

**REPORT BY THE BOARD OF DIRECTORS OF BANCO DE SABADELL, S.A. FOR THE PURPOSES ENVISIONED IN ARTICLES 285 ET SEQ. AND 318 OF THE CAPITAL COMPANIES ACT REGARDING THE RESOLUTION TO AUTHORISE THE COMPANY TO ACQUIRE, DIRECTLY OR INDIRECTLY, OWN SHARES AND, WHERE APPROPRIATE, REDUCE CAPITAL, REFERRED TO IN AGENDA ITEM ELEVEN OF THE GENERAL MEETING OF BANCO DE SABADELL, S.A. SCHEDULED FOR 31 MARCH 2016, AT SECOND CALL.**

In compliance with the Capital Companies Act, the Board of Directors of Banco de Sabadell, S.A. ("Banco Sabadell" or the "Bank") issues this report in support of the proposal to authorise the Bank to acquire own shares, directly or indirectly, and reduce capital, where appropriate.

Articles 146, 509 and related articles of the Capital Companies Act allow companies to hold own shares, either directly or through subsidiaries, although they must comply with the requirements established in those articles, having regard to the recommendations by the regulatory authorities of the markets where the shares of Banco Sabadell are listed, particularly that the acquisition must have been authorised by the Bank's General Meeting.

Once own shares have been acquired, several legal mechanisms may be used to reduce their number: they may be amortised, sold in the market or in the framework of corporate transactions, or delivered to Bank employees or directors as part of their remuneration or as a result of their exercising stock options. The market conditions should be considered when deciding which mechanism to implement since, at any given time, those conditions may make it inadvisable to sell own shares directly on the market.

Since it is impossible to determine a priori which of the existing mechanisms will be most appropriate and given that there is currently no basis for deciding which method will be most appropriate in the future, the Board of Directors of Banco Sabadell is empowered to evaluate and make such decisions when the time comes, with the power to sub-delegate to the Executive Committee or the director(s) that the Board or the Executive Committee deems fit.

In the event of amortisation of own shares, a capital reduction resolution must be adopted by the General Meeting; however, the decision as to the advisability and timing of that transaction must take into consideration the changing situations which influence the securities market, the socio-economic context, and the Bank's financial situation, objectives and policies; since all the terms of the capital reduction cannot be determined *a priori*, that mechanism must be conceived using broad criteria, delegating to the Board of Directors a series of powers which enable it to perform amortisation, as allowed by law. Those powers include determining the method and amount of the reduction and whether the amount will be allocated to a restricted

reserve or to an unrestricted reserve, in which case certain legal requirements must be fulfilled as security for creditors. This motion seeks to provide the Bank with the instruments that are in its own and its shareholders' best interests.