

REPORT BY THE BOARD OF DIRECTORS OF BANCO DE SABADELL, S.A. IN CONNECTION WITH THE PROPOSAL TO AMEND THE ARTICLES OF ASSOCIATION UNDER ITEM FOUR OF THE AGENDA OF THE GENERAL MEETING OF BANCO DE SABADELL, S.A. SCHEDULED FOR 31 MARCH 2016, AT SECOND CALL

The Board of Directors of Banco de Sabadell, S.A. ("Banco Sabadell" or the "Bank") hereby fulfils the provisions of article 286 of the Capital Companies Act by explaining and justifying the aforementioned proposal and including the full text of the proposed amendment to the Articles of Association, all subject to the authorisations required under the law or the regulations.

The Board of Directors, after obtaining clearance from the Audit and Control Committee, proposes that the General Meeting amend a number of articles in the Articles of Association in order to adapt their wording to the current legislation and introduce technical and drafting improvements in certain articles in order to clarify or complete them, thereby facilitating comprehension by the shareholders and enhancing the Bank's corporate governance.

The General Meeting of Shareholders is asked to consider three blocks of amendments, relating to the right to attend the General Meeting of Shareholders, technical improvements, and adaptation to new legislation.

Firstly, it is proposed to amend articles 38 and 39 in connection with the right to attend the General Meeting.

Secondly, it is proposed to eliminate article 9 (and renumber all subsequent articles) and amend articles 41, 42, 55, 57, 60 and 88 in order to make technical improvements.

Thirdly, it is proposed to amend articles 44 and 61 to adapt to new legislation.

The proposed amendments are discussed below:

1. Amendment to articles 38 and 39:

The amendment consists of restating the minimum requirement established in the Articles of Association for entitlement to attend General Meetings of Shareholders in terms of the number of shares and, for simplicity, establishing it in line with the maximum number allowed by law.

Those articles will be amended to read as follows:

Article 38. In order to attend, speak and vote at a Shareholders' Meeting, a shareholder's shares must be on record in the register of shares five days before the day on which the Meeting is to be held and they must have obtained an attendance card, which will be available from the Secretary's Office until five days before the date of the Meeting and must show the number of votes to which the shareholder is entitled on the basis of one vote for every thousand (1000) paid-up shares.

The company's executives and advisers are entitled to attend Shareholders' Meetings and to speak but not to vote.

Article 39. Shareholders may attend the Shareholders' Meeting in person or appoint a proxy.

Holders of a general power of attorney for the shareholder in the form of a public instrument with the power to administer all of the shareholder's assets in Spanish territory are also entitled to represent the shareholder.

To grant proxy, the shareholder need only indicate, at the foot or on the back of the attendance card, the name of the shareholder so appointed and sign their name, provided that the signature has been legalised or is recognised by the Bank. Otherwise, the signature must be accompanied by a second signature that fulfils these requirements.

The proxy appointment must contain, or have attached to it, the agenda for the Meeting and the request for voting instructions with indications of how the proxy is to vote in the event of precise instructions not being provided.

Minors must be represented by their guardians or legal representatives, and corporations or companies by their legal representatives, in which case the identity of such person must be specified so that an attendance card can be issued in their name and they may appoint a proxy as provided in the first paragraph.

Proxies shall be granted and valid for a specific Shareholders' Meeting and may be revoked in any event. Attendance in person by the principal at the Meeting shall have the effect of revoking any proxies.

To attend and vote at a Shareholders' Meeting, shareholders must show evidence of holding or acting for the holders of one thousand (1000) shares. Shareholders holding shares that do not come up to that minimum amount may group together to constitute the minimum and grant proxy to any one of them or to another shareholder that is entitled to attend, as provided in this article.

2. Elimination of article 9:

It is proposed to eliminate article 9 (and renumber all subsequent articles) since the presumption as to the domicile of the shares of Banco Sabadell is unnecessary and meaningless in practice.

3. Amendment of article 41:

It is proposed to adapt the wording of the article in accordance with the wording of article 519.3 of the Capital Companies Act and, consequently, replace the reference to three per cent of paid-up capital with a reference to three per cent of share capital.

The complete article is reworded to read as follows:

Article 41. A Shareholders' Meeting may be Ordinary or Extraordinary, and shall be called by the Board of Directors.

An Ordinary Shareholders' Meeting shall be held within the first six months of each financial year at such place, date and time as the Board of Directors shall determine, provided that it is held in the limits of the city where the registered offices are located; meetings may be adjourned for one or more consecutive days based on a proposal by the Board of Directors or at the petition of shareholders representing one-quarter of the capital present at the Meeting. Regardless of the number of sessions into which the General Meeting is divided, it shall be treated as a single Meeting and only one set of minutes shall be drawn up.

The ordinary General Meeting shall be asked to examine and approve the financial statements, directors' report, income statement, statement of changes in net equity, cash flow statement, and balance sheet for the previous year, the proposal for the allocation of income and any other proposals that the Board of Directors decides to submit.

The ordinary Shareholders' Meeting shall also hear and consider any reasoned proposals from shareholders that are duly signed and presented within five days following the publication of the notice of meeting; any such proposal must be signed by shareholders representing at least three per cent of the share capital and be directly related to the business already included or to be included in the agenda of the meeting.

Once the items on the agenda have been dealt with, shareholders may put forward any motions they see fit and, if they are accepted by the Board of Directors, those motions shall be submitted either to the next Ordinary Shareholders' Meeting or to an Extraordinary Shareholders' Meeting, at the Board's discretion.

4. Amendment of article 42:

It is proposed to adapt the wording of the article in accordance with the wording of articles 168 and 495.2.a) of the Capital Companies Act and, consequently, replace the

reference to three per cent of the paid-up capital with a reference to three per cent of share capital.

It is also proposed to introduce a final sentence in the first paragraph indicating the time period established in article 168 of the Capital Companies Act during which the directors must give notice of a General Meeting upon request by shareholders representing at least three per cent of capital.

The complete article is reworded to read as follows:

Article 42. An Extraordinary Shareholders' Meeting shall be called whenever the Board considers it to be in the interests of the Company. An Extraordinary Shareholders' Meeting shall also be called when requested by a number of shareholders representing at least three per cent of the share capital, such shareholders having stated in their request the nature of the business to be transacted at the Meeting. In this case, the Meeting shall be called so as to take place within two months from the day on which a notarially certified request to hold a meeting is received by the Board of Directors.

The Agenda for the meeting must necessarily include all items of business stated in the request.

5. Amendment of article 55:

It is proposed to amend the article in accordance with the wording of Article 529 septies.2 of the Capital Companies Act and, consequently, eliminate the requirement that the position of Lead Independent Director fall to a Vice-Chairman, if there is one.

The complete article is reworded to read as follows:

Article 55. The Board shall appoint one of its members as Chairman. The Board shall also select one or more Vice-Chairmen; if there is more than one, they shall be numbered sequentially. The distribution of their responsibilities may be changed when the Board sees fit.

The Board shall also appoint a Secretary and may appoint a Vice-Secretary, neither of whom need be a director. A Secretary who is not a director shall not have the right to vote.

The Chairman of the Board of Directors is the Bank's chief representative and, in performing his functions, he is the person with primary responsibility for the effectiveness of the Board of Directors, representing the Bank in any event, and signing on behalf of the company; he will convene and chair meetings of the Board of Directors, setting the agenda, directing the debates and deliberations within the Board of Directors, and, in the event, the General Meeting, and shall be responsible for executing the decisions

adopted by the Board of Directors and the General Meeting of Shareholders without the need for this to be expressly mentioned. Moreover, the Board shall delegate to him all the powers that it sees fit which may be delegated by law.

If the Chairman is unable to discharge his duties for any reason, they shall be performed by the Vice-Chairman, or the first Vice-Chairman if there is more than one, or, if the first Vice-Chairman is unable to act, by the next Vice-Chairman in numerical order.

The Board may appoint one of its members as Managing Director.

The Managing Director shall be the person with primary responsibility for managing and directing the business, and he shall be the Bank's representative in the absence of the Chairman. Moreover, the Board shall delegate to him all the powers that it sees fit which may be delegated by law.

The Board of Directors may designate a Lead Director from among the independent directors; that person will be empowered to give notice of meetings of the Board of Directors, add items to the meeting agenda, coordinate and meet with the non-executive directors, reflect the opinion of the external directors, and direct any regular assessment of the Chairman of the Board of Directors.

In the absence of the Chairman and the Vice-Chairmen, if any, the Lead Director shall chair the Board of Directors.

The Secretary shall be responsible for taking minutes at Shareholders' Meetings and at meetings of the Board of Directors and for signing them with the Chairman, and for keeping the minute books and for issuing, with the countersignature of the Chairman or his replacement, any certificates that may be required, whether in relation to such minutes or to any other documents or matters concerning the Company.

In the event of the Secretary being absent or incapacitated or in the event of the office being vacant, his duties shall be undertaken by the Vice-Secretary or, if none has been appointed, by a director designated by the Board.

Any director so appointed to stand in for the Chairman or Secretary shall not be required to show proof of his appointment to third parties.

6. Amendment of article 57:

It is proposed to adapt the wording of the first paragraph of the article into line with the wording of article 248.1 of the Capital Companies Act and, therefore, replace the

reference to an absolute majority of votes with a reference to an absolute majority of the directors in attendance.

The complete article is reworded to read as follows:

Article 57. The Board of Directors shall meet once per month and as and when the Chairman shall see fit, or whenever a Director requests a Meeting. To be quorate, a majority of the members must be present in person or by proxy; resolutions shall be adopted by an absolute majority of the directors in attendance, with the Chairman having a casting vote in the event of a tie.

Non-executive directors may grant proxy only to another non-executive director.

Resolutions of the Board shall be recorded in a Minute Book, which shall be signed by the Chairman and the Secretary; the Secretary shall be responsible for taking the Minutes and for issuing any certificates required, which shall be countersigned by the Chairman.

7. Amendment of article 60:

It is proposed to amend the wording of the article to clarify that the Executive Committee is comprised of six directors.

The complete article is reworded to read as follows:

Article 60. The Executive 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 Executive 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 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.

8. Amendment of article 88:

It is proposed to explicitly introduce into the Articles of Association the possibility of paying interim dividends in kind.

The complete article is reworded to read as follows:

Article 88. The Shareholders' Meeting may approve a distribution, partly or entirely in kind, of dividends (charged either against the profits for the year or unrestricted reserves) or of any share premium reserve, provided that the assets or securities to be distributed are uniform and sufficiently liquid or are readily realizable; this shall be presumed always to be the case for securities that are listed or are to be listed on a regulated market. Interim dividends distributed in accordance with article 91 of these Articles of Association may be paid partly or entirely in kind provided that the goods or securities to be distributed fulfil the conditions indicated above.

The rule set out in the preceding paragraph shall also apply to the refunds of contributions in the event of a capital reduction.

9. Amendment of article 44:

Act 5/2015, of 27 April, on promoting finance for business, amended the consolidated text of the Capital Companies Act to establish that the power to approve the issuance of debt securities that are not convertible into shares and do not give entitlement to share in corporate profits lies with the Board of Directors, and not with the General Meeting of Shareholders, except where the Articles of Association provide otherwise. For this reason, it is proposed to delete the references to this matter contained in the last two paragraphs of article 44 of the Articles of Association; and to specify in the first paragraph that the issues of debt securities that require a resolution by the General Meeting of Shareholders are those which are convertible or which give entitlement to share in the corporate profits.

It is also proposed to adapt the wording of the third paragraph of the article in accordance with the wording of article 201 of the Capital Companies Act and, consequently, replace the reference to the vote in favour by two-thirds of the validly cast votes with a reference to the vote in favour by two-thirds of the capital in attendance at the Meeting, either in person or by proxy.

The complete article is reworded to read as follows:

Article 44. In order for an Ordinary or Extraordinary Shareholders' Meeting to validly adopt a resolution to issue bonds that are convertible into shares or grant entitlement to participate in the company's earnings, reduce or increase the share capital, change the legal form of the Company, merge or de-merge the Company or, generally, make any amendment to the Articles of Association, the Meeting, if at first call, must be attended, in person or by proxy, by shareholders holding not less than 50 per cent of the subscribed voting shares.

If at second call, 25 per cent of capital shall suffice.

Where those present represent less than 50 per cent of the subscribed voting shares, any of the resolutions referred to in the preceding paragraph shall require a majority of two-thirds of the capital in attendance, in person or by proxy.

10. Amendment of article 61:

It is proposed to amend this article in order to adapt the composition of the Audit and Control Committee to the forthcoming entry into force on 17 June 2016 of Act 22/2015, of 20 July, on Auditing, which, among other things, amends article 529 *quaterdecies* of the Capital Companies Act.

It is also proposed to make technical and drafting improvements by adapting the second competence in the article to the literal wording of the legislation and replace the reference to Committee with the more appropriate term "Commission" (Translator's note: this does not affect the English version, in which the term "Committee" has been used).

The complete article is reworded to read as follows:

Article 61. The Audit and Control Committee shall comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least a majority of them must be independent directors, and one must be appointed on the basis of his knowledge and experience of accounting and/or auditing. 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 Chairman may hold office for at most four years, and may only be re-elected after a one-year interval.

The Audit and Control Committee must meet at least once every three months, and whenever convened by the Chairman at his own initiative or at the request of any Committee member, or at the request of the Chairman of the Board of Directors or of the external auditors.

The Audit and Control Committee may require the attendance at its meetings of such executives, including executive directors, as it sees fit, to which end it shall notify the General Manager(s) to schedule their attendance.

The Audit and Control Committee has the responsibilities established by law, including:

- 1. Reporting to the General Meeting on all issues raised by shareholders that are within its remit.*
- 2. Supervising the effectiveness of the company's internal control, internal audit and risk management systems, including those relating to tax risk, as well as*

discussing with the auditors or audit firms any significant weaknesses in the internal control system detected in the course of the audit;

- 3. Overseeing the drafting and presentation of regulated financial information.*
- 4. Proposing to the Board of Directors, for submission to the General Meeting, the appointment of the external auditor, establishing the engagement conditions, the scope of the professional mandate, and revocation or non-renewal, if appropriate; reviewing compliance with the audit contract, striving to ensure that the opinion on the financial statements and the main content of the auditors' report are drafted clearly and accurately.*
- 5. Advising on the annual, quarterly and half-yearly financial statements and the prospectuses that must be submitted to the regulatory or supervisory bodies, exercising vigilance to ensure compliance with the requirements of the law and the proper application of generally accepted accounting principles, and advising on proposals to amend those principles.*
- 6. Establishing the appropriate relations with external auditors to receive information about any issues that might jeopardise their independence, to be reviewed by the Committee, and any others related to the process of performing the audit functions and in the audit rules.*
- 7. Supervising the internal audit units, reviewing the appointment and removal of the head of internal audit.*
- 8. Being apprised of the company's financial reporting process and internal control systems.*
- 9. Liaising with the external auditors in order to receive information about matters that might jeopardise their independence and any other matters related to the audit process as well as other communications envisaged in the audit legislation and technical audit standards.*
- 10. Reporting on any issues referred to the Committee by the Board of Directors that are within its remit.*
- 11. All other functions attributed to it by law and by these Articles of Association and the regulations implementing them.*

The Audit and Control Committee shall draft an annual report on its activities, which shall be included in the Directors' Report referred to in article 82 hereof.

The Board considers that the amendments to the Articles of Association proposed to the Shareholders' Meeting under item four of the Agenda are sufficiently justified as they seek to improve the drafting of certain articles in order to adapt them to current legislation, introduce improvements in the area of corporate governance and facilitate comprehension by the shareholders.