

REPORT BY THE BOARD OF DIRECTORS OF BANCO DE SABADELL, SOCIEDAD ANÓNIMA IN SUPPORT OF THE MOTION TO APPROVE A SUPPLEMENTARY INCENTIVE BASED ON THE APPRECIATION BY THE SHARE OF BANCO DE SABADELL, SOCIEDAD ANÓNIMA AS REFERRED TO IN ITEM SEVEN OF THE AGENDA OF THE GENERAL MEETING OF SHAREHOLDERS OF BANCO DE SABADELL, SOCIEDAD ANÓNIMA SCHEDULED FOR 30 MARCH 2017, AT SECOND CALL

1. Introduction

The Board of Directors of Banco de Sabadell, Sociedad Anónima proposes that the General Meeting of Shareholders adopt a motion to approve a supplementary incentive plan, linked to the appreciation by the shares of Banco de Sabadell, Sociedad Anónima, for executive directors, senior management and other executives of the Banco Sabadell group (the "Incentive").

The Board of Directors understands that the Incentive to be implemented contributes to aligning the interests of shareholders and the business objectives of Banco de Sabadell, Sociedad Anónima, and that configuring it as a multi-year programme contributes to incentivizing the attainment of long-term goals and to retaining and ensuring the loyalty of the key personnel of Banco de Sabadell, Sociedad Anónima, it being an effective mechanism for retaining the best professionals.

The Incentive is formulated in similar terms to the long-term incentives currently in force that were authorised, respectively, by the General Meeting of Shareholders on 27 March 2014, expiring in late March 2017, and by the General Meeting of Shareholders on 31 March 2016, expiring in late March 2019, which were preceded by similar remuneration plans in 2007 and 2010. Without prejudice to the foregoing, the Incentive takes account of the European Banking Authority recommendations in its document entitled "*Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013*" (Document EBA/GL/2015/22) dated 27 June 2016, which was adopted by the Bank of Spain by decision of its Executive Committee on 27 July 2016.

2. Brief description of the Incentive

The Incentive consists of the assignment to each of the recipients of a specific number of rights to the same number of shares of Banco de Sabadell, Sociedad Anónima. Each right empowers the recipient to receive the amount of the increase in value of one share, which will be settled through the delivery of shares of Banco de Sabadell, Sociedad Anónima valued according to their market price at the end of the period for calculating the value of the Incentive.

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 share of Banco de Sabadell, Sociedad Anónima in the first twenty market sessions of the month of January 2017, and the final value will be taken to be the arithmetic mean, rounded to

the third decimal place, of the closing price of the share of Banco de Sabadell, Sociedad Anónima in the first twenty market sessions of the month of March 2020. 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, Sociedad Anónima 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 share of Banco de Sabadell, Sociedad Anónima in the first twenty stock market trading sessions of the month of March 2020.

The beneficiaries of the Incentive are the executive directors of Banco de Sabadell, Sociedad Anónima (Chairman, Managing Director and Director-General Manager), the other executives in the Designated Group with assigned variable remuneration, and other executives of Banco de Sabadell, Sociedad Anónima 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 receipt is conditional upon the shares actually appreciating during the period of the Incentive; in the event that they depreciate, no monetary rights will be generated for the beneficiaries.

Additionally, a necessary condition in order for the rights to vest is that the beneficiary exceeds the minimum percentage of compliance with the personal objective referred to as the "professional effectiveness score" (hereafter PES) (Valoración de la Eficacia Profesional – “VEP”) in the terms to be defined in the general conditions of the Incentive. The final decision as to fulfilment of the PES will be made by the Remuneration Committee of Banco de Sabadell, Sociedad Anónima. Other conditions attached to vesting will be that the beneficiary maintain his/her employment or contractual relationship with the group and that he/she must not have incurred in any event triggering a malus clause, all in the conditions to be established by the Board of Directors in the general conditions of the Incentive, which must also consider, in accordance with the applicable regulations, the cases where the beneficiary may be required to repay any Incentive amount collected previously (clawback).

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 rights

The individual allocation of the number of rights to each beneficiary will be performed by the Board of Directors at the proposal of the Remuneration Committee. The maximum number of rights that may be assigned will be 35,000,000. 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 rights to be assigned to the initial beneficiaries is estimated to be 33,045,000. Of that amount, the Chairman of the Board of Directors is entitled to 1,700,000 rights; the Managing Director is entitled to 1,500,000 rights; and the Director - General Manager is entitled to 800,00 rights.

4. Term

The period of share appreciation used for calculating the number of shares to be delivered begins on 30 January 2017 and concludes in the twentieth stock market session in the month of March 2020.

5. Settlement. Deferral and retention

The incentive will be settled in April 2020, except for the case of the executive directors and senior managers, to whom the current deferral rules are applicable as provided in the general terms of the Incentive.

All beneficiaries forming part of the Designated Group at the time of delivery of the shares must retain ownership of same for a lock-up period of at least one year from the delivery date.