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Call Participants

EXECUTIVES

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Third Vice Chairman & Group CFO

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Presentation

Leandra Elizabeth Clark
Head of Investor Relations

Good evening, and welcome to MAPFRE's activity presentation for the first quarter of 2024. This is Leandra Clark, Head of Investor Relations. Thank you for being here with us today. It is a pleasure to have with us Fernando Mata, Group CFO and Vice Chairman; as well as Felipe Navarro, Deputy General Manager in the Finance area. They will walk us through the main numbers. We are also happy to have with us Jose Luis Jimenez, CIO and Deputy CFO, who will participate in the Q&A session at the end of the call.

As we have said, we are reporting new IFRS financial information twice a year at half year and year-end. We continue with our commitment to transparency with the quarterly activity updates reports like the one we released this morning. Just as a reminder, this information is prepared under the accounting policies applicable in each country. [Operator Instructions]

Let me turn the call over to Fernando. The floor is yours.

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Good evening, everyone. Thank you, Leandra. Thank you all for being here with us again. The quarter's strong results are proof that our profitable growth strategy is working and that the KPIs are in line with the target set at the recent AGM. We're growing strong in almost all markets and accelerated measures to correct imbalances. Our proven business model with high levels of diversification is helping us again, and we continue growing in the most profitable segments, while Motor is still overcoming challenges.

Regarding our main KPIs, premiums are up 4.6%, over 7%, excluding life savings, reaching more than EUR 8.1 billion, with solid growth in LatAm, Iberia and North America as well as reinsurance. The net result of EUR 216 million is up 70%. These strong results was based on, first, the relevant improvement in non-life technical profitability with an almost 3 percentage point reduction in the combined ratio to 95.8%. We have made significant progress and the underwriting measures and tariff adjustments already implemented are showing results, but we still have some way to go in the coming quarters.

Second, the growing contribution of financial income in all regions, especially LatAm. And third, the stability of the Life Protection business in Iberia and LatAm. With this result, we have delivered an ROE of over 10% -- 11%, excluding the 2023 goodwill writedown. Regarding Solvency II, the provisional ratio, including transitionals was 208% and 2023 year-end, almost 200% fully loaded. Final figures, as you know, we will report it on May 20 with the Group Solvency Financial Condition Report. These strong figures reflect the positive trends in our main markets. LatAm, especially Brazil, continues the Group's growth engine, and it is the largest contributor to Group earnings.

Iberia maintains leading market shares in main lines of business with continuous technical improvements. In North America, the already implemented technical measures have led to a radical turnaround in profitability. MAPFRE RE has doubled its profit, supported by solid business growth and also the absence of relevant nat cat events. The decision made in 2022 to boost MAPFRE RE's capital position in a hard market is now paying off. Finally, I would like to announce that the Board of Directors agreed this morning that the final dividend of EUR 0.09 will be paid on May 24. Here, we have the breakdown of premiums.

Non-Life premiums are up over EUR 405 million, with almost 8% growth in General P&C, 6% in Accident & Health and 3% in Auto. Life premiums are down slightly by EUR 50 million after a really strong first quarter last year for life savings, particularly in Iberia. Life Protection, a very profitable segment is growing well over 16%. As you can see on this chart, our business mix is well diversified with around 75% in non-life and 25% in life. Life business is evenly split between savings and protection. And General P&C is our largest line of business with around 34%, which includes homeowners, commercial, agricultural and burial expenses. Motor represents 24% of total premiums, while Accident & Health represents 17%.

Now I would like to discuss the key figures by region and unit. First, in Iberia, premiums reached nearly EUR 3.4 billion. Non-life is up 6.4% with strong trends in homeowners, condominium and health, among others. Life premiums are down due to an extraordinary 2023 in savings, while protection is growing around 5%, with both contributing significantly to results. Net profit stands at EUR 73 million with ROE at [11.68%]. Business in LatAm is consolidating the strong trends of the previous year, and it is the largest contributor to earnings with an ROE of close to 17%, 1-7 percent. Performance in Brazil has been exceptional, and there have also been relevant contribution from Mexico and also Peru.

The Life business and financial income contributing very positively across the region. Focus on Brazil. Premiums are growing over 10%, supported by Agro and Life Protection, which grew 8% and 15%, 1-5 percent, respectively. The net result was EUR 61 million, up nearly 14% with ROE at 24%. The Non-life combined ratio is down significantly to 77.5% with both Motor and General P&C improving. The Life Protection business also had a strong contribution to results. Regarding North America, premiums increased 8% on the back of relevant Motor and Homeowner tariff increases, which will continue feeding into P&L.

The Auto combined ratio improved substantially down over 3 points and in general, P&C, the combined ratio stands at 96%, down over 35 points, thanks to benign weather and significant tariff adjustments implemented last year. These improvements have led North America to deliver a EUR 15.5 million net result extraordinary compared to losses of EUR 9 million the previous year. Puerto Rico recorded a 31% increase in business volume, surpassing EUR 76 million in premiums and contributing EUR 4 million to results. In EMEA, premiums reached EUR 416 million, a 4.7% decrease due to a fall in the Life business with profits in Malta and also auto in Italy.

The region recorded almost EUR 9 million in losses concentrated in Italy and Germany as a result of the current complicated auto environment. In Turkey, the positive performance of euro-denominated investment has offset hyperinflation impacts reporting profit in the quarter. And finally, Malta maintains earnings stability. Focus on MAPFRE RE; premiums were up 7%, reaching nearly EUR 2.2 billion. The combined ratio was down nearly 5 points to 93.8%, supported by improving tariffs, especially for cat covers. There have been no large claims in the quarter compared to 2023 when there was a relevant earthquake in Turkey with a EUR 72 million net impact.

However, we are still seeing an upward trend in secondary perils and attritional claims. Net profit reached EUR 67.3 million, double last year, and ROE is now over 13%. [indiscernible] continues to focus on the strategic markets for the Group with total business volumes growing 13.5%, with a net result of EUR 1.48 million. I would also like to comment on 2 specific items. Hyperinflation adjustments had around EUR 24 million impact. EUR 11 million in 2023, mainly from Argentina. And also the second in holding expenses, there was a EUR 15 million, 1-5 million positive extraordinary tax impact as a result of the Constitutional Court decisions to reinstate it was January this year to reinstate tax benefits in the corporate income tax flow that were eliminated in 2016.

On the right of this slide, you can see the combined ratio by business segments. General P&C has an excellent combined ratio of 83.5%, down nearly 4 points. The auto combined ratio still has a high loss experience, but improved over 1 point to around 105%. And the Accident & Health combined ratio stands at 102.8% and is up 1 point due to an increase in costs. Now let's move on to the Motor business. Given the current context, we are focused on rate sufficiency and defending our current portfolio. This is an ongoing process as we mentioned in previous presentation.

We're beginning to see the effects of the already implemented measures, but volatility and dispersion continues. The net result from Motor has improved with losses down for nearly EUR 30 million last year to under EUR 13 million, 1-3 million. The turnaround in the U.S. was spectacular, and now both Brazil and North America are in positive territory. The result in Iberia has improved modestly and still needs time for tariff increases to feed into results. Other markets in LatAm are performing quite well, mitigating the complicated situation we live in, in Germany and Italy.

As we already mentioned, the Group's strategy is to prioritize the most profitable segments. As a result, premium growth has been modest 3.4% with insured units down 5%. In Iberia, premiums increased 5%. The portfolio stands at a little under 6.1 million vehicles, down over 2%. In North America, premiums grew over 8% with units down 5.6%. And finally, in Brazil, the Auto business is down 7.7%, while the portfolio of vehicles is down 6% with less appetite in fleets. The Group's auto combined ratio was 105%, improving modestly by 1 point compared to last year and the last quarter. Iberia reached 105.7% in the quarter slightly improving compared to last year and is in line with the fourth quarter.

The ratio should gradually trend downward. In North America, the rates improved over 3 points and should continue to come down based on tariff increases. And Brazil's combined ratio is down 5 points year-on-year to 101.3% with performance slightly better than the last quarter of 2023. In summary, we're committed to adapting tariffs as much as necessary across the Group. Brazil and the U.S. are already improving and the tariff increases in the U.S. should continue to fit through the results. Spain will need some time to bear fruit, but we are pretty confident that we are on the right track. Let's move on to General P&C, which had an extraordinary performance.

Premiums are up almost 8% and the combined ratio down almost 4 points. In Brazil, premiums are growing 13% and the net result is up 7.5% to EUR 35 million. The combined ratio stands at an excellent 69.6%, supported by the Agro business in the absence of relevant weather-related events. In Iberia premiums are up 6.7%, driven by homeowners and condominium lines and Accident & Health. The result reached EUR 48 million, up 30%, and the combined ratio was under 94%, even with some weather-related events in March and also some relevant claims.

In summary, the well-diversified General P&C portfolio is performing well with a significant contribution to profitability, nearly EUR 93 million in the quarter. On this slide, I would like to comment on the Life business and other relevant profit contributor. Premiums at insurance units are down close to EUR 17 million after a really strong first quarter last year in Iberia. Life savings premiums, although down 12% from the extraordinary issuance in 2023 stand at -- sorry, EUR 935 million, doubling 2022 levels.

In Iberia, the Retail segment remains strong and Life Protection is up around 5%. In Brazil, premiums are up 13%, and the Life Protection business combined ratio stands at 81.6%, up 3.8 points -- sorry, 3.8 points, but still at excellent levels. The other markets remaining countries showed excellent premium and profitability trends, especially in LatAm with Mexico standing out.

Now I will hand the floor over to Felipe to discuss our capital position and the investment portfolio. Felipe, go ahead.

Felipe Navarro Lopez de Chicheri

Thank you. Thank you very much, Fernando. On the left of the slide, you can see our capital structure. Shareholders' equity reached over EUR 6 billion, quite stable since the close of 2023. You can consult the breakdown of movements during the quarter on the right. As you can see, both leverage at 23% and solvency at 208% are in line with the reference framework included in our strategic plan. On the bottom left, we have included at the 2023 embedded value figures, which is up 5.5% to over EUR 6.9 billion.

The largest move was in the NAV due to the strong increase in unrealized gains as well as retained earnings. The new business contributed positively during the year, driven by Spain and Life Protection in Brazil. The return on embedded value improved, reaching 10%. The detailed figures are available on our website with a reconciliation of the VIF and CSM among other details. Regarding an investment portfolio, there was no relevant change in asset allocation during the quarter with a slight increase in our corporate fixed income. Spanish sovereign debt continues to be the largest exposure with EUR 9.7 billion.

Regarding asset management, we are confident moving forward. Pension funds are up almost 4% and mutual funds are over 8% during the year. We have more than EUR 13.7 billion in assets under management, placing us among the leading nonbank players in Spain. On the screen, you can have some additional details regarding our [indiscernible] EUR 32 billion fixed income portfolio. First of all, I would like to remind you that a large share of our portfolio is immunized or matched. So we will focus on the actively managed portfolios, which are the main contributors to the net income.

On the top, there are the details of the Euro area portfolios with a market value of over EUR 12 billion. Overall duration is down and yields are stable or slightly up. The accounting yield in Iberia and Non-life and Re are both over 2.5%. On the bottom, there are other main markets amounting to around EUR

8 billion. Duration is slightly down in Brazil and the rest of Latin America and remain stable in North America. Yields are relatively unchanged, except Brazil, which is down to 9.5%, very much in line with the market yields, which places our portfolio in a comfortable position.

Non-life income is up EUR 45 million, growing 30%. EMEA is up over EUR 12 million, with an important share coming from positive exchange rates gained in Turkey, where large share of the assets are in euro. The next largest improvement is MAPFRE RE, up EUR 10 million. The contribution from Latin America is also up with relative stability in Brazil and still growing contribution from other markets. Regarding net realized gains and losses, they are slightly down as the excellent quarter for markets allowed us to actively manage the equity portfolio, realizing gains, which offset of prudent provisioning approach mainly for the real estate.

I will now hand the floor back to Fernando for a few closing remarks.

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Thank you, Felipe. To wrap up, I would like to highlight that our profitable growth strategy is boosting growth in segments with higher margins. These figures are proof of the strength for our business model with high levels of diversification, both by geography and by product mix. Our financial strength is underpinning this growth and our strong commitment to our shareholders. We continue heading in the right direction, and we will be working on those loss-making operations that still need to be fixed during 2024. Our KPIs based on local accounting principles, showed positive growth and profitability trends. And we shouldn't expect any significant deviation in trends under the new IFRS 9 and 17 figures.
Thank you very much for your attention. I will now hand the floor over to Leandra to begin the Q&A.

Question and Answer

Leandra Elizabeth Clark
Head of Investor Relations

Thank you, Fernando. [Operator Instructions] So the first group of questions we're going to start with is for Brazil. We have several questions. The first from -- actually going to read through all of them, and then we can answer them. Carlos Peixoto from the Caixa would like us to elaborate on how sustainable the P&C combined ratio is in Brazil. And Maks, his question is very much in line. Maks from JB Capital is asking a very similar question, what are our expectations and the outlook for this line of business? And are the current levels at 70% sustainable?

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Yes. Thank you very much both. And this is a permanent question that is being raised particularly at every presentation. And the answer is pretty simple. I mean, every single -- at every single presentation, we said that the current combined ratios are extraordinary low. But actually, what we're seeing is they are quite stable as well even being low. So on the Non-life side is the explanation is that the cat events has been practically none.

So let's say that we had to wait because in the other region, there is still in the second and third quarter, there are still some seasonality regarding droughts and heavy rains. What we've seen is not in the Non-life but on Life. In protection, we've seen a small deterioration is due to an increase in the acquisition cost that was already budgeted. But in a nutshell, we're happy with the Brazil performance. We believe that in the long run, both, I mean, Life and Non-life combined ratio should convert into higher levels. But so far, let's enjoy the current moment and we will live in the sweet moment. Felipe, anything else to?

Felipe Navarro Lopez de Chicheri

I would just like to add that we have been asked this question repeatedly because of the excellent situation of the Agro business, which is providing us with very stable profitability. It is true that without any kind of climate events that is relevant during this period of time. We should expect that the claims related with the climate-related events could start feeding into the profit and loss at some time. But for the moment, things are going perfectly well. What we should see is that if there is any kind of deterioration of this combined ratio because of the increase in the claims that will be offset with other lines of business. The thing is that we are seeing that other lines of business are already improving while this line of business is not deteriorating for the moment.

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

What we've seen during this quarter is a very nice rebound in MAPFRE's distribution channel performance compared to last year. So hopefully, we'll see that the numbers remain quite stable as well for MAPFRE in the remaining quarters.

Leandra Elizabeth Clark
Head of Investor Relations

We have another question on Brazil from Thomas Bateman. He asks, do you expect 2024 financial income in Brazil to be higher or lower than 2023?

José Luís Jiménez Guajardo-Fajardo
Group Chief Investment Officer

Yes. Good afternoon. I mean in terms of Brazil, what we expect maybe interest rates would be reduced slightly, but not too much. So probably we could consider that financial income will be roughly speaking, more or less the same.

Leandra Elizabeth Clark
Head of Investor Relations

Thank you. Thank you, Jose Luis. We have another question from -- now moving on to Iberia from David Barma at Bank of America Merrill Lynch. He asks it seems that the mutual companies were increasing prices and reducing growth target this year, but that isn't reflected in your first quarter numbers. Can you give us an update on the competitive landscape? You lost 0.8% of your Iberia motorcar vehicle pool in the first quarter. Do you expect the same for the coming quarters?

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Yes. Thank you. Quite interesting question. Let me elaborate a little bit longer regarding our current -- or the domestic motor market in Spain. And first, this is the first quarter so there are a little bit moving -- a lot of moving parts. First is the -- most of the large fleets are being renewed 1st of January with a significant increase of prices. MAPFRE is not in this business -- even we're [canceling] no renewal in some of the fleets. So let's say that the average price increase will be impacted by this situation. Obviously, those peers, the largest insurance players that they are active in Spain are that they're taking most of the [indiscernible] of fleets and also some mutuals as well.

We've seen different strategies, those that they're betting on fleets, those that they're betting in stability and those that are betting on increasing vehicles units of fleet. MAPFRE is in the middle. I mean, we are quite stable. The numbers that we presented during this quarter shows a lot of stability. Average premium grew a little bit over 7%, which is a similar pace of the previous quarter. The toll we're paying is approximately 1-point-something-percent loss of vehicles, which is something that we budgeted and is part of the toll we're paying.

There are other -- and there are large insurance European insurers that they're -- with negative premium growth during this quarter. I guess, though there are with a lot of pruning in their portfolios, not that much as MAPFRE, but their focus on underwriting -- the stricter underwriting policies. So in a nutshell, MAPFRE is in the middle, quite stable on both tariff policies and also some pruning in loss-making portfolios. We have to wait to see more quarters during the year to see a more stable trends for players. But in the end, I mean, we're happy with the numbers what we produce regarding average premium and also a number of vehicles.

A little bit disappointed with combined ratio, frankly, I expect it to be lower. But we had to work on this and keeping the current pace of tariff increases in the following quarters. And just the way that these increases are feeding P&L. That's basically the overview of the market. And let's say that the churn ratio I didn't mention, but is quite stable as well. And frankly, MAPFRE do not -- we haven't changed any -- our general policy of having appetite for growth at any price. That's basically the overview of the market. I spoke too much, Felipe, I guess.

Felipe Navarro Lopez de Chicheri

I could insist just in 2 main topics. First of all, is that our -- we are quite consistent in the average premium growth that we have on a quarterly basis. And we are fixed in this around 7%, which allows us to provide a couple of points above the inflation a little bit more than 2 points above inflation. This is the first topic.

Second is, as Fernando said during his intervention is that first quarter is very, very, very much influenced by the fleet renewals, which was very, very different from previous years. And the third one is that I think that we are quite consistent. And if we see that our consistency is moving forward, we will see the fruits -- bearing the fruits by the end of the year, as we said, is something that we are quite confident. We are in the right -- we think that we are in the right direction. And it seems that the market regarding prices is already moving together with us.

Leandra Elizabeth Clark
Head of Investor Relations

Okay. We've received a few more questions on Iberia Motor. Some of them have already been answered basically the evolution of insured units and the competitive environment. But specifically, Maks from JB Capital asked if there has been any abnormal frequency in the quarter in motor. And if not, what was the reason for the pickup in the combined ratio? And both Maks from JB Capital and Thomas Bateman from Berenberg would like to know if we reiterate our guidance of hitting 100% sometime in the last quarter of the year.

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Thank you, Maks. Regarding your first question, frequency is quite stable. The weather-related claims has not been substantially increasing during the first quarter. I should blame severity for the current, let's say, stability in combined ratio. Usually, the first quarter is the one that reflects the increase in Baremo. This is not an excuse, but actually, it's what we're seeing in [indiscernible] claims. Hopefully, second and third quarter, usually, they're much better and with a lower severity. But my conclusion is we had to wait to see at least a couple of quarters to see if there is a change in trend.

But the thing we're doing and we expect it to do. We will correct our policy if there is any unexpected change in severity. But so far, we should have expected a lower combined ratio, but we're keeping our current policy on rates in order to keep the fleet stable, which is the main target to protect our portfolio. Regarding other questions, churn rate is quite stable as well. The guidance, we should hit 100% for the 2024 year, full year, sorry. One month of the 2024. And we should expect one quarter to come as well, a significant drop as the one we saw for the U.S. because it's going to happen. We already saw in Brazil, we saw as well in the U.S., and we should expect a significant drop in Spain.

Leandra Elizabeth Clark
Head of Investor Relations

Thank you, Fernando. Moving back to Brazil, we've received a few additional questions. Thomas Bateman would like to know if we can give a little color on the Life Protection claim trends in Brazil. And Carlos Peixoto, from Caixa also has a question regarding the margin -- our outlook for premium trends in Brazil throughout the year.

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Yes. As I mentioned, regarding Life Protection, there is a small increase in acquisition cost that it was already agreed with Banco do Brasil so nothing else to report. I mean the combined ratio is excellent. So let's keep it [indiscernible] for me. It is an extraordinary combined ratio. What was the other question?

Leandra Elizabeth Clark
Head of Investor Relations

The outlook for premium growth in Life Protection.

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Well, 10% over in 2 digits, fantastic so far. I mean as long as the lending activity is working well in Brazil, our premium growth will be fantastic.

Leandra Elizabeth Clark
Head of Investor Relations

Thank you, Fernando. Moving on to other geographies. [indiscernible] has a question regarding the German business. Could you please elaborate on the deterioration that Fernando mentioned, is this temporary? Should we expect negative results in the next quarters?

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Yes. Thank you. First of all, I mean, Germany doesn't move the needle. That's very important. I mean it is one of the -- is a significant auto portfolio in Europe. But we focus on Iberia. What happened in Germany, it is an industry issue. Frequency was horrible at year-end and also it was a sort of runoff, not Germany, in Central Europe for hailstorms and other cat events. Let's assume that part of the increase in combined ratio was due to these seasonal cat events, but I have to tell you the truth, to true up the current operation as most of the insurance [carriers] in Germany, auto business in Germany is underpriced.

It's pretty clear. I've read some of the rating agencies' expectation on combined ratio for Germany is well above 110% that it happened many years ago. So we should expect a significant correction on rates in Germany and MAPFRE will surf the wave as well. We are smaller than other countries. And this is a strong condition in order to follow increases of rates in the market. That's basically Germany.

Leandra Elizabeth Clark
Head of Investor Relations

Thank you, Fernando. We're going to move on to some questions we received about the realized gains that took place in the quarter, both Maks from JB Capital and Farquhar from Autonomous would like to know what was the reason for these gains? Were the -- given the positive equity market were there any negative [effects]? And what's your expectations going forward in your approach to the markets at this level?

José Luís Jiménez Guajardo-Fajardo
Group Chief Investment Officer

Okay, thanks. In terms of the investment portfolio, we have to say, has performed really well during the last quarter. Most asset classes had gains in the last few months with exception of bonds due to higher interest rates. Real estate valuations suffer a bit. And for the reason, we managed to [indiscernible] equity gains in order to make a provision for more than EUR 40 million in order to cover it. As we only invest in offices in prime locations in Europe, Paris, London, Munich, to give you an example, with good tenants and long-term contracts, we are confident this provision will come back to the P&L on due course.

On the other hand, we have a positive view in terms of interest rates looking forward as high for longer will stay with us for some time. And this will help us to improve the accounting yield. Furthermore, a strong U.S. dollar will give us some support in terms of FX movements and the positive economic momentum in Spain, LatAm and U.S. despite all geopolitical uncertainty, a positive trend for our portfolio. In any case, we will continue with a prudent investment management, and we expect to keep in line for the next quarter.

Felipe Navarro Lopez de Chicheri

Just if I may, I would add that all-in-all, I mean, the flexibility of our financial portfolio allows us to have more or less capital gains during the quarters and adapt to the different needs of the Group, which is what we've been doing. So there is no change at all. I mean we keep, as Jose Luis said, a very prudent portfolio, but it's still very flexible, and we can adapt very quickly to the different surroundings.

Leandra Elizabeth Clark
Head of Investor Relations

Thank you. Thank you, both. We have another question regarding a one-off impact that took place in the quarter from Farquhar Murray in Autonomous. He asks if there's any more of this EUR 15 million tax one-off to be recognized? And is there any recurring consequence on the tax rate from this at all?

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Yes, before Felipe is giving explanation regarding the situation, let me tell you that there is a very good disclosure on the notes of our financial statements for 2023. At that moment, it was the sentence that it was a tax ruling from the Constitutional Court in Spain. So what we disclosed is that there is 2 different tax issues. One was clarified in January. So we disclosed in the notes, but -- and we booked during the first quarter. There are a couple of more tax issues that they will be hopefully cleared during the 2024 or even 2025. But so far, we consider both as some tax contingent income that we will book once the ruling, the tax ruling is published. Fortunately, both are positive. And -- but it will come in 2024 or in 2025. It will depend on the moment of the ruling.

Felipe Navarro Lopez de Chicheri

I don't know if I have anything to add. The main issue is that the Constitutional Court just was ruling about Royal decree that is a way of producing laws in Spain, and he was just questioning 2 or 3, sorry, or the different things that were in this decree. What we need now is that when they said that the decree by nature was not the right way of changing the law is that they need to say if the whole decree will be modified or not by this ruling.

That should happen anytime soon. And when I say soon in the Spanish law sentences that could be take between 6 to one year, one-year-and-a-half, we don't know. There will be, for sure, other opportunities for the Group. We cannot book them or quantify them until we know how it's going to be applied this kind of ruling. So probably going to be good news in the future but for the moment, we cannot disclose anything else.

Leandra Elizabeth Clark
Head of Investor Relations

Thank you, Felipe. We have a question regarding solvency from Maks at JB Capital. With solvency at 208% do you have appetite to grow organically and which regions would you consider?

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Well, let's say Maks, we're quite happy at this level of Solvency II ratio. We want to grow the core business and the core geographies that we explained before. But there's nothing on the M&A side currently on the table. And we will focus on fixing Iberia and Germany for this order -- auto line of business. That's our main target. We are not -- we currently will not focus on any potential transaction on that side.

Leandra Elizabeth Clark
Head of Investor Relations

Thank you, Fernando. Going back to the Motor business, we have a question regarding the U.S. Do you think that the combined ratio could go below 100% sooner than in the fourth quarter? And if not, why not?

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

I wouldn't be that bullish frankly, with the current volatility. Hopefully, let's say that the job is done and on both, I mean, underwriting and also tariff adjustment. And unfortunately, also the weather was pretty mild in New England. So the Homeowners combined ratio is quite promising as well. But there are a lot of up and downs. And we said that we will hit at the year -- at the end of 2024 last quarter, lower than 100%. And hopefully, we're in the right path. But we'll give you more color at the end of the second quarter frankly. I'm not that bullish, sorry about that.

Felipe Navarro Lopez de Chicheri

I mean we probably -- we're not going to publish this combined ratio below 100%. As we say for Spain, they will be probably hitting 1 month something that would be 100%. But I mean, for the moment, we cannot commit that before this fourth quarter, we are going to print this 100% on migration on a quarterly basis.

Leandra Elizabeth Clark
Head of Investor Relations

I think we have one last question. It's a follow-up on solvency. And if -- were there any specific drivers that led to the increase versus the third quarter of the year?

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Yes. If I remember well, I tell you 3 drivers. First is the increase in the IFRS net equity that was substantially higher in -- at the end of 2023. Regarding capital charge, it was a reduction on equity exposure, obviously, led to a reduction on capital charges for equity. And also it was a significant reduction in lapse risk as well due to the current context that help us to have a lower SCR. So that's basically the 3 drivers.

Leandra Elizabeth Clark
Head of Investor Relations

Thank you, Fernando. Thank you. Well, I guess it seems we have no further questions. Just as a reminder, before we go, we'll be holding meetings in May with analysts and investors in Madrid on May 7 and in London on May 22. And as a reminder, all the documents released today are available on our website, including the 2023 Embedded Value presentation. And we've also widened the information in the financial supplement. If you have any questions, you can contact us after the call. And thank you for your time today.

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Thanks. And thank you very much for being here.

Felipe Navarro Lopez de Chicheri
Thank you very much.