

**Sabadell** Intenational Equity Ltd

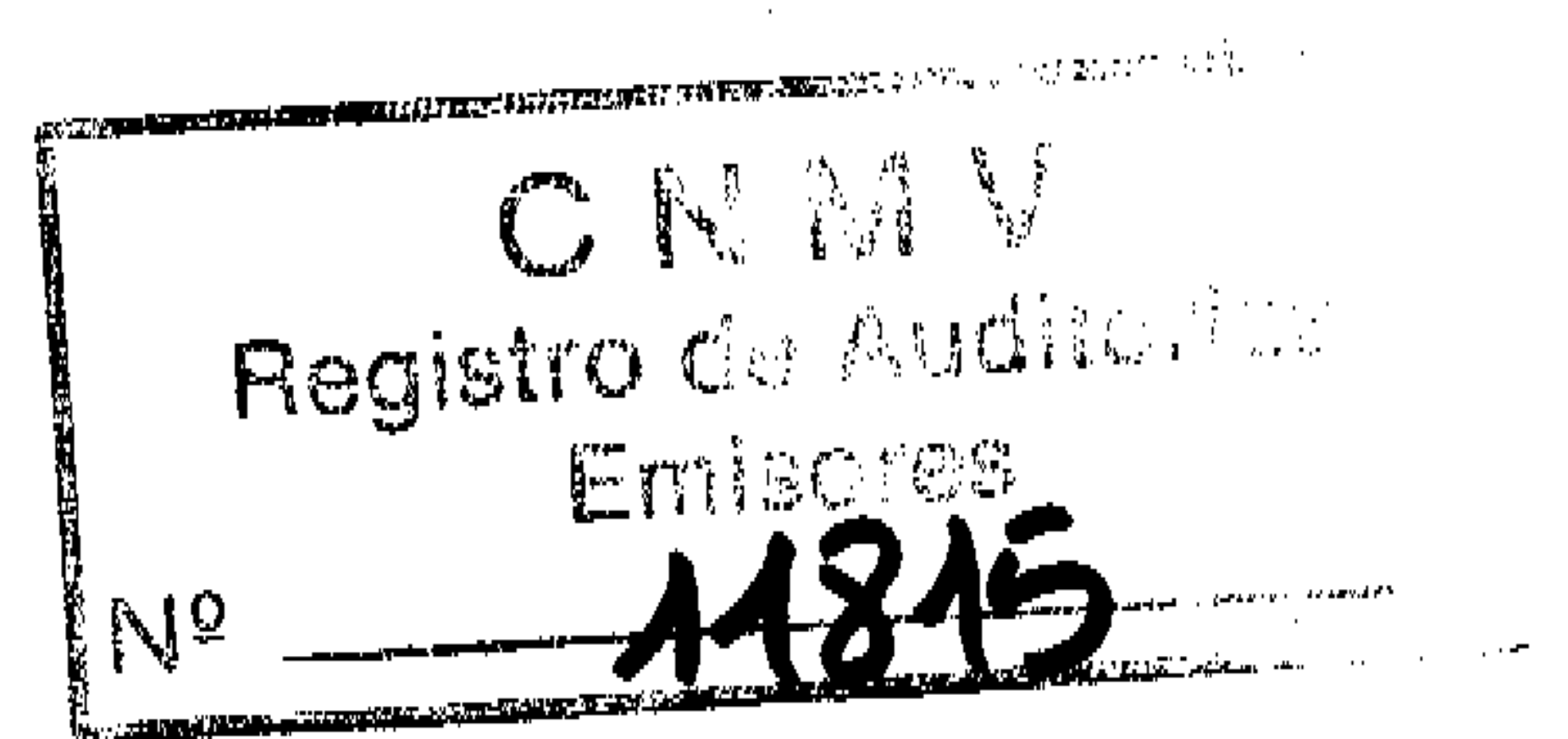
## **DECLARACIÓN DE RESPONSABILIDAD DEL INFORME FINANCIERO ANUAL**

Don Sergio Palavecino Tomé, actuando como Director de la Sociedad Sabadell Internacional Equity, Ltd., y en representación del Consejo de Administración de dicha Sociedad, declara que, hasta donde alcanza su conocimiento, las Cuentas Anuales correspondientes al ejercicio 2009, formuladas en la reunión de 19 de Marzo de 2010, elaboradas con arreglo a los principios de la contabilidad aplicables, ofrecen la imagen fiel del patrimonio, de la situación financiera y de los resultados de Sabadell Internacional Equity, Ltd., y que el informe de gestión incluye un análisis fiel de la evolución y de los resultados empresariales y de la posición de Sabadell Internacional Equity, Ltd., junto con la descripción de los principales riesgos e incertidumbres a que se enfrentan.

**Sergio Palavecino Tomé**  
Director

12 de Abril de 2010





SABADELL INTERNATIONAL EQUITY LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2009

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE SHAREHOLDER OF SABADELL INTERNATIONAL EQUITY LTD.**

We have audited the accompanying financial statements of Sabadell International Equity Ltd. (the "Company") which comprise the statement of financial position as of December 31, 2009 and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended 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.

#### *Auditor's 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 accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *Emphasis of Matter*

Without qualifying our opinion we draw attention to the fact that, as explained in the explanatory notes to these financial statements, the Company's sole purpose is to raise funds in the capital markets on behalf of its parent, Banco de Sabadell S.A. Accordingly, users of these financial statements should read the financial statements in conjunction with the audited financial statements of Banco de Sabadell S.A.



February 22, 2010

**SABADELL INTERNATIONAL EQUITY LTD.**

**STATEMENT OF FINANCIAL POSITION**

(Expressed in Euros)

	<u>December 31,</u> <u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash at bank (Note 4)	82,541	77,205
Certificates of deposit (Note 4)	<u>250,000,000</u>	<u>250,000,000</u>
Total assets	<u>€250,082,541</u>	<u>€250,077,205</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	27,202	20,931
Series A preference shares (Note 3)	<u>250,000,000</u>	<u>250,000,000</u>
Total liabilities	<u>250,027,202</u>	<u>250,020,931</u>
<b>Shareholder's equity</b>		
Share capital (Note 5)	857	857
Retained earnings	<u>54,482</u>	<u>55,417</u>
Total shareholder's equity	<u>55,339</u>	<u>56,274</u>
Total liabilities and shareholder's equity	<u>€250,082,541</u>	<u>€250,077,205</u>

Approved for issuance on behalf of Sabadell International Equity Ltd.'s Board of Directors by:

  
Sergio Palavecino Tomé

.....  
Director

February 22, 2010

.....  
Date

The accompanying notes are an integral part of these financial statements.

**SABADELL INTERNATIONAL EQUITY LTD.**  
**STATEMENT OF COMPREHENSIVE INCOME**

(Expressed in Euros)

	Year ended December 31,	
	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
Interest income (Note 4)	<u>11,455,400</u>	<u>11,616,708</u>
Total revenues	<u>11,455,400</u>	<u>11,616,708</u>
<b>Expenses</b>		
Preference share dividends (Note 3)	11,415,000	11,595,004
Audit fees	10,793	11,200
Other general and administrative expenses	<u>30,542</u>	<u>12,652</u>
Total expenses	<u>11,456,335</u>	<u>11,618,856</u>
<b>Net loss</b>	( <u>935</u> )	( <u>2,148</u> )
Other comprehensive income	<u>-</u>	<u>-</u>
<b>Total comprehensive loss for the year</b>	€ ( <u>935</u> )	€ ( <u>2,148</u> )



The accompanying notes are an integral part of these financial statements.

**SABADELL INTERNATIONAL EQUITY LTD.**

**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**

(Expressed in Euros)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at December 31, 2007	857	57,565	58,422
Total comprehensive loss for the year	<u>-</u>	<u>( 2,148)</u>	<u>( 2,148)</u>
Balance at December 31, 2008	857	55,417	56,274
Total comprehensive loss for the year	<u>-</u>	<u>( 935)</u>	<u>( 935)</u>
Balance at December 31, 2009	<u>€ 857</u>	<u>€ 54,482</u>	<u>€ 55,339</u>



The accompanying notes are an integral part of these financial statements.

**SABADELL INTERNATIONAL EQUITY LTD.****STATEMENT OF CASH FLOWS**

(Expressed in Euros)

	Year ended December 31,	
	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities</b>		
Net loss	( 935)	( 2,148)
Adjustments to reconcile net loss to net cash used in operating activities:		
Increase in accounts payable and accrued liabilities	<u>6,271</u>	<u>2,133</u>
Net cash provided by/ (used in) operating activities	<u>5,336</u>	<u>( 15)</u>
<b>Net increase/(decrease) in cash and cash equivalents during the year</b>	<u>5,336</u>	<u>( 15)</u>
<b>Cash and cash equivalents beginning of year</b>	<u>77,205</u>	<u>77,220</u>
<b>Cash and cash equivalents end of year</b>	<u>€ 82,541</u>	<u>€ 77,205</u>
 Net cash used in operating activities includes:		
Preference shares dividends paid	€ 11,415,000	€ 11,595,004
Interest received	€ 11,455,400	€ 11,616,708



The accompanying notes are an integral part of these financial statements.



**SABADELL INTERNATIONAL EQUITY LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**1. Incorporation and activity**

Sabadell International Equity Ltd. (the "Company") was incorporated as an exempted company under the laws of the Cayman Islands on May 26, 1998. The registered office of the Company is P.O. Box 309, Ugland House, George Town, Grand Cayman. The Company, a wholly owned subsidiary of Banco de Sabadell, S.A. a financial institution incorporated in Spain (the "Parent"), was established to issue Preference Shares, the proceeds of which would be placed with the Parent and used for general funding purposes. The Company has no employees.

**2. Significant accounting policies**

**Basis of preparation**

These financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS").

**Use of estimates**

IFRS requires management to make estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**New and amended standards and interpretations effective January 1, 2009.**

The Company has adopted the following new and amended IFRSs as of January 1, 2009:

IFRS 7 'Financial instruments – Disclosures' (amendment) – effective January 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy does not have an impact on the Company's financial statements as the Company does not have any financial assets or financial liabilities carried at fair value.

IAS 1 (revised) 'Presentation of financial statements' – effective January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'nonowner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard.





**SABADELL INTERNATIONAL EQUITY LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**2. Significant accounting policies (continued)**

**(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2010 or later periods, but the Company has not early adopted them:

IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after July 1, 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Company will apply IFRIC 17 from January 1, 2010. It is not expected to have a material impact on the Company's financial statements.

IAS 27 (revised), 'Consolidated and separate financial statements', (effective from July 1, 2009). The revised standard requires the effects of all transactions with noncontrolling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Company will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from January 1, 2010.

IFRS 3 (revised), 'Business combinations' (effective from July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (revised) prospectively to all business combinations from January 1, 2010.

IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Company or company's financial statements.

IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Company and company will apply IFRS 5 (amendment) from January 1, 2010. It is not expected to have a material impact on the Company's financial statements.



**SABADELL INTERNATIONAL EQUITY LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**2. Significant accounting policies (continued)**

IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Company will apply IAS 1 (amendment) from January 1, 2010. It is not expected to have a material impact on the Company's financial statements.

IFRS 2 (amendments), 'Company cash-settled and share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Company and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of Company arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Company's financial statements.

**Foreign currency translation**

As a wholly owned subsidiary of the Parent the financial statements of the Company have been presented in Euros. Consequently, Euro is the Company's presentational and functional currency as the majority of the Company's transactions are denominated in Euros. Transactions denominated in a foreign currency are translated at rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Any resulting exchange gain or loss is recorded in the Statement of Income.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash balances on deposit with Banco de Sabadell S.A.

**Income and expenses**

Interest income and preference shares dividends are recognised in the statement of comprehensive income using the effective interest rate method.

**Certificates of deposit**

Certificates of deposit represent term cash deposits held with the Parent. These instruments are classified as held-to-maturity and are stated at amortized cost; any difference between the original proceeds and the redemption value is recognized in the statement of comprehensive income using the effective interest rate method.

**Expenses**

All expenses are recognised in the statement of comprehensive income on the accrual basis.

**Preference shares**

Preference shares, which carry a non-discretionary mandatory coupon, are classified as financial liabilities. The dividends on the shares are recognized in the statement of comprehensive income as an expense using the effective interest rate method.





**SABADELL INTERNATIONAL EQUITY LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**2. Significant accounting policies (continued)**

**Taxation**

The Cayman Islands does not currently levy taxes on income, profit, capital or capital gains and the Company has been granted an exemption until July 7, 2018 on any such taxes which might be introduced. The Company intends to conduct its affairs so as not to be liable to taxation in any other jurisdiction. Accordingly, no provision for taxes has been made in these financial statements. Depending upon the tax status of the Company's shareholder, the tax effect of the Company's activities may accrue to the shareholder.

**3. Preference shares**

On March 30, 1999, the Company issued 500,000, Series A Non-Cumulative Guaranteed Non Voting Euro Preference Shares ("Series A Euro Preference Shares"), with a nominal value of €500 per share, in accordance with the terms and conditions set out in the Articles of Association of the Company and the Prospectus related to the issue of the Series A Euro Preference Shares.

The dividend payment dates are set at March 31, June 30, September 30 and December 31 in each year or the next Business Day (as defined in the Articles of Association of the Company) should any such date not fall on a Business Day.

The dividend rate is usually set at European Inter-bank Offering Rate (EURIBOR) plus 0.20 percent per annum. On March 24, 2009 a director's resolution was passed where a floor rate of 4.5% p.a. was set on preference share dividends for the period April 1, 2009 to March 31, 2011. The dividend rate fluctuated between 4.753% and 4.500% p.a. between January 1, 2009 and December 31, 2009 (2008: between 4.293% and 4.753% p.a.)

The payment of accrued but unpaid dividends (whether or not declared) and payments on liquidation of the Company or redemption of the Series A Euro Preference Shares are guaranteed by the Parent subject to certain terms and conditions set out in the guarantee executed by the Parent and in the offering particulars.

The Series A Euro Preference Shares are redeemable in whole or in part at the option of the Company subject to prior consent of the Bank of Spain at any moment after 5 years from the Issue Date upon not less than 30 nor more than 60 days notice to the holders thereof (which notice shall be irrevocable). Holders of Series A Euro Preference Shares have no rights of redemption.

**4. Related party transactions and significant agreements and transactions with affiliates**

Cash accounts and certificates of deposit are held with the Parent. The cash accounts are held on normal commercial terms and conditions. The subordinated certificates of deposit have an equivalent carrying value to the fully paid value of the Series A Euro Preference Shares and are due to mature on March 31, 2010 (2008: March 31, 2009). Interest is to be paid at 4.500% p.a. for the period March 31, 2009 to March 31, 2010 (2008: period ended March 31, 2008 to March 31, 2009 4.768% p.a.). Payment dates are in line with the dividend payment dates of the Series A Euro Preference Shares. The certificates of deposit are subordinated liabilities of the Parent subject to the terms and conditions of the deposit agreement between the Company and Banco de Sabadell S.A.

**5. Share capital**

The Company's authorised capital consists of 50,000 ordinary shares of US\$1 each, of which 1,000 ordinary shares have been issued, fully paid and outstanding at December 31, 2009 (2008: 1,000 shares). The Company's authorised capital also consists of 500,000, Series A Non-Cumulative Guaranteed Non Voting Euro Preference Shares ("Series A Euro Preference Shares"), with a nominal value of €500 per share. The preference shares have been presented as financial liabilities on the balance sheet.

**SABADELL INTERNATIONAL EQUITY LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**6. Financial instruments and associated risks**

The following describes the nature and extent of the risks associated with the financial instruments outstanding at the balance sheet date.

**Market risk**

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices, as relevant. As discussed below, the Company's assets and liabilities are primarily exposed to cash flow interest rate risk fluctuations, though the Company's risk is minimal due to the netting effect of interest on assets and liabilities. The foreign exchange risk is negligent as only certain service provider fees are paid in currency other than the functional currency.

**Credit risk**

Credit risk is the risk of counterparty default. The Company is exposed to the credit risk of the counterparties with which it deals. Financial assets which expose the Company to a concentration of credit risk consist of cash accounts and certificates of deposit. The Company places all funds, including certificates of deposits, with the Parent company (refer to Note 4), whose Bank credit rating is C- (2008: B-1) (Standard & Poor).

**Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal circumstances. The Company seeks to minimize liquidity risk and volatility by using the passive strategy of buying certificates of deposit and holding these until maturity of its liability instruments. The intention is not to engage in active trading for better returns, but to invest in Parent company's certificates of deposit with maturities or durations that match the Company's sources of funding. As the Company's cash inflows and outflows are occurring on a back-to-back basis, the Company does not expect to be exposed to liquidity risk. The assets and liabilities are either callable on demand or have original maturities of three months or less.

**Interest rate risk**

The Company is not exposed to significant interest rate risk as the Company's Parent is able to adjust the rates on its certificates of deposit to match the dividend rates on the Series A Euro Preference Shares (refer to Note 3 and Note 4). The Company's interest rate related cash inflows and outflows are nearly perfectly matched and as such do not result in any significant interest rate risk. Accordingly, no interest rate sensitivity analysis has been presented.

**Fair values**

At December 31, 2009, the carrying amounts of the Company's financial assets and liabilities approximated their fair value due to the presumed short term maturity and relatively small fixed margin component of its interest rates.

**7. Subsequent events**

There are no subsequent events to report.





Sabadell Intenational Equity Ltd

## **INFORME DE GESTION CORRESPONDIENTE AL EJERCICIO ANUAL TERMINADO EL 31 DE DICIEMBRE DE 2009**

Durante el ejercicio 2009 la Sociedad Sabadell Internacional Equity, Ltd. no ha realizado ninguna emisión de Participaciones Preferentes.

La sociedad tiene garantizadas las emisiones que realiza por su accionista único BANCO SABADELL, S.A.

### **a) Cuenta de Pérdidas y Ganancias**

El Resultado del ejercicio 2009 ha sido de 935 euros de pérdidas.

Los ingresos financieros de la Sociedad durante el ejercicio han ascendido a 11,455,400 euros. Los gastos financieros se han cifrado en 11,415,000 euros.

Por otra parte, los gastos generales ascendieron a los 30,542 euros.

Asimismo, los gastos de auditorias ascendieron a 10,793 euros.

Debido a su actividad, la Sociedad no incurre en gastos relativos al medio ambiente.

La Sociedad tampoco incurre en gastos de personal ya que no dispone de plantilla. La gestión de las Sociedades se realiza por personal externo de Maples & Calder.

### **b) Distribución de Resultados**

El resultado negativo de 935 euros se cargará a las reservas de la Sociedad.

### **c) Acciones propias en cartera y de la sociedad dominante**

La Sociedad no ha realizado durante el ejercicio 2009 adquisiciones ni enajenaciones de sus propias acciones o de la sociedad dominante, Banco Sabadell, S.A.

### **d) Investigación y desarrollo**

Durante el presente ejercicio, la Sociedad no ha incurrido en ningún gasto por Investigación y Desarrollo.

### **e) Acontecimientos de importancia ocurridos con posterioridad al cierre del ejercicio**

Desde el 31 de Diciembre de 2009 hasta la fecha de formulación de estas cuentas anuales a 15 de Marzo de 2010, no han sucedido hechos significativos que afecten la imagen de la Sociedad.

### **f) Perspectivas para el ejercicio 2010**

En el ejercicio 2010 la Sociedad mantendrá su objeto social y se prevé una evolución de las actividades de la sociedad de forma similar a la desarrollada en el ejercicio 2009.

**g) Aprobación del Consejo de Administración**

Informe de Gestión de la Sociedad correspondiente al ejercicio 2009 que formula el Consejo de Administración de Sabadell Internacional Equity, Ltd., en su sesión celebrada el día 19 de Marzo de 2010.

Don Sergio Palavecino Tomé, actuando como Director de la Sociedad Sabadell Internacional Equity, Ltd., y en representación del Consejo de Administración de dicha sociedad, firma el presente informe de gestión.

**Sergio Palavecino Tomé**  
Director

19 Marzo 2010