy. Also describe the category of any directors who participated in the definition of the remuneration policy.**

**Describe the process for determining the remuneration policy**

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 Remuneration Committee of a listed company has the power to make proposals to the Board of Directors with regard to the director remuneration policy and the individual compensation and other contractual conditions of the executive directors, and for overseeing their compliance. 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.

In accordance with the provisions of article 62 of the Articles of Association, at the end of 2017, Banco Sabadell's Remuneration Committee comprised four non-executive directors, all of whom are independent directors, as follows:

- Chair (Independent), Ms. AURORA CATÁ SALA
- Member (Independent), Mr. ANTHONY FRANK ELLIOTT BALL
- Member (Independent), Ms. MARÍA TERESA GARCÍA-MILÀ LLOVERAS
- Member (Independent), Mr. GEORGE DONALD JOHNSTON
- Secretary (not a director), Ms. MARÍA JOSÉ GARCÍA BEATO

The composition of the Remuneration Committee changed as follows in 2017:

- On 21 September 2017, the Board of Directors of Banco Sabadell resolved to appoint Mr. Anthony Frank Elliott Ball (Independent) as member of the Remuneration Committee in place of Mr. Joaquín Folch-Rusiñol Corachán (External).
- On 26 October 2017, the Board of Directors of Banco Sabadell resolved to appoint Mr. George Donald Johnston (Independent) as a member of the Remuneration Committee.

Each year the Human Resources Department of Banco Sabadell draws up a report on remuneration to enable the Remuneration Committee to discharge its duties properly. The 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 Banco Sabadell's remuneration policy and with supervising the remuneration of executive directors, the Bank's senior management and the other persons in the identified staff.

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.

In addition to receiving advice from the bank's internal units, the Remuneration Committee obtains any external advice it may need for that purpose. In this regard, specialised consulting firm Mercer Consulting S.L. issued an independent assessment on the implementation of the remuneration policy, confirming that the policy was being applied properly; that report was submitted to the Risk Committee and the Remuneration Committee in January 2018.

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.

**A3. Indicate the amount and nature of the fixed components, with a breakdown, where necessary, of the remuneration for the performance of senior management functions by the executive directors, the additional remuneration for acting as chairman or member of any board committee, per diem payments for attendance at meetings of the Board and its committees and other fixed payments for directorship, and an estimate of the fixed annual remuneration to which they give rise. Identify other benefits not paid in cash and the parameters on which they are based.**

<b>Describe the fixed components of remuneration</b>
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As referred to in section A.1, a distinction is made between the remuneration of the directors for the exercise of their functions as members of the Board of Directors and the remuneration of those directors who also perform executive functions.

Under the Remuneration Policy that is expected to be approved by the forthcoming General Meeting of Shareholders, members of the Board of Directors will collect, in 2018, for their duties as directors, an amount of fixed remuneration plus meeting fees, capped at fees for at most 11 ordinary meetings; directors may collect per diems for at most two meetings per year which they miss for justified reasons provided that they grant proxy in those cases. No amounts are payable for attending extraordinary meetings of the Board of Directors.

Those amounts are as follows:

- Chair: 175,650 euro of fixed remuneration and at most 58,000 euro in attendance fees (5,273 euro per meeting)
- Vice-Chair: 95,250 euro of fixed remuneration and at most 31,750 euro in attendance fees (2,886 euro per meeting)
- Other members: 75,000 euro of fixed remuneration and at most 25,000 euro in attendance fees (2,272 euro per meeting)
- Lead Independent Director: 22,000 euro for that function.

In addition to their remuneration for membership of the Board of Directors, executive directors are remunerated for discharging their executive duties, but they do not receive any remuneration for chairing, belonging to or attending meetings of the Board's subcommittees or the Boards of Directors of other group companies.

Non-executive directors will collect the following additional amounts for membership of Board sub-committees and for the group's Advisory Boards:

- Audit and Control Committee:
  - Chair: 40,000 euro
  - Members: 20,000 euro
- Appointments Committee:
  - Chair: 20,000 euro

- Members: 10,000 euro
- Remuneration Committee:
  - Chair: 40,000 euro
  - Members: 20,000 euro
- Risk Committee:
  - Chair: 70,000 euro
  - Members: 20,000 euro
- Executive Committee: 80,000 euro

The chair of the SabadellGuipuzcoano Advisory Board will receive at most 30,600 euro and members of the SabadellGuipuzcoano Advisory Board will receive up to 15,300 euro. Members of the Sabadell Urquijo Advisory Board will receive at most 15,000 euro.

The fixed remuneration for executive directors for performing executive functions in 2018 was approved by the Bank's Board of Directors on 1 February 2018, at the proposal of the Remuneration Committee, having consideration for their high levels of responsibility. The remuneration amounts were also based on comparable situations in the market, on the basis of the survey by specialised consulting firm Willis Towers Watson.

The amounts established for 2018 are 1,701,000 euro for the Chairman; 1,350,000 euro for the Managing Director, and 705,000 for the Director-General Manager.

#### A4. Describe the amount, nature and main characteristics of the variable components of the remuneration systems.

In particular:

- Detail the amount, date of approval, date of implementation, effective period and the main characteristics of the remuneration plans of which the directors are beneficiaries. For plans involving stock options and other financial instruments, the general features of the plan must include information on the conditions for exercising such options or financial instruments for each plan.
- Indicate any payments made under profit-sharing or bonus schemes, and the reason why they were granted.
- Detail the basic parameters and grounds for any annual bonus scheme.
- The types of directors (executive directors, proprietary external directors, independent external directors or other external directors) that are beneficiaries of remuneration systems or plans that incorporate variable remuneration.
- The foundations of such variable remuneration systems or plans, the criteria chosen to assess performance as well as the components and methods for determining whether or not the criteria have been met, and an estimate of the total amount of variable remuneration that would result from the current compensation plan, as a function of the degree to which targets or benchmarks have been met.
- Where appropriate, give information on any deferral periods or deferral of payment established and/or retention periods for shares or other financial instruments.

<b>Describe the variable components of the remuneration systems</b>
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In accordance with the Banco Sabadell Director Remuneration Policy, directors do not collect variable remuneration for their status as such; only executive directors receive variable remuneration, for performing their executive functions.

##### 1. Short-term variable remuneration

For the calculation of the short-term variable remuneration for 2018, the following objectives were established, and approved by the Board of Directors at a meeting held on 1 February 2018, which broadly coincide with the group's objectives for the year, including both risk control and management metrics, as well as solvency, capital and strategic objectives, establishing reference figures that coincide with those objectives:

2018 Objectives	Weighting
Risk-adjusted profit - Economic Value Added	20%
Efficiency	20%
Return on Equity (ROE)	20%
Reduction in problem assets	15%
Strategic indicators	15%
Customer experience	10%

- Risk-adjusted profit (EVA), with 20% weighting. This indicator will be achieved in full if Banco Sabadell attains the risk-adjusted earnings target set in the 2018 budget. Risk-adjusted profit (EVA) is defined as the sum of two components:
  - EVA (Economic Value Added) generated for shareholders in the year, i.e. the value created in the year in excess of the cost of the minimum capital required (taking into account the risk assumed, based on minimum regulatory capital and the cost of capital).
  - The increase in the bank's available equity, i.e. the variation in the excess tangible book value with respect to the minimum regulatory capital requirement.
- Efficiency, weighted 20%. This indicator will be achieved in full if the ratio of personnel and other administration expenses to gross income attains the level set out in Banco Sabadell's 2018 budget.
- ROE (Return on equity), weighted 20%. This indicator will be achieved in full if Banco Sabadell attains the ROE (excluding corporate transactions) targeted in the 2018 budget.
- Reduction in problem assets, weighted 15%. This indicator will be achieved in full if Banco Sabadell achieves the reduction in real estate and doubtful assets targeted in the 2018 budget, defined as the sum of two components:
  - Group real estate assets: Foreclosed real estate outside the Asset Protection Scheme (APS) + 20% of foreclosed real estate inside the Asset Protection Scheme (APS)
  - Doubtful assets: Doubtful real estate outside the Asset Protection Scheme (APS) + 20% of doubtful real estate assets inside the Asset Protection Scheme (APS).
- Strategic indicators with regard to Transformation, Brand and Business Banking and market shares, with a weighting of 15%, which will be measured by the increase in synthetic share of the bank's products and services, the increase in market share in Business banking, the increase in brand awareness, and a measurement of the brand and transformation indicators.
- Customer experience (Net Promoter Score), weighted 10%. The customer experience objective is a leading indicator of reputational risk; it measures Banco Sabadell's relative position.

Actual receipt of the variable remuneration will depend on the degree of attainment of the established objectives; the Remuneration Committee is empowered to apply, on reasoned grounds, a qualitative margin of adjustment of +/- 25% to executive directors' performance evaluation.

Attainment parameters were set between 50% and 150% for each of the objectives, based on a non-linear scale of attainment established beforehand by the Remuneration Committee for each objective. Attainment of under 50% is considered as 0% for the purposes of counting attainment.

In order to qualify for variable remuneration, overall attainment of the objectives must exceed 60%. No variable remuneration is earned under 60%, and no additional variable remuneration is earned above 150%.

The reference amounts for the executive directors' variable remuneration for 2018 are as follows: 1,300,000 euro for the Chairman; 1,100,000 euro for the Managing Director; and 350,000 for the Director-General Manager, based on 100% attainment of the objectives.

Actual receipt of the short-term variable remuneration described in the preceding paragraph will be as follows:

- 40% of the executive directors' variable remuneration for 2018 will be paid in 2019, half in cash and half in Banco Sabadell shares, which will be subject to a one-year lock-up.
- 60% of the executive directors' variable remuneration for 2018 will be deferred over a five-year period, with one-fifth being paid in each of the years 2020, 2021, 2022, 2023 and 2024, 45% in cash and 55% in Banco Sabadell shares, which will be subject to a one-year lock-up.

## 2. Long-term incentive plans

In accordance with the Director Remuneration Policy approved by the General Meeting of Shareholders on 31 March 2016, executive directors are beneficiaries of the following current incentive plans, granted in previous years:

- a) 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.

ICLP 2016 is implemented through 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, to be paid entirely in the form of 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.



The incentive will be calculated by taking, as the initial unit value of the Banco Sabadell share, the arithmetic mean, rounded to the third decimal place, of the closing prices of the Banco Sabadell share in the twenty trading sessions preceding the date of the Board of Directors meeting in February 2016, i.e. 1.494 euro. The final value will be taken to be the arithmetic mean, rounded to the third decimal place, of the closing price of the Banco Sabadell share in the first twenty trading sessions of March 2019.

- b) Supplementary incentive based on appreciation by the Banco Sabadell share 2017-2020 "the Incentive", approved by the General Meeting of Shareholders on 30 March 2017.

The incentive is implemented through 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, to be paid entirely in the form of 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.

The incentive will be calculated by taking, as the initial unit value of the Banco Sabadell share, the arithmetic mean, rounded to the third decimal place, of the closing prices of the Banco Sabadell share in the first twenty trading sessions of the year 2017, i.e. 1.353 euro. The final value will be taken to be the arithmetic mean, rounded to the third decimal place, of the closing price of the Banco Sabadell share in the first twenty trading sessions of March 2020.

- c) In 2018, it is planned to present a new long-term incentive plan to the General Shareholders' Meeting covering the Chairman, the Managing Director, the Director-General Manager and the Group's senior management and identified staff that, in addition to being based on the share's appreciation, will take account of the attainment of multi-year objectives in accordance with the new criteria of the Banco Sabadell remuneration policies and the Director Remuneration Policy, an amendment to which will also be laid before the forthcoming 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, 55% of which will be paid in the form of shares of Banco Sabadell, applying the deferral envisaged in the applicable regulations and set out in the Banco Sabadell Remuneration Policy, which is five years in the case of executive directors, so that the incentive, if any, will be collected in 2022, 2023 and 2024. The shares that are delivered will be subject to a one-year lock-up from the delivery date. The number of rights will be proposed to the General Meeting of Shareholders individually for each executive director. This will not entail dilution in any event due to the absence of new share issues.

The number of rights assigned to each beneficiary will be adjusted in the first quarter of 2019 as a function of their individual attainment of the assigned annual objectives; if attainment is 80% or higher, the beneficiary will retain the amount of shares assigned initially; below 60% attainment will entail forfeiture of all the assigned rights. The multi-year objectives for executive directors are as set out above.

The multi-year performance measurement period for the Incentive Plan to be presented to the General Meeting of Shareholders covers the years 2018, 2019 and 2020. The incentive will be of value to the extent that the share appreciates with respect to the reference value. The plan also introduces multi-year objectives that may result in a reduction (but never an increase) in the value of the incentive:

2008-2009 objectives	Weighting
Relative Total Shareholder Return (TSR)	25%
Liquidity Coverage Ratio	25%
Capital (CET1)	25%
Return on Risk Adjusted Capital (RoRAC)	25%

- Total shareholder return (TSR), weighted 25%. TSR will be calculated by comparison with the following entities: ABN AMRO Group NV, Bankia, S.A., Banco Santander, S.A., Mediobanca Banca di Credito Finanziario SpA, Bankinter S.A., Banco Bilbao Vizcaya Argentaria, S.A., Skandinaviska Enskilda Banken AB, Swedbank AB, Unione di Banche Italiane, SpA, Caixabank S.A., Natixis, S.A., Banco BPM SpA, Nordea Bank AB, KBC Groep NV, Intesa Sanpaolo SpA, Société Générale, S.A. and Crédit Agricole, SA.

The variation in the TSR will be based on the arithmetic mean, rounded to three decimal places, of the share's closing price in the first twenty sessions following:

- The beginning of the measurement period (1 January 2018).
- The end of the measurement period (31 December 2018).

If Banco Sabadell's TSR at the end of the period is:

- Among the bottom three in the sample, this will be classified as 0% attainment of the objective.
- Between the bottom three and the median of the sample, this will be classified as 50% attainment of the objective.
- Between the median and the top eight in the sample, this will be classified as 75% attainment of the objective.
- Among the top eight in the sample, this will be classified as 100% attainment of the objective.
- Liquidity Coverage Ratio, weighted 25%. Attainment of the target in connection with the Liquidity Coverage Ratio will be measured on the basis of the level established in the bank's RAS (Risk Appetite Statement). If that objective is exceeded, this will be classified as 100% attainment of the indicator. Failure to achieve that objective will be classified as 0% attainment.

- CET 1, weighted 25%. Attainment of the target in connection with CET1 will be measured on the basis of the level established in the bank's RAS (Risk Appetite Statement). If that objective is exceeded, this will be classified as 100% attainment of the indicator. Failure to achieve that objective will be classified as 0% attainment.
- RoRAC, weighted 25%. Attainment of the target in connection with the RoRAC will be measured on the basis of the cost of equity. If that objective is exceeded, this will be classified as 100% attainment of the indicator. Failure to achieve that objective will be classified as 0% attainment.

The aforementioned indicators will be measured in the first quarter of the year 2021; the number of rights may be reduced (but never increased) in line with the percentage achievement of objectives, where this is less than 100%.

Executive directors will receive the incentive they have earned, 45% in cash and 55% in Banco Sabadell shares, according to the following schedule:

- 60% in the first four months of 2022
- 20% in the first four months of 2023
- 20% in the first four months of 2024

Section D.1 details each of the supplementary incentive plans for each beneficiary, using a method adjusted for delta (sensitivity of the price of the instrument to the price of the underlying security), multiplying the number of underlying shares by the delta of the instrument both at the beginning and at the end of the year.

The amounts payable under these Supplementary Incentives will be subject to reduction clauses (malus) and to clawback of the variable remuneration paid, as detailed above. All shares that are delivered will be subject to a one-year lock-up from the delivery date.

Additionally, the executive directors are beneficiaries of the providential system, as detailed in section A.5.

**A5. Describe the main features of the long-term savings systems, including retirement and any other survivorship benefit, that are partly or wholly funded by the company, whether endowed internally or externally, with an estimate of their amount or annual equivalent cost, indicating the type of plan, whether defined-contribution or defined-benefit, the conditions for the vesting of the directors' economic rights and their compatibility with any type of severance payment for early cancellation or termination of the contractual relationship between the company and the director.**

Also indicate payments made to any director's defined-benefit pension scheme; or any increase in the director's vested rights with regard to contributions to defined-benefit schemes.

<b>Describe the long-term saving systems</b>
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The long-term saving systems are detailed below, along with their individual characteristics and amounts allocated and accumulated in 2017, and the projections for 2018. Those systems apply to executive directors only.

- A defined-contribution group life insurance policy for the Board of Directors, which pays out in the form of a lump sum when each beneficiary ceases to be a director and is compatible with the termination indemnities envisaged in section A.7; this currently applies only to the Chairman and the Director General-Manager. The beneficiaries are as follows: the Chairman, Mr. José Oliu Creus, with a contribution of 32,130 euro in 2017 and 1,279,774 thousand euro accumulated in total, and the Director-General Manager, José Luis Negro Rodríguez, with a contribution of 16,065 euro in 2017 and 206,940 euro accumulated in total. Similar contributions are envisaged in 2018.
- A defined-contribution group insurance policy for executives, which will pay out in the event of retirement, death or total permanent disability, in the form of a lump sum or an equivalent life annuity, and is compatible with the termination indemnities envisaged in section A.7. The beneficiaries are the Chairman, Mr. José Oliu Creus, with a contribution of 143,486 euro in 2017 and 7,214,823 euro accumulated in total (the policy does not provide for additional contributions in subsequent years), and the Director-General Manager, José Luis Negro Rodríguez, with no contribution in 2017 and 5,159,768 euro accumulated in total (the policy does not provide for additional contributions in subsequent years).
- Executive group insurance, in the form of two policies whose beneficiary is the Managing Director, Mr. Jaime Guardiola Romojaro. The first is a defined-benefit policy, with 50% spousal reversion. This Policy may be redeemed upon retirement and includes the possibility of lump-sum surrender in accordance with current law, and it is compatible with any termination indemnities provided for in section A7; contributions in 2017 amounted to 3,410,661 euro as a result of the last ordinary funding instalment under pre-existing contractual commitments, and the accumulated amount is 19,704,156 euro; contributions in 2018 will amount to approximately 760,000 euro due to interest rate and income base adjustments. The second is a defined-contribution policy which will pay out in the event of retirement, death or total permanent disability, in the form of a lump sum, and is compatible with the termination indemnities envisaged in section A.7; the accumulated amount is 2,520,111 euro and the policy does not provide for any contributions in subsequent years.
- Company-sponsored defined-contribution pension plan for Group G, newly created in 2015 by the decision for the voluntary conversion of the members of groups A and A1. The retirement plan will pay out when the beneficiary retires as an executive. The beneficiary is the Director-General Manager, José Luis Negro Rodríguez, and the accumulated amount is 686,103 euro. The promoter made no contribution in 2017 and no further contributions are planned.
- Group B Company Pension Plan (defined-contribution), which will pay out upon retirement as employees of the following beneficiaries: the Chairman, Mr. José Oliu Creus, with a contribution of 1,009 euro in 2017 and an accumulated amount of 19,298 euro; the Managing Director, Mr. Jaime Guardiola Romojaro, with a contribution of 1,009 euros in 2017 and an accumulated amount of 8,478 euro; and the Director-General Manager, Mr. José Luis Negro Rodríguez, with a contribution of 728 euro in 2017 and an accumulated amount of 8,663 euro. Similar contributions are planned in 2018.

**A6. Indicate any indemnity payments agreed or paid in the event of termination as a director.**

**Describe the indemnity payments**

The non-executive directors maintain an organic relationship with Banco Sabadell, they are not under contract to the Bank by virtue of their status as director, and no indemnities have been agreed upon for the event of termination of their position as director.

For executive directors, see section A.7.

**A7. Describe the conditions with which contracts with executive directors for performing senior functions must comply. Among other aspects, give information on the term, limits to the amounts of indemnity, permanence clauses, notice periods and payments in lieu of notice, and any other clauses regarding hiring bonuses, as well as severance payments or golden handshakes for early cancellation or termination of the contractual relationship between the company and the executive director. Include, inter alia, non-compete, exclusivity, permanence or loyalty covenants or agreements and any governing non-competition after termination.**

**Describe the conditions of executive directors' contracts**

The contracts of Banco Sabadell's executive directors conform to the usual parameters in senior management contracts and meet the legal requirements for contracts of this type, with the following main terms and conditions:

- Contract term: Indefinite.
- Fixed remuneration: In the terms and conditions set out in section A.3.
- Short-term variable remuneration and long-term remuneration: In the terms and conditions set out in section A.4.
- Providential schemes: In the terms and conditions set out in section A.5.
- Benefits and flexible remuneration schemes that the bank has established for all its employees, in the same terms as for other beneficiaries.
- Confidentiality: Applicable during the contract term and thereafter.
- Regulation of the use and restitution of company property.
- Indemnity clause providing for the equivalent of two year's total remuneration in the event of early termination.

**A8. Describe any additional remuneration paid to directors for services rendered other than those inherent to their directorship.**

**Describe supplementary remuneration items**

None.

**A9. Indicate any remuneration granted in the form of advances, loans or guarantees, stating the interest rate, key features and any amounts repaid, as well as guarantee obligations assumed on their behalf.**

**Describe the advances, loans and guarantees granted**

None.

**A10. Describe the main features of remuneration in kind.**

**Describe any remuneration in kind**

The executive directors are beneficiaries of the following remuneration in kind, under the same conditions as the rest of the employees or groups of employees who are entitled to each of them.

Group life insurance policy (applicable to all the entity's employees).

Total and permanent disability insurance policy (applicable to all the entity's employees).

Employee loans (applicable to all the entity's employees).

A11. Indicate the remuneration accruing to the director by virtue of payments made by the listed company to a third party in which the director provides services, where such payments are intended to remunerate the director's work in the company.

**Describe the remuneration accruing to the director by virtue of payments made by the listed company to a third party in which the director works.**

None.

A12. Any kind of compensation other than as listed above, of whatever nature and provenance within the group, especially when it qualifies as a related-party transaction or where its omission would detract from a true and fair view of the total remuneration accrued by the director.

**Describe other remuneration items**

None.

A13. Describe the actions taken by the company in connection with the remuneration system to reduce excessive risk exposure and match it to the company's long-term goals, values and interests. Include references to any: measures designed to ensure that the remuneration policy is aligned with the company's long-term performance; measures to provide an appropriate balance between fixed and variable compensation; measures taken in relation to those categories of staff whose work has a material impact on the undertaking's risk profile; clawback formulae or clauses to claim back performance-based variable remuneration when it was paid out on the basis of data that is subsequently proven to be manifestly inaccurate; and measures designed to prevent conflicts of interest, where applicable.

**Describe actions taken to reduce the risks**

Banco Sabadell's Remuneration Policy is aligned with the interests of the shareholders, with the strategy of the Banco Sabadell Group and with the creation of long-term value, promoting appropriate risk management, and it comprises the following elements:

The Risk Committee checks to ensure that employee remuneration programmes are coherent with the bank's risk, capital and liquidity, and provides advice in this respect to the Remuneration Committee.

The Audit and Control Committee supervises the process of drafting and presenting the regulated financial information, including that relating to remuneration, and reviews compliance with the regulatory requirements and proper application of accounting standards.

The Internal Audit Department, within the framework of its functions, carries out an independent examination, at least once per year, of the definition, application and effects of the entity's remuneration policy on its risk profile, and the way in which these effects are managed.

Each year, specialised firm Mercer Consulting, S.L. prepares a Prudential Review of Remuneration in Banco Sabadell for the purpose of guaranteeing that the definition of the entity's identified staff and the remuneration practices and policies relating to same conform to the requirements established in the regulations and interpretations of the EBA and the Bank of Spain.

Each individual's variable annual remuneration is subject to the attainment of certain annual objectives, including a certain percentage of the group objectives, as detailed in section A4, including risk-adjusted earnings and other objectives that include risk parameters.

The total amount of variable remuneration is subject to adjustment at the discretion of the Remuneration Committee, and may even be zero depending on the following parameters:

- A correction factor (downward), based on the assessment of compliance with the Risk Appetite Statement (RAS), control and effective governance, and the non-appearance of material regulatory issues.
- Depending on the group's results, a correction factor which may reduce the variable remuneration to zero or increase it by at most 5% with respect to the amount established at the beginning of the year.
- The possibility of reduction to zero if the bank's capital is less than the Maximum Distributable Amount (MDA).

Long-term variable remuneration is subject to attainment of certain multi-year objectives, including indicators relating to capital (CET 1), liquidity, RoRAC and share performance, in addition to the person's individual performance.

The identified staff's variable remuneration is deferred as follows:

- Deferral by at least 3 years and at most 5 years for senior management and executive directors.
- At least 40% and at most 60% will be deferred in the case of senior management and members of the identified staff whose variable remuneration exceeds 1,500,000 euro.

- The deferred variable annual remuneration will be paid 55% in the form of Banco Sabadell shares in the case of senior management and executive directors, and 50% in the case of the remainder of the identified staff.
- Variable remuneration paid in shares is subject to one-year lock-up.
- The use of personal hedging strategies or any mechanism that guarantees receipt of part or all of the variable remuneration is not permitted.

During the deferral and lock-up periods, the entire amount of variable annual remuneration for the members of the identified staff will be subject to the following reduction (malus) and clawback clauses:

- Where malice or gross negligence by an executive results in material restatement of the group's consolidated financial statements, at the criterion of the external auditors.
- Where a breach by the executive of internal regulations or internal codes of conduct, including, in particular, those relating to risks, is classified as very serious (in the case of clawback clauses) or serious (in the case of malus clauses).
- Where malice or gross negligence on the part of the executive results in a serious failure in the entity's risk management.
- Where malice or gross negligence on the part of the executive results in a material change in the entity's regulatory or economic capital base.

## **B REMUNERATION POLICY PROJECTED FOR FUTURE YEARS**

Derogated.

## **C OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE REPORTING YEAR**

**C1. Give a brief description of the main features of the structure and remuneration items of the remuneration policy applied during the last financial year, with a breakdown of the individual remuneration accrued by each of the directors listed in Section D of this report, and a summary of the resolutions passed by the board to implement those items.**

### **Describe the structure and remuneration items of the remuneration policy applied during the year**

Directors, for non-executive functions

With regard to the remuneration for members of the Board of Directors for their duties as such, as provided by article 85 of the Articles of Association of Banco de Sabadell, S.A., the criteria and amounts applicable for 2016 were maintained in 2017, with the result that the total amount was 1,781,911 euro, i.e. below the maximum overall amount of 2,500,000 euro approved by the General Meeting on 27 March 2014 under item five on the agenda, which also established that this amount would remain in force in subsequent years until amended by a resolution of the General Meeting. A detailed breakdown of this amount is given in section D.1.a) i).

Directors, for exercising executive functions

#### 1. Fixed remuneration

On 26 January 2017, the Board of Directors established the following fixed remuneration for executive directors for performing executive functions in 2017:

- Chairman, 1,701,000 euro
- Managing Director, 1,312,900 euro
- Director-General Manager, 705,000 euro

In addition to those amounts, the executive directors collected the following amounts of benefits and remuneration in kind (both included under Other in the table in section D.1.a) i)).

- Chair: 71,004 euro under group insurance policies and benefits established in the Bank's collective labour agreement.
- Managing Director: 23,425 euro under group insurance policies, employee loans and flexible remuneration
- Director - General Manager: 2,446 euro of flexible remuneration

#### 2. Variable annual remuneration

In connection with the directors' variable annual remuneration for performing executive functions, after the year had concluded, the Board of Directors, at a meeting on 1 February 2018, determined the level of attainment of the following objectives, with the weightings that had been established at the beginning of the year:

- Net profit (15%)
- Risk-adjusted profit (15%)
- Spread + fees (15%)
- Expenses + depreciation and amortisation (15%)
- Reduction of problem assets (10%)

- Cost of risk (10%)
- TSB migration (10%)
- Customer experience (10%)

The Board of Directors empowered the Remuneration Committee to make an adjustment of +/- 25%, on reasoned grounds, in the qualitative assessment of the executive directors' performance.

Overall attainment was 103.26%, with attainment of the individual indicators as follows:

- Net profit, 98.61%
- Risk-adjusted profit, 150.00%
- Spread + fees, 120.31%
- Expenses + depreciation and amortisation, 71.52%
- Reduction in problem assets, 118.85%
- Cost of risk, 91.51%
- TSB migration, 75.00%
- Customer experience, 86.52%

The reference amounts of variable remuneration for the executive directors in 2017, established by the Board of Directors at a meeting on 26 January 2017, were:

- Chairman, 1,300,000 euro
- Managing Director, 1,100,000 euro
- Director-General Manager, 350,000 euro

Based on a proposal by the Remuneration Committee, the Board of Directors determined, at a meeting on 1 February 2018, that the amounts of variable remuneration for 2017 are as follows:

- Chairman: 1,667,380 euro resulting from applying, to the 2017 target (1,300,000 euro) the percentage of 103.26% corresponding to fulfilment of the Group's objectives in 2017, and 25% corresponding to the qualitative assessment provided for in the definition of objectives published in the 2016 Annual Report on Director Remuneration, applied to the Chairman by the Remuneration Committee, based on the importance of the corporate and strategic decisions made in the year that resulted in an increase in the bank's value and capital position.
- Managing Director: 1,135,860 euro, corresponding to 103.26%.
- Director - General Manager: 361,410 euro, corresponding to 103.26%.

Those amounts will be paid in accordance with the criteria for deferral and payment in shares set out in section A.4, resulting in the following amounts:

Payable this year: 40% (half in cash and half in Banco Sabadell shares)

- Chairman: 333,476 euro in cash and 333,476 euro in shares of Banco Sabadell, which are subject to a one-year lock-up.
- Managing Director: 227,172 euro in cash and 227,172 euro in shares of Banco Sabadell, which are subject to a one-year lock-up.
- Director - General Manager: 72,282 euro in cash and 72,282 euro in shares of Banco Sabadell, which are subject to a one-year lock-up.

Those amounts are subject to the malus and clawback clauses detailed in section A.4.

Payable over the next five years. 60% (45% in cash and 55% in Banco Sabadell shares)

- Chairman: 500,214 euro in cash and 500,214 euro in Banco Sabadell shares, subject to a one-year lock-up.
- Managing Director: 340,758 euro in cash and 340,758 euro in Banco Sabadell shares, subject to a one-year lock-up.
- Director - General Manager: 108,423 euro in cash and 108,423 euro in Banco Sabadell shares, subject to a one-year lock-up.

The deferred amounts will be paid in the following five years, one-fifth each year, broken down between cash and shares as indicated earlier.

Those deferred amounts are subject to the malus and clawback clauses detailed in section A.4.

### 3. Long-term variable remuneration

With regard to the variable multi-year remuneration for executive directors, they are beneficiaries of the following incentives:

Supplementary Long-term Incentive 2014-2017

The Supplementary long-term incentive plan linked to the increase in the value of the shares of Banco Sabadell that was approved by the General Meeting of Shareholders on 27 March 2014 concluded on 31 March 2017.

That incentive consisted of the assignment of a specific number of rights to the beneficiaries, which included the right to receive the increase in value of the same number of shares of Banco Sabadell over a given period of time based on the reference share price, to be paid in the form of delivery of shares of the bank itself.

Since the initial benchmark value, updated to account for the rights issue performed by Banco Sabadell on 24 April 2015, was 1.750 euro, no payment was due under that incentive plan since the share price had not appreciated during the term of the incentive plan. Therefore, the 2,816,884 rights assigned to the Chairman, 2,491,859 rights assigned to the Managing Director and the 1,300,100 rights assigned to the Director-General Manager did not result in the delivery of any Banco Sabadell shares to them.



#### Supplementary Long-term Incentive 2016-2019

The executive directors are beneficiaries of the Supplementary long-term incentive 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. That Incentive consists of the assignment of a specific number of rights to the beneficiaries, which include the right to receive the increase in value of the same number of shares of Banco Sabadell over a given period of time based on the reference share price, which will be paid in the form of delivery of shares of the Bank itself.

The Incentive will be calculated by taking the initial unit value of the shares of Banco Sabadell to be the arithmetic mean, rounded to the third decimal place, of the closing prices of Banco Sabadell share in the twenty trading sessions preceding the date of the Board of Directors meeting in February 2016, i.e. 1.494 euro.

The final value will be taken to be the arithmetic mean, rounded to the third decimal place, of the closing price of the Banco Sabadell share in the first twenty trading sessions of March 2019.

That General Meeting of Shareholders approved the assignment of 1,600,000 rights to the Chairman, 1,400,000 rights to the Managing Director and 800,000 rights to the Director-General Manager.

#### Supplementary Long-term Incentive 2017-2020

On 30 March 2017, the General Meeting of Shareholders approved the Supplementary Incentive programme based on the appreciation of Banco Sabadell shares, which expires on 30 April 2020. The Incentive will consist of the assignment of a specific number of rights to the beneficiaries, which include the right to receive the increase in value of the same number of shares of Banco Sabadell over a given period of time based on the reference share price, to be paid in the form of delivery of shares of Banco Sabadell itself.

The incentive will be calculated by taking, as the initial unit value of the Banco Sabadell share, the arithmetic mean, rounded to the third decimal place, of the closing prices of the Banco Sabadell share in the first twenty trading sessions of the year 2017, i.e. 1.353 euro.

The final value will be taken to be the arithmetic mean, rounded to the third decimal place, of the closing price of the Banco Sabadell share in the first twenty trading sessions of March 2020.

The aforementioned General Meeting approved the allocation of 1,700,000 rights in connection with shares to the Chairman, 1,500,000 rights in connection with shares to the Managing Director and 800,000 rights in connection with shares to the Director-General Manager.

#### 4. Long-term savings systems

The long-term savings systems are disclosed in section A.5; the following contributions were made in 2017:

Defined-contribution group insurance policy for the Board of Directors: the Chairman, Mr. José Oliu Creus, with a contribution of 32,130 euro in 2017 and 1,279,774 euro accumulated in total, and the Director-General Manager, José Luis Negro Rodríguez, with a contribution of 16,065 euro in 2017 and 206,940 euro accumulated in total.

Executive defined-contribution group insurance policy: The Chairman, Mr. José Oliu Creus, with a contribution due to adjustment of variables amounting to 143,486 euro and an accumulated amount of 7,214,823 euro.

Executive group insurance, instrumented in two policies: The Managing Director, Mr. Jaime Guardiola Romojaro, under a defined-benefit policy, with 50% spousal reversion; the contribution was 3,410,661 euro and the accumulated amount is 19,704,156 euro.

Employer Group Pension Plan B (defined contribution): The Chairman, Mr. José Oliu Creus, with a contribution of 1,009 euro in 2017 and an accumulated amount of 19,298 euro; the Managing Director, Mr. Jaime Guardiola Romojaro, with a contribution of 1,009 euro in 2017 and an accumulated amount of 8,478 euro; and the Director-General Manager, Mr. José Luis Negro Rodríguez, with a contribution of 728 euro in 2017 and an accumulated amount of 8,663 euro.

Note D.1.a) i) - The amount indicated in the "Other items" column for the executive directors corresponds to the amounts of remuneration in kind and benefits; in the case of non-executive directors, it refers to the remuneration for attendance at meetings of the entity's Advisory Boards.

**D BREAKDOWN OF INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR**

<b>Name</b>	<b>Type</b>	<b>Accrual period in 2017</b>
JOSÉ OLIU CREUS	Executive	From 01/01/2017 to 31/12/2017.
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	Independent	From 01/01/2017 to 31/12/2017.
JAIME GUARDIOLA ROMOJARO	Executive	From 01/01/2017 to 31/12/2017.
ANTHONY FRANK ELLIOTT BALL	Independent	From 21/09/2017 to 31/12/2017
AURORA CATÁ SALA	Independent	From 01/01/2017 to 31/12/2017.
JOAQUÍN FOLCH-RUSIÑOL CORACHÁN	External	From 01/01/2017 to 27/07/2017.
PEDRO FONTANA GARCIA	Independent	From 21/12/2017 to 31/12/2017.
MARIA TERESA GARCIA-MILÀ LLOVERAS	Lead independent director	From 01/01/2017 to 31/12/2017.
GEORGE DONALD JOHNSTON	Independent	From 05/10/2017 to 31/12/2017
JOSÉ MANUEL LARA GARCÍA	External	From 01/01/2017 to 31/12/2017.
JOAN LLONCH ANDREU	Independent	From 01/01/2017 to 25/05/2017.
DAVID MARTÍNEZ GUZMÁN	Proprietary	From 01/01/2017 to 31/12/2017.
JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	Independent	From 01/01/2017 to 31/12/2017.
JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	Independent	From 01/01/2017 to 31/12/2017.
ANTÓNIO VÍTOR MARTINS MONTEIRO	Proprietary	From 01/01/2017 to 20/01/2017.
JOSÉ LUIS NEGRO RODRÍGUEZ	Executive	From 01/01/2017 to 31/12/2017.
MANUEL VALLS MORATÓ	Independent	From 26/01/2017 to 31/12/2017
DAVID VEGARA FIGUERAS	Independent	From 01/01/2017 to 31/12/2017.

D1. Complete the following tables on the individual remuneration accrued during the year by each of the directors (including remuneration for carrying out executive functions).

a) Remuneration accrued at the reporting company:

i) Remuneration in cash (thousand euros)



Name	Employee compensation	Fixed remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for belonging to Board committees	Indemnities	Other items	2017 total	2016 total
JOSÉ OLIU CREUS	1701	214	0	1667	0	0	0	71	3653	2591
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	0	112	0	0	0	63	0	31	206	213
JAIME GUARDIOLA ROMOJARO	1313	92	0	1136	0	0	0	23	2564	2001
ANTHONY FRANK ELLIOTT BALL	0	32	0	0	0	4	0	0	36	0
AURORA CATÁ SALA	0	92	0	0	0	46	0	0	138	117
JOAQUÍN FOLCH-RUSIÑOL CORACHÁN	0	44	0	0	0	6	0	0	50	108
PEDRO FONTANA GARCIA	0	8	0	0	0	0	0	0	8	0
MARIA TERESA GARCIA-MILÀ LLOVERAS	0	112	0	0	0	46	0	0	158	155
GEORGE DONALD JOHNSTON	0	20	0	0	0	1	0	0	21	0
JOSÉ MANUEL LARA GARCÍA	0	83	0	0	0	4	0	0	87	92
JOAN LLONCH ANDREU	0	40	0	0	0	16	0	5	61	141
DAVID MARTÍNEZ GUZMÁN	0	67	0	0	0	0	0	0	67	83
JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	0	92	0	0	0	63	0	0	155	158
JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	0	88	0	0	0	15	0	0	103	107
ANTÓNIO VÍTOR MARTINS MONTEIRO	0	0	0	0	0	0	0	0	0	83
JOSE LUIS NEGRO RODRIGUEZ	705	92	0	361	0	0	0	3	1161	1059
MANUEL VALLS MORATÓ	0	92	0	0	0	30	0	0	122	0
DAVID VEGARA FIGUERAS	0	92	0	0	0	65	0	15	172	169

## ii) Share-based remuneration systems

JOSÉ OLIU CREUS ICLP 2014-2017												
Date of implementation	Options held at the beginning of 2017						Options assigned during 2017					
	No. Options	Shares affected	Strike price (€)	Exercise period			No. of options	Shares affected	Strike price (€)	Exercise period		
28/03/2014	2,816,884	78,873	1.75	31/03/2017			0	0	0.00	-		
Conditions: -												
Shares delivered in 2017			Options exercised in 2017				Options vested but not exercised	Options at 2017 year-end				
No. of shares	Price	Amount	Strike price (€)	No. of options	Shares affected	Gross gain (€mn)	No. of options	No. of options	Shares affected	Strike price (€)	Exercise period	
0	0.00	0	0.00	0	0	0	2,816,884	0	0	0.00	-	
Other requirements for exercise: -												

JOSÉ OLIU CREUS ICLP 2016-2019												
Date of implementation	Options held at the beginning of 2017						Options assigned during 2017					
	No. Options	Shares affected	Strike price (€)	Exercise period			No. of options	Shares affected	Strike price (€)	Exercise period		
01/04/2016	1,600,000	337,120	1.49	30/04/2019			0	0	0.00	-		
Conditions: -												
Shares delivered in 2017			Options exercised in 2017				Options vested but not exercised	Options at 2017 year-end				
No. of shares	Price	Amount	Strike price (€)	No. of options	Shares affected	Gross gain (€mn)	No. of options	No. of options	Shares affected	Strike price (€)	Exercise period	
0	0.00	0	0.00	0	0	0	0	1,600,000	337,120	1.49	30/04/2019	
Other requirements for exercise: -												

<b>JOSÉ OLIU CREUS</b>												
<b>Supplementary Incentive 2017-2020</b>												
Date of implementation	Options held at the beginning of 2017						Options assigned during 2017					
	No. of options	Shares affected	Strike price (€)	Exercise period			No. of options	Shares affected	Strike price (€)	Exercise period		
30/03/2017	0	0	0.00	-			1,700,000	1,040,740	1.35	30/04/2020		
Conditions: -												
Shares delivered in 2017			Options exercised in 2017				Options vested but not exercised	Options at 2017 year-end				
No. of shares	Price	Amount	Strike price (€)	No. of options	Shares affected	Gross gain (€mn)	No. of options	No. of options	Shares affected	Strike price (€)	Exercise period	
0	0.00	0	0.00	0	0	0	0	1,700,000	1,040,740	1.35	30/04/2020	
Other requirements for exercise: -												

<b>JAIME GUARDIOLA ROMOJARO</b>												
<b>ICLP 2014-2017</b>												
Date of implementation	Options held at the beginning of 2017						Options assigned during 2017					
	No. Options	Shares affected	Strike price (€)	Exercise period			No. of options	Shares affected	Strike price (€)	Exercise period		
28/03/2014	2,491,859	69,772	1.75	31/03/2017			0	0	0.00	-		
Conditions: -												
Shares delivered in 2016			Options exercised in 2017				Options vested but not exercised	Options at 2017 year-end				
No. of shares	Price	Amount	Strike price (€)	No. of options	Shares affected	Gross gain (€mn)	No. of options	No. of options	Shares affected	Strike price (€)	Exercise period	
0	0.00	0	0.00	0	0	0	2,491,859	0	0	0.00	-	
Other requirements for exercise: -												

JAIME GUARDIOLA ROMOJARO Plan ICLP 2016-2019												
Date of implementation	Options held at the beginning of 2017					Options assigned during 2017						
	No. Options	Shares affected	Strike price (€)	Exercise period		No. of options	Shares affected	Strike price (€)	Exercise period			
01/04/2016	1,400,000	294,980	1.49	30/04/2019		0	0	0.00	-			
Conditions: -												
Shares delivered in 2017			Options exercised in 2017				Options vested but not exercised	Options at 2017 year-end				
No. of shares	Price	Amount	Strike price (€)	No. of options	Shares affected	Gross gain (€mn)	No. of options	No. of options	Shares affected	Strike price (€)	Exercise period	
0	0.00	0	0.00	0	0	0	0	1,400,000	294,980	1.49	30/04/2019	
Other requirements for exercise: -												

JAIME GUARDIOLA ROMOJARO Supplementary Incentive 2017-2020												
Date of implementation	Options held at the beginning of 2017					Options assigned during 2017						
	No. of options	Shares affected	Strike price (€)	Exercise period		No. of options	Shares affected	Strike price (€)	Exercise period			
30/03/2017	0	0	0.00	-		1,500,000	918,300	1.35	30/04/2020			
Conditions: -												
Shares delivered in 2017			Options exercised in 2017				Options vested but not exercised	Options at 2017 year-end				
No. of shares	Price	Amount	Strike price (€)	No. of options	Shares affected	Gross gain (€mn)	No. of options	No. of options	Shares affected	Strike price (€)	Exercise period	
0	0.00	0	0.00	0	0	0	0	1,500,000	918,300	1.35	30/04/2020	
Other requirements for exercise: -												

**JOSÉ LUIS NEGRO RODRÍGUEZ**  
**ICLP 2014-2017**

Date of implementation	Options held at the beginning of 2017					Options assigned during 2017						
	No. Options	Shares affected	Strike price (€)	Exercise period		No. of options	Shares affected	Strike price (€)	Exercise period			
28/03/2014	1,300,100	36,403	1.75	31/03/2017		0	0	0.00	-			
Conditions: -												
Shares delivered in 2016			Options exercised in 2017				Options vested but not exercised	Options at 2017 year-end				
No. of shares	Price	Amount	Strike price (€)	No. of options	Shares affected	Gross gain (€mn)	No. of options	No. of options	Shares affected	Strike price (€)	Exercise period	
0	0.00	0	0.00	0	0	0	1,300,100	0	0	0.00	-	
Other requirements for exercise: -												

**JOSÉ LUIS NEGRO RODRÍGUEZ**  
**ICLP 2016-2019**

Date of implementation	Options held at the beginning of 2017					Options assigned during 2017						
	No. Options	Shares affected	Strike price (€)	Exercise period		No. of options	Shares affected	Strike price (€)	Exercise period			
01/04/2016	800,000	168,560	1.49	30/04/2019		0	0	0.00	-			
Conditions: -												
Shares delivered in 2017			Options exercised in 2017				Options vested but not exercised	Options at 2017 year-end				
No. of shares	Price	Amount	Strike price (€)	No. of options	Shares affected	Gross gain (€mn)	No. of options	No. of options	Shares affected	Strike price (€)	Exercise period	
0	0.00	0	0.00	0	0	0	0	800,000	168,560	1.49	30/04/2019	
Other requirements for exercise: -												

**JOSÉ LUIS NEGRO RODRÍGUEZ**  
**Supplementary Incentive 2017- 2020**

Date of implementation	Options held at the beginning of 2017				Options assigned during 2017						
	No. Options	Shares affected	Strike price (€)	Exercise period	No. of options	Shares affected	Strike price (€)	Exercise period			
30/03/2017	0	0	0.00	-	800,000	489,760	1.35	30/04/2020			
Conditions: -											
Shares delivered in 2016			Options exercised in 2017			Options vested but not exercised	Options at 2017 year-end				
No. of shares	Price	Amount	Strike price (€)	No. of options	Shares affected	Gross gain (€mn)	No. of options	No. of options	Shares affected	Strike price (€)	Exercise period
0	0.00	0	0.00	0	0	0	0	800,000	489,760	1.35	30/04/2020
Other requirements for exercise: -											

**iii) Long-term savings systems**

Name	Contribution by the company in the year (thousand euro)		Total accumulated funds (thousand euro)	
	2017	2016	2017	2016
JOSÉ OLIU CREUS	177	1,475	8,514	8,245
JAIME GUARDIOLA ROMOJARO	3,412	2,452	22,232	18,503
JOSÉ LUIS NEGRO RODRÍGUEZ	17	77	6,062	5,964

**b) Remuneration accrued by company directors for belonging to boards of other group companies:**

**i) Remuneration in cash (thousand euros)**

Name	Employee compensation	Fixed remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for belonging to Board committees	Indemnities	Other items	2017 total	2016 total
JOSÉ OLIU CREUS	0	0	0	0	0	0	0	0	0	0
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	0	0	0	0	0	0	0	0	0	0
JAIME GUARDIOLA ROMOJARO	0	0	0	0	0	0	0	0	0	0
ANTHONY FRANK ELLIOTT BALL	0	0	0	0	0	0	0	0	0	0
AURORA CATÁ SALA	0	0	0	0	0	0	0	0	0	0
JOAQUÍN FOLCH-RUSIÑOL CORACHÁN	0	0	0	0	0	0	0	0	0	0
PEDRO FONTANA GARCIA	0	0	0	0	0	0	0	0	0	0
MARIA TERESA GARCIA-MILÀ LLOVERAS	0	0	0	0	0	0	0	0	0	0
GEORGE DONALD JOHNSTON	0	0	0	0	0	0	0	0	0	0
JOSÉ MANUEL LARA GARCÍA	0	0	0	0	0	0	0	0	0	0
JOAN LLONCH ANDREU	0	0	0	0	0	0	0	0	0	0
DAVID MARTÍNEZ GUZMÁN	0	0	0	0	0	0	0	0	0	0
JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	0	0	0	0	0	0	0	0	0	0
JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	0	0	0	0	0	0	0	0	0	0
ANTÓNIO VÍTOR MARTINS MONTEIRO	0	0	0	0	0	0	0	0	0	0
JOSÉ LUIS NEGRO RODRÍGUEZ	0	0	0	0	0	0	0	0	0	0
MANUEL VALLS MORATÓ	0	0	0	0	0	0	0	0	0	0
DAVID VEGARA FIGUERAS	0	0	0	0	0	0	0	0	0	0

**ii) Share-based remuneration systems**

**iii) Long-term savings systems**

**c) Summary of remuneration (thousand euro):**

Summarise the amounts corresponding to all the remuneration items included in this report that have accrued to the director, in thousand euro.

Where there are long-term saving systems, disclose contributions or endowments made to such systems:

Name	Remuneration accrued in the company				Remuneration accrued in group companies				Total		
	Total cash remuneration	Value of shares granted	Gross gain from options exercised	Total in year 2017 company	Total cash remuneration	Value of shares delivered	Gross gain from options exercised	Total in year 2017 group	Total in year 2017	Total in year 2016	Contribution to savings systems in the year
JOSÉ OLIU CREUS	3653	0	0	3653	0	0	0	0	3653	2,591	177
JOSÉ JAVIER ECHENIQUE LANDIRIBAR	206	0	0	206	0	0	0	0	206	213	0
JAIME GUARDIOLA ROMOJARO	2564	0	0	2564	0	0	0	0	2564	2,001	3,412
ANTHONY FRANK ELLIOTT BALL	36	0	0	36	0	0	0	0	36	0	0
AURORA CATÁ SALA	138	0	0	138	0	0	0	0	138	117	0
JOAQUÍN FOLCH-RUSIÑOL CORACHÁN	50	0	0	50	0	0	0	0	50	108	0
PEDRO FONTANA GARCIA	8	0	0	8	0	0	0	0	8	0	0
MARIA TERESA GARCIA-MILÀ LLOVERAS	158	0	0	158	0	0	0	0	158	155	0
GEORGE DONALD JOHNSTON	21	0	0	21	0	0	0	0	21	0	0
JOSÉ MANUEL LARA GARCÍA	87	0	0	87	0	0	0	0	87	92	0
JOAN LLONCH ANDREU	61	0	0	61	0	0	0	0	61	141	0
DAVID MARTÍNEZ GUZMÁN	67	0	0	67	0	0	0	0	67	83	0
JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	155	0	0	155	0	0	0	0	155	158	0
JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	103	0	0	103	0	0	0	0	103	107	0
ANTÓNIO VITOR MARTINS MONTEIRO	0	0	0	0	0	0	0	0	0	83	0
JOSÉ LUIS NEGRO RODRÍGUEZ	1161	0	0	1161	0	0	0	0	1161	1,059	17
MANUEL VALLS MORATÓ	122	0	0	122	0	0	0	0	122	0	0
DAVID VEGARA FIGUERAS	172	0	0	172	0	0	0	0	172	169	
<b>TOTAL</b>	<b>8762</b>	<b>0</b>	<b>0</b>	<b>8762</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8762</b>	<b>7,077</b>	<b>3,606</b>



**D2. Describe the relationship between the remuneration received by the directors and the undertaking's earnings or other performance indicators, detailing how any variations in the company's performance influenced the variation in directors' remuneration.**

The remuneration for directors, as members of the Board of Directors, comprises a fixed amount and an additional amount for membership of Board sub-committees, conditional upon attendance, and it is not linked to the company's earnings.

Since executive directors collect variable remuneration, they are affected by the company's earnings in the terms set out in section A.4, in force in 2018.

Additionally, the amounts to be collected are covered by the rules applicable to financial institutions, i.e. they are deferred and paid in capital instruments.

**D3. Describe the outcome of the consultative vote at the annual meeting on the annual remuneration report for the previous year, indicating the number of votes cast against, if any:**

	<b>Number</b>	<b>% of total</b>
<b>Votes cast</b>	3,593,007	63.98 %

  

	<b>Number</b>	<b>% of total</b>
<b>Votes against</b>	941,667	26.21 %
<b>Votes in favour</b>	2,648,817	73.72 %
<b>Abstentions</b>	2,523	0.07 %

**e Other information.**

If there are any material aspects relating to directors' remuneration that could not be disclosed in other sections of this report but are necessary to provide a more comprehensive and fully reasoned picture of the remuneration structure and practices for the company's directors, describe them briefly.

This annual report on the remuneration of directors was approved by the company's Board of Directors on 1 February 2018.

Indicate any directors who voted against, or abstained from approving, this report.

Yes  No