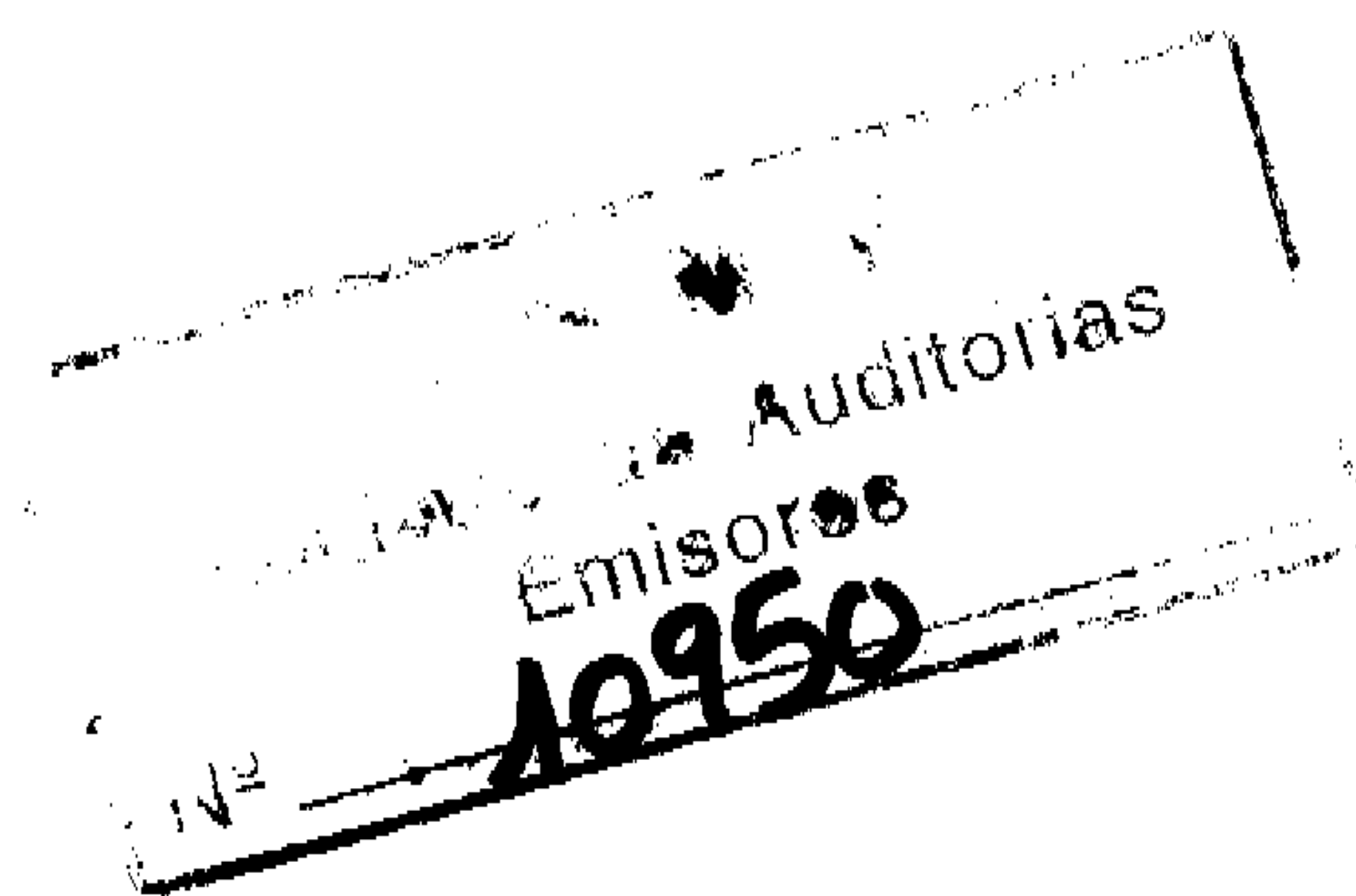


# Deloitte



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## INDEPENDENT AUDITORS' REPORT

To the Shareholder of  
**Pastor International Capital**

We have audited the accompanying financial statements of Pastor International Capital, which comprise the balance sheet as of December 31, 2007, and the statement of operations, cash flows, and recognised income and expense for the year then ended (all expressed in Euros), and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pastor International Capital as of December 31, 2007, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

*Deloitte & Touche*

April 16, 2008

**Audit.Tax.Consulting.Financial Advisory.**

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**Deloitte Touche Tohmatsu**



## **Pastor International Capital**

Financial Statements for the year ended  
December 31, 2007 and  
Independent Auditors' Report

**PASTOR INTERNATIONAL CAPITAL**  
**BALANCE SHEET AS OF DECEMBER 31, 2007**  
**(EXPRESSED IN EUROS)**

	EUROS	
	2007	2006
<b>Assets:</b>		
<b>Available-for-sale financial assets-</b>		
Cash (Note 4)	127,186	135,556
Cash deposits with Parent (Note 4)	60,000,000	60,000,000
Accrued interest receivable (Note 4)	613,404	608,149
<b>Total</b>	<b>60,740,590</b>	<b>60,743,705</b>
<b>Liabilities and shareholder's equity:</b>		
<b>Liabilities:</b>		
<b>Financial liabilities at amortised cost-</b>		
Subordinated notes (Note 6)	60,000,000	60,000,000
Other expenses payable	685,247	623,116
<b>Total liabilities</b>	<b>60,685,247</b>	<b>60,623,116</b>
<b>Shareholder's equity:</b>		
Capital stock (Note 5)	42,384	42,384
Additional paid-in capital	35,676	35,676
Retained earnings	42,529	56,546
Net loss	(65,246)	(14,017)
<b>Total shareholder's equity</b>	<b>55,343</b>	<b>120,589</b>
<b>Total</b>	<b>60,740,590</b>	<b>60,743,705</b>

The accompanying Notes 1 to 11 are an integral part of these financial statements.

**PASTOR INTERNATIONAL CAPITAL**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(EXPRESSED IN EUROS)**

	EUROS	
	2007	2006
Interest income (Note 4)	2,406,610	2,402,576
Interest expense (Note 9)	(2,453,096)	(2,400,000)
Net interest (expense) / income	(46,486)	2,576
Other operating expenses	(8,857)	(6,126)
Other (loss) / income	(14)	3,988
Exchange differences	(9,889)	(14,455)
<b>Net Loss</b>	<b>(65,246)</b>	<b>(14,017)</b>

The accompanying Notes 1 to 11 are an integral part of these financial statements.

**PASTOR INTERNATIONAL CAPITAL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(EXPRESSED IN EUROS)**

	EUROS	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) / income	(65,246)	(14,017)
Adjustments to reconcile net (loss) / income to net cash provided by operating activities-		
Accrued interest receivable	(6,610)	(2,576)
Accrued interest payable	53,096	-
Exchange differences	9,889	14,455
<b>Adjusted net (loss) / income</b>	<b>(8,871)</b>	<b>(2,138)</b>
Deposits with Parent	2,401,355	2,408,991
Proceeds from Issuance of Subordinated Notes	(2,390,965)	(2,395,364)
	<b>10,390</b>	<b>13,627</b>
<b>Net cash provided by operating activities</b>	<b>1,519</b>	<b>11,489</b>
<b>Exchange differences variances effect in cash and equivalents</b>	<b>(9,889)</b>	<b>(14,455)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(8,370)</b>	<b>(2,966)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>135,556</b>	<b>138,522</b>
<b>CASH AND CASH EQUIVALENTS, end of year (Note 4)</b>	<b>127,186</b>	<b>135,556</b>

The accompanying Notes 1 to 11 are an integral part of these financial statements.

**PASTOR INTERNATIONAL CAPITAL**

**STATEMENT OF OF RECOGNISED INCOME AND EXPENSES FOR THE YEARS**  
**ENDED 31 DECEMBER 2007 AND 2006**

**(EXPRESSED IN EUROS)**

	EUROS	
	2007	2006
<b>NET INCOME RECOGNISED DIRECTLY IN EQUITY</b>	-	-
<b>Available-for-sale financial assets</b>	-	-
Valuation gains/(losses)	-	-
Transferred to income statement	-	-
Income tax	-	-
<b>Cash flow hedges</b>	-	-
Valuation gains/(losses)	-	-
Income tax	-	-
<b>LOSS FOR THE YEAR</b>	<b>(65,246)</b>	<b>(14,017)</b>
Reported loss	(65,246)	(14,017)
<b>TOTAL INCOME AND EXPENSE FOR THE YEAR</b>	<b>(65,246)</b>	<b>(14,017)</b>

The accompanying Notes 1 to 11 are an integral part of these financial statements.



## **Pastor International Capital**

Notes to financial statements  
for the year ended December 31, 2007  
(expressed in Euros)

### **1. Company description**

Pastor International Capital (the "Company") was incorporated in the Cayman Islands on February 18, 1998, in accordance with the country's current legislation. The Company's registered office is at Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands.

The Company engages in the raising of funds through bond issuances and investing the funds generated from such issuances.

Banco Pastor, S.A. (the "Parent"), owns 100% of the capital stock of the Company and is the Company's sole shareholder. The administrative and management services were performed by the Board of Directors.

The Company has completed two issuances of Subordinated Notes. The first issuance is divided into two series issued on the following dates: December 1999 and March 2000. These two series issuances were closed on March 31, 2005. The second issuance consists of one series completed during December 2001 (Note 6).

### **2. Basis of presentation of the financial statements**

The accompanying financial statements have been prepared from the Company's accounting records. These financial statements were approved by the Directors on March 31, 2008.

The accompanying financial statements have been prepared under the operating company basis. The Company has repaid, ahead of maturity, the euro 60,000,000 subordinated debt issue, dated on March 31, 2008 with permission from the Bank of Spain on February 25, 2008 (Note 6). At March 31, 2008, the Company has not been placed into liquidation.

The financial statements were prepared in accordance with International Financial Reporting Standards.

### **3. Accounting principles used and valuation methods applied**

The most significant accounting principles and valuation methods applied in preparing the accompanying financial statements are as follows:

#### ***a) Deposits with parents-***

Deposits with Parent are initially measured at fair value adjusted for transaction costs directly attributable to the acquisition of the financial asset, which are recognised in the statement of operations by the effective interest method. Subsequently, they are measured at amortised cost, calculated using the effective interest method.

#### ***b) Subordinated notes issuance***

Subordinated note issuances are initially recognised at fair value. Subsequently, they are measured at amortised cost, calculated in accordance with the effective interest rate method.

c) **Revenues and expenses**

Revenues and expenses are recognised on the accrual basis.

d) **Use of estimates**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e) **Foreign currency transactions**

The Company's functional currency is the euro. Consequently, all balances and transactions denominated in non-euro currencies are translated to euro currency. Balances expressed in United States dollars ("US\$") were translated from US\$ at the year-end exchange rate prevailing on the spot foreign currency market. The net income/loss disclosed from this valuation was recorded under the "Exchange differences" caption in the accompanying statement of operations.

Balances in the financial statements are translated into euros as follows:

1. Assets and liabilities, at the exchange rate prevailing at the balance sheet date.
2. Income, expenses and cash flows at the average exchange rate for the year.
3. Equity at historical exchange rates.

The exchange rates applied by the Company in translating foreign currency balances when preparing these financial statements accounts were the average official (fixing) rates published by the European Central Bank for the spot currency market on the last trading day of the year.

Exchange differences arising when foreign currency balances are translated into the functional currency are generally recognised in the statements of operations. Exchange differences arising in non-cash items whose changes in fair value are recognised against a balancing entry in equity are recognised in "Shareholder's equity – exchange differences" on the balance sheet, until the differences are realised.

f) **Earnings per share - Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit (loss) attributable to equity holders of the parent by the weighted average number of shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

Basic earnings per share are therefore determined as follows:

	2007	2006
Net loss for the year (EUR)	(65,246)	(14,017)
Weighted average number of shares outstanding	50,000	50,000
Weighted average number of treasury shares	-	-
<b>Basic loss per share (EUR)</b>	<b>(1.30)</b>	<b>(0.280)</b>



#### **4. Cash deposits with Parent**

The cash deposits with Parent consist of the following term deposits:

Date of Deposit	Due Date	Euros		Interest Rate (fixed rate)
		Amount		
		2007	2006	
December 28, 2001	March 15, 2012	18,465,000	18,465,000	3.94%
June 2, 2002	March 15, 2012	41,535,000	41,535,000	4.06%
		60,000,000	60,000,000	
Cash	-	127,186	135,556	0%
Total		60,127,186	60,135,556	

Interest income earned in connection with the above deposits is recognised on the accrual basis under the "Interest income" caption of the accompanying statement of operations.

Interest income accrued in relation to the above deposits, which remained unpaid as of December 31, 2007, is recorded as "Accrued interest receivable" in the accompanying balance sheet.

Deposits are held at the Parent with the same maturities as the Subordinated Notes issued, in the same currency and in most of cases with a margin to enable the Company's administrative expenses to be covered.

#### **5. Shareholder's equity**

As of December 31, 2007, the Company's capital stock consists of 50,000 shares of US \$1 par value each, which were issued on February 18, 1998, for a total of US \$50,000. Shares of the Company's capital stock are not eligible to be quoted in organised secondary markets.

#### **6. Subordinated Notes**

During June 1998, the Company entered into a Euro Medium Term Note Programme (the "Programme") where the Company may from time to time issue "Senior Notes" and "Subordinated Notes" under the Programme, the Company is the issuer, Banco Pastor, S.A. is the guarantor and other independent entities are the agents. The Programme totals US \$1,000,000,000, which will be issued in series. The Subordinated Notes are non-convertible and can be denominated in different currencies. This Programme was renewed in June 2000.

On December 21, 1999, the Company launched an issue of 135,000 (increasable to 200,000) Subordinated Notes of 600 euro face value each, from the above mentioned Programme. The Subordinated Notes in this issue were divided into two different series.

The Company exercised its right of early redemption for this issue of subordinated debt (both series) on March 31, 2005, after receiving authorisation by the Bank of Spain.

On December 28, 2001, the Company launched an issue of 20,000 (increasable to 40,000) Subordinated Notes of 3,000 euro face value each, from the above mentioned Programme.

The amount of the issue was euro 60,000,000 as of December 31, 2007.

On March 31, 2008, the Company repaid, ahead of maturity, euro 60,000,000 subordinated debt issue, with permission from Bank of Spain dated on February 25, 2008 (Note 2).

The characteristics of the second issue are as follows:

	Number 1 Series
	Euros
Total nominal amount	Euro 60,000,000
Issue date	December 28, 2001
Redemption	March 15, 2012 (*)
Interest rate	Fixed until March 31, 2004 (3.75%) Subsequently floating 6-month Euribor – 0.25% for the rest of the period; minimum 4.00% - maximum 5.50%
Interest payment	Semiannually; first payment on March 31, 2002

(\*) The Company has the faculty of early redemption over permission from Bank of Spain.

The currently outstanding Subordinated Notes at December 31, 2007 are as follows:

	December 31, 2007	December 31, 2006
	Euros	Euros
1 <sup>st</sup> Issue		
Number 1 series	-	-
Number 2 series	-	-
2 <sup>nd</sup> Issue		
Number 1 series	60,000,000	60,000,000
<b>Total</b>	<b>60,000,000</b>	<b>60,000,000</b>

The Company has repaid, ahead of maturity, euro 60,000,000 subordinated debt issue, dated on March 31, 2008, over on permission from Bank of Spain (Note 2).

#### **7. Guarantees with third parties**

The Parent has guaranteed the Subordinated Notes issued by the Company. To cover the risk assumed by the Parent, the Company has pledged its term deposits with the Parent as collateral, which amount to euro 60,000,000 (Note 4) as of December 31, 2007 (euro 60,000,000 as of December 31, 2006).

#### **8. Tax matters**

There are no local income, profits or capital gains taxes levied in the Cayman Islands at the present time. The Company obtained a tax exemption certificate on June 2, 1998 from the Cayman Island Government for a period of twenty years.

#### **9. Revenues and expenses**

##### **Expenses-**

For the year ending December 31, 2007, expenses relating to the Subordinated Notes issue were as follows:

	Euros
Subordinated Notes (coupons)	2,453,096
<b>Total Subordinated Notes interest</b>	<b>2,453,096</b>
<b>Total expenses</b>	<b>2,453,096</b>

##### **Revenues-**

Interest income is wholly comprised of interest earned on the time deposits of the Company with its Parent.

**10. Salaries and other benefits of the Board of Directors**

The Company has not granted its Directors any loans or advance payments, nor has the Company been a party to any commitment regarding pecuniary amounts, life insurance or any other type of special indemnity or benefit. The Company's Board of Directors did not receive any salaries or similar compensation for the years ended December 31, 2007 or 2006.

**11. Interest rate, credit and currency risk**

For all bonds issued by the Company, deposits are held at the Parent with the same maturities as the Subordinated Notes issued, in the same currency and in most cases with a margin to enable the Company's administrative expenses to be covered. Additionally, in the opinion of management the matching effectively mitigates the risk.

**Liquidity risk-**

Liquidity risk measures the ability to meet payment commitments assumed and finance planned business growth. The Company's liquidity management focuses on identifying potential liquidity issues and optimising funds and deposits captured or fund raising programs, while optimising the balance sheet structure.

**Operational risk-**

The Company's core operational risk management objectives are as follows:

- To identify current and potential risks as a priority input into management decision-making.
- To achieve continuous improvements to control processes and systems to mitigate any risks that may arise.
- To raise awareness throughout the Group of the level and nature of operational loss events.