

## CaixaBank's 2019-2021 Strategic Plan puts technology at the service of customers and employees, and strengthens the bank's responsible banking model

- **To enhance the customer experience, the Plan aims to continue transforming the distribution network** so as to provide added value to customers, strengthen the model of remote and digital customer relationship and continue adding new products and services.
- **The Plan envisions a CET1 ratio of 12% by the end of 2021** (plus a further 100 basis points as a temporary buffer to absorb potential regulatory impacts) **and profitability (RoTE) of above 12% for the CaixaBank Group.**
- **Jordi Gual, CaixaBank's chairman, has highlighted that the Plan aims "to generate sustainable value for all stakeholders** (customers, shareholders, employees and society in general), in accordance with the Group's mission: contribute to the financial wellbeing of our customers and to the progress of society".
- **Gonzalo Gortázar, CaixaBank's Chief Executive Officer, pointed out that in the coming years** "we aim to cement our position as a leading and highly innovative financial group, with the best customer service and a benchmark in responsible banking."

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### Strategic lines of the 2019-2021 Strategic Plan

1. **Offering the best customer experience.** The Strategic Plan will make the Bank more customer-oriented, supported by an ongoing drive towards digital transformation. The customer-relationship model will evolve to changing habits and trends.
2. **Accelerating digital transformation to boost efficiency and flexibility.** The use of new technologies and new approaches to work will ultimately make our technological structure more flexible, while maintaining a secure environment.
3. **Fostering a people-centric, agile and collaborative culture.** Over this period the Bank will focus on talent and diversity and will define and roll out the best possible value proposition for employees, while fostering the key attributes of agility and collaboration.
4. **Generating attractive shareholder returns and solid financials.** The plan aims to ensure that core revenues growth outpace recurring expenses growth. It also envisions a payout of over 50%.

- 5. Becoming a benchmark in responsible banking and social commitment.** Initiatives here will aim to improve transparency with customers and promote financial culture and inclusion, social action and volunteering and sustainable funding and borrowing activity.

**London, 27 November 2018.** CaixaBank has today unveiled its 2019-2021 Strategic Plan, the main aims of which are to offer the best customer experience; to speed up the digital transformation in order to become more efficient and flexible; to champion an agile and collaborative culture that puts people first; to generate an attractive return for shareholders while remaining financially sound; and to become a benchmark in responsible management and social commitment.

CaixaBank's Chairman, Jordi Gual, and CaixaBank's Chief Executive Officer, Gonzalo Gortázar, presented today at an event held in London the pillars of the 2019-2021 Strategic Plan.

Jordi Gual, CaixaBank's Chairman, pointed out that the Plan aims "to generate sustainable value for all stakeholders (customers, shareholders, employees and society in general), in accordance with the Group's mission: contributing to the financial wellbeing of our customers and to the progress of society".

CaixaBank's Chairman announced the strategic lines of the new Plan "with the great satisfaction and confidence of having successfully accomplished the objectives set out in the 2015-2018 Strategic Plan". Jordi Gual highlighted that over the last four years "we have strengthened our commercial leadership in Spain based on a model of proximity in retail banking, with an unrivalled range of omnichannel products and services combined with specialised and highly innovative value propositions. We have also completed the integration of BPI, Portugal's best bank in 2018 according to Euro-money."

Meanwhile, CaixaBank's Chairman pointed out that "we have grown our profitability to beyond the cost of capital; we have improved the quality of our balance sheet and become more focused by disposing of non-strategic assets; and we have also completed the prudential desconsolidation of Caixa-Bank from the CriteriaCaixa Group."

Gonzalo Gortázar, CaixaBank's Chief Executive Officer, explained that over the coming years "we aim to cement our position as a leading and highly innovative financial group that offers unrivalled levels of service to customers and is a benchmark for socially responsible banking."

For CaixaBank's chief executive, "the Bank's key commitment lies with people –our customers and employees– and with society at large." According to Gortázar, "the digital transformation is a hugely valuable tool and will allow us to offer the best experience to our customers, increase the productivity of our employees and further cement our leadership."

"We will continue to roll out new working methodologies while maintaining well-diversified and well-connected sources of income, with savings management, consumer lending and loans to businesses, acting as the main growth drivers," added the Chief Executive Officer.

The Plan also targets responsible management (focusing on transparency with customers) and social commitment. For CaixaBank's Chief Executive, "the poor reputational perception of the financial sec-

tor is a serious problem, yet it also provides an opportunity to show what makes CaixaBank different, and here we are talking about quality, trust and social commitment.”

If we are to accomplish the objectives of the new Strategic Plan, both the Chairman and the Chief Executive believe it is necessary “to make good use of the talent and skills of all employees as we work towards an agile and collaborative culture that puts people first.”

### **Five strategic lines to improve the way we do banking tomorrow**

The 2019-2021 Strategic Plan will likely unfold as we move through a more mature phase of the business cycle. In the macroeconomic realm, baseline forecasts suggest that GDP growth in Spain and Portugal will remain at around 2% per year over the coming years, with the region likely to outperform the wider euro area despite failing to match the growth rate reported over the last few years.

Meanwhile, the European Central Bank has announced plans to cautiously raise interest rates. Lending activity should also increase, albeit gently. Meanwhile, the Plan envisions increased demand for long-term savings products due to demographic reasons.

The new Strategic Plan reflects the Group’s ambition to strengthen its market leadership and shows its desire to differentiate itself from its competitors by focusing on five pillars:

#### **1. Offering the best customer experience**

In Spain, the 2019-2021 Strategic Plan sets an ambitious target of accelerating the digital transformation so as to help the Group become more customer oriented and adapt better to new customer habits and behaviours. Over the course of the 2015-2018 Strategic Plan, CaixaBank demonstrated its prowess at executing a successful digital transformation strategy, allowing it to now pick up the pace in the process of implementing this strategy.

The new Plan maintains the same course and direction but now aims to speed up a transformation process that has already yielded good results. In recent years, the Bank has strengthened its leadership in digital banking and boasts the largest number of digital customers in Spain: 6.1 digital million (84% using mobile banking and 38% digital only), including growth of 47% in mobile transactions over the last year.

The Bank aims to offer the best experience via any channel as it is fully aware of the general preference among customers for omnichannel services. The customer relationship model –and the resources assigned to the different channels– will be capable of evolving and adapting to new habits and trends.

To enhance the customer experience, the Plan aims to continue transforming the distribution network so as to provide added value to customers, while enhancing the model of remote and digital customer relationship and continuing to add new products and services.

CaixaBank’s impressive capillarity remains a strong competitive edge. Meanwhile, the Bank’s ongoing work to restructure its commercial network by consolidating the urban “Store” branch model (which will

rise from an expected 285 branches at the end of 2018 to some 600 by the end of 2021) and its commitment to maintaining the AgroBank model in more rural and agricultural communities (more than 1,000 branches in towns with fewer than 10,000 inhabitants) will bring the Bank closer still to new customer demands and preferences, while improving its commercial efficiency, productivity and service.

As well as stepping up the process of restructuring the branch network by developing a more specialised customer relationship model, CaixaBank aims to expand its remote inTouch customer-relationship model to reach 2.6 million customers (up from an expected 600,000 customers at year-end 2018).

inTouch is a service aimed at customers who prefer to use new technologies when dealing with the Bank. The initiative will combine new communication tools with the reliable backstop of a bank manager specially trained to resolve the customer's queries and doubts via any remote channel.

## **2. Accelerating the digital transformation to boost efficiency and flexibility**

The current environment and new technologies offer a wealth of opportunities to continue generating value and the new Plan intends to capture these, including the use of Blockchain, artificial intelligence and robotics, among others. The Plan will also integrate new approaches to work that will ultimately increase flexibility, strengthen digital profiles and skills, improve efficiency in back office processes and make the technological structure more flexible while maintaining a secure environment at all times.

## **3. Fostering a people-centric, agile and collaborative culture**

The main objective of this strategic line is to strengthen the Bank's culture and to keep people at the centre of the organisation, with four transversal teams working hard to make the branches more autonomous and efficient, while promoting transversal projects, ensuring agility when making and implementing decisions and fostering a climate of involvement and innovation.

During this period, talent and diversity will take centre stage by ensuring that talent can develop its potential through meritocracy, diversity and empowerment. The Bank will also define and deploy the best value proposition for employees –improving the employee experience– and will focus on the key attributes of agility and collaboration by bringing structures and processes in line with more agile and transversal working models.

## **4. Generating attractive shareholder returns and solid financials**

CaixaBank will end 2018 with an impressive commercial weapon: its successful bancassurance model despite the prevailing climate of low interest rates, as well as a solid capital and liquidity position. In the years ahead, the Bank's main goals are to generate an attractive return for shareholders

supported by an increase in core revenues; to maintain high levels of investment and transformation; and to continue to make the Bank more financially sound by further reducing non-performing assets. Provided below are some of the key financial figures set out in the Strategic Plan.

- **Maintaining high levels of profitability, despite a likely climate of stable interest rates, while also ensuring solid levels of both solvency and liquidity.** The plan envisions a CET1 capital ratio of 12% by the end of 2021 (plus a further 100 basis points as a temporary buffer to absorb potential regulatory impacts) and profitability (RoTE) of above 12% (assuming a flat interest rate curve, RoTE should exceed 10% in 2021).
- **Solid performance of core revenues versus recurring expenses.** The Plan aims to ensure that core revenues growth (~+5% CAGR) outpaces the expected increase in recurring expenses (~+3% CAGR). Revenues will be driven by net interest income (~+5% CAGR), fee and commission income (~+4% CAGR) and insurance income (~+9-10% CAGR). **Core revenues growth will come on the back of growth in** lending to businesses, consumer loans and mid-long term savings products, which are expected to outperform the market.
- **Completing the reduction of non-strategic** assets and bringing the Group's non-performing loan ratio to below 3%.
- Maintaining an attractive dividend for investors, with a target payout of above 50%.

## 5. Becoming a benchmark in responsible banking and social commitment

Initiatives here will focus on promoting a culture of responsible conduct and on implementing additional measures to make relations with clients simpler and more transparent; implementing best practices in relation to internal control and corporate governance; championing inclusion and good financial culture; promoting and implementing social initiatives and volunteering; and fostering a culture of responsible and sustainable lending.

### **BPI: greater emphasis on consolidating the business model and improving profitability**

In Portugal, the Bank will focus on creating value at BPI, while consolidating its business model and improving profitability.

The Portuguese bank already has a strong reputation and high levels of customer satisfaction. Once its business model has been brought in line with CaixaBank's, these levers will allow it to capture opportunities in relation to lending (consumer loans, mortgages and lending to corporations and busi-

nesses) and social protection (life and non-life insurance), which will ultimately help it increase its business shares and improve its cost-to-income ratio.

### Changes on CaixaBank's Management Committee

CaixaBank's Executive Committee has approved a number of changes to the Management Committee that will affect the Insurance, International Banking and Internal Audit divisions.

Tomás Muniesa has decided to hand over his executive functions as general manager of Insurance and Asset Management and will stand down from CaixaBank's Management Committee and as VidaCaixa's chief executive, thus allowing him to focus on his role as the non-executive deputy chairman of CaixaBank, VidaCaixa and SegurCaixa Adeslas. Javier Valle, as a new member of CaixaBank's Management Committee, will take the helm at the Bank's executive Insurance department, a job he will combine with his current position as managing director of VidaCaixa.

Meanwhile, the executive director of Corporate and International Banking (CIB), Iñaki Badiola, will expand his duties by heading the International Banking area. He will also sit on the Management Committee as the new executive director of CIB and International Banking. Badiola will take over from María Victoria Matía, who is to step down from CaixaBank's Management Committee and from her position as executive director of International Banking.

Marisa Retamosa, until now the corporate director of Resources Security and Management, has been appointed executive director of Internal Audit and as a new member of the Bank's Management Committee. Retamosa takes over from the until now deputy general manager of Internal Audit, Joaquín Vilar, who also will stand down from the Management Committee.

Finally, Juan Gandarias, until now the Madrid area director, will manage from now on the new executive Personal Finance department, with responsibilities over CaixaBank Consumer Finance and CaixaBank Payments subsidiaries.