SABADELL INTERNATIONAL EQUITY LTD.

FINANCIAL STATEMENTS

June 30, 2013

SABADELL INTERNATIONAL EQUITY LTD.

STATEMENT OF FINANCIAL POSITION

(Expressed in Euros)

	June 30, 2013	December 31, 2012
ASSETS		
Cash at bank (Note 4)	110,320	109,384
Interest receivable	53,580	-
Certificates of deposit (Note 4)	21,432,000	21,432,000
Total assets	€ 21,595,900	€ 21,541,384
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Accounts payable and accrued liabilities	18,571	12,770
Preference dividends payable	39,864	-
Series A preference shares (Note 3)	21,432,000	21,432,000
Total liabilities	21,490,435	21,444,770
Shareholder's equity		
Share capital (Note 5)	857	857
Retained earnings	104,608	95,757
Total shareholder's equity	105,465	96,614
Total liabilities and shareholder's equity	€ 21,595,900	€ 21,541,384

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

…………………………………….
Director

…………………………………….
Date

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

SABADELL INTERNATIONAL EQUITY LTD.

STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Euros)

	June 30, 2013	June 30, 2012
Revenues		
Interest income (Note 4)	305,620	497,477
Other income	92	162
Total revenues	305,712	497,639
Expenses		
Preference share dividends (Note 3)	281,188	492,231
Audit fees	6,308	7,949
Other general and administrative expenses	9,365	10,104
Total expenses	296,861	510,284
Net income/(loss)	8,851	(12,645)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period/year	€ 8,851	€ (12,645)

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)

	Share capital	Retained earnings	Total
Balance at December 31, 2011	857	93,403	94,260
Total comprehensive loss for the period	-	(12,645)	(12,645)
Balance at June 30, 2012	857	80,758	€ 81,615
Total comprehensive income for the period	-	14,999	14,999
Balance at December 31, 2012	857	95,757	96,614
Total comprehensive income for the period	-	8,851	8,851
Balance at June 30, 2013	€ 857	€ 104,608	€ 105,465

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

SABADELL INTERNATIONAL EQUITY LTD.

STATEMENT OF CASH FLOWS

(Expressed in Euros)

	June 30 2013	June 30, 2012
Cash flows from operating activities		
Net income/(loss)	8,851	(12,645)
Adjustments to reconcile net loss to net cash used in operating activities:		
Increase in prepaid expense	-	(5,957)
(Increase) /decrease in interest receivable	(53,580)	2,596,262
Increase/(decrease) in preference dividends payable	39,864	(2,568,885)
Increase/decrease in accounts payable and accrued liabilities	5,801	(2,231)
Net cash provided by operating activities	936	6,544
Cash flows used in investing activities		
Repayment of Certificates of deposit	-	228,142,500
Net cash provided by in investing activities`	-	228,142,500
Cash flows from financing activities		
Repayment of Series A preference shares	-	(228,142,500)
Net cash used in financing activities	-	(228,142,500)
Net increase in cash and cash equivalents during the period/year	936	6,544
Cash and cash equivalents beginning of year	109,384	77,012
Cash and cash equivalents end of period/year	€ 110,320	€ 83,556
Net cash used in operating activities includes:		
Preference shares dividends paid	€ 241,324	€ 3,061,115
Interest received	€ 252,040	€ 3,093,738

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

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

Use of estimates

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). 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.

Basis of accounting

The measurement currency of the bi-annual financial statements is the Euro and not the local currency of the Cayman Islands reflecting the fact that the majority of the Preference shares are issued and redeemed in Euro and distributions to investors are also made in Euro.

The bi-annual financial statements are prepared on a fair value basis for financial assets and liabilities at fair value through profit or loss and derivative financial instruments. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or redemption amount which is considered to approximate fair value due to the short-term nature of these assets and liabilities.

Foreign currency transactions

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 with the Company's Parent and 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 Comprehensive Income.

Financial instruments

Classification

The category of financial assets and financial liabilities at fair value through profit or loss comprises financial instruments held-to-maturity. These include amounts due under credit facility agreements and forward contracts.

Financial assets that are classified as loans and receivables include cash and cash equivalents, interest receivable and amounts due from Banco de Sabadell S.A..

Financial liabilities that are not at fair value through profit or loss include performance fee payable, investment management fee payable, administration fee payable and other accounts payable and accrued expenses.

Measurement

Financial instruments are measured at fair value (transaction price) plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the income statement.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

Cash and cash equivalents

Cash and cash equivalents consist solely 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.

Financial instruments (continued)

Certificates of deposit

Certificates of deposit represent term cash deposits held with the Parent. These instruments were previously classified as held-to-maturity and stated at amortized cost. However, management believe there is no material difference between the fair value and amortised cost of the remaining certificates of deposit due to their short term maturity (See Note 4).

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.

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 the bi-annual 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.

3. Preference shares (continued)

The dividend rate is usually set at European Inter-bank Offering Rate (EURIBOR) plus 0.20 percent per annum. On April 18, 2011 a director's resolution was passed where a floor rate of 4.500% p.a. was set on preference share dividends for the period April 1, 2011 to March 31, 2013. The dividend rates are 4.500% p.a. between January 1, 2013 and March 31, 2013 (2012: 4.500% p.a.) and 0.752% for the quarter ended June 30, 2013.

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.

On January 30, 2012 the Company's Board of Directors approved and ratified the Repurchase Offer of 456,285 SIE Preference Shares for an aggregate purchase price of €228,142,500 accomplished by Banco Sabadell, S.A on a Public Tender Offer effective January 3, 2012 resulting in a corresponding reduction in certificates of deposit.

On December 28, 2012, the Company's Board of Directors approved and ratified the Repurchase Offer of 851 SIE Preference Shares for an aggregate purchase price of €425,500 accomplished by Banco Sabadell, S.A through 2012, resulting in a corresponding reduction in certificates of deposit.

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, 2014 (2012: March 31, 2013). Interest is to be paid at 4.700% per p.a for period January 1, 2013 to March 31, 2013 and 1% p.a. for the quarter ended June 30, 2013 (2012: period March 31, 2012 to March 31, 2013 4.500% p.a. and for the quarter ended June 30, 2013 .7452%). 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.

In January and December 2012, due to the repurchase of the Preferred Shares Series A (Note 3), deposit was redeemed early by the same amount of the repurchase, leaving an outstanding balance of 21,432,000 euros.

The Series A Euro Preference Shares that are owned by the Parent amount to €2,482,500 at June 30, 2013 (December 31, 2012: €10,658,000).

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 June 30, 2013 (2012: 1,000 shares) with a value of €857 (2012: €857). 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.

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).

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 June 30, 2013, 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.