

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 SEVEN ON THE AGENDA OF THE GENERAL MEETING OF SHAREHOLDERS OF BANCO DE SABADELL, S.A. SCHEDULED FOR 19 APRIL 2018, AT SECOND CALL

The Board of Directors of Banco de Sabadell, Sociedad Anónima hereby fulfils the provisions of article 286 of the Capital Companies Act by describing 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.

1. Amend articles 50 and 85 of the Articles of Association:

The Board of Directors, following a favourable opinion from the Audit and Control Committee, proposes that the General Meeting amend articles 50 and 85 of the Articles of Association to update the provisions relating to the remuneration to which directors are entitled for performing their duties.

The purpose of the amendment is to specify and clarify the wording of those articles to reflect the regulatory requirement that all headings of director remuneration be duly set out in the Director Remuneration Policy, in line not only with the latest interpretations of current legislation but also with best practices in the area of corporate governance.

Those articles will be amended to read as follows:

“Article 50. The Board of Directors shall consist of a maximum of 15 and a minimum of 11 members, appointed by the General Meeting for a term of four years, with the possibility of re-appointment for periods of the same duration, who shall not be required to provide guarantees and who shall faithfully perform their duties and represent the Company in a diligent and businesslike way in good faith and in the company's best interests and shall keep confidential any data, reports or information of a confidential nature of which they become aware or to which they gain access in the course of discharging their duties, even after they have ceased to hold office.

Directors must avoid situations of conflict of interest in the terms defined in the Capital Companies Act, including those where the beneficiary of the prohibited acts or activities is a related party of the director.

Any vacancies arising on the Board of Directors shall be filled by the General Meeting unless the Board decides, in the interests of the Company, to act in accordance with the Capital Companies Act.

Shareholders acting collectively in the manner and in accordance with the requirements of article 243 of the Spanish Capital Companies Act shall be entitled to appoint the corresponding number of directors.

A director may be removed at any time by a resolution of the General Meeting.

The position of director is compatible with any other office or executive role in the Company and with the remuneration which, based on a proposal from the Remuneration Committee and a resolution by the Board of Directors, is deemed appropriate on the basis of his/her performance of such other functions within the Company, in accordance with the Director Remuneration Policy approved by the General Meeting.

Additionally, under the heading of long-term remuneration, subject to prior approval by the General Meeting, directors who perform executive functions may also participate in incentive plans approved for executives of the Bank consisting of payment in the form of shares, stock options or remuneration linked to the share price."

"Article 85. From gross revenues there shall be deducted the general expenses, interest, bonuses, appropriations made by the Board for depreciation and amortisation, any provisions considered necessary and any other amount that results in a reduction in the Bank's assets.

In particular, the remuneration to which directors are entitled both for performing their functions as members of the Board of Directors and for their executive functions, whose maximum annual amount will be established in the Director Remuneration Policy approved by the General Meeting of Shareholders, will be deducted, and the Board will be broadly empowered to establish, within the aforementioned maximum limit, the remuneration for individual members, subject to a prior report from the Remuneration Committee. Any long-term remuneration for executive directors will be deducted from gross revenues in the year in which it is actually paid.

After making deductions for tax and provisions to reserves as required by law, the Shareholders' Meeting shall, based on a proposal from the Board of Directors, decide what part of any remaining profit is to be distributed to shareholders as dividends and how much is to be appropriated to voluntary reserves or otherwise appropriated or employed in such manner as it may determine."