REPORT OF THE BOARD OF DIRECTORS OF BANCO DE SABADELL, S.A. RELATING TO THE ISSUANCE OF PERPETUAL SECURITIES THAT ARE CONTINGENTLY CONVERTIBLE INTO SHARES, OVERRIDING THE PRE-EMPTIVE SUBSCRIPTION RIGHT IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 414, 417, 511 AND 286, IN RELATION TO ARTICLE 297.1. B) OF THE CAPITAL COMPANIES ACT

I. Purpose of the report

This report is prepared in relation to the issuance of perpetual securities contingently convertible into newly-issued ordinary shares of Banco de Sabadell, S.A.[1] (hereinafter, "**Banco Sabadell**" or the "**Bank**"), in accordance with the First Additional Provision of Act 10/2014, of June 26, on the organisation, supervision and solvency of credit institutions ("**Act 10/2014**") and Regulation (EU) No. 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("**CRR**") (hereinafter, the "**Preferred Securities**"), for a maximum nominal amount of five hundred million euro (€500,000,000) (with the possibility of incomplete subscription) overriding the pre-emptive subscription right (the "**Issue**"), adopted by the Board of Directors of the Bank on the date of this report, in exercise of the power conferred on it by the Ordinary General Meeting of Shareholders held on 30 March 2017.

The report is issued in compliance with the provisions of articles 414, 417, 511 and 286, in connection with article 297.1.b) of the Consolidated Text of the Capital Companies Act, approved by Legislative Royal Decree 1/2010, of 2 July (the "**CCA**") for the purposes of issuing Preferred Securities and overriding the pre-emptive subscription right that shareholders would have in connection with the Issue.

Article 401.3 of the CCA provides that securities that recognise or create debt that are issued by a corporation, as is the case of the Preferred Securities, will be subject to the regime established for bonds in Title XI of the CCA. In this context, the regulation of the convertible bonds provided for in Chapter III of the aforementioned Title is also applicable to the Preferred Securities, given their contingent convertibility component in accordance with the provisions of Act 10/2014 and the CRR.

The aforementioned articles 414 and 417 of the CCA allow corporations to issue convertible bonds provided that the general meeting determines the conditions and forms of conversion and resolves to increase the capital in the necessary amount, for which purpose the directors must draft a report that sets out the rules and forms of the conversion, accompanied by a report by an auditor designated for this purpose by the Mercantile Register who may not be the company's auditor.

Moreover, in the case of listed corporations, article 511 of the CCA allows the general meeting to delegate to the directors not just the power to issue convertible bonds but also the power to override the pre-emptive subscription right in relation to the issues

[1] All information related to the name, capital stock, registered office and regulatory disclosures of the Issuer can be found on the corporate website www.grupbancsabadell.com.

of convertible bonds that are made under the delegated powers, if this is in the company's interests. For this purpose, the notice of the general meeting that contains the proposal to grant the directors the power to issue convertible bonds must also expressly set out a proposal to grant the power to override the pre-emptive subscription right, and a motion to increase capital on the basis of the power granted to the Board, the report by the directors and the report by the auditor referred to above must refer to each specific issue.

For these purposes, in accordance with the provisions of article 417 of the CCA, the aforementioned report by the directors must provide a detailed justification for the proposal to override the pre-emptive subscription right and the auditor's report must contain a technical opinion on the reasonableness of the data contained in the directors' report as well as on the suitability of the conversion ratio and of any adjustment formulas to compensate for possible dilution of the shareholders' economic stakes.

Lastly, given that the issuance of convertible bonds by a company entails performing a corresponding capital increase to cater for the conversion of the convertible bonds that are issued, the formalities required by the CCA for capital increases must also be observed when convertible bonds are issued. In this regard, to the extent that the issuance of convertible bonds and the corresponding capital increase are approved by the company's directors by delegation of its General Meeting, in accordance with article 286 in connection with article 297.1 b) of the CCA, the directors must draw up a written report justifying the amendment of the company's Articles of Association as may be required by such capital increase.

Therefore, based on the intention of the Bank's Board of Directors to issue the Preferred Securities while overriding the shareholders' pre-emptive subscription right, the purpose of this report is to set out the conditions and forms of conversion of the issue and to justify the proposal to override the shareholders' pre-emptive subscription right and the corresponding capital increase that may be carried out in the event that any of cases of conversion arise, all in compliance with the requirements mentioned in the previous paragraphs.

In any case, as stated in section IX below, the Board has delegated to the Executive Committee and/or the directors Mr. José Oliu Creus, Mr. Jaime Guardiola Romojaro and Mr. José Luis Negro Rodríguez the power to decide to carry out or withdraw the issue as a function of market circumstances.

In addition, the Bank has asked the Alicante Mercantile Register to designate an auditor other than the auditor of Banco Sabadell to issue a special report containing a technical opinion on the reasonableness of the data contained in this report as well as on the suitability of the conversion ratio and any adjustment formulas, to compensate for possible dilution of the shareholders' economic interests, in accordance with the provisions of article 511 of the CCA in relation to articles 414.2 and 417.2 of the CCA.

This report and the special report by the auditor other than that of Banco Sabadell who is designated by the Mercantile Register will be made available to the Bank's shareholders and will be communicated to the first General Meeting of Shareholders of the Bank that is held after the decision to make the issue.

II. Delegation of powers to the Board of Directors by the General Meeting on 30 March 2017

The issuance of preferred securities that the Board of Directors intends to carry out is performed in execution of the powers conferred by the General Meeting of Shareholders on 30 March 2017, in its resolution number five.

It is hereby placed on record that, of the maximum issuance limit established by authorisation of the General Meeting of Shareholders of TWO THOUSAND MILLION EURO (€2,000,000,000), ONE THOUSAND TWO HUNDRED AND FIFTY MILLION EURO (€1,250,000,000) remain available since, on the occasion of the inaugural issue of perpetual securities that are contingently convertible into shares of the Bank last May, SEVEN HUNDRED AND FIFTY MILLION EURO (€750,000,000) were used by virtue of that same delegation of powers.

III. Current situation that makes the Issue advisable

The purpose of the Issue is to strengthen own funds of the Bank and its group (the "**Banco Sabadell Group**" or the "**Group**"), given that the Preferred Securities are a subordinated instrument capable of absorbing losses through conversion into newly-issued shares in certain cases and they fulfil the eligibility requirements to be classified as additional tier 1 capital under the CRR.

The regulatory framework at Spanish, EU and international level regarding own funds and solvency requirements for credit institutions has undergone very significant changes in the recent past.

In December 2010, the Basel Committee on Banking Supervision (the "**Basel Committee**") published recommendations regarding the Basel III framework, which contained reforms to strengthen international capital and liquidity standards applicable to credit institutions in order to promote a more resilient banking sector.

This Basel III framework was revised in June 2011 and, after including the latest recommendations of the Basel Committee and complying with the appropriate legislative procedures, on 26 June 2013, Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**Directive 2013/36/EU**") and the CRR (together with Directive 2013/36/EU, "**CRD IV**") were approved, which incorporated the Basel III criteria into EU law.

Without prejudice to the direct applicability of the CRR, this new CRD IV framework has already been transposed in Spain through Royal Decree-Act 14/2013, of 29 November, on urgent measures for the adaptation to Spanish law of the regulations of the European Union in matters of supervision and solvency of financial entities, Act 10/2014 and Royal Decree 84/2015, of 13 February, implementing Act 10/2014, as well as by a number of Bank of Spain circulars.

Although Banco Sabadell and its Group comply with the own funds requirements that are currently applicable, in order to be considered to be properly capitalised under CRD IV, credit institutions must have certain proportions of various equity instruments. Thus, in addition to the highest quality own funds (*Common Equity Tier 1*), CRD IV contemplates two additional categories of regulatory capital, *Additional Tier 1* capital and *Tier 2* capital, which can be covered with specific instruments or, in their absence, with ordinary Tier 1 capital, although the latter is more costly and less efficient.

CRD IV also provides that the instruments issued by credit institutions that have been computed to date as Tier 1 capital but that do not comply with the new requirements established in the CRR will gradually cease to compute up until 2023, at which point they will cease to be computed as Tier 1 instruments.

This is the context in which the Board of Directors considers it appropriate to carry out an issue of securities such as the Preferred Securities that will compute as additional Tier 1 capital under CRD IV.

Additionally, with this issue the Bank intends to take advantage of the current favourable situation in the financial markets for the issuance of this type of instruments, as corroborated by the success of the inaugural issue of additional Tier 1 instruments performed by the Bank last May, which situation might be modified in the future, taking into account also the interest and demand detected among some institutional investors.

Additionally, although the Preferred Securities that the Bank intends to issue are essentially perpetual fixed-income securities, the First Additional Provision of Act 10/2014 and CRD IV require that, for the securities to be computable as intended, the terms and conditions of these securities must include a mechanism for absorbing losses when certain exceptional cases provided for in those regulations arise.

In the case of the Preferred Securities, that loss-absorption mechanism consists of their conversion into ordinary shares that will be issued newly by the Bank in the event that Banco Sabadell or its Group attains an ordinary Tier 1 capital ratio lower than 5.125 %, as indicated in the section entitled Conversion Conditions and Forms below.

This loss-absorption mechanism through contingent conversion of the securities into shares in accordance with the requirements of the aforementioned legislation would therefore be triggered only in very specific scenarios of a shortfall of own funds, so that only in situations of significant accounting losses or material declines in the relevant ratios could the issuers improve their levels of common equity Tier 1 capital by conversion in this way.

Therefore, the Preferred Securities that it is proposed to issue will be perpetual fixed-income securities with the capacity to absorb losses through their conversion into shares in the event of a deterioration in the capital position of the Bank or its Group that, in the event, will enable them to reinforce the regulatory capital of Banco Sabadell and its Group immediately as the shares issued on the occasion of the conversion of the Preferred Securities would count as common equity Tier 1 capital under CRD IV.

IV. Financial conditions of the issue

The financial conditions of the Issue are those set out in the resolution of the Board adopted in accordance with the proposal that is transcribed in section IX of this report, including notably the following.

The investor will collect a coupon that will be determined in the final conditions of the Issue. Payment of the coupon is expected to be conditional on, among other factors, passing the payment test required by the regulations on own funds, which will be detailed in the terms and conditions of the Issue. Likewise, the Issuer shall be entitled, if it deems this necessary, to cancel, at its discretion, the payment of the remuneration for an unlimited period, without cumulative effect, and such cancellation may also be imposed by the competent supervisory authority based on the Issuer's financial and capital situation.

In the event of any of the cases of conversion contemplated in the following section of this report, the number of Banco Sabadell shares to be delivered per Preferred Security in the conversion will not be known until the date of the announcement that conversion has been triggered, since a variable conversion ratio is established that depends on the price of the share at the time of conversion, according to the following formula:

$$NumShar = NomPref/ConvPri$$

Where:

NomPref: Nominal amount of the Preferred Security/ies being converted (200,000 euro per Preferred Security).

NumShar: Number of shares of Banco Sabadell to be delivered per Preferred Security.

ConvPri: Conversion price (as defined in the next section).

At the time of conversion, the holder of Preferred Securities will receive a number of shares whose value at that time will be similar to the nominal amount paid in cash at the time of subscription of the Preferred Securities, subject to the limits indicated in the next section of this report.

V. Conversion conditions and forms

1. **Convertibility of the Preferred Securities**: The Preferred Securities will be automatically converted into newly-issued shares of Banco Sabadell in the event of any of the conversion triggers indicated below.

2. **Conversion triggers**: The Preferred Securities will be converted into new ordinary shares of Banco Sabadell if the Common Equity Tier 1 ratio of Banco Sabadell or its group falls below 5.125% at any time.

3. **Conversion ratio**: The Conversion Ratio will be the quotient between the nominal amount of the Preferred Securities and the conversion price (the "**Conversion Price**").

   The Conversion Price will be the market value of the shares of Banco Sabadell at the time of the conversion of the Preferred Securities, calculated as the average of the volume-weighted average prices of the Banco Sabadell share on the five trading days prior to the day on which it is announced that the corresponding conversion trigger has been reached (the "**Reference Price**").

   The minimum Conversion Price will be equal to 66% of the Bank's share price at the close of trading on the business day before the date of setting the terms of the Issue, and must be in the range of between 0.983 and 1.314 euro per share. If the Reference Price is lower than this figure, the Conversion Price will be that minimum (without prejudice to any changes in this amount as a result of the application of the anti-dilution mechanism provided in section 5 below).

   The Executive Committee and/or, without distinction and on a joint and several basis, the directors Mr. José Oliu Creus, Mr. Jaime Guardiola Romojaro and Mr. José Luis Negro Rodríguez and the Vice-Secretary of the Board of Directors, Ms. María José García Beato (whose particulars are on file at the Mercantile Register), as well as the General Manager of the Bank, Mr. Tomás Varela Muiña, of legal age, with professional address in Alicante at Avenida Óscar Esplá, 37, and holding current National Identity Document number 38547646-Z , are empowered to determine the minimum Conversion Price according to the foregoing rules.

   Notwithstanding the foregoing, the Conversion Price may not under any circumstances be less than the par value of the shares of Banco Sabadell at the time of conversion, such that the provisions of article 415 of the CCA will be complied with in any event.

4. **Conversion procedure**: The conversion procedure is described in the terms and conditions of the Issue, attached as Annex I of the Board resolution adopted pursuant to the proposal that is transcribed in section IX of this report.

5. **Anti-dilution mechanism**: The Terms and Conditions of the Issue also provide for anti-dilution mechanisms, which conform to standard practice for this type of transaction and take into account the conditions and forms of conversion provided above, and that the Conversion Price can not, in any event, be lower than the par value of the shares of Banco Sabadell at the time of conversion.

   The Board of Directors of the Bank has unanimously resolved to delegate, to the Executive Committee and/or, without distinction and on a joint and several basis, to the directors Mr. José Oliu Creus, Mr. Jaime Guardiola Romojaro and Mr. José Luis Negro Rodríguez (whose particulars are on file at the Mercantile Register), under the terms of section VI of the Board resolution adopted in accordance with the proposal that is transcribed in section IX of this report, the power to amend the foregoing conditions and forms of conversion, which will include the possibility of establishing, in the final terms and conditions of the Issue, additional conversion triggers or the modification of existing triggers if this arises from changes in the regulations or from a request by a regulator or if it is in the company's interest, provided that the applicable regulations and the criteria of the competent regulators are complied with.

VI. Capital increase

In accordance with the provisions of Article 414 of the CCA, the share capital must be increased by the amount that is necessary to cater for the conversion of the Preferred Securities that are issued. For these purposes, the amount by which it is decided to increase the share capital will be determined by the quotient between the total nominal value of the Preferred Securities and the Conversion Price.

Given that the maximum nominal amount of the issue is five hundred million euro (€500,000,000), assuming a minimum Conversion Price of €0.983 per share, the maximum number of shares to be issued, in the event, would be FIVE HUNDRED AND EIGHT MILLION SIX HUNDRED AND FORTY-SIX THOUSAND NINE HUNDRED AND NINETY-EIGHT (508,646,998) ordinary shares, assuming no anti-dilution adjustment is applied, and express provision is made for the possibility of executing the capital increase at a premium, for a smaller number of shares, and with the possibility of incomplete subscription.

If a conversion trigger is reached, that capital increase will be executed wholly or partly by the Board of Directors or, by delegation, by the Executive Committee or by the persons expressly authorised for this purpose and under the conditions provided for in Section VI of the Board resolution that is adopted in accordance with the proposal transcribed in section IX of this report, when necessary to cater for the contingent conversion of the Preferred Securities by issuing new ordinary shares with the same par value and with the same rights as the ordinary shares that are outstanding on the date of execution of the capital increase resolution. Where the Board of Directors or, by delegation, the Executive Committee or the persons expressly authorised for this purpose and under the conditions provided for in section VI of the Board's resolution adopted in accordance with the proposal transcribed in section IX of this report, execute this resolution, they will amend the article of the Articles of Association relating to capital stock.

As provided in Article 304.2 of the CCA, shareholders of the Company will not be entitled to any pre-emptive subscription right in any capital increase resulting from the conversion of the Preferred Securities.

VII. Justification for overriding the pre-emptive subscription right

The General Meeting of Shareholders of Banco Sabadell on 30 March 2017, under item five on the agenda, not only granted the Board of Directors the power to issue securities convertible into shares and to increase the share capital, but also empowered it to override the pre-emptive subscription right in relation to the issues of convertible securities that may be made under that power.

For these purposes, at the time of convening that Shareholders Meeting, the Board of Directors of Banco Sabadell approved and made available to the shareholders a report justifying that proposal for delegation of the power to override the pre-emptive subscription right.

Additionally, in order to be able to override the pre-emptive subscription right in convertible bond issues, article 511 of the CCA requires that this be in the company's interest.

Making use of that power, the Board of Directors of Banco Sabadell unanimously resolved to override the pre-emptive subscription right in relation to the Issue, considering that such overriding is fully justified and in accordance with the requirements established by law, and also necessary in pursuit of the company's best interests, as detailed below.

The higher capital requirements resulting from the economic and regulatory situation of the financial sector make it advisable to maintain the current policy of maximum prudence and foresight in capital planning by the Bank and its Group, which requires the Bank to have suitable flexible instruments to enable it to respond appropriately to the capital requirements that are in the company's best interest at any given time.

In this context, as indicated above, despite the fact that Banco Sabadell complies with the own funds requirements that currently apply, the Board of Directors considers it necessary to strengthen the Bank's own funds by issuing the Preferred Securities (which will be computable as additional Tier 1 capital under CRD IV), and addressing it to qualified and institutional investors (which are regulated by article 39 of Royal Decree 1310/2005, of 4 November, on listings of securities on official secondary markets, public offerings for sale or subscription, and the prospectus required for that purpose, and in articles 205 and 206 of the Consolidated Text of the Securities Market Act, approved by Legislative Royal Decree 4/2015, of 23 October), which makes it necessary to override the Bank shareholders' pre-emptive subscription right in view of the convertibility element provided in the terms and conditions of the Issue.

The Board of Directors considers that the structure of the proposed Issue, which overrides the pre-emptive subscription rights, fully complies with the substantive requirements established by the CCA and, in particular, with those regarding the requirement that overriding the pre-emptive subscription right be in the company's best interests. This is so because it will make it possible to carry out a transaction that is not only appropriate but necessary to achieve the end pursued and also, taking into account the possible dilution of the shareholders, it retains the necessary proportionality between the objective sought and the chosen medium.

As more detailed evidence of the suitability of the proposed structure, it has the following advantages:

1. **Recourse to qualified and institutional investors to enhance the proposed own funds structure**

   The issuance of the Preferred Securities will improve the Bank's capital structure. However, to be computable as *Additional Tier 1* capital, the Preferred Securities must offer contingent non-cumulative remuneration and also be contingently convertible into ordinary shares of Banco Sabadell in the conversion cases established earlier in this report, such contingent conversion being an essential characteristic for said computability.

   The characteristics and complexity of an instrument such as the Preferred Securities (perpetuity, contingent remuneration and contingent convertibility into shares) as well as the latest regulatory changes mean that it is not an appropriate product for placement in the retail market under current conditions; consequently, if the pre-emptive subscription right were not overridden, there would be a very high risk that the Issue might not be subscribed for in the time period and amount envisaged initially, with the consequent negative impact for Banco Sabadell as Issuer. In addition, this would make it necessary to carry out a subsequent additional placement among investors who do not hold rights, under conditions that would foreseeably be less favourable for the Bank, with the effective and operation cost, and time and capital burdens that this would entail, which would clearly be detrimental to the company's interests.

   Conversely, a growing interest in instruments like the Preferred Securities has been detected among knowledgeable qualified and institutional investors who regularly subscribe for this type of product, as shown by the success of both the aforementioned inaugural issue of additional Tier 1 instruments made by the Bank in May and of several recent issues of similar instruments made in recent months by other credit institutions that were addressed mainly to this type of investor.

Addressing the Issue solely to qualified and institutional investors will also provide the Bank with the opportunity to raise a significant volume of financial resources from a limited number of active investors in the international financial markets, taking advantage of the large volume of trading in those markets.

2. **Accelerated bookbuilding. Taking advantage of market windows, lower exposure to market volatility, and cost savings**

The proposed Issue seeks to raise capital by taking advantage of current market funding conditions and certain investors' interest in products like the Preferred Securities.

Overriding the pre-emptive subscription rights will enable these objectives to be achieved by allowing for the Issue to be placed through an accelerated bookbuilding process. This process is the one that best meets the demands of the international capital markets, making it possible to seize market windows, thereby reducing the cost of fundraising, obtaining more favourable financial conditions and, in general, increasing the transaction's probability of success.

In particular, the accelerated bookbuilding process that is made possible by overriding the pre-emptive subscription right will enable the Bank to:

(a) Commence the placement process at the time that is identified as being especially suitable for this purpose, with the ability to take advantage of any market window without being affected by market volatility and eliminating the uncertainty as to whether such a window will remain open over the period that a rights issue would theoretically take (at least 15 days).

(b) Address the issue to the appropriate investors, thus facilitating the placement work of the lead managers in terms of the type and geographic location of the potential investors to which they may be addressed, which is expected to make it possible to raise funds in the market in the best possible conditions.

(c) Benefit from the opportunity to carry out an operation that will enhance the composition and quality of its financial liabilities while setting the amount of the Issue, the Conversion Price and the remuneration to be paid at the end of the corresponding accelerated bookbuilding process, rather than having to do it before the start of the pre-emptive subscription period, as would be necessary if the pre-emptive subscription right were not overridden, which should enable the Bank to optimise the economic terms of the Issue.

(d) Reduce the impact of the Issue on the Bank's share price by being able to obtain firm subscription commitments from qualified and institutional investors within a very short period of time, rather than the longer period of time required to make the issue, from notifying the market of the Bank's intention to carry it out, in the event of pre-emptive subscription right being retained.

3. **Lower arrangement costs**

Any issue of convertible securities by a listed company that does not override the pre-emptive subscription right requires the filing of an offering prospectus (composed of a Registration Document, Securities Note and Summary) since the rights must be traded on the Spanish stock exchanges where the issuer is listed.

The proposed structure of the Issue, which provides for listing of the Preferred Securities in an organised but not regulated market and addressing it to qualified and institutional investors without a prior public offering, dispenses with the need for the Bank to register a prospectus on the occasion either of the issuance or listing or of the contingent issuance of the shares resulting from the conversion of the Preferred Securities (or their listing on a stock exchange).

4. **Proportionality of the overriding, because the dilution is small or non-existent**

The Bank's Board of Directors consider that overriding the pre-emptive subscription rights complies with the required proportionality between the advantages for the Bank and the potential drawbacks for shareholders, for the reasons set out below:

(a) The Preferred Securities are configured as contingent convertible securities and not as securities whose conversion is mandatory after a specific term or which are convertible at the request of their holders; accordingly, it is possible that the conversion may never take place and, consequently, that the Bank's shareholders may never suffer any dilution as a result of the Issue. Contingent conversion is determined by the rules on own funds and capital adequacy for credit institutions and is expected to arise only in exceptional cases of insufficient own funds; accordingly, conversion is not the natural fate of the Preferred Securities.

(b) In the event that a conversion trigger arises, a variable Conversion Ratio is established that will ensure that shareholders do not experience any economic dilution, given that the shares would be issued at market value at the time of the conversion (or at an even higher price, if the minimum conversion rate is applicable), so that the theoretical value of the pre-emptive rights which it is proposed to override should be zero.

(c) The Conversion Ratio proposed for the Preferred Securities in the event of a conversion trigger being reached is designed to serve the company's interests since, as the securities are convertible at a price referenced to the market price of the share at the time of conversion, the funds obtained by the Bank are maximised (the amount of the issue being used to reinforce its own funds), while, by setting a minimum Conversion Price, the maximum number of shares to be delivered is limited (which makes it possible to limit the maximum dilution of shareholders' voting rights in the event of conversion), in the understanding that applying the minimum conversion price would lead to the shares being delivered at a premium over the market price. That minimum Conversion Price will be adjusted, if necessary, by application of the anti-dilution clauses, and in no event will it be less than the par value of the share.

Consequently, considering (i) the specific characteristics of the Preferred Securities, (ii) that the cases of conversion are very limited and specific, and (iii) that since the Conversion Price will be the market price or a premium over the market price, the theoretical value of the pre-emptive subscription right derived from the Issue is zero, it can be affirmed that current shareholders do not lose economic value as a result of overriding the pre-emptive subscription right.

In conclusion, the combination of the aforementioned factors means that the best option for the company's interests is to issue the Preferred Securities, allocate them only to qualified and institutional investors and, consequently, override shareholders' pre-emptive subscription rights.

VIII. Auditors’ report

The information and data contained in this report will be reviewed by means of a report that will be issued by Deloitte, S.L., in its capacity as an auditor other than the Bank's auditor, having been designated by the Alicante Mercantile Register in the terms provided in articles 414, 417 and 511 of the CCA (the "**Auditor's Report**"). The Auditor's Report will contain a technical opinion as to the reasonableness of the data contained in this Report, particularly with reference to the conditions and forms of conversion, and as to the suitability of the conversion ratio and its adjustment formulas to compensate for any dilution of shareholders' economic interests.

IX. Full text of the motion

MOTION TO ISSUE PERPETUAL SECURITIES THAT ARE CONTINGENTLY CONVERTIBLE INTO SHARES OF BANCO DE SABADELL, S.A.

I. ISSUANCE

*The Board of Directors of Banco de Sabadell, S.A. ("**Banco Sabadell**" or the "**Bank**"), by virtue of the powers granted to it by the Ordinary General Meeting of Shareholders on 30 March, 2017 under item five on the Agenda, hereby resolves to make an issue (the "**Issue**") of perpetual securities contingently convertible into newly-issued ordinary shares of the Bank, in accordance with the First Additional Provision of Act 10/2014 of 26 June, on ordering, supervision and solvency of credit institutions ("**Act 10/2014**") and Regulation (EU) No. 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("**CRR**") (hereinafter, the "**Preferred Securities**") with a maximum nominal amount of FIVE HUNDRED MILLION EURO (€500,000,000) (with the possibility of incomplete subscription) and overriding the pre-emptive subscription right, in accordance with the terms and conditions described below and detailed in **Annex I** of this resolution (the "**Terms and Conditions**"). This is without prejudice to the final Terms and Conditions of the Issue being determined by the Bank in accordance with the provisions of section VI of this resolution.*

It is hereby placed on record that, of the maximum issuance limit established by authorisation of the General Meeting of Shareholders of TWO THOUSAND MILLION EURO (€2,000,000,000), ONE THOUSAND TWO HUNDRED AND FIFTY MILLION EURO (€1,250,000,000) remain available since, last May, on the occasion of the inaugural issue of perpetual securities that are contingently convertible into shares of the Bank, SEVEN HUNDRED AND FIFTY MILLION EURO (€750,000,000) were used by virtue of that same delegation of powers.

***1.- Issuer:** Banco de Sabadell, S.A., domiciled in Alicante, Avenida Óscar Esplá, 37, with Tax ID no. A-08000143.*

***2.- Nature and denomination of the securities:** The securities to be issued are Preferred Securities, in accordance with the terms of Additional Provision One of Act 10/2014 and the CRR, which are contingently convertible into newly-issued ordinary shares of Banco Sabadell under the terms provided in section II below.*

***3.- Nominal amount of the Issue:** Preferred Securities will be issued for a maximum nominal amount of FIVE HUNDRED MILLION EURO (€500,000,000).*

The possibility of incomplete subscription of the Issue is expressly provided for. The final nominal amount of the Issue will be set by the persons expressly authorised for this purpose and in the conditions set out for this purpose in section VI below.

***4.- Currency of the Issue:** Euro.*

***5.- Nominal amount of each Preferred Security and Issue Price:** TWO HUNDRED THOUSAND EURO (€200,000). The Preferred Securities will be issued at par.*

***6.- Number of Preferred Securities:** A maximum of TWO THOUSAND FIVE HUNDRED (2,500) Preferred Securities will be issued (except in the case of incomplete subscription, as previously provided).*

7.- Remuneration: *The Preferred Securities will accrue fixed annual remuneration payable quarterly in arrears that will be the sum of the 5-year midswap, the benchmark for this type of transaction on the date of setting the terms, plus an initial margin; it may not exceed 7% and it will be discretionary and not cumulative. The initial remuneration that the Preferred Securities will accrue definitively will be determined by the persons expressly authorised for this purpose and in the conditions envisaged for this purpose in section VI below.*

The Terms and Conditions attached as Annex I detail the basis for determining the remuneration of the Preferred Securities and the conditions to be met for payment or cancellation of same.

8.- Form of representation: *The Preferred Securities will be represented by bearer securities.*

9.- Period for subscription requests: *The period for subscription requests will be determined by the persons expressly authorised for this purpose and in the conditions provided for this purpose in section VI below.*

10.- Maturity date and early repayment: *The Issue is perpetual; consequently, it has no maturity.*

Nevertheless, the Terms and Conditions of the Issue will provide for cases of early amortisation of the Preferred Securities at the option of the Bank, including, but not limited to, (i) voluntary early amortisation after five years from the date of issue, (ii) amortisation as a consequence of the Preferred Securities ceasing to be eligible as additional Tier 1 capital of Banco Sabadell or its group, and (iii) amortisation for tax reasons due to the payments made under the Preferred Securities ceasing to be deductible or it becoming obligatory to gross up those payments as a result of the need to withhold tax in certain circumstances.

11.- Seniority: *The Preferred Securities will be contractually subordinated debt claims against the Bank in accordance with article 92.2 of Act 22/2003, of 9 July (the Insolvency Act) and, insofar as they are additional Tier 1 capital instruments in accordance with Additional Provision 14 of Act 11/2015, of June 18, on the recovery and resolution of credit institutions and investment firms, they will have the seniority provided therein with the detail indicated in the Terms and Conditions.*

12.- Overriding the pre-emptive subscription right: *The Issue overrides Banco Sabadell shareholders' pre-emptive subscription right.*

13.- Financial institution entrusted with servicing the Issue: *The Bank of New York Mellon SA/NV Dublin Branch.*

14.- Secondary market: *It is planned to make an application to list the Preferred Securities in the organised non-regulated market (Global Exchange Market) of the Irish Stock Exchange.*

II. CONVERTIBILITY OF THE PREFERRED SECURITIES. CONVERSION RULES AND FORMS

1.- Convertibility of the Preferred Securities: *The Preferred Securities will be automatically converted into newly-issued shares of Banco Sabadell in the event of any of the conversion triggers indicated below being reached.*

2.- Conversion triggers: *The Preferred Securities will be converted into newly-issued ordinary shares of Banco Sabadell if the Common Equity Tier 1 ratio of Banco Sabadell or its group falls below 5.125% at any time.*

3.- Conversion ratio: *The Conversion Ratio will be the quotient between the nominal amount of the Preferred Securities and the conversion price (the "**Conversion Price**").*

*The Conversion Price will be the market value of the shares of Banco Sabadell at the time of the conversion of the Preferred Securities, calculated as the average of the volume-weighted average prices of the Banco Sabadell share on the five trading days prior to the day on which it is announced that the corresponding conversion trigger has been reached (the "**Reference Price**").*

The minimum Conversion Price will be equal to 66% of the Bank's share price at the close of trading on the business day before the date of setting the terms of the Issue, and must be in the range of between 0.983 and 1.314 euro per share. If the Reference Price is lower than this figure, the Conversion Price will be that minimum (without prejudice to any changes in this amount as a result of the application of the anti-dilution mechanism provided in section 5 below).

The Executive Committee and/or, without distinction and on a joint and several basis, the directors Mr. José Oliu Creus, Mr. Jaime Guardiola Romojaro and Mr. José Luis Negro Rodríguez and the Vice-Secretary of the Board of Directors, Ms. María José García Beato (whose particulars are on file at the Mercantile Register), as well as the General Manager of the Bank, Mr. Tomás Varela Muiña, of legal age, with professional address in en Alicante, Avenida Óscar Esplá, 37, and holding current National Identity Document number 38547646-Z , are empowered to determine the minimum Conversion Price according to the foregoing rules.

*Notwithstanding the foregoing, the Conversion Price may not under any circumstances be less than the par value of the shares of Banco Sabadell at the time of conversion, such that the provisions of article 415 of the Consolidated Text of the Capital Companies Act approved by Legislative Royal Decree 1/2010, of 2 July (the "**CCA**") will be complied with in any event.*

4.- Conversion procedure: *The conversion procedure is provided for in the Terms and Conditions that are attached as Annex I.*

5.- Anti-dilution mechanism: *The Terms and Conditions attached as Annex I also provide for anti-dilution mechanisms, which conform to standard practice for this type of transaction and take into account the conditions and forms of conversion provided above, so that the Conversion Price can not, in any event, be lower than the par value of the shares of Banco Sabadell at the time of conversion.*

It is resolved to delegate to the Executive Committee and/or, without distinction and on a joint and several basis, to the directors Mr. José Oliu Creus, Mr. Jaime Guardiola Romojaro and Mr. José Luis Negro Rodríguez (whose particulars are on file at the Mercantile Register), the power to modify the foregoing conditions and forms of conversion, which will include the possibility of establishing, in the final terms and conditions of the Issue, additional conversion triggers or amendment of existing triggers if this arises from changes in the regulations or from a request by a regulator or if it is in the company's interest, provided that the applicable regulations and criteria of the competent regulators are complied with.

III. OVERRIDING THE PRE-EMPTIVE SUBSCRIPTION RIGHT

Since it has been shown to be in the company's best interests, it is hereby resolved unanimously to override the Bank shareholders' pre-emptive subscription right with respect to the Issue in accordance with the specific powers granted by the Ordinary General Meeting of Shareholders on 30 March 2017 under item five on the agenda, in the terms of articles 417 and 511 of the CCA.

IV. CAPITAL INCREASE

Under the powers granted by the Ordinary General Meeting of Shareholders on 30 March 2017 under item five on the agenda, and in accordance with the provisions of article 414 of the CCA, it is unanimously resolved to increase the share capital in the maximum amount necessary to cater for the contingent conversion of the Preferred Securities that are issued.

Given that the maximum nominal amount of the issue is FIVE HUNDRED MILLION EURO (€500,000,000), assuming a minimum conversion price of €0.983 per share, the maximum number of shares to be issued, in the event, would be FIVE HUNDRED AND EIGHT MILLION SIX HUNDRED AND FORTY-SIX THOUSAND NINE HUNDRED AND NINETY-EIGHT (508,646,998) ordinary shares, assuming no anti-dilution adjustment is applied, and express provision is made for the possibility of executing the capital increase at a premium, for a smaller number of shares, and with the possibility of incomplete subscription.

If a conversion trigger is reached, that capital increase will be executed wholly or partly by the Board of Directors or, by delegation, by the Executive Committee or by the persons expressly authorised for this purpose and under the conditions provided for in Section VI below, when necessary to cater for the conversion of the Preferred Securities by issuing new ordinary shares with the same par value and with the same rights as the ordinary shares that are outstanding on the date of execution of the capital increase resolution. When the Board of Directors or, by delegation, the Executive Committee or the persons expressly authorised for this purpose and under the conditions provided for in section VI below, execute this resolution, they will amend the article of the Articles of Association relating to capital stock.

As provided in Article 304.2 of the CCA, pre-emptive subscription rights will not apply in any capital increase(s) resulting from the conversion of the Preferred Securities.

It is resolved unanimously to apply for listing of the shares issued by Banco Sabadell to cater for the conversion of the Preferred Securities on the Barcelona, Madrid, Bilbao and Valencia Stock

Exchanges, as well as any other markets on which the Bank's shares are listed. It is expressly stated for the record that, in the event of a subsequent request for delisting of the securities being issued, such delisting will be carried out in accordance with the legally required formalities and, in such event, the interests of the shareholders or holders of the Preferred Securities opposing or not voting on the resolution to delist will be safeguarded, in compliance with the requirements of the CCA and related provisions, all in accordance with the provisions of the Stock Exchange Regulations in Legislative Royal Decree 4/2015, of 23 October, approving the Securities Market Act, and its secondary legislation.

V. APPROVAL OF THE REPORT BY THE BOARD OF DIRECTORS FOR THE PURPOSES OF ARTICLES 414, 417, 511 AND 286 IN CONNECTION WITH ARTICLE 297.1.B) OF THE CCA.

The Report by the Board of Directors for the purposes of articles 414, 417, 511 and 286 in connection with article 297.1.b) of the CCA, attached as ***Annex II****, is hereby approved unanimously.*

That report, with the report by auditor other than Banco Sabadell's auditor for the purposes of articles 511, 414 and 417 of the CCA, will be made available to shareholders of Banco Sabadell when notice is given of the first General Meeting of Shareholders of the Bank that is held.

VI. EMPOWERMENT

Without prejudice to the specific empowerments set out in the preceding sections, and of any other delegations that may correspond to them, in accordance with the provisions of the delegation of powers conferred by the Ordinary General Meeting of Shareholders on 30 March 2017 under item five on the agenda, it is unanimously resolved to grant to the Executive Committee and/or the directors Mr. José Oliu Creus, Mr. Jaime Guardiola Romojaro and Mr. José Luis Negro Rodríguez (whose particulars are on file at the Mercantile Register) the necessary powers so that any of them, without distinction and on a joint and several basis, may:

*(a) In view of market circumstances, decide to carry out or desist from the Issue and at the same time determine, among other issues, the date of commencing the accelerated bookbuilding process and placement of the Preferred Securities by the lead managers of the Issue designated for this purpose (the "***Lead Managers***"), as well as the period and terms of subscription and disbursement of the Preferred Securities and their date of issuance.*

(b) Determine the Terms and Conditions of the Preferred Securities in all matters not provided for in this resolution, with the power to modify them, now or in the future, if market circumstances, the company's interests or legal or regulatory requirements make this advisable or obligatory, including, but not limited to, the applicable remuneration (including its accrual periods and the conditions for determining and calculating it, as well as those that must be met for payment to take place), the conditions and forms of conversion, the terms and conditions of the anti-dilution mechanism, as well as the establishment, modification or elimination of any conversion triggers, and the procedure

and mechanics for implementing them, the determination of early amortisation of the Preferred Securities and, in general, the determination of any aspect not established in this resolution that is necessary for the successful completion of the transaction, subject always to compliance with the applicable regulations and the criteria of the competent regulators.

Additionally, without prejudice to the foregoing empowerments and the specific empowerments contained in the preceding sections, or to any other powers they may hold, it is unanimously resolved to grant to the Executive Committee and/or the directors Mr. José Oliu Creus, Mr. Jaime Guardiola Romojaro and Mr. José Luis Negro Rodríguez and the Vice-Secretary of the Board of Directors, Ms. María José García Beato (whose particulars are on file at the Mercantile Register), as well as the General Manager of the Bank, Mr. Tomás Varela Muiña, of legal age, with professional address in Alicante, Avenida Óscar Esplá, 37 and holding current National Identity Document number 38547646-Z, powers as broad as may be required by law so that any of them , without distinction and on a joint and several basis, and with the express power to sub-delegate, may take such actions as may be necessary or advisable to execute these resolutions, including in particular, but limited to:

(a) Putting the Preferred Securities into circulation, after complying with any legal or other limits that may be necessary, and declaring the Issue to have been fully or partially subscribed, determining its final amount within the established limits in accordance with market conditions, the result of the placement and the bookbuilding.

(b) Declaring the remuneration of the Preferred Securities, either partial or full, as well as declaring that they will not be remunerated, as determined in the Terms and Conditions of the Issue.

(c) Applying the anti-dilution mechanisms in accordance with the Terms and Conditions, as necessary.

(d) Performing any procedure, application or appointment that is legally necessary for the issuance of the Preferred Securities before the Mercantile Register or any other public or private body or entity.

(e) Formalising and/or registering prospectuses, offering or listing documents and other similar documents related to the Issue, as well as documents setting out the assumption of liability for the content of those and any other documents that may be necessary before the Bank of Spain, the European Central Bank, the Mercantile Register, the CNMV, the Irish Stock Exchange and any other body or market.

(f) As necessary, applying to list the Preferred Securities in the organised non-regulated market (Global Exchange Market) of the Irish Stock Exchange and in any other official or unofficial secondary markets, whether organised or otherwise, whether domestic or foreign.

(g) Appointing one or more financial institutions as Lead Managers of the Issue. Negotiating, signing and granting such public or private contracts and documents as

may be necessary or advisable for the issuance of the Issue, under the conditions they deem most appropriate, subject to English, Spanish or any other law, including, inter alia, placement and subscription contracts (be they subscription agreements, purchase agreements or any other), agency agreements or similar, letters of appointment of trial agents and commissioners, and generally any documents, instruments or contracts to ratify, supplement, amend, novate, remedy, rectify and/or reformulate any of those documents, as well as any instruments or documents ancillary to them.

(h) *Performing any action, statement, process or procedure and signing, determining their specific content, such certificates, applications, regulatory disclosures, announcements, documents or writs as may be obligatory or necessary in connection with the issuance of the Preferred Securities before any agency, entity or register, whether public or private.*

(i) *In connection with the conversion of the Preferred Securities into shares of Banco Sabadell, setting, in that event, the Conversion Price, determining the number of shares by which the capital of Banco Sabadell is to be increased, stating that the increase was not fully subscribed, if that is the case, and performing such acts as may be necessary, including, but not limited to, granting such public or private documents as may be necessary to carry out the capital increase and amending the Articles of Association in order to adapt them to the new capital amount, with the power to appear for this purpose before any public or private bodies.*

(j) *Requesting, as appropriate, the listing on official or unofficial secondary markets, whether organised or otherwise, domestic or foreign, and performing such actions as they deem necessary in any jurisdiction where they are offered or listed or the listing of the shares of Banco Sabadell is applied for, in order to carry out the capital increase. This includes, but is not limited to:*

(1) *Drafting and drawing up such prospectuses, applications, communiqués or notices as may be required by the applicable legislation in each competent jurisdiction and deciding on such subsequent amendments to them as they see fit.*

(2) *Carrying out such actions as may be necessary before any competent authority in each jurisdiction and approving and formalising such public or private documents as may be necessary or advisable to give full effect to the capital increase resolutions in any of their aspects and contents.*

(k) *Appearing before a notary public and granting or signing the corresponding public instruments that are necessary or advisable to solemnise and formalise the foregoing resolutions, with the complementary powers that it is deemed advisable to determine, up to achieving the registration or filing of same in the corresponding Registers, including on a partial basis if this is appropriate, and rectifying or remedying such resolutions, provided that such rectifications or remediations are confined to accepting the rectifications required by the mercantile registrar, either verbally or in writing.*

Generally performing such actions as may be necessary to enable the fullest execution of these resolutions and of all matters complementary or ancillary thereto, and taking such steps as may *be necessary or advisable to obtain the authorisations or inscriptions that may be required by the Bank of Spain, the European Central Bank, the CNMV, the Irish Stock Exchange, the Mercantile Register or any other public or private body, including, but not limited to, the power to make declarations, publish notices, apply for authorisations, make any necessary communiqués to the supervisory authorities, or apply for inscription of the resolutions in the corresponding registers.*