

BANCAJA EUROCAPITAL FINANCE

Financial Statements

Years ended December 31, 2004 and 2003
with Report of Independent Auditors

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Report of Independent Auditors

To the Board of Directors of
Bancaja Eurocapital Finance

We have audited the accompanying balance sheets of Bancaja Eurocapital Finance as of December 31, 2004 and 2003, and the related statements of income and retained earnings, changes in shareholder's equity and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 Bancaja Eurocapital Finance at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

February 15, 2005

BANCAJA EUROCAPITAL FINANCE

Balance Sheets as of December 31, 2004 and 2003
(Currency - U.S. dollars)

| ASSETS | | | LIABILITIES AND SHAREHOLDER'S EQUITY | |
|-----------------------------|--------------------|--------------------|---|--|
| | 2004 | 2003 | 2004 | 2003 |
| CASH AND CASH EQUIVALENTS | 12,462 | 15,436 | LIABILITIES, ACCOUNTS PAYABLE | 9,269 |
| ACCRUED INTEREST RECEIVABLE | 1,550,146 | 2,016,801 | ACCRUED DIVIDENDS PAYABLE | 1,550,146 |
| DEFERRED CHARGES | | 13,893 | DEFERRED INCOME | 13,893 |
| INVESTMENTS (Note 3) | 817,260,000 | 757,800,000 | SHAREHOLDER'S EQUITY (Note 4)- Common stock, Preference stock: Series A Preference Shares Series B Preference Shares Retained earnings | 1,000 408,630,000 408,630,000 7,753 1,000 378,900,000 378,900,000 \$167 |
| Total | <u>818,822,608</u> | <u>759,846,130</u> | Total | <u>818,822,608</u> <u>759,846,130</u> |

The accompanying Notes 1 to 8 are an integral part of these balance sheets.

BANCAJA EUROCAPITAL FINANCE

Statements of income and retained earnings,
for the years ended as of December 31, 2004 and 2003
(Currency - U.S. Dollars)

| | 2004 | 2003 |
|--------------------------------------|---------------------|----------------------|
| RETAINED EARNINGS, beginning of year | 5,167 | - |
| INTEREST AND OTHER INCOME: | | |
| Other operating income | 40,000 | 91,972 |
| Interest income (Note 3) | <u>19,678,867</u> | <u>27,540,710</u> |
| | <u>19,718,867</u> | <u>27,632,682</u> |
| INTEREST AND OTHER EXPENSES: | | |
| Other operating expenses | (37,414) | (86,805) |
| Interest expense | <u>(13,893)</u> | <u>(66,857)</u> |
| | <u>(51,307)</u> | <u>(153,662)</u> |
| FOREIGN EXCHANGE (LOSS) INCOME: | | |
| Exchange gains | 59,460,000 | 128,580,000 |
| Exchange losses | <u>(59,460,000)</u> | <u>(128,580,000)</u> |
| NET INCOME | <u>19,667,560</u> | <u>27,479,020</u> |
| INTERIM DIVIDENDS | <u>(19,664,974)</u> | <u>(27,473,853)</u> |
| RETAINED EARNINGS, end of year | <u>7,753</u> | <u>5,167</u> |

The accompanying Notes 1 to 8 are an integral part of these statements of income and retained earnings.

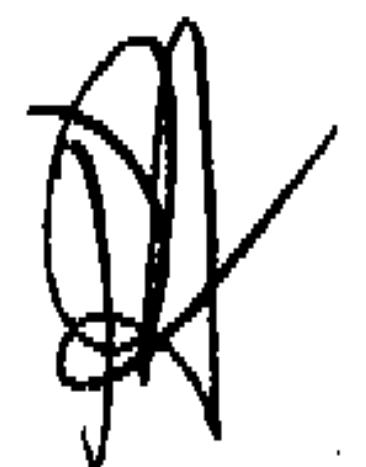


BANCAJA EUROCAPITAL FINANCE

Statements of changes in shareholder's equity
 for the years ended December 31, 2004 and 2003
 (Currency -U.S. Dollars)

| | <u>2004</u> | <u>2003</u> |
|--|---------------------|---------------------|
| Number of authorized and issued common shares- | | |
| Balance at the end of the year | 1,000 | 1,000 |
| Number of authorized and issued Preference Shares- | | |
| Balance at the end of the year | 1,000,000 | 1,000,000 |
| Par value per share- | | |
| Common Shares (U.S. \$) | 1 | 1 |
| Series A Preference Shares (Euro 600) | 817.26 | 757.80 |
| Series B Preference Shares (Euro 600) | 817.26 | 757.80 |
| Common stock- | | |
| Balance at the end of the year | 1,000 | 1,000 |
| Preference stock- | | |
| Balance at the beginning of the year | 757,800,000 | 629,220,000 |
| Adjustments to closing exchange rate | <u>59,460,000</u> | <u>128,580,000</u> |
| Balance at the end of the year | <u>817,260,000</u> | <u>757,800,000</u> |
| Retained earnings- | | |
| Balance at beginning of year | 5,167 | - |
| Net income for the period | 19,667,560 | 27,479,020 |
| Dividends | <u>(19,664,974)</u> | <u>(27,473,853)</u> |
| Balance at end of year | <u>7,753</u> | <u>5,167</u> |

The accompanying Notes 1 to 8 are an integral part of these statements



BANCAJA EUROCAPITAL FINANCE

Statements of cash flows
 for the years ended as of December 31, 2004 and 2003
 (Currency - U.S. dollars)

| | 2004 | 2003 |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Net income for the year | 19,667,560 | 27,479,020 |
| Adjustments to reconcile net income to net cash provided by in operating activities | | |
| Changes in operating assets and liabilities | | |
| Decrease in accrued interest receivable | 466,655 | 272,802 |
| Decrease in deferred charges | 13,893 | 66,857 |
| Increase / (Decrease) in accounts payable | (5,560) | 6,837 |
| Decrease in deferred income | <u>(13,893)</u> | <u>(66,857)</u> |
| Net cash provided by operating activities | 20,128,655 | 27,758,659 |
| Cash flows from financing activities | | |
| Dividends paid | <u>(20,131,629)</u> | <u>(27,746,655)</u> |
| Net cash used in financing activities | <u>(20,131,629)</u> | <u>(27,746,655)</u> |
| Net increase in cash and cash equivalents | (2,974) | 12,004 |
| Cash and cash equivalents, beginning of the year | <u>15,436</u> | <u>3,432</u> |
| Cash and cash equivalents, end of year | <u>12,462</u> | <u>15,436</u> |
| <u>Supplemental cash flow information</u> | | |
| Interest received | 20,145,522 | 27,813,512 |

The accompanying Notes 1 to 8 are an integral part of these statements of cash flows.

BANCAJA EUROCAPITAL FINANCE

Notes to financial statements
for the years ended December 31, 2004 and 2003

NOTE 1. COMPANY DESCRIPTION

Bancaja Eurocapital Finance (the "Company"), was incorporated on December 11, 1998 under the laws of the Cayman Islands, in order to perform investments, financing and trade operations.

The Company is a wholly-owned subsidiary of Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja (the "Parent") (see Note 4), and was created to issue preference shares and place the funds as deposits in the Parent. Accordingly, there is a concentration of credit risk with the Parent.

All the administrative services are performed by Maples Finance (formerly Queensgate SPV Services Ltd). The Company has no employees.

The Company invest substantially all of its assets in Long Term Deposits with its Parent. Accordingly, there is a concentration of credit risk with the Parent.

The Registered Office of the Company is located at P.O. Box 309 in the Cayman Islands.

These Financial Statements were authorized for issue by the Directors on February 8, 2005.

NOTE 2. BASIS OF PRESENTATION AND ACCOUNTING PRINCIPLES

Basis of presentation

The accompanying financial statements have been prepared based on the Company's accounting records as of December 31, 2004 and 2003. The financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.



BANCAJA EUROCAPITAL FINANCE

Notes to financial statements
for the years ended December 31, 2004 and 2003

Accounting policies

The significant accounting policies are:

a) **Cash and Cash Equivalents**

Cash and Cash Equivalents includes balances in the Parent cash account in Spain.

b) **Financial Assets**

Financial assets are investments in long term deposits placed with the Parent. These deposits 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 amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on settlement, which is amortized using the interest method over the issue term. Premium on settlement of approximately US\$ 14 thousand and US\$ 67 thousand were recorded in 2004 and 2003, respectively, under the "Interest income" caption in the accompanying statement of income.

c) **Recognition of Income and Expenses**

Income and expenses are calculated using the accrual method of accounting.

The caption "Interest income" of the statement of income include the interests of the long term Deposits accrued during the years ended 2004 and 2003, respectively.

d) **Foreign Currency Transactions**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Assets, liabilities and shareholders' equity denominated in foreign currencies are translated into U.S. dollars at the year end exchange rates. Translation adjustments are recorded in the income statement.

Exchange differences as a result of translation of foreign currency assets and liabilities are charged or credited, as appropriate to income statement for the year.

BANCAJA EUROCAPITAL FINANCE

Notes to financial statements
for the years ended December 31, 2004 and 2003

NOTE 3. INVESTMENTS

The balance of "Investment" in the accompanying balance sheets as of December 31, 2004 and 2003, includes "Long Term Deposits" and was made up as follows:

| | Interest rate | | Thousands of Principal | | Thousands of US\$ | |
|---|---------------|----------|------------------------|---------|-------------------|----------|
| | 12-31-04 | 12-31-03 | amount & currency | | 12-31-04 | 12-31-03 |
| Deposit at the Parent relating to Series A Preference Shares (Note 4) | 2,379% | 4.430% | EURO | 300,000 | 408,630 | 378,900 |
| Deposit at the Parent relating to Series B Preference Shares (Note 4) | 2,492% | 2.477% | EURO | 300,000 | 408,630 | 378,900 |

The Company and the Parent have agreed an interest rate for both subordinated deposits which shall be at least equal to the dividends to be paid on the corresponding Preference Shares on each dividend payment date. The related income is recorded under the "Interest income" caption in the statements of income as of December 31, 2004 and 2003.

The maturity of these Deposits is tied to the redemption date of the Series A and B Preference Shares, respectively, as the Deposits have no fixed maturity dates.

NOTE 4. SHAREHOLDER'S EQUITY

Common and preference stock

As of December 31, 2004 and 2003, the Company's authorized capital stock consisted of 1,000 shares, of US\$ 1.00 par value each and 2,000,000 redeemable preference shares of Euro 600 par value each. All the shares were owned by Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja (see Note 1) at this date.



BANCAJA EUROCAPITAL FINANCE

Notes to financial statements
for the years ended December 31, 2004 and 2003

Euro Series A Preference Shares

The Series A Preference Shares Issue is divided into 500,000 shares, which have been fully paid, of a nominal or par value of Euro 600 each. These shares entitle holders to receive non-cumulative preferential cash dividends, at a rate of the twelve month Euribor plus 0.2%, payable quarterly on March 3, June 3, September 3 and December 3 beginning on June 3, 1999. The minimum dividend rate of the Series A Preference Shares is 4.43% per annum during the first five years from the date of the issue. The dividend rate of the Series A Preference Shares is 2.379% at December 31, 2004.

The Series A Preference Shares were issued on March 3, 1999 (US\$ 321,256 thousand proceeds at issue), and they can be redeemed by the Company, subject to the prior approval of the Bank of Spain, in whole but not in part, at the nominal value per share on any dividend date falling on or after March 3, 2004.

The aggregate amount of the Series A Preference Shares dividends accrued during 2004 was US\$ 10,243 thousands (US\$ 15,312 thousands during 2003), and is recorded under the "Interim dividends" caption of the statement of income and retained earnings as of December 31, 2004. An amount of US\$ 729 thousands (US\$ 1,260 thousands during 2003) has been included under this caption, as unpaid dividends as of December 31, 2004.

Series A Preference Shares are listed on the A.I.A.F. Market in Madrid, Spain. As of December 31, 2004 their market value per share was 100%.

Series A Preference Shares do not allow voting rights (i.e.: attendance to Shareholders' meetings), except for:

- No payment of four consecutive scheduled dividends,
- Changes in bylaws of the Company that affect Series B Preference Shares' rights,
- Agreements for dissolution of the Company.

Euro Series B Preference Shares

The Series B Preference Shares Issue is divided into 500,000 shares, which have been fully paid, of a nominal or par value of Euro 600 each. These shares entitle holders to receive non-cumulative preferential cash dividends, at a rate of twelve month Euribor plus 0.2%, payable quarterly on March 1, June 1, September 1 and December 1 in each year. The holders began to receive dividends on September 1, 2000. The minimum dividend rate of the Series B Preference Shares is 4.909% per annum during the first three years from the date of the issue. The dividend rate of the Series B Preference Shares is 2.492% at December 31, 2004.



BANCAJA EUROCAPITAL FINANCE

Notes to financial statements for the years ended December 31, 2004 and 2003

The Series B Preference Shares were issued in June 1st, 2000, and they can be redeemed by the Company, subject to the prior approval of the Bank of Spain, in whole but not in part, at the nominal value per share on any dividend date falling on or after June 1, 2005.

The aggregate amount of the Series B Preference Shares dividends accrued during 2004 was US\$ 9,422 thousands (US\$ 12,162 thousands during 2003), and is recorded under the "Interim dividends" caption of the statement of income and retained earnings as of December 31, 2004. An amount of US\$ 821 thousands (US\$ 757 thousands during 2003) has been included under this caption, as unpaid dividends as of December 31, 2004.

Series B Preference Shares are listed on the A.I.A.F. Market in Madrid, Spain. As of December 31, 2004 their market value per share was 100%.

Series B Preference Shares do not allow voting rights (i.e.: attendance to Shareholders' meetings), except for:

- No payment of four consecutive scheduled dividends,
- Changes in bylaws of the Company that affect Series B Preference Shares' rights,
- Agreements for dissolution of the Company.

NOTE 5. TAX MATTERS

At the present, no income, profit, capital or capital gain taxes are levied in the Cayman Islands and, accordingly, no provision for such taxes has been recorded in the accompanying financial statements. In the event that such taxes were levied, the Company has received an undertaking from the Cayman Islands Government exempting it from all of this kind of taxes until February 15, 2014.

NOTE 6. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

International Accounting 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 it is practicable to estimate the value. The carrying amount of cash approximates fair value due to demand maturity of the balance. The carrying amount of Long Term Deposits and Preference Shares approximates fair value of US\$ 822 million and US\$ 776 million as of December 31, 2004 and 2003, respectively.



BANCAJA EUROCAPITAL FINANCE

Notes to financial statements
for the years ended December 31, 2004 and 2003

NOTE 7. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Company's financial instruments comprise long term Deposits, cash and the preferences shares.

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

The main risks arising from the Company's financial instruments are credit risk, interest risk rate, foreign exchange risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

a) Interest rate, liquidity risk and foreign exchange risk

Interest rate, credit and foreign exchange risks have been effectively hedged due to the linkage of the interest rates and currencies on assets and liabilities and to the matching of their maturity/redemption dates.

b) Credit risk

The only credit risk is with the Bank and therefore management considers that the credit risk is minimal.

NOTE 8. SUBSEQUENT EVENTS

No events have taken place to date since December 31, 2004 that significantly affect or change the contents of these financial statements.

