

REPORT BY THE BOARD OF DIRECTORS OF BANCO DE SABADELL, S.A. IN SUPPORT OF THE PROPOSAL TO APPROVE SUPPLEMENTARY LONG-TERM REMUNERATION LINKED TO THE INCREASE IN THE VALUE OF THE SHARES OF BANCO DE SABADELL, S.A. AS REFERRED TO IN ITEM EIGHT OF THE AGENDA OF THE GENERAL MEETING OF BANCO DE SABADELL, S.A. SCHEDULED FOR 31 MARCH 2016, AT SECOND CALL

1. Introduction

The Board of Directors of Banco de Sabadell, S.A. ("Banco Sabadell" or the "Bank") proposes that the General Meeting of Shareholders adopt a motion to approve a long-term supplementary incentive plan linked to the appreciation by the shares of Banco Sabadell for executive directors, senior executives and other executives of the Banco Sabadell Group (Plan ICLP 2016, the "Incentive").

The Board of Directors understands that the incentive to be implemented contributes to aligning the interests of shareholders and the Bank's business objectives, and that configuring it as a multi-year programme contributes to incentivising the attainment of long-term goals and to retaining and ensuring the loyalty of the Bank's key personnel, it being an effective mechanism for retaining the best professionals.

The Incentive is formulated in similar terms to the one currently in force, which was authorised by the General Meeting of Shareholders on 27 March 2014 and expires early in 2017, and which was preceded by similar remuneration plans in dated 2007 and 2010.

2. Brief description of the Incentive

The Incentive consists of the assignment to each of the beneficiaries of a specific number of rights, giving entitlement to the same number of the Company. Each right empowers the beneficiary to receive the amount of the increase in value of one share, which will be settled through the delivery of shares of the Bank valued according to their market price at the time of delivery.

The increase in value will be calculated taking, as the initial value, the arithmetic mean, rounded to the third decimal place, of the closing prices of the Banco Sabadell share in the twenty market sessions prior to the date on which the February 2016 Board of Directors meeting is held, and the final value will be the arithmetic mean, rounded to the third decimal place, of the closing price of the Banco Sabadell share in the first twenty stock market trading sessions of March 2019. Once the amount of appreciation has been determined for each beneficiary, as a function of the rights he/she holds, the number of Banco de Sabadell, S.A. shares to be delivered is calculated by dividing the amount of appreciation thus obtained by the arithmetic mean, rounded to the third decimal place, of the closing price of the Banco Sabadell share in the first twenty stock market trading sessions of March 2019.

The beneficiaries of the incentive are the executive directors of the Bank (Chairman, Managing Director and Director-General Manager), the other executives in the designated group of risk-takers, other executives of Banco Sabadell and of investees that form part of its consolidated group, as determined by the Board of Directors based on a proposal of the Remuneration Committee.

The incentive is voluntary for the beneficiaries, and its delivery is conditional upon the shares appreciating. In the event that they depreciate, beneficiaries do not have any monetary rights.

Collection of the incentive is also conditional on the beneficiary meeting the objectives established in the Company's remuneration policy (Professional Effectiveness Score, PES); on the absence of serious breaches of the internal regulations by the beneficiary; and on the uninterrupted maintenance of the service relationship between the beneficiary and any of the Banco Sabadell group companies. Excepted from the latter requirement are special cases of termination before the Incentive vests, such as death, retirement or other equitable just causes to be determined by the Board of Directors.

The assigned rights do not confer the status of shareholder or any right associated with such status, and they are non-transferable except to rightful heirs in the event of the beneficiary's death.

3. Individual assignment of options

The individual allocation of the number of stock options to each beneficiary will be done by the Board of Directors at the proposal of the Remuneration Committee. The maximum number of stock options that may be assigned will be 30,000,000. Within that maximum number, the amount not assigned initially will be reserved to cover the possible inclusion of new beneficiaries, or to increase the number allocated to pre-existing beneficiaries.

The number of stock options to be assigned to the initial beneficiaries is estimated to be 29,435,000. Of that amount, the Chairman of the Board of Directors is entitled to 1,600,000 options; the Managing Director is entitled to 1,400,000 options; the Director - General Manager is entitled to 800,000 options

4. Term

The incentive will commence on 1 April 2016 and will conclude on 30 April 2019, once the options subsisting at that date are settled.