

CAIXA GALICIA CORPORATION

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Caixa Galicia Corporation is the company that Caixa Galicia founded in 1987 to reinforce its links with the productive sector and to enhance its diversification in new business lines.



Within its **“Corporate Area”**, the Corporation holds all of Caixa Galicia’s shareholdings in other companies for the dual purpose of stimulating business development in its area of influence and obtaining a reasonable financial profit.

From this strategic standpoint, the Corporation has shareholdings in important sectors such as energy, food,

transport, infrastructures, and forestry, with leading companies such as Unión Fenosa, ENCE, Iberia, Sacyr-Vallehermoso, Itinere, Pescanova, EbroPuleva, Banco Pastor, etc. in its portfolio. At the close of 2004 the market value of this portfolio came close to 1,100 million euros.

Within its **“Operative Area”**, the Corporation acts as the head of a wide range of subsidiary companies (Group of Companies) dedicated to activities related to the financial industry, divided into four areas: insurance, property, technology and services.

The Group of Companies is a key factor in the exploitation of the cross-selling mechanisms designed by the bank to increase returns from its customer base. In the case of specific projects such as the CRM-SME project, having subsidiaries dedicated to providing basic services to companies has enabled the bank to create an integrat-

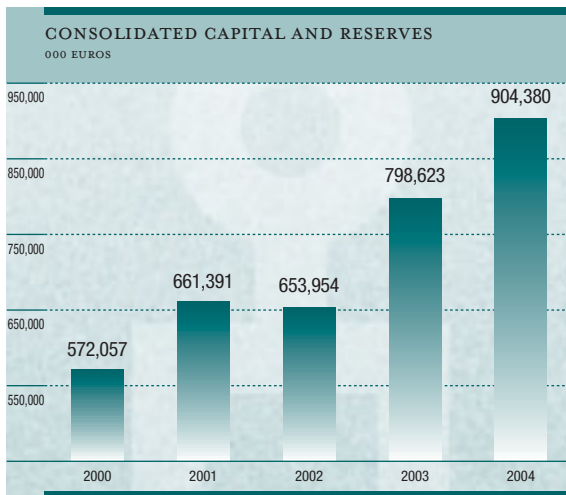




ed package that is designed to satisfy not only the financial needs of an SME customer, but also its demand for advanced services such as insurance, property management, information technology, consultancy or direct marketing.

At the same time, the Group of Companies contributes to optimising efficiency within the whole organisation by assuming the non-financial activities of the parent company through a process of outsourcing. This has a double benefit, firstly by reducing costs and secondly by allowing each part of the company to focus on its core business.

Since its creation in 1987 with a share capital of 541,000 euros, the Corporation has become one of the major business groups in the Spanish financial system, with consolidated capital and reserves totalling 904.38 million euros:



ACTIVITIES IN 2004

The Caixa Galicia Corporation Group earned a net attributable profit of 97.69 million euros, 13.4% higher than in

2003, with both sides of the business showing improved results.

Operative Area

Within the **Operative Area**, the Group of Companies almost doubled its turnover to reach a total of 417.39 million euros, with improvements in all of the sectors in which it is present. Pre-tax profit stood at 14.21 million euros, an increase of 40.4% on the previous year.

PROFITS OF THE GROUP OF COMPANIES ROSE BY 40.4%

In addition to this strong growth in turnover and profits, 2004 also saw a major operational restructuring of the Group of Companies, with general and administrative services being centralised in a single company in order to enhance commercial activity and improve efficiency.

Within the **Property** sector, and as a result of its policy of creating strategic alliances in order to grow in size and opt for major construction and development projects, Caixa Galicia Corporation together with other major financial institutions and property development companies has created several companies with the intention of enhancing the property sector's presence in the investment portfolio. Three of the companies to spring from these alliances are Boreal Desarrollo Inmobiliario (with an investment of 2.4 million euros); Jocai XXI (1.6 million euros); and Lazora (10 million euros).

The positive performance of the three companies operating in this sector (HomeGalicia, TasaGalicia and





TasaGaliciaConsult) led to a 9% increase in turnover that translated into a 36% increase in pre-tax profit as a result of improved efficiency.

The **Insurance area** consists of two companies, with the Insurance Brokerage handling all non-life insurance. 2004 saw continuation of the strong performance of this company since its inception in 2002, with income up by 19.9%, 11 percentage points higher than the sector average. A further innovation during the year was the development of a dedicated structure for property development companies, a sector whose complexity makes the use of standard procedures inappropriate.

BiaGalicia is active in the life insurance and pension plan business (the only Galician-based company in the latter sector) in association with AVIVA, the sixth largest insurance company in Spain. In 2004 it launched a variety of new products in pensions, annuities, insurance-based savings plans and guaranteed life savings, with a notable uptake, and assumed the management of the Caixa Galicia employee pension scheme. Premium turnover thus rose by 236% compared to 2003, and the volume of funds managed doubled to 1,392 million euros (technical provisions + pension plan assets).

In **Technology**, after the 2003 restructuring, the Softgal Group increased its activity by 50%, with over half its turnover now coming from outside Caixa Galicia Group. Its commitment to quality has enabled it to obtain CMM level 2 certification, the foremost international standard for measuring the maturity of software creation processes, as well as ISO 9001 certification.

SOFTGAL
INCREASED ITS
ACTIVITY BY
50%

Another milestone was the setting up of the Sofftek GDC Europe Global Development Centre in A Coruña, as a result of an agreement signed with the Mexican software company Sofftek. This centre specialises in outsourcing services under the 'nearshore' model (delocation within the same geographical region). Initial customers include General Electric, Boeing, HP and Roche Farma (Switzerland).

The **Services** area saw the creation of a new business line in the figure of the Caixa Galicia Business and Technology Institute (ITE-Caixa Galicia), a centre of excellence and company training which will serve to transfer the management experience accumulated in Caixa Galicia over its 26 years of existence to the productive sector in the region. ITE will have a double function: that of provider of internal training to Caixa Galicia Group personnel, and as an external provider of top-level academic courses, four of which were run during its first year of existence (Banking and finance, wealth management, Executive MBA and SAP), with 98 students enrolled and a total of 1,580 hours of teaching provided.

Another company to reorganise was STD-Multiopción, this time with regard to its business mix, in order to guarantee future growth based on the added value provided by the services it offers. Ciberviajes was also extremely active in increasing its turnover by 15%, this earning it the Diploma of Honour awarded by Iberia to the travel agency with greatest growth amongst the over 700 that operate in north-west Spain.

The following table contains the key 2004 figures for the Group of Companies:



GROUP OF COMPANIES			
Sector	Company	Turnover (000 euros)	Employees
Insurance	Insurance Brokerage	34,402	16
	BiaGalicia	313,792	23
Services	Ciberviaxes	13,793	27
	Coinsa	1,259	49
	STD-Multiopción	5,802	149
	ITE-Caixa Galicia	367	1
Technology	Softgal	26,737	279
	Softgal Gestión	3,123	41
	Galsoft	660	7
	Unicom	616	30
Property	Homega	10,024	6
	TasaConsult	953	6
	TasaGalicia	4,316	5
Total for the group		417,391	639

Corporate Area

The **Corporate Area** includes two fields of activity:

Investments in **risk capital** are managed by Gescaixa Galicia, the specialist risk management company within the Corporation Group. Investments for the year totalled 18.6 million euros, bringing the accumulated total since its creation to 30.1 million euros.

In keeping with the trend within the sector towards making larger investments, last year *Gescaixa* undertook three major operations, acquiring shareholdings of 7.8% in *Filmax*, 4.42% in *Veralia* and 20% in *Norvento*.

30.1 MILLION
EUROS INVESTED
IN RISK CAPITAL

The portfolio of **direct shareholdings** in external companies is managed with two aims in view: on the one hand to obtain a favourable return, and on the other to exert a beneficial effect on the economic environment by encouraging activity in strategic sectors. At the close of 2004 the market value of this portfolio was close to 1,100 million euros, with latent capital gains totalling 274.29 million euros.

LATENT CAPITAL
GAINS OF 274
MILLION EUROS

The most significant operations during the year were:

- > The increase in our shareholding in Sacyr-Vallehermoso, one of Spain's leading construction groups, to 2.84% with an outlay of 48.9 million euros. The generation of synergies with the construction group was enhanced with the swap of the 10% held by the Corporation in ENA (Empresa Nacional de Autopistas) for 8.62% of Itinere Infraestructuras, a subsidiary of Sacyr-Vallehermoso that holds a large and growing portfolio of motorway concessions in Spain and Latin America, including a 70% stake in ENA itself.
- > Banco Echeverría: at the beginning of the year we exercised a purchase option on an additional 7.6% of the bank's capital, with a disbursement of 2.7 million euros, bringing our share in the capital of this financial institution to 44.7%.
- > Banco Pastor: the Corporation participated in the October new share issue, subscribing the full amount of its entitlement of shares at a cost of 21.4 million euros.



The following table summarises the most significant shareholdings:

CORPORATIVE AREA	
	Partic. %
Azkar	5.00
Banco Pastor	9.95
Ebro-Puleva	3.44
Ence	17.69
Iberia	3.46
Pescanova	10.00
Sacyr-Vallehermoso	2.84
Unión Fenosa	5.37
Total quoted (000 euros)	568,071
Market worth (000 euros)	842,362
Latent capital gains (000 euros)	274,291
Group of Companies (000 euros)	42,143
Other non-quoted companies: (000 euros)	215,597
of which (%)	
Banco Etcheverría	44.73
Itinere	8.62
Gas Galicia	10.00
Lázora	6.54
Plásticos Ferro	20.13
Terras Gauda	5.00
Total non-quoted (000 euros)	257,740
Total investment (000 euros)	825,812
Market worth (000 euros)	1,100,103

THE YEAR IN FIGURES

The Corporation's attributed profit was 97.69 million euros, 13.4% higher than in 2003. The most important profit and loss account items are shown in the following table:

CONSOLIDATED PROFIT AND LOSS ACCOUNT 000 EUROS			
	2004	2003	Variation %
Operating earnings	743	153	385.7
Financial earnings	7,470	1,277	485.0
Company equity earnings	44,485	38,522	15.5
Profit on ordinary activities	52,699	39,952	31.9
Exceptional earnings	77,559	59,626	30.1
Pre-tax profit	130,257	99,578	30.8
Profit attributable to the Group	97,685	86,103	13.4

The **key elements** of this growth in earning were:

- Growth in earnings from all the operative business areas of the Group of Companies as compared to the previous year.
- The swap of shares in *Pistas de Galicia* for shares in *Itinere* (Sacyr Group) and the subsequent exit from the former's perimeter of consolidation had a positive effect on the growth of earnings due to the financial cost borne by this company.
- The companies that consolidate by the equity accounting method increased their contribution to earnings by 6 million euros in comparison with the previous year. Leaving aside the new additions to the perimeter of consolidation, the results of the other companies in which we have holdings were positive,





particularly those of *Banco Pastor*, *Banco Etcheverría*, *Biagalicia*, *Grupo Empresarial ENCE* and *Iberia*.

- Net consolidated profit amounted to 97.7 million euros, which represents a 13.4% growth over the year and strengthens the position of Caixa Galicia Corporation Group as one of the leading financial groups, in assets as well as profitability, in Galicia. Its healthy profit and loss account and balance sheet provide a solid foundation on which to base further growth in the future.

The main **consolidated balance sheet** items for the Corporation Group are as follows:

CONSOLIDATED BALANCE SHEET	
000 EUROS	
	2004
Financial assets	759,057
Other assets	29,793
Consolidation goodwill	98,454
Deferred expenditure	55
Current assets	74,137
Total Balance Sheet	961,496
Capital	791,211
Other reserves and profit and loss account	113,169
Deferred income	44
External partners and other	173
Provisions	17
Long-term creditors	18,438
Short-term creditors	38,444

