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UNI.MC - Liberbank SA To Discuss Joint Merger Plan with Unicaja Banco SA Call

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PRESENTATION

Jaime Hernández Marcos - *Unicaja Banco, S.A. - Head of IR*

Good morning. Welcome to the presentation for our Liberbank-Unicaja merger. My name is Jaime Hernández, Investor Relations. And joining me in this presentation is Manuel Azuaga, Chairman of Unicaja Banco; and Manuel Menéndez, CEO of Liberbank. They will give you all the details of this transaction.

The presentation is structured in 3 parts. The first part, Manuel Azuaga will highlight the key points and strategic sense of this merger. Next, Manuel Menéndez will give you the details of the -- of this merger. And then Manuel Azuaga will give more details of final conclusions. After we conclude the presentation, there will be a Q&A session. Please send all questions through webcast or to the e-mails of both teams of Investor Relations. Thank you very much, and I'll give the floor now to our Chair, Manuel. Manuel?

Manuel Azuaga Moreno - *Unicaja Banco, S.A. - Executive Chairman of the Board*

Thank you very much, Jaime. I would first like to start by congratulating and -- everyone for the -- engaging through these holidays. Today is a very important day for us. I'd like to thank you very much for joining us this morning in this presentation, taking into account that we're pretty much at the very end of the year.

Let me start by looking at Page 3, highlighting some of the -- giving you the key highlights of the transaction that we are announcing today that both entities have dedicated a lot of time and effort.

The exchange ratio proposed by the Board of Directors, pleased that the stake of the combined entity will be 59.5% voting rights for the Unicaja Banco shareholders and 40.5% for Liberbank shareholders, very much in line with market valuations prior to the events of the 5th of October.

The transaction will make this the fifth largest bank in the Spanish sector with EUR 110 billion in assets and with geographical complementarity, which will keep it as -- which will make the bank a reference bank in its origin footprint. The framework of this transaction, we will make provisions for EUR 400 million, placing the combined entity with a coverage -- with a pro forma coverage ratio of 67%, which will place it in a leading position within the sector.

The fully loaded CET1 ratio of the merged entity will post at around 12.4%, the highest among Spanish listed banks, even after EUR 1.2 billion adjustments as a result of the transaction. In addition, with the partial approval of the IRB models for loan portfolio to individuals, and this is for Unicaja Banco, this ratio will increase between 48 and 60 basis points that are standing close to 13%. But as of now, the IRB models, as you know, have to be approved by the Supervisory Board of the ECB, which is expected to be authorized in the course of 2021.

In addition, the transaction will also enable us to generate synergies of around [EUR 160 million], which, in addition to the savings that we have already announced from Unicaja Banco of EUR 32 million, will enable the joint -- the merged entity to have more than EUR 192 million in recurring annual cost savings. These savings will lead to improve our RoTE of around 6% by 2023, therefore, leading to our EPS accretion of about 50%.

Moving on to Page 6 -- Page 5, sorry. The current financial and economic environment is complex and quite challenging for the financial industry. The economic situation as a result of COVID-19 has risen significantly in the course of 2020, which we're just closing, and the same applies to the outlook for 2021. This crisis has impact on the economic growth and, undoubtedly, have a direct impact on the credit quality of our industry in the coming months.

In addition, in recent years, we're also going through a very low interest rate scenario which is impacting the industry's profitability. Also well known is that the industry is also evolving very quickly with the disruption of new technologies, the change in the entire consumer patterns and habits and how there's also lower barriers to entry some other activities that we run. This means that we must -- that this makes it necessary for us to conduct a technological transformation requiring very high investments.

Finally, regulators and supervisors continue to be very demanding when it comes to applying the potential requirements in the sector, which means we have to continue to be well positioned in order to be able to carry out future issues in capital markets.

So we must make far-reaching strategic decisions, and this transaction is proof of that. We believe that this transaction that we are making today faces all the challenges of this industry and places combined entity in a solid position to face the current and future challenges. The combined entity will gain in size quite significantly or place us among the top banks by size. But the increase in size does not in itself represent an end. The purpose is to increase significantly the bank's efficiency, profitability and the financial strength in order to face the challenges which I have already discussed.

The merger of Liberbank and Unicaja Banco is a considered decision and benefits from the fact that both banks have a very low risk profile compared -- in comparable terms and in a position much -- and our loans are much less impacted by COVID. So we expect that to -- COVID to have a lower impact in our entities compared to some our peers. The entity, of course, will gain in size and financial strength to continue to make the necessary and required investments to transform [chronologically] which, of course, separately, would have a much higher cost.

Finally, the size will enable the combined entity to access more efficiently the capital markets, the debt market, which is positive vis-à-vis complying with future regulatory requirements for the entity.

For this reason, as we show in Slide 6, we believe that this transaction will be a very good positive impact for all stakeholders, including the shareholders of both entities because this transaction will enable the entity to be more profitable, more efficient and, as a result, have a positive impact in EPS. This higher return will also help us to generate more capital in an organic manner to help us finance the entity's growth. And as a result of this strength, we will be able to have greater and higher recurring dividends to employees. It will also be positive because they will have increased investment in training and also help us to attract the best talent by developing also an environment with new opportunities.

Customers. Customers will benefit from accessibility, our customer services and high financial inclusion. The business model of the joint entity will continue to be based on proximity to its customers. This will impact on this result in higher customer satisfaction and loyalty. Naturally, also of the community, the bank will continue to be present in rural and urban areas, as it has been doing so to date. And the foundations, which are significant stakeholders, will have greater financial capacity to invest in the community as a result of higher expected dividends. The combined entity will be highly committed with sustainability in the areas that show environmental and governance matters.

Moving on to Page 7 now. We'd like to highlight that the similarity between both entities will enable this integration because corporate principles have been based historically, in both cases, on our retail customer focus, aligned synergies. And social and corporate governance goals are the same, our brand recognition and historical mission to provide social impact on its communities.

Regarding corporate governance, as you can see on Slide 8, the Board of Directors of the joint entity will have a total of 15 Board members, 7 proprietary, 6 independent Directors and 2 Executive Directors.

In addition, and following the recommendations of the ECB, after the 2-year period, a period which we explained the full integration will have taken place, the governance will be adopted. The banks will have -- the corporate headquarter will be in Malaga. The corporate name will be Unicaja Banco.

On Page 9, we'd like to show you how this transaction, as I discussed, will make this bank the fifth largest bank of the sector with a footprint of across approximately 80% of Spain and the reference entity in those origin communities and significant presence in Madrid.

The size of the bank, as you can see on Slide 10, will enable us to have better access to equity markets, thanks to a larger market capitalization, larger -- high liquidity, improved visibility for investors as well as stock exchange analysts. This will have a positive impact on institutional investors and will allow us to carry out issues very likely with better terms and conditions.

To bring this first part of the presentation to a close, I would also like to give you some key highlights of the combined entity. As you can see on Page 11, the joint entity will have assets -- total assets of EUR 110 billion, loans for about EUR 55 billion. Customer deposits amounted to EUR 67 billion. The off-balance sheet recent funds, our investment fund, pension plans and savings, insurance, about EUR 19 billion. All this other business -- in all these other business, the bank will have a high market share ranging from 3% to 5%. The entity will have a customer base of more than 5 -- 4.5 million customers. Branches, or the number of branches, about 1,500, and FTEs are more than 9,800.

I'll now move the floor to Manuel Menéndez.

Manuel Menendez Menendez - *Liberbank, S.A. - CEO & Director*

Thank you very much, Chairman, and good morning to you, and thank you for joining us in this presentation.

I would now like to give you some of the key aspects of the financial rationale of this presentation. On Slide 13 are key merger items. This will take place with the merger by absorption of Liberbank and Unicaja Banco and a share swap, which will require approximately an issue of 1.7 -- 1.075 million shares would be given to Liberbank shareholders. This represents an exchange ratio of 1 Unicaja shares for each 1.075 -- so 2.77 Liberbank shares.

So the resulting structure is 59.5% and 40.5% of the share capital for Unicaja Banco and Liberbank shareholders, respectively. Of course, it's still subject to the Shareholders' General Meeting approval and regulatory authorities.

On Slide 14, as the Chairman was saying, we can illustrate the cost savings, one of the key aspects of this transaction, reaching EUR 192 million. And it also improved significantly the cost-to-income ratio, therefore, the profitability of the bank. Of this EUR 192 million, EUR 32 million are the stand-alone -- is part -- is a stand-alone plan of Unicaja Banco, and the rest is the result of the merger, which is about 42% of the cost base of Liberbank the last 12 months, 17% or 20% of the new entity, the cost of the new entity.

At the timing, we expect 80% of the synergies to be achieved by 2022 and 100% will be delivered by 2023. On the right-hand side, we will highlight that in order to reach -- to have -- to achieve the EUR 192 million in savings, we will charge EUR 540 million to the bad will generated in 2021 as a result of the transaction.

On Slide 15, I'd like to highlight on the right-hand side, we can see the savings of [EUR 190 million], which, as I said, is approximately 17% of the new bank's cost base, ranking very high vis-à-vis your peers. Also like to highlight that we'll continue to work to reach -- achieve higher savings as we've been proving in the past.

On Slide 16, not quantifying for this, but this show that not only will we improve profitability as a result of cost-cutting but also there is considerable upside on the revenue side. These synergies are revenues we expect to achieve through different routes. I would just give you 3 potential ones.

The first is by showing best practices of both banks. We started in the past through the integration of our entities. So we did -- in the past -- we've been closing the gap in core businesses, such as investment funds and insurance, where we've had considerable very good performance in recent quarters, but there's a gap in things because of third, will be to increase our market share in businesses where we're out of size, where we're not very good -- where we're not competing too well. But we would expect to be -- to put us in a better position such as pension plans, ForEx or corporate banking. By the way, the core activity of the bank will be to service families, mortgage, loans and management of customer savings, but a significant focus in our balance sheet business, which we expect to pick up in the future.

Moving on now to discuss the capital position of the bank. On Slide 17, we would like to show you the starting point of both banks before the current transaction. As you can see, there's a consumer buffer there. The combined entity would have a considerable surplus of capital, about [700 basis] points over and above SREP requirements, combined above in terms of the fully loaded CET1 capital. On the right-hand side, where we are expecting to allocate part of the capital for a total of about EUR 1.2 billion.

Across the top, as you can see, EUR 500 million maybe will be used on restructuring to reach those EUR 159 million savings that we discussed earlier. Secondly, EUR 400 million to be used to underpin the balance sheet by improving our coverage ratios, which will enable us to speed up the reduction of NPAs to the extent that market conditions enable us to do so. And finally, EUR 200 million. These include an estimate. And here, we include restructuring costs of strategic alliances and other contingencies. These adjustments, as we'll show you later on, will enable us to improve significantly the profitability of the bank and the entity's balance sheet.

On Slide 18, we show the capital position of the bank, the fully loaded CET1, September 2020 of 14.7% and a 12.4% ratio, which we expect to reach in June 2021 after the -- carrying out the adjustments, which I just mentioned.

The combined entity will continue to have a solid solvency position which are our highest ratio among -- CET1 ratio among industry banks, as we show on Slide 19 with considered buffer over and above minimum requirements.

I would now like to move on to Slide 20 and highlight that both entities today have a high risk-weighted assets density. And here, I'd like to have an approval on the retail front, (inaudible) to approval of Unicaja Banco's retail mortgages subsequent to Liberbank and then all the other mortgages following the guidance in the DA, where we get first -- we get the approval for the absorbing entity portfolios, and subsequently, the absorbed entity's portfolios.

On NPAs or asset quality, I should say, on Slide 21 now, we have a conservative portfolio with a low risk portfolio. 67% are retail loans and 67% is public sector and other and retail loans. This is a significant point for this entity, again, low risk, which is important considering the current market situation.

On Slide 22, as I mentioned earlier, we will also strengthen the loan -- the coverage to NPLs and foreclosures for a sum about [EUR 400 billion]. This will enable us to increase coverage ratios to 72% for NPLs and 67% to NPAs -- for NPAs.

Slide 23. As you can see here, starting with a more conservative mix. As I mentioned earlier, we have the second lowest NPL ratio. We also have the best or the top coverage ratios after all the provisions we've conducted. So we expect to continue to improve our balance sheet and the quality of our assets as both banks have proven in recent years. In addition, regarding provisions, all the provisions in there was to improve the cost of risk in a very short time period.

On Slide 24 on the left, this illustrates the provisions for EUR 200 million that both banks have made during 2020 until September in order to face the COVID-19 situation. Additionally, we will provide an additional EUR 200 million. The EUR 400, EUR 200 million, which will be used to reinforce the credit portfolio with a total of EUR 500 million income in provisions COVID-related, accounting for 0.8% of the loans way above the peers. And as I've explained before, we will have a portfolio with a risk profile which is considerably lower than -- as of its peers.

If we move on to Slide 25, the liquidity position of both banks is very strong and will continue to be strong in terms of loans, loan deposits, the short-term liquidity ratio and financing ratios. Additionally, the bank will have a very strong number, a high number of liquid assets with a strong capability for insurance.

Let me tell you about some of the aspects that will help the combined entity to meet the requirements of MREL. We will continue to work along the lines established by this plan and maybe with the expectation that the requirements might be lower after the convergence of the SREP requirements with those of stand-alone Unicaja and other similar banks. In any way, the combined entity will have a privileged position in terms of strong and more liquid investments.

Finally, Slide 26 shows one of the main drivers which have led us to make this transaction, the considerable improvement of the RoTE, which also improves the earnings per share accretion for both entities and greater dividends. This RoTE is not a goal in itself. It's just the result of the agreement of both entities in the market and does not include synergies that we expect to achieve as a result of revenues. Of course, we aim to continue to improve and achieve a return on capital which is above the cost of capital. Of course, we will also define the dividend payout policy in due time. However, we will hopefully reach out -- reach payout of around 50%, including cash and buybacks.

And that's all for me. I'm going to hand it over to the Chairman.

Manuel Azuaga Moreno - *Unicaja Banco, S.A. - Executive Chairman of the Board*

[Interpreted] Thank you, Manuel. Well, in conclusion, I would like to highlight some of the upcoming highlights or milestones that are described on Page 28. Once we announce the merger today, and we approved the project, and when we have a report from the independent expert designed by the mercantile register, the Board of Directors of both banks would meet in order to complete and draft the documentation about the merger and to call for the respective shareholders' meetings.

One month later, by the end of Q1 of 2021, those shareholders' general meetings would take place in which the shareholders will approve the merger. At the end of Q2 and early in Q3 of 2021, we expect to receive the appropriate regulatory authorizations, and this will close the merger. So we can -- we are in a position to hold our first Board of Directors meeting of the new combined entity.

Finally, on Slide 29, you will find the summary of the most relevant aspects of this merger that we've described during this presentation. I'm not going to go -- going to go through them again. I'm not going to go through them again so that we have time for questions. But I would like to highlight, however, that the financial position of the combined entity will continue to maintain one of the highest levels of solvency and coverage of nonperforming assets and will also increase considerably its future profitability. And that's all. Thank you very much. And of course, we will be happy to answer whatever questions you may have. Thank you.

QUESTIONS AND ANSWERS

Jaime Hernández Marcos - *Unicaja Banco, S.A. - Head of IR*

[Interpreted] Thank you. Thank you, Manuel. We move on to the questions. We have received a considerable number of questions as was to be expected. And we will try to break them down by different blocks.

First, we will have a few questions addressed to Mr. Menéndez regarding mainly financial strength of the new entity. And then the additional provisions for loans and foreclosures, will they represent a lower cost of future risk? And what is the risk accounts expected of the combined entity?

Manuel Menendez Menendez - *Liberbank, S.A. - CEO & Director*

[Interpreted] Well, in answer to that question, the combined entity will maintain the highest ratio of nonperforming assets coverage among the listed financial entities, which place us in a better relative position. Related to future contingencies, it's too early to specify -- to know what the final impact will be as a result of the pandemic. But obviously, the risk -- cost of risk of the combined entity will be lower at any rate of each individual entity. [Change] EUR 400 million are going to be provisioned for nonperforming assets, which will guarantee that the combined entity will enjoy the best coverage levels of NPAs in the sector. Thank you.

Unidentified Participant

[Interpreted] There are several questions about the EUR 400 million that have been provisioned for NPAs.

Unidentified Company Representative

[Interpreted] Well, taking into account the opportunity of this integration represents to ensure the profitability of the group. A very conservative approach has been taken for the provisions of NPAs, which would make it possible to guarantee a better balance of this -- excess of the balance sheet of these assets, ensuring the profitability and the strength of the balance sheets in upcoming years. We have to highlight that we have been working in the preparation of consideration of different macro -- potential macroeconomic scenarios in order to estimate strong level of provisions to anticipate the challenges of the COVID-19 crisis. The final results of the group will have the highest levels of coverage in the sector after the effort made with the EUR 400 million in additional provisions, which places the group at the top of the -- in terms of the provisions for COVID-19.

Unidentified Participant

[Interpreted] Thank you. Next question is also related to financial aspects. Could you elaborate a little bit on the EUR 200 million allocated to other impairments?

Unidentified Company Representative

[Interpreted] Yes, this EUR 200 million include mainly costs resulting from the potential termination of agreements with third parties, including insurance alliances. These are very conservative estimates. I don't think we will go as high as EUR 200 million, but we will continue to report in due time about any development.

Unidentified Participant

[Interpreted] Do you expect any synergies in terms of revenues? Could you quantify them?

Unidentified Company Representative

[Interpreted] Well, we -- as I've said before, we have preferred to take a conservative approach, and we have not considered the quantification of potential revenue synergies despite the fact that we expect to generate additional revenues, among others, by the possible implementation of the best procedures and processes in each entity. As we have shown, there is room for improvement in some segments and products and maybe especially in those which generate fees.

On the other hand, I would like to highlight again that these -- in this operation, there is a very small commercial overlapping, which will probably help us to maintain and even increase the business levels and the corresponding market share. And therefore, we will probably achieve revenue synergies as we have -- as has been the case in our own integration processes in the past, thanks to the convergence of the best practices of each of the entities. Additionally, the size of the new bank will help us enter into new businesses that are difficult to access unless we have the right size.

Unidentified Participant

[Interpreted] Could you please elaborate and give us a little bit more detail on the measures that will be adopted to generate cost synergies?

Unidentified Company Representative

[Interpreted] Well, as could be expected, we cannot give you any specific numbers or details about potential adjustments, but we can give you a breakdown of the cost of restructuring and its synergies. Starting with the savings, 90% of the savings will be generated by the cost-cutting effort and the remaining 10%, the lower amortizations after the impairment of some intangible assets.

Regarding the breakdown of restructuring costs, nearly 70% of those -- the result of capacity adjustments, 25% to the impairment of intangible assets with no impact on capital and the remaining 5% from the technological integration and other measures such as savings, et cetera.

Unidentified Participant

[Interpreted] We have a question about the RoTE of 6%. Would that be enough or should an attempt to be made to improve it a little bit further in the future?

Unidentified Company Representative

[Interpreted] Well, the RoTE percentage is we always aim to improve it. 6% is not a formal objective. It's just the return resulting from applying market consensus to the adjustments of this operation, period. It does not include any addition -- any other additional improvement, for instance, the revenue synergies that we expect to achieve. Obviously, the ambition of the new entity is to continue to improve and to achieve a return on capital, which is above the cost of capital. Of course, this will be possible, thanks to the very healthy position in terms of solvency and credit quality at the source which will help us invest the excess capital for -- to generate future profitability. That is the explanation of the 6% RoTE mentioned. Thank you.

Unidentified Participant

[Interpreted] We have a final question regarding financial issues. This is related to the guidance of results, the fees, et cetera.

Unidentified Company Representative

[Interpreted] Well, as I've said before, at this point in operation, we have focused on the impact of the operation, and that's why the figures in this presentation are based on market consensus. Therefore, we are not using our internal forecasts in this presentation. In the future, we will continue to provide more specific information about the estimates and the guidance expected for the next quarters. But at the time we have preferred to focus on the terms and adjustments of the operation as well as on its future impacts and all the metrics forecast presented in the presentation are made based upon market consensus.

Unidentified Participant

[Interpreted] Okay. We have a next block of questions. This is addressed to the Chairman. The combined entity will it have enough size to compete with other large banks and Spanish banks?

Manuel Azuaga Moreno - *Unicaja Banco, S.A. - Executive Chairman of the Board*

[Interpreted] Well, the new group will have a strong position from the start and will become, as I've said before, the fifth Spanish bank in terms of business -- volume of business and with 4.5 million customers with enough of a critical mass to tackle the necessary investments to become competitive in all aspects. We will have sufficient economies of scale to face this challenge, and we -- and also to gain efficiency in the new group. We'll have a strong position in 6 autonomous communities of Spain and we'll have a strong presence in other markets, the high growth markets such as Madrid in products, in which we have been referenced for many years, such as retail mortgages.

Unidentified Participant

[Interpreted] Thank you. We have a few questions about IRB. When is this expected to be approved? Could you specify what the impact will be of the approval of the IRB models?

Manuel Azuaga Moreno - *Unicaja Banco, S.A. - Executive Chairman of the Board*

[Interpreted] Well, Manuel and I have already mentioned this, but let me try to be more specific. Currently, we are working on the approval of IRB models in both banks separately. In the case of Unicaja Banco, we have requested the use of internal models for loans to individuals, both mortgage and loans and loans with a personal guarantee. In the case of Liberbank, priority is being given to the approval of the mortgage portfolio.

As you know, the authorization of the use of these models requires the approval all the Supervisory Board of the Central European Bank. As we have already mentioned, the approval of the IRB models for the Unicaja Banco portfolios, which are the ones that are closest to be approved, it is estimated that we can generate an improvement of the solvency for the combined entity within a range between 40 and 60 basis points. We hope that the authorization for these first portfolios will be achieved during 2021.

Later on, we also expect that the IRB model for the mortgage portfolio of Liberbank will also be approved. As you can easily infer, we cannot specify when or give you many more details. We do not know what the final date for the approval will be because this will depend on the formal processes of the European Central Bank in this respect.

Unidentified Participant

[Interpreted] Thank you, Chairman. We have another question for you. In case the IRB models are approved, how will this capital be used? Will it be a consolidation of this capital?

Manuel Azuaga Moreno - *Unicaja Banco, S.A. - Executive Chairman of the Board*

[Interpreted] Well, the group seeks to achieve the most attractive remuneration of payout for its shareholders. There are different alternatives for the use of that capital which have already been identified. Once the moment arrives, we will analyze all of the actions, which options that will generate value for our shareholders.

Unidentified Participant

[Interpreted] Next question is about dividends. Could you elaborate a little bit on the expected dividend payout policy?

Manuel Azuaga Moreno - *Unicaja Banco, S.A. - Executive Chairman of the Board*

[Interpreted] As we have mentioned during the presentation, and Manuel has already referred to this. Our intention is to propose in the future payout of around 50% once the macroeconomic situation and the health crisis situation has stabilized. Before this becomes stable, we will follow the recommendations as it was to be expected of the supervisor. And more specifically, for the dividend to be paid out against the results for 2019, 2020, we believe that the combined entity will be in a good position to pay out dividends or to undertake share buyback programs.

As we have shown in the presentation, we will have one of the highest CET1 buffers regarding the SREP requirement even without considering the potential improvement of the IRB models. And we hope that in as far as possible, once the pandemic situation is stabilized and the current live-in restrictions are eliminated, Unicaja Banco will be paying out around half of its net result in dividends.

Unidentified Participant

[Interpreted] Thank you, Mr. Chairman, another question about the CET1 level that is set as a medium-term objective.

Manuel Azuaga Moreno - *Unicaja Banco, S.A. - Executive Chairman of the Board*

[Interpreted] We are aware of the current economic situation, and we have taken into account several scenarios in -- regarding the evolution of the economic environment in our forecast. We are comfortable with the initial solvency position, which is not only very strong, but it is way above the peers and comparables. It is important to highlight that the combined entity will have capacity to -- for the organic generation of -- or higher capacity to generate organic capital, supported by greater profitability, the highest NPA coverages of the system and an NPL ratio among the lowest in the sector.

Additionally, we have other levers, capital levers such as the implementation of the IRB models. We expect to reach fully-loaded CET1 of around 12.5% since the second half of 2021 once the operation is formally approved. And it can even go as high as 13% if we consider the approval of the internal Unicaja Banco models.

Unidentified Participant

[Interpreted] Thank you very much, Chairman. A question now for Manuel Menéndez. Can you give us any details or dates on different issues for -- on eligible liabilities within the new plan for risk encounters or/and REO?

Manuel Menendez Menendez - *Liberbank, S.A. - CEO & Director*

[Interpreted] Yes. Thank you for the question. Well, at present, we'd rather not give you any details. We will follow a specific order. We'll try to issue different instruments at the most appropriate time. As you can imagine, at present, we do have formal requirements of the -- for the combined entities. So those EUR 2.5 billion which we've shown on issues, is just our initial estimate, which we'll try to adapt based on final requirements. In any case, these instruments will be issued prior to 2024, which is the final MREL requirement. Although there are other requirements, it's really requirements which we'll comply with. We won't give you specific dates or order on the calendar and that time line because we have some sensibility, obviously, to minimize the cost of [relations] and make the most of current -- of the market conditions.

Unidentified Participant

[Interpreted] Another question, again for you, Manuel Menéndez is have you changed or update it? What can you tell us about your strategy vis-à-vis the EDP, your stake in EDP?

Manuel Menendez Menendez - *Liberbank, S.A. - CEO & Director*

[Interpreted] Well, it changes our strategy regarding this investment. Naturally, we monetize the position to maximize the value, and that will be the case in the future. And of course, it will be -- that will very much depend on the appropriate bodies or the public bodies of the bank required.

Unidentified Participant

[Interpreted] And if I think about it -- also, again, another question for you, Manuel Menéndez. Can you tell us the impact on the restructuring of life insurance?

Manuel Menendez Menendez - *Liberbank, S.A. - CEO & Director*

[Interpreted] Well, I think for insurance, well, indeed, the group will continue to look for alternatives but for now in any merger, bringing back insurance is obviously going to be overlapping situations. So we'll look for the best situation, best commercial and best situation for them. We'll look for the best way -- best offer for the bank. Of course, we do have our reference or partners, which has enabled the process. And again, we have a conservative approach with those provisions that I mentioned to face this process to ensure we get the highest return.

Unidentified Participant

[Interpreted] That was the questions about insurance. (inaudible) Moving on, a question for our Chairman. Can you describe to us different functions for the Executive Chairman and -- Executive Chair and the CEO?

Manuel Azuaga Moreno - *Unicaja Banco, S.A. - Executive Chairman of the Board*

[Interpreted] Well, the responsibility will remain as a current -- as it stands at present in Unicaja Banco.

Unidentified Participant

[Interpreted] Next question, again, for you, Chairman. Can you [describe] in the future after there could be a third entity joining this new group?

Manuel Azuaga Moreno - *Unicaja Banco, S.A. - Executive Chairman of the Board*

[Interpreted] Regarding future or potential mergers measures in the future, well, here I can add that the group will continue to address any alternatives that will create value for shareholders as both entities have done, and we've proven successfully in previous years. However, our present is trying to focus on the presentation and that's what we're focusing on.

Unidentified Company Representative

[Interpreted] Thank you very much to Chairman and Manuel Menéndez. Thank you for all of you who have followed us today and for Investor Relations teams of -- Investor Relations teams of both Unicaja and Liberbank. We'll continue to answer all your questions. Thank you for your time, and a happy new year to all of you. Thank you very much.

[Portions of this transcript that are marked Interpreted were spoken by an interpreter present on the live call.]