

REPORT BY THE BOARD OF DIRECTORS OF BANCO DE SABADELL, SOCIEDAD ANÓNIMA IN CONNECTION WITH THE PROPOSAL TO AMEND THE ARTICLES OF ASSOCIATION UNDER ITEM FIVE ON THE AGENDA OF THE GENERAL MEETING OF SHAREHOLDERS OF BANCO DE SABADELL, SOCIEDAD ANÓNIMA SCHEDULED FOR 28 MARCH 2019, AT SECOND CALL

The Board of Directors of Banco de Sabadell, Sociedad Anónima hereby fulfils the provisions of article 286 of the Capital Companies Act by describing and justifying the proposal to amend articles 57, 58, 59 and 62 of the Articles of Association which it submits to the General Meeting of Shareholders, following a favourable report by the Audit and Control Committee, and including the full text of the proposed amendment to the Articles of Association, all subject to any authorisations required under the law or the regulations.

The purpose of the amendment is to rename the Executive Committee as the Delegated Committee, in order to reinforce the idea of it being a delegated body of the Board of Directors. Consequently, in order to reinforce its status as a delegated body of the Board of Directors, it is proposed to amend the name of the committees under the Board of Directors so that, together, they are referred to as Board Committees, eliminating the reference to "Delegated" in the other Committees.

The reference to "Delegated" is eliminated in article 57, which will now read as follows:

"Article 57. With the exception of matters falling within the remit of the Shareholders' Meeting, the Board of Directors is the highest decision-making body in the Company and is responsible under the law and the Articles of Association for the management and representation of the Company.

Subject to the Articles of Association and the resolutions adopted by the Shareholders' Meeting, the Board of Directors shall act on behalf of the Company and the Company shall be bound by its decisions. The Board of Directors shall be responsible for taking such action as may be considered necessary in pursuit of the Company's object as described in these Articles of Association.

Without prejudice to the foregoing, the Board of Directors acts mainly as an instrument of supervision and control, and delegates the management of ordinary business matters of the Company to the executive organs and management team.

Powers may not be delegated where they are required by law or the Articles of Association to be exercised directly by the Board of Directors or are necessary for the responsible performance of the general function of supervision.

Specifically, to ensure better and more efficient performance of its general supervisory duties, the Board undertakes to discharge the responsibilities provided by law, including:

- a) approving the Company's general strategies;*
- b) appointing and, as necessary, removing directors of the Company's subsidiaries;*
- c) identifying the Company's main risks and implementing and monitoring suitable internal control and reporting systems;*
- d) setting policy on the reporting and disclosure of information to shareholders, the markets and the general public;*
- e) setting policy on treasury stock in accordance with any guidelines laid down by the Shareholders' Meeting;*
- f) approving the Annual Corporate Governance Report*
- g) authorising transactions between the Company and directors or significant shareholders which may lead to conflicts of interest; and*
- h) generally deciding on business or financial transactions that are of particular importance for the Company.*

The Board of Directors must provide itself with rules of procedure to elaborate upon and extend the provisions of the Articles of Association with regard to the composition and functions of the Board and, especially, of the Board Committees that are established and the responsibilities of directors in the performance of their duties.

The Board of Directors shall, on the basis of a report from the Audit and Control Committee, draw up an annual report on the structure and practice of corporate governance within the Company."

Article 58 is amended to rename the Executive Committee as the Delegated Committee and remove the expression "Delegated" in connection with the other committees, so that it reads as follows:

"Article 58. *The Board of Directors may, subject to a favourable vote by two-thirds of its members, permanently delegate, in whole or in part, such of its powers as may legally be delegated, as it may see fit, to members of the Board, to be exercised by them collectively, jointly or individually, as the Delegated Committee.*

The Board of Directors must constitute all the Board Committees that the company is legally obliged to establish, and at least the following:

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

Article 59 is amended to rename the Executive Committee as the Delegated Committee, so that it reads as follows:

"Article 59. *The Delegated Committee shall consist of a maximum of six directors, to be appointed by the Board with the favourable vote of two-thirds of its members, with a composition similar to that of the Board in terms of categories; the Chairman of the Board shall be a member of this Committee and act as its chair.*

The Delegated Committee is responsible for the coordination of the Bank's executive management, adopting any resolutions and decisions under the scope of the powers granted to it by the Board of Directors, and for overseeing the Bank's ordinary activities; it must report the decisions adopted at its meetings to the Board of Directors, without prejudice to the other functions attributed to it by these Articles of Association and the Board of Directors Regulation."

Article 62 is amended to rename the Executive Committee as the Delegated Committee, so that it reads as follows:

"Article 62. *The Remuneration Committee shall comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least two of them must be independent directors. The Board of Directors shall appoint its Chairman from among the members who are independent directors, with the favourable vote of two-thirds of its members.*

The Remuneration Committee shall have, at least, the following functions:

- 1. proposing, to the Board of Directors, the director remuneration policy*
- 2. proposing, to the Board of Directors, the remuneration policy for general managers and others performing senior management functions who report directly to the Board of Directors, the Delegated Committee or the Managing Directors, and the individual remuneration and other contractual conditions for executive directors, exercising oversight to ensure that they are complied with;*
- 3. advising on the annual report on director remuneration*
- 4. advising on remuneration programmes based on shares and/or options*
- 5. periodically reviewing the general principles of remuneration and the remuneration programmes for all employees, and considering whether they conform to those principles*
- 6. ensuring that remuneration is transparent."*