Bancaja Eurocapital Finance

Financial Statements

for the year ended
December 31, 2006
and Independent Auditors' Report

Deloitte

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INDEPENDENT AUDITORS' REPORT

To the Sole Shareholder of
Bancaja Eurocapital Finance

We have audited the accompanying financial statements of Bancaja Eurocapital Finance, which comprise the balance sheet as at December 31, 2006, and the related statements of income, changes in shareholder's equity and 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.

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 Bancaja Eurocapital Finance as at December 31, 2006, and the results of its operations, changes in shareholder's equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte & Touche

February 28, 2007

BANCAJA EUROCAPITAL FINANCE

BALANCE SHEET AS OF DECEMBER 31, 2006
(Currency - U.S. Dollars)

ASSETS	2006	2005 (*)
CASH AND CASH EQUIVALENTS	12,594	12,653
ACCRUED INTEREST RECEIVABLE	2,034,692	1,347,676
INVESTMENT (Note 3)	790,200,000	707,820,000
Total	**792,247,286**	**709,180,329**

LIABILITIES AND SHAREHOLDER'S EQUITY	2006	2005 (*)
LIABILITIES-		
ACCOUNTS PAYABLE	3,709	3,709
ACCRUED INTEREST PAYABLE (Note 5)	2,034,692	1,347,676
LIABILITIY TO PREFERRED SHAREHOLDERS (Note 5)		
Series A	395,100,000	353,910,000
Series B	395,100,000	353,910,000
	792,238,401	709,171,385
SHAREHOLDER'S EQUITY (Note 4)		
Capital stock	1,000	1,000
Retained earnings	7,885	7,944
	8,885	8,944
Total	**792,247,286**	**709,180,329**

(*) Included only for comparison purpose

The accompanying notes are an integral part of these financial statements

BANCAJA EUROCAPITAL FINANCE

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2006
(Currency - U.S. Dollars)

	2006	2005 (*)
INTEREST AND OTHER INCOME:		
Interest income (Note 3)	23,319,704	18,237,048
Other operating income	25,000	41,000
	23,344,704	18,278,048
INTEREST AND OTHER EXPENSES:		
Interest expense (Note 5)	(23,319,704)	(18,237,048)
Other operating expenses	(25,059)	(40,809)
	(23,344,763)	(18,277,857)
FOREIGN EXCHANGE (LOSS) INCOME:		
Exchange gains	82,380,000	109,440,000
Exchange losses	(82,380,000)	(109,440,000)
	-	-
NET (LOSS) INCOME	**(59)**	**191**

(*) Included only for comparison purposes

The accompanying notes are an integral part of these financial statements

BANCAJA EUROCAPITAL FINANCE

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006
(Currency - U.S. Dollars)

	Capital stock	Retained earnings	Total
Balance at December 31, 2004	1,000	7,753	8,753
Net income	-	191	191
Balance at December 31, 2005	1,000	7,944	8,944
Net loss	-	(59)	(59)
Balance at December 31, 2006	1,000	7,885	8,885

The accompanying notes are an integral part of these financial statements

BANCAJA EUROCAPITAL FINANCE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Currency - U.S. Dollars)

	2006	2005 (*)
Cash flows from operating activities		
Net (loss)/income for the year	(59)	191
Adjustments to reconcile net income/(loss) to net cash used in operating activities		
Changes in operating assets and liabilities		
(Increase)/Decrease in accrued interest receivable	(687,016)	202,470
Increase/(Decrease) in accrued interest payable	687,016	(202,470)
Net cash (used in)/provided by operating activities	(59)	191
Cash flows from financing activities		
(Increase)/Decrease in investment	(82,380,000)	109,440,000
Increase/(Decrease) in preference shares	82,380,000	(109,440,000)
Net cash used in financing activities	-	-
Net (decrease)/increase in cash and cash equivalents	(59)	191
Cash and cash equivalents, beginning of year	12,653	12,462
Cash and cash equivalents, end of year	12,594	12,653
Supplemental cash flow information		
Interest received	22,632,688	18,439,518
Interest paid	22,632,688	18,439,518

(*) Included only for comparison purposes

The accompanying notes are an integral part of these financial statements

BANCAJA EUROCAPITAL FINANCE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Currency – U.S. dollars)

(1) COMPANY DESCRIPTION

Bancaja Eurocapital Finance (the "Company"), was incorporated on December 11, 1998 under the laws of the Cayman Islands, for the purpose of engaging in investment, 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), whose purpose is to issue Preference Shares and loan the proceeds to the Parent. The Company has no employees, therefore, administrative services are performed by Maples Finance Limited.

(2) BASIS OF PRESENTATION AND ACCOUNTING PRINCIPLES

Basis of presentation-

The accompanying financial statements were prepared from the Company's accounting records as of December 31, 2006 and 2005.

Accounting principles-

These financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

The main accounting principles applied in preparing the accompanying financial statements are summarized as follows:

a) *Cash and cash equivalents-*

Cash and cash equivalents include balances in the Parent cash account in Spain.

b) *Investment-*

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 amortized cost using the effective interest rate method. Amortized 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$25 and US$0 were recorded in 2006 and 2005, respectively, under the "Interest income" caption in the accompanying statement of income.

c) *Recognition of income and expenses-*

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

The caption "Interest income" in the statement of income includes interest on long-term deposit, earned during the years ended 2006 and 2005 respectively.

d) *Foreign currency transactions-*

Assets, liabilities and shareholder's equity denominated in foreign currencies are translated to U.S. dollars at the prevailing rates of exchange at year end. Income receipts and expense payments are translated to U.S. dollars at the prevailing exchange rates on the transaction date. The resultant exchange gains and losses are included in the statement of income.

e) *Preference shares-*

International Accounting Standard 32: *Financial Instruments: Disclosure and Presentation* ("IAS 32") requires entities that issue financial instruments to classify such instruments as liabilities or equity in accordance with the substance of the contractual arrangement and the definitions contained within IAS 32 of a financial liability and equity instrument. In this regard, IAS 32 requires that financial instruments that give the holder the right to put the instrument back to the issuer for cash or another financial asset be classified as a liability of the issuer.

The Preference Shares issued by the Company provide the preferred shareholders with the right to redeem their shares for cash equal to the value of investment of the Company. Within the context of IAS 32, the existence of the option for the preferred shareholders to put the shares back to the Company in exchange for cash requires the Company to classify the Preference Shares as liabilities.

The liability to preferred shareholders is presented on the balance sheet and is determined based on value of the investment.

As the Preference Shares are classified as liabilities, dividends paid to preferred shareholders are recognized by the Company as expenses rather than a distribution of equity.

(3) INVESTMENT

The balance of "Investment" in the accompanying balance sheets as of December 31, 2006 and 2005, was made up as follows:

Maturity	Interest Rate		Thousands of Principal		Thousands of US$	
	12-31-06	12-31-05	Amount	Currency	12-31-06	12-31-05
Deposit with the Parent relating to Series A Preference Shares (Note 5)	3.102%	2.506%	300,000	Euro	395,100	353,910
Deposit with the Parent relating to Series B Preference Shares (Note 5)	3.509%	2.396%	300,000	Euro	395,100	353,910
					790,200	**707,820**

The Company and the Parent have agreed an interest rate for both subordinated deposits which shall be at least equal to the interest to be paid on the corresponding Preference Shares on each interest payment date. The related income is recorded under the "Interest income" caption in the statements of income for the years ended December 31, 2006 and 2005.

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.

(4) COMMON SHARES

As of December 31, 2006 and 2005, the Company's issued capital stock consisted of 1,000 shares, of US$ 1.00 par value each, fully subscribed and paid. All the shares are owned by the Parent (see Note 1) at these dates. However, the Company's public memorandum of association has authorized capital stock of US$ 50 thousand, which may be reached by successive share issues.

(5) PREFERENCE SHARES

Euro Series A Preference Shares

The Series A Preference Shares issue is divided into 500,000 shares, which have been fully paid and are of a nominal or par value of € 600 each. These shares entitle holders to receive non-cumulative preferential interest, at a rate of twelve month Euribor plus 0.2%, payable quarterly on March 3, June 3, September 3 and December 3 of each year beginning on June 3, 1999. The minimum interest rate of the Series A Preference Shares shall be 4.43% per annum during the first five years from the date of the issue. The interest rate of the Series A Preference Shares is 3.102% at December 31, 2006.

The Series A Preference Shares were issued on March 3, 1999, 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 interest date falling on or after March 3, 2004.

The aggregate amount of the Series A Preference Shares interest accrued during 2006 was US$12,677 thousand (US$9,286 thousand during 2005), and is recorded under the "Interest expense" caption of the statement of income for the year ended December 31, 2006. An amount of US$919 thousand (US$665 thousand during 2005) has been included under this caption, as "Accrued Interest Payable" as of December 31, 2006.

Series A Preference Shares are listed on the A.I.A.F. Market in Madrid, Spain. As of December 31, 2006 their market value per share was 100%.

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

- No payment of four consecutive scheduled interest amounts;
- Changes in bylaws of the Company that affect Series A 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 and are of a nominal or par value of € 600 each. These shares entitle holders to receive non-cumulative preferential interest, at a rate of twelve month Euribor plus 0.2%, payable quarterly on March 1, June 1, September 1 and December 1 of each year. The holders began to receive interest on September 1, 2000. The interest rate of the Series B Preference Shares is 3.509% at December 31, 2006.

The Series B Preference Shares were issued in June 1, 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 interest accrued during 2006 was US$10,642 thousand (US$8,951 thousand during 2005), and is recorded under the "Interest expense" caption of the statement of income for the year ended December 31, 2006. An amount of US$1,116 thousand (US$682 thousand during 2005) has been included under this caption, as "Accrued Interest Payable" as of December 31, 2006.

Series B Preference Shares are listed on the A.I.A.F. Market in Madrid, Spain. As of December 31, 2006 their market value per share was 100%.

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

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

(6) 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 are levied, the Company has received an undertaking from the Cayman Islands Government exempting it from such taxes until February 15, 2014.

(7) DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

International Accounting Standard no. 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 fair value. The carrying amount of cash approximates fair value due to short maturity of the balance. The carrying amount of long-term deposits and Preference Shares approximates fair value of US$ 790 million and US$ 708 million as of December 31, 2006 and 2005, respectively.

(8) RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Company's financial instruments comprise long-term deposits, cash and Preference Shares.

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

a) *Interest rate risk, liquidity risk and foreign exchange risk*

Interest rate, liquidity 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 Parent and therefore management considers that the credit risk is minimal.