



Presentation of Banco Sabadell's Annual Report on Directors Remuneration

31 January 2019

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1. Introduction

Banco Sabadell offers this Presentation to accompany its Annual Report on Director Remuneration in order to offer greater detail and the utmost transparency in connection with the main issues dealt with in the Report and in the applicable Remuneration Policy. This document is available on the Banco Sabadell Group website (www.grupobancsabadell.com).

The Banco Sabadell 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 Remuneration Policy

The general principles of the Remuneration Policy are as follows:

1. Promote medium- and long-term sustainability of the business and the company, in addition to alignment with the Group's values. This entails:
 - Aligning the remuneration with the interests of the shareholders and with the creation of long-term value.
 - Promoting rigorous risk management, with measures to avoid conflicts of interest.
 - Aligning with the Group's long-term business strategy, objectives, values and interests.
2. Ensuring a competitive and equitable remuneration system (external competitiveness and internal fairness):
 - Ability to attract and retain the best talent.
 - Rewarding professional track record and responsibility, regardless of the employee's gender.
 - Aligning with market standards, while providing flexibility to adapt to changes in the situation and in the demands of the sector.
3. Rewarding performance, by aligning remuneration with the results achieved by the individual and the level of risk assumed:
 - An appropriate balance between the various components of the remuneration.
 - Consideration of current and future risks and results, and not encouraging the assumption of risks that exceed the level tolerated by the Group.
 - A simple, transparent and clear system. This Remuneration Policy must be understandable and easy to communicate to the entire workforce.

1.2. - Procedures and bodies involved in determining and approving the remuneration policy.

The Articles of Association of Banco Sabadell set out the competencies of the Board of Directors and its sub-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 Directors 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 directors remuneration policy and the individual compensation and other contractual conditions of the executive directors, and to oversee 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 directors remuneration policy to the Board of Directors; b) proposing, to the Board of Directors, the remuneration policy for general managers and others performing senior management functions who report directly to the Board of Directors, the Executive Committees or the 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 2018 Banco Sabadell's Remuneration Committee comprised four non-executive directors, all of whom are independent directors, as follows:

- 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 member): Ms María José García Beato.

The composition of the Remuneration Committee did not change in 2018.

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 other material risk takers.

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.

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.

1.3. Remuneration benchmarking and external advisors

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 2019.

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 2018 and receives advice from consulting firm Willis Towers Watson to perform a comparative analysis of the remuneration for the Board of Directors, executive directors, members of senior management and other material risk takers with respect to the market; the most recent analysis was completed in January 2019.

The executive directors' remuneration in 2019 was benchmarked against a group of 16 European banks and against a domestic group comprising 9 Spanish companies in the IBEX-35 with a market capitalisation of at least 6 billion euro.

COMPANIES USED AS BENCHMARK

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

2. Directors Remuneration Policy

The Directors Remuneration Policy that is currently in force was approved by the General Meeting of Shareholders on 19 April 2018 in accordance with the provisions of articles 529 *septdecies*, *octodecies* and *novodecies* of the Spanish Capital Companies Act, and it sets out 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. As indicated above, the Board of Directors amended the Banco Sabadell Remuneration Policy, including that relating to senior management, and those amendments, insofar as they apply to executive directors, will be submitted to the next General Meeting of Shareholders for approval.

The main features of the Directors Remuneration Policy are as follows:

- In the case of the remuneration for directors for their status as members of the Board of Directors, a 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:
 - It delimits the proportion between fixed and variable remuneration, defines short-term variable remuneration and long-term remuneration, and the parameters for measuring the objectives to which both short-term variable remuneration and long-term remuneration are linked.
 - It sets the percentage of deferral of short-term variable and long-term remuneration for executive directors, which is 60% of the total amount to be received.
 - It establishes the period over which short-term variable remuneration is to be deferred as 5

years. For long-term remuneration, it establishes multi-year targets with defined parameters. The review conducted in December 2018 determined that the Group's annual and multi-year objectives must include correction factors or minimum thresholds (key goals) linked to the Group's capital and liquidity indicators.

- 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 Institution's results. The review in December 2018 amended that *ex ante* adjustment, which may be applied at Group, unit, country or even individual level, to reflect the various classes of risk.
 - This variable remuneration adjustment, which can reduce the initial amount of available remuneration to zero, ensures that the variable remuneration is fully aligned with the risks assumed.
 - The variable remuneration adjustment will cover all the cases or situations that might have an impact on the Group's risk profile and that were not fully factored into the assessment of the objectives set at the beginning of the year.
 - If the Maximum Distributable Amount (MDA) established by the regulations is reached, the variable remuneration may be reduced or eliminated entirely.
- It defines the malus and clawback clauses and the cases where they apply. Those clauses were revised in 2018 to include criteria based on earnings and risks, and to eliminate the need for malice or negligence, extending the scope of application of the clauses. The following factors will be considered when applying them:
 - Significant failures in risk management by the institution or by a unit.
 - An increase in capital requirements at the institution or one of its business units that was not planned for at the time the exposure was generated.
 - Regulatory penalties or legal convictions for events attributable to the unit or its managers. Failure to comply with the institution's internal codes of conduct.
 - Improper conduct, whether individual or collective. Particular consideration will be given to the negative effects deriving from marketing unsuitable products and the liability of persons or bodies making such decisions.
- It establishes restrictions on the disposal of shares received in the form of short-term variable remuneration and long-term remuneration 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.
- It limits the amount of any termination and non-competition clauses to two years' remuneration. Post-contractual non-competition clauses subsist at most until the first age of ordinary retirement established in the current legislation.
 - Quarterly payment of the amounts derived from post-contractual non-competition clauses, capped at the amount of remuneration that would have been paid in the non-competition period if the director were still employed.

- Variable remuneration is capped at 100% of the fixed remuneration for a given year. The cap can be raised to 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 Committee at the time when it is recognised.

It is planned to ask the forthcoming General Meeting of Shareholders to approve the Directors Remuneration Policy for the years 2019, 2020 and 2021 as a result of the amendments made to the Senior Management Remuneration Policy.

3. Directors' remuneration for their functions as members of the Board of Directors

The composition of the Board of Directors of Banco Sabadell at 31 December 2018 was as follows:

- José Oliu Creus – Chairman (Executive)
- Javier Echenique Landiribar – Vice-Chairman (Independent)
- Jaime Guardiola Romojaro – CEO (Executive)
- Anthony Frank Elliott Ball (Independent)
- Aurora Catá Sala (Independent)
- Pedro Fontana García (Independent)
- María José García Beato (Executive)
- María Teresa García-Milá Lloveras (Lead Independent Director)
- George Donald Johnston (Independent)
- 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. Directors remuneration in 2018

The individual directors' remuneration was reduced in 2009 and again in 2013, and remained unchanged until 2018, when the Board of Directors resolved to adapt the remuneration for members of the Board of Directors and of Board sub-committees to market parameters. 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.

The directors' remuneration in 2018 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 2018 was as follows:

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

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

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

The total amount actually collected by the members of the Board of Directors in 2018 is as follows:

Remuneration actually received by the members of the Board of Directors in 2018

Members of the Board of Directors in December 2018. Thousand euro

Directors		Board of Directors	Audit and Control Committee	Appointments Committee	Remuneration Committee	Risk Committee	Executive Committee
Josep Oliu Creus	Chairman (Executive)	234					
Javier Echenique Landiribar	Vice-Chairman (Independent)	127					78
Jaime Guardiola Romojaro	CEO (Executive)	100					
Anthony Frank Elliott Ball	Independent	100		9	18		
Aurora Catá Sala	Chair of the Remuneration Committee and Appointments Committee (Independent)	100		20	40		
Pedro Fontana García	Independent	100	20	8			
María Teresa García-Milà Lloveras	Lead Independent Director	122	20	10	20	20	
George Donald Johnston	Independent	100			17	20	
María José García Beato*	Director-Company Secretary (Executive)	34					
David Martínez Guzmán	Proprietary External	100					
José Manuel Martínez Martínez	Independent	100					80
José Ramón Martínez Sufrategui	Independent	100	20				
José Luis Negro	Director-General Manager (Executive)	100					
Manuel Valls Morató	Chair of the Audit and Control Committee (Independent)	100	40			20	
David Vegara Figueras	Chair of the Risk Committee (Independent)	100				70	

*Joined the Board of Directors in 2018 For her functions as Vice-Secretary of the Board of Directors, she collected 54,700 euro in 2018.

Mr. José Manuel Lara García collected 46,780 euro for the time in which he was a member of the Board of Directors and its committees. 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 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.

3.2. Directors Remuneration in 2019

Directors' remuneration in 2019 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 under item 10 on the agenda of the General Meeting of Shareholders on 19 April 2018, and which it is not proposed to amend in the Policy to be submitted to the General Meeting of Shareholders, is 3 million euro.

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. Directors' remuneration in 2019 for membership of the Board of Directors is the same as in 2018.

	Remuneration in 2019	Attendance fees 2019 (per meeting)
Chairman	175,650 euro	5,273 euro
Vice-Chairman	95,250 euro	2,886 euro
Other directors	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:

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

The executive director who is Chair of the Sabadell Guipuzcoano Advisory Board will receive at most 30,600 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.

The non-executive directors 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.

4. Directors 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:

- A sufficient amount of fixed remuneration so as not to encourage excessive risk-taking. This includes fixed salary, benefits, and pension and other providential schemes.
- 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. Variable remuneration for senior management is deferred and paid in equity instruments, in accordance with the applicable regulations and with decisions by the competent bodies. 60% of short-term variable remuneration is deferred over a period of 5 years. 50% of short-term variable remuneration and 55% of deferred variable remuneration is paid in the form of equity instruments.
- Long-term remuneration, which may consist, 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 are established, in combination with the executive's performance; or approval by the General Meeting of Shareholders of a system based on the appreciation of the share price and contingent upon the achievement of certain multi-year objectives in combination with the individual's performance. At a meeting on 31 January 2019, based on a proposal by the Remuneration Committee, the Board of Directors approved a new long-term remuneration scheme for 2019 for all material risk takers, including executive directors, based on the fulfilment of annual and multi-year objectives, and established a reference amount (the amount to be received in the event of attaining 100% of the targets) equivalent to a percentage of the fixed salary. The annual objectives determine the amount assigned, just as in the case of annual variable remuneration. Based on that amount, the multi-year targets determine the amount to be actually received, which may be less (but never more) than the amount assigned on the basis of annual targets.

4.1. Executive directors remuneration in 2018

When analysing the remuneration for 2018, it should be noted that attainment of the objectives that determine the percentage of variable remuneration and the vesting of the long-term incentive 2018 was reduced, in spite of the positive business performance in Spain and Mexico and the significant de-risking of the balance sheet by divesting problematic assets. Attainment of the Group objectives for 2018 was 61.83%, as indicated in section 5 of this document. Additionally, on 29 January 2019, the Remuneration Committee established a 5% correction factor to be applied to the variable remuneration target of all Group employees to which it applies, including the executive directors. On

that same date, it also resolved to make certain adjustments, at individual and business unit level, in connection with the TSB migration. It also decided to reduce the variable remuneration in 2018 for all the material risk takers, including the executive directors, in the amount of the variable remuneration assigned in 2017 in connection with the migration objective.

4.1.1. Chairman

A. Fixed remuneration:

- Fixed salary: 1,701,000 euro.
- Benefits: 37,870 euro. Contributions to providential schemes: 36,071 euro.

B. Short-term variable remuneration: 665,974 euro, after adjusting the target by 61.83%. Amount collected: 0 euro.

C. Long-term incentive: During the year, 1,700,000 rights under ICLP 2018, granted by the General Meeting of Shareholders in 2018, were applied to him, of which 1,275,000 rights to shares (75%) have vested on the basis of attainment of objectives.

4.1.2. CEO

A. Fixed remuneration:

- Fixed salary: 1,350,000 euro.
- Benefits: 15,292 euro. Contributions to providential schemes: 761,761 euro, due to adjustments of variables and of the income base.

B. Short-term variable remuneration: 563,516 euro, after adjusting the target by 61.83%. Amount collected: 0 euro

C. Long-term incentive: During the year, 1,500,000 rights under ICLP 2018, granted by the General Meeting of Shareholders in 2018, were applied to him, of which 1,125,000 rights to shares (75%) have vested on the basis of attainment of objectives.

The fact that the Chairman and the CEO did not collect any remuneration under this heading is due to the fact, that, at a meeting of the Board of Directors on 31 January 2019, the Chairman stated that, despite the good business results in Spain, he believed that the impact on the Bank's earnings of the TSB migration and the extraordinary circumstances in the year warranted proposing to waive the variable remuneration in line with the units and people who, despite their hard work following migration to successfully restore normality, had not collected variable remuneration in the year. The CEO expressed a similar position. The Board accepted their waiver, thanked them for the decision and expressed a very positive opinion in this connection, since it is an expression of sensitivity to the situation, which the Board adopted and accepted by granting discharge.

4.1.3. Director - General Manager

A. Fixed remuneration

- Fixed salary: 705,000 euro.

- Benefits: 2,545 euro. Contributions to providential schemes: 18,261 euro.

B. Short-term variable remuneration: 179,301 euro, after adjusting the target by 61.83%.

C. Long-term incentive: During the year, 800,000 rights under ICLP 2018, granted by the General Meeting of Shareholders in 2018, were applied to him, of which 600,000 rights to shares (75%) have vested on the basis of attainment of objectives.

4.1.4. Director-Company Secretary

A. Fixed remuneration

- Fixed salary: 500,000 euro (of which 168,091 correspond to the remuneration for the period as executive director, i.e. from 17 September 2018).
- Benefits: 13,973 euro. Contributions to providential schemes: 700,095 euro.

B. Short-term variable remuneration: 150,895 euro (of which 50,298 euro correspond to the period as executive director), as a result of applying the target adjusted for 75.07% attainment of objectives. In the case of the Director-Company Secretary, the Group objectives for 2018, described in section 5.a), are weighted 75%, and the other 25% is indexed to attainment of the individual targets related to the performance of her executive functions.

C. Long-term incentive: During the year, 800,000 rights under ICLP 2018, granted by the General Meeting of Shareholders in 2018, were assigned to her, of which she retained 720,000 rights to shares (90%) due to attainment of objectives.

4.2. Executive directors remuneration in 2019

4.2.1. Chairman

A. Fixed remuneration:

- Fixed salary: 1,701,000 euro.
- Benefits for a similar amount to 2018. Contributions to providential schemes: approximately 36,000 euro.

B. Variable remuneration: 1,300,000 euro, assuming 100% attainment of the objectives for 2019.

C. Long-term remuneration scheme, approved by the Remuneration Committee, on a percentage of 30% of the fixed salary based on compliance with annual and multi-year objectives.

4.2.2. CEO

A. Fixed remuneration:

- Fixed salary: 1,350,000 euro.
- Benefits for a similar amount to 2018. Contributions to providential schemes: approximately 955,000 euro.

B. Variable remuneration: 1,100,000 euro, assuming 100% attainment of the objectives for 2019.

C. Long-term remuneration scheme, approved by the Remuneration Committee, on a percentage of 30% of the fixed salary based on compliance with annual and multi-year objectives.

4.2.3. Director - General Manager

A. Fixed remuneration:

- Fixed salary: 705,000 euro.
- Benefits for a similar amount to 2018. Contributions to providential schemes: approximately 18,000 euro.

B. Variable remuneration: 350,000 euro, assuming 100% attainment of the objectives for 2019.

C. Long-term remuneration scheme, approved by the Remuneration Committee, on a percentage of 25% of the fixed salary based on compliance with annual and multi-year objectives.

4.2.4. Director-Company Secretary

A. Fixed remuneration:

- Fixed salary: 500,000 euro.
- Benefits for a similar amount to 2018. Contributions to providential schemes: approximately 703,000 euro.

B. Variable remuneration: 220,000 euro, assuming 100% attainment of the objectives for 2019.

C. Long-term remuneration scheme, approved by the Remuneration Committee, on a percentage of 25% of the fixed salary based on compliance with annual and multi-year objectives.

4.3. Appointment of new executive director in 2019

The Board of Directors has created the position of CRO, reporting directly the Risk Committee, to be filled by a member of the Board of Directors, who will be reclassified as an executive director. The following remuneration (on an annualised basis) is projected for 2019:

A. Fixed remuneration:

- Fixed salary: 450,000 euro.
- Benefits: the amounts per the collective bargain. Contributions to providential schemes: approximately 85,500 euro.

B. Variable remuneration: 100,000 euro, assuming 100% attainment of the objectives for 2019.

C. Long-term remuneration scheme, approved by the Remuneration Committee, on a percentage of 25% of the fixed salary based on compliance with annual and multi-year objectives.

5. Description and assessment of the variable remuneration targets

Below is described the degree of attainment of the targets for short-term variable remuneration in 2018, the definition of the objectives and assessment methods for the short-term variable remuneration for 2019, the existing long-term incentives, and the definition of the multi-year targets for the long-term remuneration scheme for 2019.

a) Degree of attainment of the targets for short-term variable remuneration in 2018

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

2018 OBJECTIVES

Objective	Weighting	Attainment in 2018
Risk-adjusted profit (EVA)	20%	0.00%
Costs-to-income (excluding depreciation & amortisation and trading income)	20%	87.02 ¹ %
ROE (excluding corporate transactions)	20%	0.00%
Reduction in problem assets	15%	133.9%
Strategy	15%	106.22%
Customer experience (NPS) Spain	10%	84.06%
Total	100%	61.83%

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. Attainment of under 50% is considered as 0% for the purposes of counting attainment; this occurred in 2018 with the Risk-adjusted profit and Return on Equity (ROE) indicators.

Attainment of the objectives was reduced by the impact on earnings of the higher-than-expected cost of the migration at UK subsidiary TSB. Business results in Spain and Mexico were positive, and there was significant derisking of the balance sheet as a consequence of the sale of the portfolio of problematic assets.

On 29 January 2019, the Remuneration Committee decided to apply a 5% correction factor to the variable remuneration target for all Group employees who had one. On that same date, it also resolved to make certain adjustments, at individual and business unit level, in connection with the TSB migration. It also decided to reduce the variable remuneration in 2018 for all the material risk takers, including the executive directors, in the amount of the variable remuneration assigned in 2017 in connection with the migration objective.

b) Definition of objectives and assessment methods for the short-term variable remuneration for 2019

For the calculation of the short-term variable remuneration for 2019, the following objectives were established, and approved by the Board of Directors at a meeting on 31 January 2019,

¹ Not including extraordinary expenses.

which broadly coincide with the Group's objectives for the year, with benchmarks aligned with the following objectives:

2019 OBJECTIVES	WEIGHTING
Return on Equity (ROE)	20%
Net banking revenues	20%
Group expenses	15%
Cost of Risk	10%
Transformation	10%
Growth in lending to companies (synthetic indicator)	10%
NPS (synthetic indicator)	10%
Human capital index (HCI)	5%

- 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 2019 budget.
- Net banking revenues: Net interest income + fees, weighted 20%. This indicator will be achieved in full if Banco Sabadell attains the net interest income + net fees targeted on a consolidated basis in the 2019 budget.
- Expenses, weighted 15%. This indicator will be achieved in full if Banco Sabadell attains the budgeted total amount of consolidated expenses under the headings of personnel expenses, general expenses and real-estate expenses not already included under the first two categories.
- Cost of Risk, weighted 10%. This indicator will be achieved in full if Banco Sabadell attains the budgeted ratio of (provisions for NPLs and other financial assets) / (gross loans and advances + problematic real estate).
- Transformation, weighted 10%. A synthetic indicator that covers digital sales, digital customers and the rating of the digital channels in Spain.
- Growth in lending to companies, weighted 10%. This is a synthetic indicator comprising nominal new loan production to companies, excluding NPLs, and the market share in Spain of lending for productive activities, excluding the real estate business.
- NPS (a synthetic indicator), weighted 10%. A synthetic indicator of customers' perceptions of the institution, distinguishing between business units (Commercial Banking, Private Banking, Corporate Banking EMEA and TSB), weighted by business volume.
- Human capital index (HCI), weighted 5%. A synthetic indicator that rates a number of aspects of the Group's human capital.

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.

The targets for the Chairman, CEO and Director-General Manager coincide entirely with the Group objectives. In the case of the Director-Company Secretary, the Group objectives are weighted 75% and the other 25% is indexed to attainment of the individual targets related to the performance of executive functions. In the case of the Chief Risk Officer, the Group objectives are weighted 20% and the other 80% is indexed to attainment of the individual targets related to the performance of executive functions.

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%.

Actual receipt will depend on the degree of attainment of the established objectives, to which a risk-related correction factor will be applied that includes indicators relating to capital (CET1) and liquidity (Liquidity Coverage Ratio) and an attainment adjustment.

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 variable remuneration adjustment based on risk profile and earnings performance.
- The possibility of reduction to zero if the bank's capital is less than the Maximum Distributable Amount (MDA).

c) Existing long-term incentive programmes

In accordance with the Directors Remuneration Policy, executive directors are beneficiaries of the following incentive plans granted in previous years that are currently in force:

- a. ICLP 2016, linked to the appreciation by the Banco Sabadell share, 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 CEO is assigned 1,400,000 rights; and the Director-General Manager is assigned 800,000 rights; and the Director-Company Secretary is assigned 400,000 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. ICLP 2017, based on appreciation by the Banco Sabadell share, approved by the General Meeting of Shareholders on 30 March 2017.

ICLP 2017 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 CEO is assigned 1,500,000 rights; and the Director-General Manager is assigned 800,000 rights; and the Director-Company Secretary is assigned 600,000 rights.

The ICLP 2017 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. ICLP 2018, based on share price appreciation plus attainment of multi-year objectives, approved by the General Meeting of Shareholders on 19 April 2018.

ICLP 2018 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 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. This will not entail dilution in any event due to the absence of new share issues.

Initially, the Chairman was assigned 1,700,000 rights; the CEO was assigned 1,500,000 rights; the Director-General Manager was assigned 800,000 rights; and the Company Secretary was assigned 800,000 rights.

The number of rights assigned to each beneficiary was adjusted in the first quarter of 2019 as a function of their individual attainment of the assigned annual objectives; where attainment was 80% or higher, the beneficiary retained the amount of shares assigned initially; below 60% attainment entailed forfeiture of all the assigned rights. The executive directors' targets for the year, detailed above, resulted in vesting of the following initially assigned rights: The Director-Company Secretary maintained 90% of the rights initially assigned, so that she vested 720,000 rights. The other three executive directors maintained 75% of the initially assigned rights, with the result that: the Chairman vested 1,275,000 rights; the CEO vested 1,125,000 rights; and the Director-General Manager vested 600,000 rights.

Like the other components of variable annual remuneration, the incentive is also subject to any overall adjustments to the variable remuneration for 2018 that are applied in the first quarter of 2019.

The multi-year period over which attainment of the ICLP 2018 targets will be measured 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 ICLP 2018 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 2018, i.e. 1.841 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 2021.

ICLP 2018 also introduces multi-year objectives that may result in a reduction (but never an increase) in the value of the incentive:

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

- Total shareholder return (TSR), weighted 25%. TSR will be calculated by comparison with the following peers: 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., Crédit Agricole, SA.

TSR performance will be measured using the arithmetic mean, 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 2020).

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 Risk Appetite Statement (RAS). 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 C.1 of the Annex details each of the supplementary incentive plans for each beneficiary, using a method adjusted by 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 in the Annual Report on Director Remuneration. All shares that are delivered will be subject to a one-year lock-up from the delivery date.

d) Definition of the multi-year objectives for the 2019 Long-term Incentive Plan

At a meeting on 31 January 2019, the Board of Directors, based on a proposal by the Remuneration Committee, approved a new long-term remuneration scheme for the current year, based on attainment of annual and multi-year objectives. The annual objectives determine the amount assigned, just as in the case of annual variable remuneration. Based on that amount, the multi-year targets determine the amount to be actually received, which may be less (but never more) than the amount assigned on the basis of annual targets.

The multi-year performance period will cover the years 2019, 2020 and 2021, for which the following multi-year objectives are established:

2019-2021 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 peers:

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, S.A.	

The TSR target will be deemed to have been fully attained if Banco Sabadell ranks in 9th place or better among that peer group.

The TSR target will be deemed to have been attained 75% if Banco Sabadell ranks between the 10th and 12th place among that peer group.

The TSR target will be deemed to have been attained 50% if Banco Sabadell ranks between the 13th and 15th place among that peer group.

The TSR target will be deemed to have been attained 0% if Banco Sabadell ranks between the 16th and 18th place among that peer group.

- 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 Institution's RAS (Risk Appetite Statement). If the LCR is higher than the early warning indicator (EWI), the target will be deemed to have been achieved in full; below that threshold, attainment will be rated 0%.
- CET1, 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 the CET1 ratio is higher than the early warning indicator (EWI), the target will be deemed to have been achieved in full; below that threshold, attainment will be rated 0%.
- 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 reference amount established for long-term remuneration will be adjusted in the first quarter of 2020 as a function of individual attainment of the assigned annual objectives by each director

The aforementioned indicators will be measured in the first quarter of the year 2022; the degree of attainment, which may not exceed 100%, will be calculated and applied to the reference amount to determine the amount to be received. The LCR, CET1 and RORAC indicators will be measured taking the average figure for the last three months of 2021. As in the case of the annual targets, a risk-related correction factor will be applied that includes indicators relating to capital (CET1) and liquidity (Liquidity Coverage Ratio), and an attainment adjustment. Breach of the tolerance threshold in the RAS for Liquidity or Capital will count as zero attainment of the objectives for this long-term remuneration. Breach of the tolerance threshold in the RAS for Liquidity or Capital will count as zero attainment of the objectives for this long-term remuneration.

The amounts to be received will be subject to deferral, payment in shares and lock-up, as well as malus and clawback clauses.

6. Long-term savings systems

The long-term saving systems are detailed below, along with their individual characteristics, the amounts allocated and accumulated in 2018, and the projections for 2019. 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, except where they act as advisor or member of the Board of Directors of another bank, in which case this benefit is forfeited. It is compatible with termination indemnities and is currently applicable only to the Chairman and the Director-General Manager. The beneficiaries are as follows: the Chairman, Mr. José Oliu Creus, with a contribution in 2018 of 35,047.50 euro, and 1,248,741.42 euro accumulated in total; the Director-General Manager, Mr. José Luis Negro Rodríguez, with a contribution in 2018 of 17,523.75 euro, and 224,215.39 euro accumulated in total. Similar contributions are envisaged in 2019.
- 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, except where, in the absence of express interest on the part of Banco Sabadell, the executive continues to work at Banco Sabadell beyond the age defined by law for collecting retirement benefit, in which case he/she will forfeit this right. It is compatible with termination indemnities. The beneficiaries are the Chairman, Mr. José Oliu Creus, with no contribution in 2018 and 7,050,104.15 accumulated in total (the policy does not provide for additional contributions in subsequent years), and the Director-General Manager, Mr. José Luis Negro Rodríguez, with no contribution in 2018 and 5,041,967.64 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 CEO, Mr. Jaime Guardiola Romojaro. The first is a defined-benefit policy, with 50% spousal reversion. This policy will pay out in the event of retirement, death or total permanent disability and provides for the possibility of redemption in the form of a lump sum in accordance with current legislation,

except in cases of disciplinary dismissal that is upheld by the labour courts or where, in the absence of express interest on the part of Banco Sabadell, the executive continues to work at Banco Sabadell beyond the age defined by law for collecting retirement benefit, in which case this benefit is forfeited. It is compatible with termination indemnities. The contribution in 2018, based on adjustment of variables and of the income base, was 760,738.90 euro, with an accumulated amount of 19,998,921.57 euro; the contribution projected for 2019 is 954,000 euro. The second is a defined-contribution insurance policy, which will pay out in any of the contingencies of retirement, death or total permanent disability, in the form of a lump sum, except in the case of resignation from the position of CEO of the Bank before the age of 63, breach of the non-competition condition within one year from stepping down as the Bank's CEO, or breach of fiduciary duty up to the date of expiration of the non-competition condition, in which case all the economic rights under the policy are forfeited. It is compatible with termination indemnities. The accumulated amount is 2,462,574.93 euro, and no additional contributions are envisaged under this policy in subsequent years.

- Executive group defined-benefit insurance indexed to the pensionable annual fixed salary, which may pay out upon reaching the age of 60, arranged in two policies: early retirement above that age, and retirement upon reaching the legal age of retirement, or in the event of death or total permanent disability, with the possibility of surrender for a lump sum, in accordance with the legislation in force. In the event of disciplinary dismissal that is upheld by the labour courts or where, in the absence of express interest on the part of Banco Sabadell, the executive continues to work at Banco Sabadell beyond the age defined by law for collecting retirement benefit, in which case the right is forfeited. It is compatible with termination indemnities. The beneficiary is the director Ms. María José García Beato; the contribution in 2018 was 699,072.35 euro and the accumulated amount is 1,028,723.55 euro. A similar contribution is projected for 2019.
- Employer Pension Plan for Group B (defined-contribution), which will pay out upon retirement, as employees, of the following beneficiaries: the Chairman, Mr. José Oliu Creus, with a contribution of 1,022.98 euro in 2018 and an accumulated amount of 19,704.30 euro; the CEO, Mr. Jaime Guardiola Romojaro, with a contribution of 1,022.98 in 2018 and an accumulated amount of 9,210.53 euro; the Director-General Manager, Mr. José Luis Negro Rodríguez, with a contribution of 737.43 in 2018 and an accumulated amount of 9,114.13 euro; and the Director Ms. María José García Beato, with a contribution of 1,022.98 in 2018 and an accumulated amount of 10,961.88 euro. Similar contributions are planned in 2019.
- Employer 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 benefit will be paid when the beneficiary retires as an executive. The beneficiary is the Director-General Manager, José Luis Negro Rodríguez, and the accumulated amount is 665,421.22 euro. The promoter made no contribution in 2018 and no further contributions are planned.

From the entry into force of 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, 15% of contributions are treated as discretionary pension benefits and, consequently, are linked to the percentage attainment of the beneficiary's short-term targets, capped at 100% of the amount. Accordingly, the amount of the defined benefit guaranteed in the original providential scheme may be reduced in accordance with the provisions of those regulations, in the part that is classified as discretionary pension benefits. This applies to the

commitment regarding executive group insurance (defined-benefit) for the CEO and the executive group insurance policy (defined-benefit) for the Director-Company Secretary.

7.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:

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