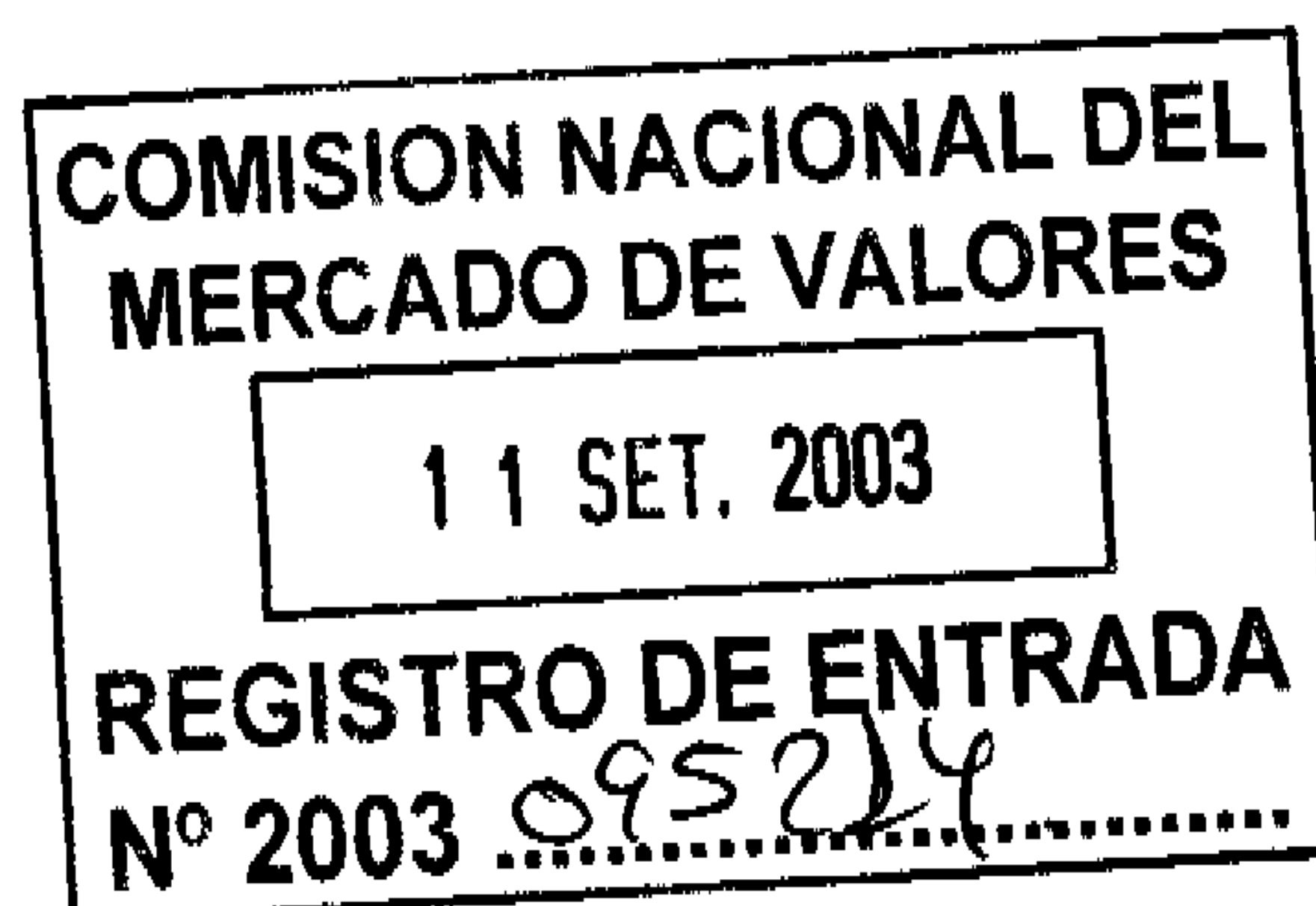




*caixaterrassa



COMISIÓN NACIONAL DEL MERCADO DE VALORES
Dirección General de Mercados e Inversores
Paseo de la Castellana, 19
28046 MADRID

Terrassa, 4 de septiembre de 2003

Distinguido señor,

Le adjuntamos las cuentas anuales y el informe de auditoría del ejercicio 2002.

Reciba un cordial saludo,



Josep Castro
Caixaterrassa Preference Limited



Caixa Terrassa Preference Limited

Financial Statements
for the year ended December 31, 2002
and Independent Auditor's Report

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**Deloitte
& Touche**

INDEPENDENT AUDITORS' REPORT

To the Sole Shareholder and the Board of Directors of
Caixa Terrassa Preference Limited:

We have audited the accompanying balance sheet of Caixa Terrassa Preference Limited (a company incorporated in the Cayman Islands and a wholly-owned subsidiary of Caixa d'Estalvis de Terrassa, a Spanish company - see Note 1) as of December 31, 2002, and the related statements of income, of changes in shareholder's equity and of cash flows for the year then ended (all expressed in Euros). 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 present fairly, in all material respects, the financial position of Caixa Terrassa Preference Limited as of December 31, 2002, and the results of its operations, changes in shareholder's equity and cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

Deloitte & Touche

June 20, 2003

Deloitte
Touche
Tohmatsu

Caixa Terrassa Preference Limited

Balance Sheet as at December 31, 2002

(expressed in Euros)

	2002	2001
Assets		
Cash and cash equivalents	10.114	3.833
Time deposits (Note 3)	50,000,000	50,000,000
Accounts receivable	-	10,000
Accrual accounts	<u>3.634</u>	<u>4,090</u>
Total assets	<u>50,013,748</u>	<u>50,017,923</u>
Liabilities		
Accounts payable	18.028	24.476
Financial liabilities (Preference shares) (Note 5)	<u>49,981,582</u>	<u>49,981,582</u>
Total liabilities	<u>49,999,610</u>	<u>50,006,058</u>
Shareholder's equity		
Share capital (Note 4)	10.661	10.661
Retained earnings	<u>3.477</u>	<u>1.204</u>
Total Shareholder's equity	<u>14.138</u>	<u>11.865</u>
Total liabilities & shareholder's equity	<u>50,013,748</u>	<u>50,017,923</u>

The accompanying Notes 1 to 9 are integral part of the financial statements for the year ended December 31, 2002

Caixa Terrassa Preference Limited
Statement of Income and Retaining Earnings
for the year ended December 31, 2002
(expressed in Euros)

	2002	2001
Income		
Interest income	<u>2,910,079</u>	<u>1,455,064</u>
Net interest Income (Note 3)	<u>2,910,079</u>	<u>1,455,064</u>
Expenses		
Financial expenses (Note 5)	2,875,261	1,437,500
Legal expense	8.159	4.873
Operating expenses	<u>24,386</u>	<u>11.487</u>
Total expenses	<u>2,907,806</u>	<u>1,453,860</u>
Net profit for the year	<u>2.273</u>	<u>1.204</u>
Retained earnings, beginning of year	<u>1.204</u>	<u>-</u>
Retained earnings, end of year	<u><u>3.477</u></u>	<u><u>1.204</u></u>

The accompanying Notes 1 to 9 are integral part of the
financial statements for the year ended December 31, 2002

Caixa Terrassa Preference Limited

Statement of Changes in Shareholder's Equity

for the years ended December 31, 2002

(expressed in Euros)

	<u>Ordinary Share Capital</u>	<u>Income for the year</u>	<u>Retained Earnings</u>	<u>Total Shareholder's Equity</u>
Balance as of December 31, 2000	9.416	-	-	9.416
Share capital payment, translation difference	1.245	-	-	1.245
2001 income	-	1.204	-	1.204
Use of 2001 income	-	(1,204)	1.204	-
Balance as of December 31, 2001	10.661	-	1.204	11.865
2002 income	-	2.273	-	2.273
Use of 2002 income	-	(2,273)	2.273	-
Balance as of December 31, 2002	10.661	-	3.477	14.138

The accompanying Notes 1 to 9 are integral part of the
financial statements for the year ended December 31, 2002

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Caixa Terrassa Preference Limited

Statement of Cash Flows

for the years ended December 31, 2002

(expressed in Euros)

	2002	2001
Cash flows from operating activities		
Net income	2.273	1.204
Adjustments to reconcile net income to net cash provided by operating activities:-		
Interest income	(2,910,079)	(1,455,064)
Financial expenses	2,875,000	1,437,500
Decrease / (Increase) in accounts receivable	10,000	(10,000)
Decrease / (Increase) in accrual accounts	456	(288)
(Decrease) / Increase in accounts payable	(6,448)	20,674
Net cash provided by operating activities	(28,798)	(5,974)
Cash flows from investment activities		
Time deposit with Caixa d'Estalvis de Terrassa	-	(50,000,000)
Interest received	2,910,079	1,455,064
Net cash provided by investment activities	2,910,079	(48,544,936)
Cash flows from financing activities		
Proceeds from issuance of share capital	-	10.661
Issue of preference shares	-	49,981,582
Interest paid	(2,875,000)	(1,437,500)
Net cash provided by financing activities	(2,875,000)	48,554,743
Increase in Cash and cash equivalents	6.281	3.833
Cash and Cash equivalents, beginning of year	3.833	-
Cash and Cash equivalents, end of year	10.114	3.833

The accompanying Notes 1 to 9 are integral part of the financial statements for the year ended December 31, 2002

Caixa Terrassa Preference Limited

Notes to the Financial Statements as at December 31, 2002

(expressed in Euros)

1. Incorporation and activity

Caixa Terrassa Preference Limited (the "Company") was established on November 20, 2000 as an exempted company under the Companies Law of the Cayman Islands. The company's registered office is P.O. Box 309, George Town, Cayman Islands.

The Company is a wholly owned subsidiary of Caixa d'Estalvis de Terrassa (the "Bank"), which uses the Company for fund raising transactions. The Company has no employees in the Cayman Islands therefore administrative services were performed by Maples Finance Limited in the Cayman Islands.

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 by the Bank and Confederacion Española de Cajas de Ahorro. The proceeds of the issuance of preference shares have been deposited with the Bank in an interest bearing account.

The financial statements as at December, 2002 were approved by the Board of Directors on June 20th, 2003.

2. Significant accounting policies

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, effective December 31, 2002. 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. 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 includes all cash at call and short notice.

c) 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. Transactions in currencies other than the Euro are treated as foreign currencies and recorded on initial recognition by applying the exchange date between the Euro and the foreign currency at the date of the transaction.

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 arrangement 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 is measured at its cost. Transactions costs are included in the initial measurement of all financial assets and liabilities.

3. Time Deposits

The time deposits are placed with the Bank. The balance of time deposits held by the Company as of December 31, 2002 and 2001 was made up as follows:

Interest Rate at 12-31-01 and 12-31-02	Currency	Thousands of Euros
		12-31-01 and 12-31-02
5.82%	EUR	50,000

These time deposits earn interest at a variable rate tied to the dividend rate paid on the preference shares issues, plus a previously determined differential agreed by the Company with the Bank. The balance of "Interest on time deposits to Caixa d'Estalvis de Terrassa" relates in full to the interest on these deposits. These time deposits have earned an average interest rate of 5.82% during the years ended December 31, 2002 and 2001.

4. Share Capital

The Company was incorporated on November 20, 2000 by means of the issuance of 10,000 fully subscribed and registered ordinary shares of US\$1 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 November 20, 2000, all of the voting stock of the Company is owned directly by the Bank. The authorised share capital of Caixa Terrassa Preference Limited consists of 10,000 ordinary shares of US\$ 1.00 par value each and 50,000,000 preference shares of US\$ 1.00 per value each.

As at December 31, 2002 and December 31, 2001, 10,000 Ordinary Shares were fully paid and were owned by the Bank. Share capital was translated into Euro at the exchange rate on the date of subscription.

5. Financial Liabilities.

The Board of Directors resolved on December 6, 2000 to issue 50,000 Series A Non-Cumulative Guaranteed Non-Voting Euro Preference Shares of EUR 1,000 par value, each one guaranteed by the Bank. The Preference Shares were issued in June 2001 and no further issues were made during the year 2001 and the current year.

In accordance with IAS 39.66, transaction costs incurred at the issue of this financial liability are included in its initial measurement.

These Series A Preference shares are perpetual and will entitle holders to receive, every three months, a non-cumulative preferential cash dividend at a rate equal to 5.75% for the first 18 months and equal to 3 month EURIBOR (European Inter bank offered rate) plus 0.25% for the remaining dividend periods, commencing December 31, 2002, when, as and if declared by the Board of Directors of the Company or an authorized committee thereof, but only to the extent of available "Distributable Profits" for the preceding fiscal year (see below). The dividend determination dates are two target business days prior to the first day of each relevant interest period.

Holders of the Series A Preference Shares will have no right to participate in any profits of the Company other than dividends. Dividends are non-cumulative.

"Distributable Profits" with respect to any year means, for any fiscal year, the lower of the reported net profit (calculated in accordance with the regulations of the Bank of Spain) of the Caixa d'Estalvis de Terrassa Group ("Group") or the Bank, as the case may be, determined in each case after tax and extraordinary items for such year, as derived from the consolidated audited profit and loss account of the Group or the Bank, as the case may be, prepared in accordance with requirements and guidelines of the Bank of Spain in effect at the time of such preparation.

The payments of dividends and payments on liquidation or redemption and any additional amounts are unconditionally guaranteed by the Bank. The guarantee will rank junior to all liabilities of the Bank and *pari passu* with the most senior preferred or preference shares, if any, issued by the Bank. The Bank is not obligated to make any payment in respect to dividends or other amounts under the guarantee:

- (i) to the extent that such payment, together with any dividends previously paid in the current fiscal year and any dividends proposed to be paid during the current calendar quarter, on either the Series A Preference Shares, or any other preference shares issued *pari passu* with the Series A or any preferred or any preference shares of subsidiaries entitled to the benefits of the guarantee or any guarantee ranking *pari passu* with guarantee, would exceed the Bank's distributable profits for the preceding fiscal year; or
- (ii) even if distributable profits are sufficient, to the extent that, in accordance with applicable Spanish banking regulations affecting banks which fail to meet their capital ratios on a parent company only or on a consolidated basis, the Bank would be limited in making payments on "Cuotas participativas" issued by it (other than payments of the Stabilisation Fund) or on allocating funds to the Fund for Charitable and Social Works (OBS) (other than allocations pursuant to section 11.5 of Law 13/1985 of Spain).

Dividends declared during the years ended December 31, 2002 and 2001 were € 2,875,000 and € 1,437,500, respectively.

The Series A Preference Shares are redeemable at the option of the Company, subject to the consent of the Bank and the Bank of Spain, in whole or in part from time to time, no earlier than five years from the date of issue, at any time on, at a redemption price equal to the par value plus accrued and unpaid dividends for the then-currently dividend period to the date fixed for redemption.

Holders of Preference Shares are not entitled to vote at any meeting of shareholders of the Company, except in very limited circumstances. These circumstances are: lack of entire dividend payment during four consecutive three-month periods, change or suppression of the rights granted by the preference shares, and liquidation or dissolution of the Company.

6. Guarantee

Subject to certain limitations, the Bank undertakes to irrevocably pay the holders of the Series A Preference Shares the sum total of the Guaranteed Payments (except to the extent that said amounts are paid by the Company) in the manner and at the time that they are due, irrespective of any exception, right to compensation or reconvention to which the Company may be entitled or which may be invoked by the Company.

For purposes of this Guarantee, "Guaranteed Payments" means, (i) any Preferred Dividend of the Series A Preference Shares accrued but not paid up, corresponding to the nearest six-monthly period of accrual, (ii) the Redemption Price of the Series A Preference Shares that are redeemed by the Company, (iii) the Liquidation Quota corresponding to each Series A Preference Share in the event of liquidation, which will equal to 1,000 Euros per Series A Preference Share plus the unpaid dividends at the date of payment, and (iv) any additional amounts that the Company may pay.

7. Listing

The Series A Euro Preference Shares are to be listed on the AIAF (Asociación Internacional de Analistas Financieros) Market in Madrid, Spain.

8. Taxation

Under the Cayman Islands Tax Concessions Law, the Governor-in-Council of the Cayman Islands issued an undertaking to the Company on November 20, 2000 exempting it from all local income, profit or capital gains taxes. The undertaking has been issued 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.

9. Other disclosures

The Company has no significant interest rate, credit or currency risk due to the matching of the assets and liabilities. These risks are controlled by the Bank.