

CAIXA LAIETANA PREFERENCE LIMITED

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Financial Statements

December 31, 2003

together with

Independent Auditor's Report

C N M V

Registro de Auditorias

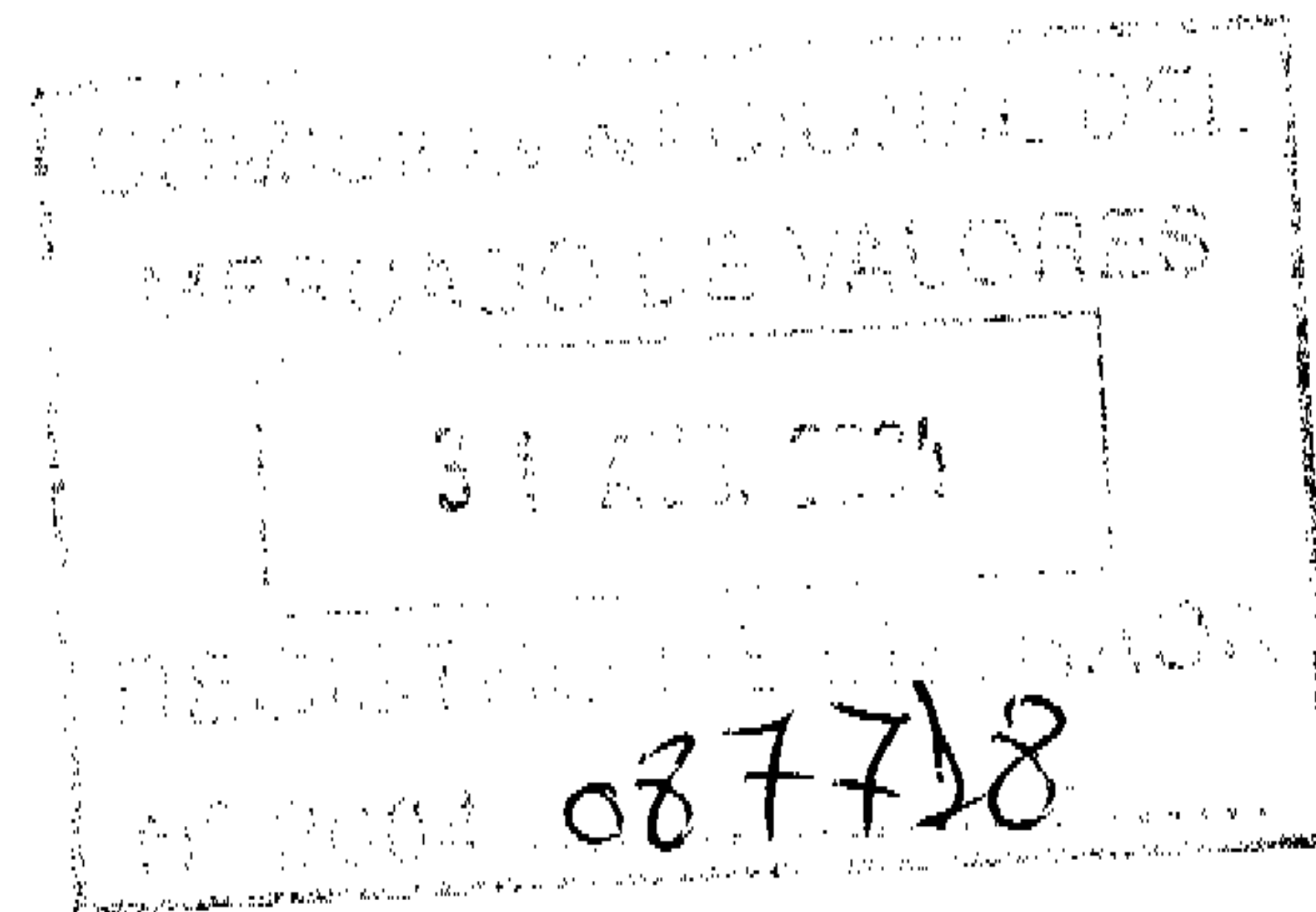
Emisores

Nº

8480

CAIXA LAIETANA PREFERENCE LIMITED

CNMV
Dirección de Mercados Primarios
Área de Seguimiento
Att. Sr. Oscar Casado
Paseo de la Castellana, 19
MADRID



Mataró, 30 de agosto de 2004

Muy Sr. Nuestro:

Por la presente le adjuntamos el informe de Auditoria sobre nuestras Cuentas Anuales del ejercicio 2003, tal i como nos solicitan en su escrito

Sin otro particular le saluda muy atentamente,

Fdo. Marc Zaragoza Vicente
Consejero



Report of Independent Auditors

The Board of Directors and Shareholders
Caixa Laietana Preference Limited

We have audited the accompanying balance sheet of Caixa Laietana Preference Limited as of December 31, 2003, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caixa Laietana Preference Limited as of December 31, 2003, and the results of its operations, the changes in its shareholders' equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

April 23, 2004

CAIXA LAIETANA PREFERENCE LIMITED
FINANCIAL STATEMENTS

December 31, 2003

CAIXA LAIETANA PREFERENCE LIMITED
Balance Sheets as at December 31, 2003 and 2002
(expressed in Euros)

	2003	2002
ASSETS		
Time deposits (notes 3 and 8)	60,101,000	60,101,000
Interest receivable (note 8)	28,823	22,723
Cash and cash equivalents (note 8)	213,743	9,536
Foreign exchange loss	-	476
Total assets	<u>60,343,566</u>	<u>60,133,735</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary shares (note 4)	10,012	10,012
Preference shares (note 4)	60,101,000	60,101,000
Retained earnings (accumulated deficit)	232,554	(7,312)
Total shareholders' equity	<u>60,343,566</u>	<u>60,103,700</u>
Accounts payable (note 8)	-	30,035
Total liabilities	<u>-</u>	<u>30,035</u>
Total shareholders' equity and liabilities	<u>60,343,566</u>	<u>60,133,735</u>

The accompanying notes form an integral part of the financial statements

CAIXA LAIETANA PREFERENCE LIMITED

Income Statement for the year ended December 31, 2003 and for the period June 4, 2002 (date of incorporation) to December 31, 2002
(expressed in Euros)

	<u>2003</u>	<u>2002</u>
Interest income (notes 3 and 8)	3,019,366	22,723
Net interest	<u>3,019,366</u>	<u>22,723</u>
Legal expenses	(57,745)	(15,810)
Operating expenses	(107,361)	(14,225)
Total expenses	<u>(165,106)</u>	<u>(30,035)</u>
Net income (loss) for the period	<u>2,854,260</u>	<u>(7,312)</u>

The accompanying notes form an integral part of the financial statements

CAIXA LAIETANA PREFERENCE LIMITED

Statements of cash flows for the year ended as at December 31, 2003 and for the period June 4, 2002 (date of incorporation) to December 31, 2002
(expressed in Euros)

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	2,854,260	(7,312)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Increase in interest receivable	(6,100)	(22,723)
Increase in accounts payable	(30,035)	30,035
Increase in foreign exchanges loss	476	(476)
Net cash flows used in operating activities	<u>2,818,601</u>	<u>(476)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Time deposit with Caixa d'Estalvis Laietana	-	(60,101,000)
Net cash flows used in investing activities	<u>=</u>	<u>(60,101,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	2,614,394	-
Proceeds from the issuance of ordinary shares	-	10,012
Proceeds from the issuance of preference shares	-	60,101,000
Net cash flows from financing activities	<u>(2,614,394)</u>	<u>60,111,012</u>
Increase in cash and cash equivalents	204,207	9,536
Cash and cash equivalents. beginning of the period	9,536	-
Cash and cash equivalents. end of the period	<u>213,743</u>	<u>9,536</u>

The accompanying notes form an integral part of the financial statements

CAIXA LAIETANA PREFERENCE LIMITED

Statements of Changes in Shareholders' Equity for the year ended December 31, 2003 and for the period June 4, 2002 (date of incorporation) to December 31, 2002
(expressed in Euros)

	Issued ordinary shares	Issued preference shares	Retained earnings (Accumulated deficit)	Total
Balance at June 4, 2002	10,012	-	-	10,012
Preference shares issued		60,101,000	-	60,101,000
Net profit for the period	-	-	(7,312)	(7,312)
Balance at December 31, 2002	10,012	60,101,000	(7,312)	60,103,700
Net profit for the year	-	-	2,854,260	2,854,260
Dividends paid on preference shares	-	-	(2,614,394)	(2,614,394)
Balance at December 31, 2003	<u>10,012</u>	<u>60,101,000</u>	<u>232,554</u>	<u>60,343,566</u>

The accompanying notes form an integral part of the financial statements

CAIXA LAIETANA PREFERENCE LIMITED

Notes to the Financial Statements for the year ended as of December 31, 2003

(expressed in Euros)

1. INCORPORATION AND ACTIVITY

Caixa Laietana Preference Limited (the "Company") was established on June 4, 2002 for an unlimited duration as an exempted limited company under the Companies Law (Revised) of the Cayman Islands. The Company's registered office is P.O. Box 309, George Town, Grand Cayman, Cayman Islands.

All ordinary shares are owned by Caixa d'Estalvis Laietana (the "Bank") which uses the Company for funding transactions. The Company has no employees.

The Company was established as a special purpose vehicle whose primary function is to issue Non Cumulative Guaranteed Non Voting Euro Preference Shares (the "Euro Preference Shares") pursuant to a Spanish Prospectus ("Folleto Informativo") and a Placement and Agency Agreement entered into with the Bank and Confederación Española de Cajas de Ahorro. The proceeds of the issuance of preference shares are deposited with the Bank in an interest bearing account.

The financial statements were authorized for issue by the Directors on February 9, 2004.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of presentation

a) The Company's financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board. The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

b) 2002 prior year balances have been restated. These restatements arise from a correction of an irrelevant error. As a result, 2002 total assets balance has been increased by 194 euros and 2002 net loss has been reduced from 8,121 euros to 7,312 euros.

Accounting policies

The significant accounting policies are:

a) Interest Income and Expense

Interest Income and Expense are recorded on the accrual basis.

b) Cash and Cash Equivalents

Cash and Cash Equivalents include all cash at bank and in hand and short term deposits with an original maturity of three months or less.

c) Financial assets

All investments are initially recognized at cost, being the fair value of the consideration given, and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held-to-maturity, are subsequently measured at amortized cost using the effective interest rate method. For investments carried at amortized cost, gains and losses are recognized in income when the investments are recognized or impaired, as well as through the amortization process.

d) Financial Instruments

The issuer of a financial instrument classifies the instrument as a liability or equity in accordance with the substance of the contractual agreement on initial recognition and the definitions of a financial liability and an equity instruments established under International Financial Reporting Standards. When a financial asset or liability is recognized initially it is measured at its cost. Transaction costs are included in the initial measurement of all financial assets and liabilities.

e) Foreign Currency Translation

The Company's financial statements are expressed in its measurement currency the Euro, since the Company conducts its operations primarily in Euro and this is the currency that reflects the economic substance and underlying events relevant to the Company.

Assets and liabilities denominated in currencies other than Euro are translated into Euro at the exchange rates prevailing on the balance sheet date with translation gains and losses recognized in the statement of income

3. FINANCIAL ASSETS

Financial assets comprise time deposits held with the Bank. The balance of "Time Deposits" in the accompanying balance sheet at December 31, 2003 is as follows:

<u>Interest rate at December 31, 2003</u>	<u>Currency</u>	<u>Thousands of Euros at December 31, 2003</u>
3.25%	EUR	60.101

These time deposits earn interest at a variable rate representing the dividend rate on the preference shares issue from which the proceeds are placed plus a previously determined differential agreed by the Company with the Bank. The balance of "Interest income" caption relates in full to the interest on these deposits. These time deposits have earned an average annual interest rate of 5.02% during 2003 (5.25% in 2002).

The maturity of this time deposit is tied to the redemption date of the Euro Series A Preferences Shares.

4. SHARE CAPITAL

Ordinary shares

The Company was incorporated on June 4, 2002 by means of the issue of 10.000 fully subscribed and registered ordinary shares of US\$1.00 par value each. Only ordinary shares have the legal right to vote at shareholder meetings. Given that these shares were entirely subscribed by the Bank on June 4, 2002, all of the voting stock of the Company is owned directly by the Bank.

As at December 31, 2003 the 10.000 Ordinary Shares had been fully paid and are owned by Caixa d'Estalvis Laietana (the "Bank"). Share capital was translated into Euro at the exchange rate existing on the date of issue.

Preference shares

The Board of Directors resolved on June 12, 2002 to issue 60.101 Series A Non Cumulative Guaranteed Non Voting Euro Preference Shares 01 at € 1.000 par value with each one guaranteed by the Bank. These shares entitle holders to receive non-cumulative preferential cash dividends at a rate of 4.35% until December 28, 2003 and as from December 29, 2003 at a variable rate according to the deposit rate established by the "Confederación Española de Cajas de Ahorros" (CECA) which is revised annually. For the period starting on December 29, 2003 until December 28, 2004 the rate was established at 3.11 %. The above-mentioned terms are subject to the conditions stated in the following paragraphs.

If the Board does not declare a dividend payable on a Dividend Date in respect of a Series of Preference Shares then subject to the rights of the holders of those Series Shares under the Guarantee, the holders of such Series Shares shall obtain no right to receive a dividend in respect of the relevant Dividend Period and the Company will have no obligation to pay the dividend accrued for such Dividend Period or pay any interest thereon, whether or not dividends on such Series Shares are declared for any future Dividend Period. If the Board declares a dividend but the Company does not pay the dividend, the Company's obligation to pay such dividend to holders of the relevant Series Shares will be satisfied by the Bank.

When, dividends are not paid in full on a Series of Preference Shares and any other preferred or preference shares of the Company ranking *pari pasu* as regards participation in profits with such Series Shares, all dividends declared upon such Series Shares and any other preferred or preference shares will be payable pro rata in the proportion that the amounts available for payment on those Series Shares and any such other preferred or preference shares bear to the full amount that would have been payable on those Series Shares and any such other preferred or preference shares, but for such limitation.

The preference shares are perpetual, meaning that there is no maturity date. Notwithstanding the above, the Company is entitled to agree the amortization of the par value of the preference shares as from the fifth year that the shares were paid up, that is December 28, 2007, subject to prior authorization from the Banco de España and the Guarantee. However, the Company does not have the intention of amortizing said shares. In no case whatsoever will the preference shares be fully redeemable to the holders at the option of the holders.

Application will be made for the Series A Euro Preference Shares to be listed on the Spanish A.I.A.F. Fixed Income Market in Madrid, Spain.

5. GUARANTEE FROM THE BANK

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 and any Additional Amounts (as defined in the Articles of Association of the Company) will be guaranteed by the Bank pursuant to a guarantee (the "Guarantee") to be executed by the Bank upon the execution by the Bank of the Prospectus (the "Prospectus") relating to the issue of the Series A Euro Preference Shares to be presented to the Spanish Securities Commission (Comision Nacional del Mercado de Valores) (the "CNMV").

The Guarantee will rank (a) junior to all liabilities of the Bank (other than any guarantee or contractual right expressed to rank pari passu with or junior to the Guarantee) and (b) senior to the Bank's Cuotas Participativas (as defined in the Articles) and, in the case of liquidation of the Bank, to the projects of the Bank's OBS (as defined in the Articles).

6. TAXATION

Under the Cayman Islands Tax Concessions Law (Revised), the Governor-in-Council of the Cayman Islands issued an undertaking to the Company on June 12, 2002 exempting it from all local income, profit or capital gains taxes. The undertaking has been granted for a period of twenty years and at the present time, no such taxes are levied in the Cayman Islands. Accordingly, no provision for taxes on the Company's income in the Cayman Islands is recorded.

7. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Company's financial instruments comprise time deposits and cash.

Financial risk management's objectives and policies are summarized below:

The Company has sought to reduce its risks as much as possible by matching the characteristics of its assets and liabilities. In this regard, the following should be highlighted:

a) Credit risk

The only credit risk is with the sole shareholder and therefore the risk is considered minimal.

b) Interest rate risk

The interest rate on the time deposit is established so that financial income is similar to the Company's financial and operational expenses, and therefore there is no interest rate risk.

c) Liquidity risk

The financial instruction where the time deposit was made agreed to repay all or part of the deposit so that the Company can make the necessary payments. Consequently, there is no liquidity risk.

8. RELATED PARTY TRANSACTIONS

	Euros	
	Balances Dr / (Cr)	Income / (Expenses)
2003		
Cash and cash equivalents	213,743	-
Time deposit	60,101,000	-
Interest receivable	28,823	3,019,366

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

International Financial Reporting Standard n° 32, "Financial Instruments: Disclosure and Presentation", requires the disclosure of fair value information about financial instruments, whether or not recognized in the financial statements, for which is practicable to estimate the value. The carrying amount of cash approximates fair value due to demand maturity of the balance. The estimated fair value for financial assets is not significantly different from the carrying value recorded, due to the way in which quarterly interest is established for financial assets.