Q3 2014 Earnings Call

Company Participants

- Antonio Cano, Chief Executive Officer
- Bart Karel de Smet, Chief Executive Officer & Executive Director
- Christophe Boizard, Chief Financial Officer
- Filip Coremans, Chief Risk Officer
- Frank Vandenborre, Investor Relations Contact

Other Participants

- Albert Ploegh, Analyst
- Ashik Musaddi, Analyst
- Benoît Pétrarque, Analyst
- Farooq Hanif, Analyst
- François Boissin, Analyst
- Jason Kalamboussis, Analyst
- Martin Fahey, Chief Investment Officer
- Matthias de Wit, Analyst
- William S. Hawkins, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, welcome to the conference call for Ageas' Nine Months Results 2014. I am pleased to present Mr. Bart de Smet, CEO; and Christophe Boizard, CFO. For the first part of this call, let me remind you that all participants will remain on listen-only mode and afterwards there will be a question-and-answer session.

I would now like to hand over to Bart de Smet and Christophe Boizard. Gentlemen, please begin.

Bart Karel de Smet {BIO 16272635 <GO>}

Thank you. Good morning, ladies and gentlemen. Thank you, all, for dialing in into this conference call and for being with us for the presentation of the first nine months 2014 results of Ageas. We're a bit later than usual taking into account the fact that some of our peers already issued results today. We hope this has helped you to better organize your day.

I already excuse beforehand for coughing from time to time, I'm personally a bit ill and so I'm happy to be joined in the room by Christophe Boizard, our CFO; and Filip Coremans our CRO; and also Antonio Cano the CEO of AG Insurance; and by our Investor Relations team. This means that I will probably hand over a bit quicker than normally to them to answer your questions.

Ladies and gentlemen, I see two main headlines in our nine month results. First of all, a strong third quarter, net result of the insurance activities of almost €240 million, those products spread across Life and Non-Life and well above the analysts' consensus. And secondly, the further increase in Group shareholders' equity, up to almost €10 billion.

On slide one of the presentation, you can find, as usual, the key figures. I will provide some brief comments on a few. The year-to-date net insurance profit of €579 million compared to €497 million last year marked, as just mentioned, by strong third quarter net results of €239 million; high capital gains and more specifically the €59 million results from real estate transactions in Belgium; strong results in our non-consolidated partnerships, especially in China; and a lower effective tax rate are the main drivers for this third quarter performance.

The Group combined ratio year-to-date returned below 100% at the end of September at 99.6%, benefiting from the solid underwriting performance in the third quarter reflected in a combined ratio of 94.8%. Let me remind you that the floods and storms in the UK and Belgium in the first half had an impact of 3.1% on the year-to-date combined ratio which adjusted, amounted to 96.5%.

The Life overall operating margin year-to-date was pretty stable at 84 basis points, with the margin on guaranteed products at 98 basis points and the margin on unit-linked products remaining at 20 basis points, in line with previous quarters. The Group results year-to-date improved to €282 million, reflecting the positive insurance results, but also the positive evolution in general account with €33 million positive result on the RPN(I) in the third quarter.

And finally and as already mentioned, our shareholders' equity increased in the third quarter to €9.9 billion. Unrealized gains on the fixed income portfolio have, not surprisingly, increased again in Q3 and doubled since the beginning of the year to around €2.6 billion or €11.28 per share.

Christophe, I propose you now take a closer look at the results by segment before we move on to Q&A.

Christophe Boizard {BIO 15390084 <GO>}

Thank you, Bart. I will now take you through the results in more details, with some additional comments on the operating result by insurance segment and the general account. I will not comment today on the investment portfolio as the situation is quite stable, but, of course, I am open to answer any question you may have on this during the Q&A.

So, first, our insurance operations; I am on slide two of the presentation. Bart already mentioned the net profit of our insurance operations at 16% year-to-date at €579 million. The Life net profit amounted to €442 million, up €130 million or 42% versus last year, with a net result of €156 million in the third quarter. This increase comes mainly from Belgium, where the net result year-to-date is up by €92 million, and from Asia, which increased by €36 million.

The net profit of the Non-Life and Other activities amounted to €137 million, compared to €186 million last year, marked by a strong third quarter of €83 million. The combined ratio year-to-date was back below 100% at 99.6% and let me remind you that it was at 102% at the end of June, so you can see there the improvement.

You will recall that our results suffered in the first half of the year from the floods and storms in the UK and Belgium, which accounted for around €60 million. At the same time, we benefited in the segment Other, which comprises the retail activities in the UK, from a compensation payment of €23 million arising from a legal settlement, of which €17 million were recognized in Q3. This is obviously a one-off.

Gross inflows, including the non-consolidated partnerships at 100%, amounted to a €19.5 billion, up 10% year-to-date. The pattern hasn't really changed compared to previous quarters, with strong inflow mainly in Life, especially in Asia and Continental Europe. Life Technical Liabilities, on the same scope, so at 100%, grew further and amounted to €122.7 billion at the end of September. Compared to the end of June, the Technical Liabilities in Asia increased by almost €4 billion to €35.4 billion, mostly in the non-consolidated partnerships.

So now some more specific comments by segments, our Belgian operation – I am on slide three now, so our Belgian operation reported a net profit of €129 million in the third quarter. On a year-to-date basis, the net profit amounted to €321 million, up 30% compared to last year and broken down as follows: €282 million in Life, and €39 million in Non-Life.

The Life result benefited from the capital gain realized in Q3 on the real estate transaction already mentioned by Bart in his introduction, of which €49 million was allocated to Life.

This capital gain on real estate shouldn't be seen as a real one-off in the sense that such operations contribute to the expected return on this asset class. And I'd like to remind you that last year, a real estate operation took place in December, so be careful when comparing quarters. There is a timing issue here only.

The Life result in Belgium also benefited from other capital gains on bonds due to some arbitrage and from the release of a deferred tax liability in the second quarter, which you will recall amounted to €23 million. This is one of the explanations for the low effective tax rate shown in the accounts.

Non-Life, now, so Non-Life showed an excellent overall operating performances in the third quarter, reflected in a combined ratio at 94.4%, leading to a net quarterly result of

€39 million.

Adjusting for the negative impact of the June hailstorms, around €25 million, and adjusting from the €10 million part of the capital gain on the real estate transaction allocated to the Non-Life division, the net result is almost in line with last year.

Moving onto the second segment, the UK on slide four. We recorded a net profit of €48 million in the third quarter, bringing the overall net result year-to-date to €80 million. As in Belgium, the operating performance in the third quarter was strong with a combined ratio of 96.6%, resulting in a year-to-date combined ratio of 99.3%, but including here the adverse weather impact of the first quarter.

Let me just remind you at this point, the legal settlement for, which we already recorded €6 million in the second quarter, and then another €17 million in the third quarter, so this €17 million is, obviously, another one-off for the third quarter results.

Lastly, a few comments on the gross inflows. Similar to the end of June, they were overall and at constant exchange rate flat. In other words, the increase was related to a positive currency impact.

With respect to the Motor business, we see average prices for private cars still down by 2.8% year-on-year for Ageas, but which is less than the situation seen at the end of June, and which compares well to the wider market situation.

Let's go to the third segment now, so slide five of the presentation; Continental Europe. The net result of the quarter was €5.5 million and €43 million year-to-date. The €20 million decrease year-on-year comes from two events related to Turkey: first, a positive one-off last year, a capital gain of €9 million.

You will remember we sold the headquarter in Istanbul, so that was the one-off of last year, a positive one; and this year, a negative one-off with the decision to strengthen Technical reserve by €10 million this quarter.

This action, the strengthening of the reserve in Turkey, anticipates the need for reserve based on an observed increase in both the severity and frequency of bodily injury claims in the Turkish market.

Further analysis is ongoing and we'll have the final study for the end of the year. The combined ratio of the consolidated entities remain excellent at 90.7% year-to-date. In Life now, the net profit remained in line with offsetting elements between the better results in Luxembourg and France and mainly in France, and lower results coming from Portugal.

Lastly, Asia, slide six now. While the inflow levels in Q3 remained in line with the trend of the first half, net profit, on the contrary, went up substantially. Year-to-date, we are at €135 million, an increase of about 35%, of which €57 million was recorded in the third quarter.

At constant exchange rates, the net profit would have been even better. The better results came essentially from the Life activities and from China in particular, and this for two reasons: the significant investments made last year in sales campaign and channel developments; and also, higher financial results benefiting, among others, from the favorable equity markets. Aside from China, the net result in Hong Kong also benefited from a higher amount of net realized capital gains. And finally, we had the higher contribution from Thailand.

This brings me now to the general account, on slide seven. The most striking element here is the positive third quarter result, and this positive result is related to a decrease of the RPN(I) liability, influenced by the market price of the CASHES, which went slightly down.

In the third quarter, this liability fell back to €494 million, or €33 million lower compared to the end of June, but still €124 million more than the end of 2013. Year-to-date, the net result remained negative on the general account, at €297 million, with a provision of €140 million booked in the second quarter and related to the FortisEffect case. This is the second important item to note, aside from the charge for RPN(I).

The net cash position went down from €1.9 billion to €1.5 billion, mainly because of the execution of the share buyback program announced at the end of August and the end of the former one, the amount is €159 million, M&A operation in Portugal for €126 million; and investment in liquid assets for €85 million. You should note, however, that on the top of this amount of €1.5 billion, about €140 million is invested in so-called liquid assets, that's a way to have a better return on the cash, but they are liquid. This is, I would say, quasi-cash.

Ladies and gentlemen, I'd like to end my comments here and hand over to Frank.

Frank Vandenborre {BIO 15168443 <GO>}

Yeah. Thank you, Christophe. As usual, we open the call now for questions and we'd like to ask you to limit yourself to three and, by preference, I would say two questions so that analysts have time to ask their questions. Thank you. Operator?

Q&A

Operator

Yes, thank you very much. Ladies and gentlemen, we are now ready to take your questions And our first question is from Ashik Musaddi with JPMorgan. Please go ahead. Your line is open.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yeah. Hi. Good afternoon, everyone and very good set of results, so well done, congratulations. I have three questions. First of all, can you just explain the dynamics of how the real estate gains work? So, for example, if I remember correctly, you have got €1.3 billion of unrealized gains. This is gross of tax, et cetera, which is not sitting in the balance sheet at the moment.

So can you give us a bit of clarity of how much of this will go to shareholders, if you have to realize it, let's say today? How much of that will ultimately go to shareholders? Because this is a number that will ultimately go to shareholders, so that's the first thing.

Second thing is can you comment a bit more on your structural combined ratio target, where we are and how should we think about that target going forward into 2015? Because clearly, if you look at the underlying results of Non-Life, it's very good; like you're posting 96%, 94% combined ratio in third quarter. So how should we think about the structural combined ratio into 2015?

And thirdly, is any update on your thoughts on M&A? Where we are, are there any files you're looking at, at the moment? Any color would be really great. Thank you.

A - Christophe Boizard {BIO 15390084 <GO>}

Okay. So, Ashik, I can start with your first point, the real estate. So, all what you've said is right. And so we have €1.3 billion of unrealized capital gain and losses, gross of tax, outside of the balance sheet. Real estate is one of our big investment pockets; almost 9% in Belgium, so it is part of our investment strategy. And we have some target in terms of global returns. These target are around 5%. And you imagine that you cannot achieve this 5% with rents only. So, it means that we have to realize capital gain on a regular basis, and we have to realize – and you're right in saying that this €1.2 billion will be realized in the future, over a time horizon that is long, about 10 years. But it will be realized to achieve this 5%. So, it will be progressively recognized.

Last year, we had the same kind of operation. It happened that the capital gain took place at the end of December and we have this – it is inherent to real estate, that it is we don't have a progressive acquisition of the result along the quarter.

So, this year, it is in Q3. Last year, it was in Q4. And who knows for next year. But as a conclusion, all these unrealized capital gain and losses are meant to be realized over a long period of time to achieve the 5% global return.

A - Bart Karel de Smet {BIO 16272635 <GO>}

Okay, then I maybe take the second one with that too, what could offset that. Last year, we had over the whole year a similar amount of real estate capital gains as the one we already have now. And we were, at the end of Q3, at €23 million, you could say. So, it's a difference of €38 million that we did more last year.

The structurally combined ratio, so I think we stick to a 97% combined ratio, correcting for the floodings and the storms and the hailstorm. As we have shown in the press release, in the slides, we're below this 97%.

We also have been impacted by very bad results in the other products in Belgium, where necessary actions have been taken to clean that up and that will not give the results this year, but we expect it to give results as of 2015. So, we are confident that 97% is achievable.

The third question, M&A status. We continue to look to opportunities that come to the market but also stick to our criteria. It's no secret that we've been looking in Belgium to the file of Fidea. That has been finally bought by a Chinese insurance group. We're also busy looking to opportunities in some new Asian markets where we would like to enter, but this all takes a lot of time and we do it in a well-reflected and well-underbuilt way and disciplined way.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Thanks a lot. This was very clear. Just to follow-up on that real estate realized gain thing. When you realize gains on real estate, does this has anything to do with your realizing gains in the bond portfolio? Because – I mean they are two separate things and I guess in this quarter, you reported €50 million of bond portfolio gains, which is a bit higher. And if you put real estate, it's more than north of €100 million. So both of these have any relation together?

A - Christophe Boizard {BIO 15390084 <GO>}

No, there is absolutely no relation between the bond management and the real estate management. On bond, we – it has to be seen as arbitrage for managing risk and taking opportunities. So, that's the bond management.

In the bond portfolio, we're not supposed to realize a lot of capital gains. So, we realize sometimes capital gain, but it is for asset management purpose to reallocate to more interesting areas. On real estate that's completely different. As I said before, we have to realize capital gain, so that we can meet our objectives in terms of hit.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. That's very clear. Thanks a lot for your answers.

Operator

Thank you very much. And our next question comes from François Boissin from Exane. Please go ahead your line is open.

Q - François Boissin

Yes, good morning everybody. A few questions, please. First, about your current investments; if you could comment on your reinvestment mix and the level of yield you're able to reach these days.

And second question, you give out a very clear view of capital gains year-to-date 2014 versus 2013. I wondered whether you could give this breakdown for Q3 2014 versus Q3

2013.

And my last question is about China Taiping, which actually did a capital increase in October, if I'm right, of roughly €600 million. I was just wondering what was the position of Ageas on that, if Taiping Life was impacted at all. Thank you.

A - Frank Vandenborre {BIO 15168443 <GO>}

You're taking the first one, Christophe?

A - Christophe Boizard {BIO 15390084 <GO>}

Yes. On the investment yield and reinvestment yield, the figures are the following. So, first, let's start with the reinvestment yield. So it means new money yield. And that's a figure I already disclosed during the previous call. You'll remember that for the previous call, I told you that yield new money was 3.17% and I have figures on the Belgian portfolio. I don't have both Ageas as a whole, but the AG Insurance Belgium is a good proxy, because it is, let's say, two-thirds of the invested assets. So we were at 3.17%. At the end of Q3, we are at 2.93%, so it means that we have a decreasing trend.

Q - François Boissin

You're talking about Q3 only or year-to-date?

A - Christophe Boizard {BIO 15390084 <GO>}

No I am – year-to-date.

Q - François Boissin

Okay.

A - Christophe Boizard {BIO 15390084 <GO>}

So if you want Q3 only this is 2.49%. So year-to-date, end of June, 3.17%, end of September, 2.93%, so you can see the decreasing trend; and if you take Q3 alone, it is 2.49%. So that's the reinvestment rate. And as regards the first part of your question, the asset allocation, there is no dramatic change. And when you take a look on the asset allocation, there is not a dramatic change from one period to another. So what we are doing is we tend to invest in less liquid things, like infrastructure or loans. And we maintain our investment flow to high yield and corporate bond, but this leads to small changes.

Q - François Boissin

Okay. And just to follow up on that. Basically, given the fact that your reinvestment, you have lower yield, you also lower guaranteed rates and presumably, the discretionary bonus that you're going to pay to policyholders, are you still confident on your ability to achieve your investment spread margin in this context?

A - Bart Karel de Smet {BIO 16272635 <GO>}

So, of course, in the sense that we manage the guarantee and the profit sharing linked to the margin we want to achieve.

A - Christophe Boizard {BIO 15390084 <GO>}

And then, François you asked for the breakdown of the Q3, 2014 capital gain, the breakdown?

Q - François Boissin

Yes, indeed.

A - Christophe Boizard {BIO 15390084 <GO>}

So total net capital gain in Q3, €87 million out of the €175 million year-to-date, so €87 million out of €175 million. And if you want to have a breakdown by segment: Belgium, €60 million, mainly coming from the real estate operation, all in all this accounts for €59 million, so for the whole amount; Asia, €18 million coming from Hong Kong and China, half/half almost; and Continental Europe, €9 million. Okay?

Q - François Boissin

And sorry about that. Those are pre-tax or net of tax numbers?

A - Christophe Boizard {BIO 15390084 <GO>}

These are net of tax. That's the direct impact on the result.

Q - François Boissin

Thank you.

A - Bart Karel de Smet {BIO 16272635 <GO>}

So on China, I will ask, to save my voice, Filip Coremans to answer.

A - Filip Coremans {BIO 17614100 <GO>}

So first and foremost, let's not forget that CTIH, which is the Hong Kong listed entity, is the entity you issued the capital increase. And this is partially there to redeem as they have indicated in the usual proceeds, partially there to redeem a loan that they had received from their ultimate parent, Taiping Group in China.

Now other than that, so that it's not – has no direct impact on Taiping Life. It merely strengthens the position of CTIH for future supporting the growth in these operating entities. For this year, as far as we can see at this moment, we do not expect any capital injections in Taiping Life. But we have already signaled that given the strong growth and the good developments there, that in the coming years and maybe even next year, additional capital increases may be considered. So this makes sure that both Ageas, as well as their partner, they are ready to do so, if it's commercially required. But there is no other direct impact.

Q - François Boissin

So that's very clear. Thank you very much.

Operator

Thank you very much and moving on to Albert Ploegh, ING. Please go ahead. Your line is open.

Q - Albert Ploegh {BIO 3151309 <GO>}

Yes, good afternoon gentlemen. Yeah, a few questions from my end; first of all, on the dividend outlook for the fourth quarter, what can be upstream from your subsidiaries? I noticed in Q3 upstream was a pretty low amount, I think of around €2 million and year to date, €385 million. So maybe you can give some color on what entities might still pay something in the fourth quarter? Also, coming back on the – let's say, the yields on the investment portfolio and especially in relation to – let's say low interest rate your reserve that is in place for a block of business that still has guarantees over 4%. Can you give a little bit color what is happening with that reserve? How much is used and how that impacts the results given the very low rate environment we're currently in?

And finally on Turkey, you mentioned the bodily injury claims that impacted, I think, around €10 million in the quarter. But there was still the study ongoing, where results will be, of course, known by year-end. So is it logic to expect a similar kind of charge fourth quarter? Or do you feel reasonably comfortable with the charges taken so far? Thank you.

A - Christophe Boizard {BIO 15390084 <GO>}

Maybe I can start with Turkey. So the €10 million is our, I would say, best estimate at this moment. So it is not expected at all to put the same kind of amount in Q4. And what we are – and what we told you is that there is an ongoing study. We had the first result, but these figures are still being discussed and validated, but we think we have sufficient evidence to book the €10 million. But the idea is not to go far beyond. So there is nothing, at this stage, expected for Q4. And, in any case, another €10 million would be a better price for us.

Q - Albert Ploegh {BIO 3151309 <GO>}

Okay. That's very clear.

A - Christophe Boizard {BIO 15390084 <GO>}

The dividend outlook, the first part of the – so you know that most of the dividend comes in the first part of the year, in April or May. So we have some expected dividends for the second half of the year. But this is more related to capital management, capital restructuring and this cannot be seen as a regular flow of dividend.

So an amount will be received. I don't want to be too precise, but it is more capital authorization than regular flow of dividend. Regular flow connected to the annual result, we see more in the first part of the year, but this year, we will have something coming from the UK because there was a delay in receiving the amount but this is exceptional.

So you shouldn't count on huge amounts coming in the second half of the year. We already received – only to give you a sense, during the first half, we received €383 million of dividends. And we paid, for our own dividend, €309 million and our costs are around €80 million. So it means that we are well within our policy, which states that incoming dividend cover the dividend paid to our shareholders, plus the holding cost, and this was achieved at the end of the first half of the year. So second half, as I said, more capital management and optimization.

Q - Albert Ploegh {BIO 3151309 <GO>}

Okay, clear answer, yes.

A - Bart Karel de Smet {BIO 16272635 <GO>}

Then the yield on investment portfolio, again, the biggest part are in Belgium, it's is 3.84% and the average guarantee is 2.78%, and with respect to the LIR result, may I suggest Antonio gives us a precise answer?

A - Antonio Cano {BIO 16483724 <GO>}

Yes, good afternoon. So on the low interest rates provisions for Belgium and those are IFRS numbers, so not to be confused with BGAAP numbers. The low interest rate provision amounts to about €475 million to date, these are 100% numbers.

And we haven't changed anything with respect to that provision. It continues to be released as the contracts with the guarantees above 4% are gradually running up, and the release, so far, was around €30 million. Well, actually €30 million is the year number, so nothing really has changed that, so we still have that provision for contracts above the 4%.

Q - Albert Ploegh {BIO 3151309 <GO>}

So you basically feel still very comfortable with what's provisioned and with the situation is today basically?

A - Antonio Cano {BIO 16483724 <GO>}

Yes.

A - Bart Karel de Smet {BIO 16272635 <GO>}

Okay.

Q - Albert Ploegh {BIO 3151309 <GO>}

Okay. Thank you very much.

Operator

Thank you. And moving on to Matthias de Wit, KBC Securities. Please go ahead. Your line is open.

Q - Matthias de Wit {BIO 15856815 <GO>}

Yes, good morning. Three quick questions, please. Just to come back on the Belgian Life result in Q3 – strip out the capital gain impact on the real estate of €49 million, the Life result drops to €46 million in the third quarter, which is substantially lower than the comparable quarter last year in Q2. Is there any underlying deterioration, or did I miss something? So any comment in that respect would be helpful.

And then, just on the insurance solvency, could you just provide the solvency ratio adjusted for the expected payment of the 2014 dividend, I guess you were – you would be accruing for the dividend, just wondered whether you would remain ahead of the 200%, or whether there is a chance that we might see a higher than normalized 50% operating earnings base upstream to the holding company over 2014? Thank you.

A - Christophe Boizard {BIO 15390084 <GO>}

(0:37:24) one word on Life and the cap gain, I'd like to repeat that the real estate capital gain shouldn't be seen as a one-off. That's part of normal business to achieve 5% return on real estate, otherwise doesn't make any sense to have 9% allocated to real estate. So, please – but the capital gain on real estate to have kind of underlying earnings. I accept the deduction for the bond capital gain, or for – but for real estate and nothing for equity, our expected global return is 6%, it's even higher these days, but we have to achieve. So that's not a one-off.

Q - Matthias de Wit {BIO 15856815 <GO>}

Okay. Let me maybe rephrase the question. How would the Belgian Life result compare to last year's Q2 level, if you would have stripped out unrealized gains on real estate and equity and bonds?

A - Bart Karel de Smet {BIO 16272635 <GO>}

Well, we tried to, let say somewhere correct the margin, operating margin guarantees products, we come to something of 0.90% instead of 0.98%, last year in Q3, there was also already €23 million included of real estate cap gains. So, the difference is only €38 million. We also had in Q3 a year ago a €10 million positive result from co-insurance in employee benefits. And then maybe, Antonio, you want to add something?

A - Antonio Cano {BIO 16483724 <GO>}

Yes. Also, bear in mind when comparing quarter-on-quarter, that there are these capital gains on real estate that fall whenever they fall. There is also the dividend season, what is mainly Q2, so Q2 is typically also a better result. But as Bart and Christophe were saying, you should really look at the overall year performance of the Life business, and there we see that the results this year are very much in line with those of last year, if not even a bit better.

Q - Matthias de Wit {BIO 15856815 <GO>}

Okay. That's clear.

A - Christophe Boizard {BIO 15390084 <GO>}

And what is expected at the end of the year is the same kind of operating margin. So, what we saw here is slightly above our target, but this will positively go down in Q4 to enter into the range we set as a target.

A - Bart Karel de Smet {BIO 16272635 <GO>}

Filip, solvency?

A - Filip Coremans {BIO 17614100 <GO>}

Yes. Regarding the solvency ratio, of course, we have to wait until the end of the year before we ultimately declare these dividend levels, but taking a normal dividend upstream from operating entities in account, I think it's fair to say that the solvency ratio would be 6% to 7% lower.

Q - Matthias de Wit {BIO 15856815 <GO>}

But then you would still end up including in Q4 earnings at around 210%. Would you see any room for – or do you plan to redeploy that excess at the operating company level, or it's too early to tell anything about that?

A - Filip Coremans {BIO 17614100 <GO>}

Well, I think these decisions we will need to take at the moment that we have to make the decision. It would be premature to conclude what will be the use of these proceeds. But with 6% to 7% drop in the solvency ratio, indeed, we are close to 210% probably, a bit more, a bit less, depending on the third quarter results and evolutions, which is not too far from our target I think. This is a fair level to be at.

Q - Matthias de Wit {BIO 15856815 <GO>}

Okay. That's clear. Thank you.

Operator

Thank you very much. And next in queue is William Hawkins with KBW. Please go ahead, your line is open.

Q - William S. Hawkins {BIO 1822411 <GO>}

Hello, thanks very much. My first question please. You've talked a lot about the gains in Belgium. Could you just talk about the above-average level of gains you've taken in the

Asian results, I'm just trying to think against the €57 million, how much would you recommend we strip out to say there's an unusual level of gains going on there?

And then secondly, your UK other business, the fee business. Do we just assume from now on that on an underlying basis, it's bumping along at a negligible profit, sort of €1 million to €2 million a quarter or at some point, are you intending that result's going to improve a bit, and if so, what's the trick to get that results improving, is it – have you got some trick for improving revenues, or getting costs down further, or yes, are we just going to continue with that division generating low profits? Thanks.

A - Bart Karel de Smet {BIO 16272635 <GO>}

The first question. Of course, in – part of it is coming from China. In China, we have an increase of our technical liabilities, so it's something like 25% to 30% year-on-year, because you have these regular premiums that are renewed. So we can expect, not only on the profit level but also on the volume of your asset portfolio, a sharp – strong increases in the coming years. So it's not normal that also capital gains made on the equity portfolio go up in amounts. Another place where we have had capital gains was Hong Kong; and that was more on bonds. So...

Q - William S. Hawkins {BIO 1822411 <GO>}

Yes.

A - Christophe Boizard {BIO 15390084 <GO>}

This accounts for €7 million, and this could be deducted. But the capital gain coming from China is mainly on equities, which is due to favorable market. Once again, I would give the same comment as for real estate: this is part of the equity management, where you should expect something around 7%. So I should only restate the capital gains for me are coming from Hong Kong, which net impact is €7 million.

A - Bart Karel de Smet {BIO 16272635 <GO>}

And we can also not forget that last year in China, we were impacted by very high cost of high sales, where we increased the sales force from 50,000 to more than 100,000. So we now can build on the sales force, which is giving us a guarantee for the future growth. And so the lower expansion cost for in the Asian channel, together with an increased volume of regular premiums, help us to see the profit in China increasing. And the second question on the UK...

Q - William S. Hawkins {BIO 1822411 <GO>}

Sorry, if I may just come back, then. Should I infer from what you've just said that the normal quarterly run rate for Asia is now only just something slightly below €50 million, which in turn would be about €200 million of IFRS profit on an annualized basis?

A - Bart Karel de Smet {BIO 16272635 <GO>}

Filip?

A - Filip Coremans {BIO 17614100 <GO>}

No, I take – you have to interpret the capital gain realization in China, which now appeared in our result in the third quarter, more like we explained earlier, something that is not -

Q - William S. Hawkins {BIO 1822411 <GO>}

Sorry, yes.

A - Filip Coremans {BIO 17614100 <GO>}

High quarter. So you should deduct probably a bit more. The capital gain in China for the quarter only equates to about €10 million, if I recall well. So, I would also take at least a significant portion, or that three quarters of that out of the running yield.

A - Bart Karel de Smet {BIO 16272635 <GO>}

But besides that, with covered amounts increasing sharply year after year, with assets taking the liabilities increasing more than 20%, 25%, it's normal that we expect profits in China continue to grow in the coming years.

So, then the second question on the UK fee business, we had this one-off in the Q3 of €70 million into, related to a warranty claim. We're in a full reorganization of the retail business, coming from seven legal entities to one and coming from seven IT systems to one platform, also repositioning these companies in – from a marketing perspective.

So, we still have this year and we will still have some costs of realizing this reorganization in the first half of next year. But we believe that and we hope that we will be able to increase the profitability.

If you look through the figures in the Other, there are also headquarter costs in the UK involved, so really, of course, it will not be an entity that will deliver €50 million, €60 million. And it's...

Q - William S. Hawkins {BIO 1822411 <GO>}

And sorry, the investment spend that you referred to next year, that's just ongoing investment spend. So, you're not telling me the first half of next year could be -

A - Bart Karel de Smet {BIO 16272635 <GO>}

No. Most of the costs already have been made, so last year and this year. But at the end of the expansion – expenses will be taken up in the first half of next year.

Q - William S. Hawkins {BIO 1822411 <GO>}

Great.

A - Bart Karel de Smet {BIO 16272635 <GO>}

But that's not about big amounts.

Q - William S. Hawkins {BIO 1822411 <GO>}

Thank you.

Operator

And our next question is from Benoît Pétrarque with Kepler Cheuvreux. Please go ahead. Your line is open.

Q - Benoît Pétrarque

Yes, good morning – good afternoon actually. Now, this is actually coming back to those questions around capital gains. I'm covering this company for six years now. To be honest with you, I've not seen any years with such high capital gains. It seems that 2014 is the year where you actually see huge gains is on the bond side, but also on the real estate this quarter.

So, again, why? I don't understand why we're wrong to actually exclude the cap gains on bonds and real estate. I mean next quarter, if you do not sell anything, we will see a drop of the net profit in Belgium Life.

And now, if I look at the Belgium Life result, it seems that more than 50% of the net profit is coming from cap gains. So, I understand that in low interest rate environment, it's easier to realize cap gains, but what about the underlying investment margin? And can you help also in the 82 bps Life operating margin, how much is relating to the real estate gain? So, can you just talk a bit underlying business here?

And then finally, on Continental Europe Life, we do see a weakening of the operating result. It was, I think, down now 42% for the nine months; also, down significantly versus last year in the third quarter. What is the normal run rate going forward on the Life side in Continental Europe? Are we going to stay around the €7 million, €8 million a quarter? Thank you very much.

A - Bart Karel de Smet {BIO 16272635 <GO>}

On the cap gains, important to note that we in principle do not plan to realize cap gains in bonds. If we do it, it is because there is an opportunity, or we want to get out of a country, or we are breaching one of the limits that we've set and we did some cap gains on bonds on Italy, that I remember well. So it means that our cap gain budget is always coming from shares and real estate.

In real estate, as we have found that amortized cost, the yearly net impact of the amortization for Ageas of the real estate portfolio is something like €60 million. And if you look back over time, you will see that in many years, the real estate cap gains have been in that area or something there. And now we are at, what is, €61 million, last year, we ended at €63 million. So that's real estate. And I, maybe should also add that the cap gain we realized this quarter was on a fully – on a new development that's been done by our teams, and where they saw it with this cap gain.

On shares, we – and you've also seen that the unrealized cap gains on the real estate portfolio stayed constant; the same with shares. We saw an opportunity in the first half of the year to realize some cap gains on shares, and nevertheless also capped the unrealized gains same amounts. But due to our almost perfect matching strategy in the Life business, we tend not to play too much on cap gains and bonds. And so sometimes it can impact one year more than another, but then so, it's always for strategic asset allocation reasons.

Q - Benoît Pétrarque

But it's fair to say that on an underlying basis, the investment margin on the Life side, so excluding real estate, is clearly down this year?

A - Frank Vandenborre {BIO 15168443 <GO>}

You said the underlying margin was down, did I understand you correct?

Q - Benoît Pétrarque

Yeah. The Life margin, on an underlying basis, so without taking into account the realized gains on shares and real estate, it is down this year, right?

A - Antonio Cano {BIO 16483724 <GO>}

I don't think so. I also don't agree that you should take out the real estate capital gains. Last year, as we said, we had a similar level of real estate capital gains. And if you look further back in the past, I don't think that there were big differences. And, as you said, it's very much a part of our business.

As Bart was saying, in that underlying result is included about €60 million, amortization of the real estate that goes through the P&L, so actually, you could also say that the capital gains only just compensate for the amortization. And also, as Bart was saying, this – the real estate cap gain we generated this year and also I think that of last year, those are cap gains related to real estate developments.

So we have a team that actually develops project, and we obviously cannot keep all the real estate we develop ourselves on our books, because that would lead to a too high exposure on real estate. So it's very much natural part of the business. And please bear in mind, having equities and real estate drives also our required solvency levels up.

A - Christophe Boizard {BIO 15390084 <GO>}

Since it seems the capital gain is a matter of high interest for this call, I'd like to give you, maybe, more details to prove that we have a very reasonable asset management. And in any case, there is no instruction as to realize capital gain. That's the normal way of conducting business.

But let me give you more figures and more elements to judge the asset management. And now, I will consider the investment portfolio as a whole at the Ageas level and I will give you the return by asset class, starting with bonds.

Bonds, if I take the income, so only the coupons, we are at 3.35%. And the realized capital gain and losses are at 0.16%, and the total is 3.49%. And here, so it's a small amount, and I agree, that this can be respected. But the reason for this is pure bond management, where, for instance, we sell Italian Government bonds to reinvest in other areas. Well, this is an example.

Let me take equity. Equity income, so dividends 3.24%, realized capital gain and losses 5.8%, which is the result of taking part of the unrealized capital gain. And at the same moment, the change in unrealized gain and losses is only minus 0.28%. So it means that everything that was realized on equity has been rebuilt as unrealized capital gain and losses. So we have not exhausted our potential on equities.

Now I take real estate. Real estate, when I take rent, we are at 3.01%. Realized capital gain, net of impairment, 2.22%; total 5.24%. And 5.24%, knowing that maybe nothing will happen in Q4, we will be around 5%, which is perfectly in line with our objective. I have just given you the main asset classes.

So at the end, on the equity, we have not decreased the amount of unrealized capital gain on real estate, but noble business to achieve expected return. And on bonds, it's true that we have some capital gains, but it is not the vast, the majority of the total amount. That's really normal management. And please don't consider that we have decided to increase the level of capital gain. It is normal business for asset management purpose.

A - Bart Karel de Smet {BIO 16272635 <GO>}

And if you look to the previous years, 2012 and 2013, our total margin was always in the area 97%, with a delta, thanks to cap gains, of something like 0.32%, 0.31%. And if you would look over the full year, I don't expect us to be in a really different situation, because don't forget that we are on schedule with the real estate cap gains compared to last year and we still have also the decision to be taken where we didn't change anything in the course of the year with respect to profit sharing. So we will manage the margin as we have done in the previous years.

And the second question on Continental Europe. So the third quarter was down. I think Christophe explained that compared to a year ago, we had a year ago €9 million positive effect of the sale of the headquarters in Istanbul; and this year, the negative of the €10 million reserve strengthening. But I think that you could, as some will say, that €10 million to €15 million a quarter is a bit our run rate for Life.

Q - Benoît Pétrarque

Okay, thank you.

Operator

Thank you very much and our next question is from Jason Kalamboussis with Société Générale. Please go ahead. Your line is open.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Yes, hi. It's more follow-up questions. On Turkey, I just wanted – I think I've asked the question about 1.5 years ago, when one of your peers in the market had taken very large reserve strengthening in 2012, beginning of 2013. And at that time, you had said there is no need to do that.

So is what we see now a bit something that is coming, basically some quarters later, or a year later? Or do you find that actually it's something that is widespread in the market, so that everyone will have to go through a new addition to reserves on that front? The second thing is on Asia, very useful comments. So if I understood to your answers to William, basically, we should be looking at something like 45% (0:57:34) as a sort of run rate. And that means that definitely, we should see better results coming out of Asia, given that now China is doing much better. Is that a good understanding? And the other thing is where does that leave you on the dividend side? Does that mean do you think that next year, we could be expecting to see a dividend coming out of China?

A - Bart Karel de Smet {BIO 16272635 <GO>}

The first one, in Turkey, the reason why we strengthened the reserve is because there has been new regulation coming out beginning of this year. We have seen an inflation of the number of claims. We looked to the best estimate of this evolution, took a prudent stand and took the loss in Q3. So that I think the reserve strengthening that happened previously by some players was maybe linked to more an issue of basic pricing.

You also have to know that we are very cautious in Turkey, to underwrite Motor Third Party liability. Our market share is close to 4% in this product line, where the overall market share is 8%. So we are not that keen to be very active in the Motor Third Party liability, exactly because of the high volatility of the results.

And I think that the peer you mentioned was precisely heavily on the Motor business, which is a structural difference with our portfolio. The second, we're now talking about 20% to 25% growth of technical liabilities. I refer to China. Of course, Asia is more than China; it's also Malaysia, Thailand, Hong Kong and India. So it would be a bit too ambitious to expect the profit in Asia, as a whole, to grow up with 20% to 25%. But we again expect the region to deliver year-after-year a higher growth dividend. We already receive dividends. Filip, maybe you take that?

A - Filip Coremans {BIO 17614100 <GO>}

Allow me not to know the exact amounts of the dividends, but for quite some years now, Thailand, Malaysia and our operations in Hong Kong since last year have started paying significant or relevant dividends. You know that in Thailand, cash back out of that country has more or less paid back what we invested. Dividends out of China, as you hear me say earlier, the strong growth in China is still not fully supported by the profit development in that country. So it is, as we said, not impossible next year we may have to support the capital base there in order to allow the company to continue to grow at this pace. But that we will happily do if the returns are as they are today. So foreseeing relevant or significant dividend growth out of China, that would not be for this year and next year. I will not comment on longer-term projections on that.

A - Christophe Boizard {BIO 15390084 <GO>}

There is an optical effect in China, that some entities and companies are obliged to pay part of their returns as a dividend, 10%. That's the case for Taiping Group and obviously, it took (1:01:08) from their operating entity (1:01:09). Since there is a need to increase the capital, the balance of the cash is clearly, in the sense that we (1:01:18) cash to this entity. So the dividend is really optical effect.

A - Filip Coremans {BIO 17614100 <GO>}

Yes. No, but that is – that will not be major. Now let's not forget and that is something that we will definitely come back upon once it is clear, but China is at the brink of introducing what they call C-ROSS, a risk-based capital regime.

The preliminary results are coming out of the, let's say, impact studies are comforting, but not final. And so this may impact also, to some extent, the capital planning and the dividend flows out of China. But it is too premature to comment on that now. When we get clarity on that we will come back to you.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Very clear, because it was on the Chinese dividend indeed that I was asking the question. Can I just ask a quick on Malaysia? Did you see an improvement in the third quarter? Do you see some turnaround?

A - Bart Karel de Smet {BIO 16272635 <GO>}

But what we worked on in Malaysia is to reduce the impact of the single premiums and to build more on regular premiums. And we see, for the first time, indeed an increase in the regular premiums.

So this will again, a bit like in China, help us build a more growing portfolio with also more profitable products. I'm looking whether I'd see some figures about it. If you permit me to look one minute.

A - Christophe Boizard {BIO 15390084 <GO>}

But there is a small decrease in the net result in Malaysia, but a small one.

A - Bart Karel de Smet {BIO 16272635 <GO>}

What we see is, for instance, that the regular premium, which was 44% a year ago, against 56% single premium, now 53% is regular and 47% single. So the turnaround is...

A - Christophe Boizard {BIO 15390084 <GO>}

Underway.

A - Bart Karel de Smet {BIO 16272635 <GO>}

Underway. Yeah.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Well, that's great. That's very clear. Thank you very much.

Operator

Thank you very much. And our next question is from Farooq Hanif from Citigroup. Please go ahead. Your line is open.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi, everybody. Thanks so much for my questions. Just two really brief questions actually. Firstly, in light of the RBC capital regime that's going to be introduced in China, do you think it's possible that the level of capital increase will be similar or smaller or bigger than what you've done in the past? Just do you see any reason for there to be a surprise? That's obviously a badly worded question, but you see what I mean.

The second point question is in Continental Europe, you've seen a collapse in your margins in unit linked, and also some pretty heavy pressure on your underwriting margins generally and investment margin. How permanent is this for forecasting purposes, is there anything in Q3 that we can project, or are there any things that we should bear in mind? Thank you.

A - Bart Karel de Smet {BIO 16272635 <GO>}

Yeah, regarding to the level of capital requirements under the new to-be-introduced capital regime in China, as far as we can see today and based on the information that we have, we do not expect any surprises. But that's as far as we can go because that regime is under construction. But, at this moment, information we have we do not expect to surprise you nor ourselves.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay.

A - Antonio Cano {BIO 16483724 <GO>}

So the question, what we – the reason for the collapse in unit-linked margins is that, and I believe we already mentioned it in previous calls, that in order to, on the one hand, safeguard the commercial franchise with the network of Millenniumbcp, but also to avoid problems with customers who have underwritten unit-linked margin products, we give up a substantial part of our margin at this moment to help them recover a bit of the drop of the products.

So these products, until a certain moment, I think it's something like 2007, have been sold with some guarantees promised, and so we try not to get into problems. This is something that normally should end in the course of next year.

Q - Farooq Hanif {BIO 4780978 <GO>}

So you expect some quarters for this to continue. But you expect some margin reversion basically by next year?

A - Antonio Cano {BIO 16483724 <GO>}

Yes, I would expect it in the second half, third or fourth quarter of next year.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay, that's very clear. Thank you.

Operator

Thank you very much. And we have a new question from François Boissin with Exane. Please go ahead, your line is open.

Q - François Boissin

Yes, hi again. Just actually two brief follow-up questions, the first one on your profit-sharing rules. And I think you revised the profit-sharing rules last year in Q4. And I think I heard today during the call that you had made new changes to your profit-sharing rules. Is this correct or basically, what should we expect on that front? And the second topic I just wanted to raise is Solvency II. When do you think you will be able to provide a bit more visibility on that? Thank you.

A - Bart Karel de Smet {BIO 16272635 <GO>}

So the first question, Antonio, you take it?

A - Antonio Cano {BIO 16483724 <GO>}

Yes, on the solvency rules announced for Belgium...

A - Bart Karel de Smet {BIO 16272635 <GO>}

Profit sharing.

A - Antonio Cano {BIO 16483724 <GO>}

Profit sharing – solvency rules, I'm not able to speak about that. The profit-sharing rules haven't changed. Keep in mind that in Belgium we have, for 90% of our business, in fact, no real rules. It's pretty much a discretionary profit sharing. So we haven't really changed anything. What Bart was referring to is that we have not really decided yet on what types of level of profit sharing we will be giving.

A - Bart Karel de Smet {BIO 16272635 <GO>}

And it has to be decided in Q4.

A - Antonio Cano {BIO 16483724 <GO>}

Yes, that's decided in Q4, actually, at the start of the year.

A - Bart Karel de Smet {BIO 16272635 <GO>}

Solvency II?

A - Filip Coremans {BIO 17614100 <GO>}

Yes, regarding Solvency II, that question is recurring now every call. And we do appreciate that and know that we have you all waiting for that. But as we announced during our last get together with the investor community in the meeting we had in London, we will disclose this during our Investor Day next year in September at the latest. Okay.

So that is as far as I can go now. By the way, the additional information, the additional guidance, which was released by EIOPA, we are looking forward to further clarity on certain of these matters to finalize our figures and facts, so that we can truly inform you. But also there, as we said before, so far no real material surprises. So – but we will provide clarity in the course of next year.

Q - François Boissin

Thank you very much. Very clear.

Operator

Thank you very much. We have a question from Jason Kalamboussis with Société Générale. Please go ahead. Your line is open.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Yes. Hi. Just very quick. One is on – in Belgium in Life, your underwriting margin has been coming sharply down over the last three quarters. Is it something that we should be expecting presumably in the fourth quarter? And I'm saying it, but we have had a lot of questions on realized gains, and it seems that they have helped in that sense in having the high operating margin.

So, should I assume that that is what means that basically it will be coming down to more normalized levels? That means your investment margin should come down with less realized gains, but especially the pressure on underwriting margin should continue?

And the second one is, if you have a quick comment on the expense ratio. It seems that you have had good results on – sorry, on expense ratio, good result on the Non-Life. The expense ratio looked to be bit pretty much at the same levels. Is it something that you could see any progress, notably in the UK? Thank you.

A - Bart Karel de Smet {BIO 16272635 <GO>}

Antonio, you...

A - Antonio Cano {BIO 16483724 <GO>}

On the underwriting result for Belgium, there is always a bit of fluctuation on that underwriting result. You might see that it's actually been down this year. And that is a bit linked to the level of inflow, because in most of the products we sell, individual life, there are cost loadings included, which wind up as a positive thing, so (1:09:54) decrease, it has an impact on this underwriting margin. And apart from that, there are some volatility really on the technical, so death, disability cover.

A - Bart Karel de Smet {BIO 16272635 <GO>}

For instance, the €10 million I referred to of the exceptional coinsurance...

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Yes.

A - Bart Karel de Smet {BIO 16272635 <GO>}

...result a year ago is something in Group Life where we do not have here the same results.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Yes.

A - Bart Karel de Smet {BIO 16272635 <GO>}

The expense ratio and more in UK., I think we've seen in the UK that's on the one hand, the average rates came down, as you've seen year-on-year for the – as it was something like 2.8%.

So it also means that the cost per unit is slightly going up. We also have this restructuring cost. For instance in Belgium, we invest at this moment quite fully in IT for healthcare, but we do not amortize this cost; we take it fully in expense in the year of where we made the cost (1:11:00). But we continue to follow up the costs based on the cost ratios, which is costs on premium in Non-Life and costs on – liabilities in Life.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Very good. Thank you.

Operator

And there are no further questions in queue.

A - Bart Karel de Smet {BIO 16272635 <GO>}

Okay. If there are no further questions then I would suggest then please... (1:11:41)

Operator

We actually got one question right now from Martin Fahey from Investors Group. Mr. Fahey, please go ahead. Your line is open.

Q - Martin Fahey {BIO 2146239 <GO>}

Sure. Two quick questions. In the context of interest rates remaining low over the next few years, how do you think you will distinguish yourself?

And secondly, could you just talk about the overall group in terms of strategy, with your exposure to different countries and different markets and whether we're likely to see the same Ageas in three to five years' time as we see today? Thanks.

A - Bart Karel de Smet {BIO 16272635 <GO>}

Antonio?

A - Antonio Cano {BIO 16483724 <GO>}

So, on low interest and how we can differentiate ourselves. Well, first of all it is important to recall that on our Ageas book of business, the impact of current low interest there are fortunate to have a very, very good matching.

Going forward, obviously, if interest rates remain where they are for years to come, first of all, we believe that customers will get used to having these lower rates. We might see appetite in unit-linked products coming back. How can we differentiate ourselves in such a context? I'm speaking about Belgium.

I think, in terms of efficiency, so expense ratio in this Life savings business, we're amongst the most efficient if not the most efficient in Belgium, which you will appreciate is the more important as interest rates drop, this small advantage we might have in the expense ratio has a heavier weight.

And then, we try always to differentiate ourselves also with the quality, the cover of products we have. Some innovative products that are out there, it's true to say that the appetite for these products is not always that large. But I think in terms of product offering, we have a lot of things to offer and that is, in a nutshell, how we try to differentiate on individual market.

A - Christophe Boizard {BIO 15390084 <GO>}

But I'll give you another element maybe. The fact that when we are in a very low interest rate environment, there is a risk when the interest rates go up and in that respect, in

Belgium, we're more protectors than in some other country I think that so I elaborate a little bit on this.

A - Antonio Cano {BIO 16483724 <GO>}

Yes, so on the – my answer was more in the context of assuming that interest rates will remain low. Now, should interest rates increase, we have in Belgium on the bulk of our products so-called market value adjustments, so in fact, the surrender values would carry the cost of that higher interest rate. So, we're also protected against a spike of interest rates.

Some words also on the Group Life business in which we have an important position in Belgium. There's a bit more longer-term business. Also, the asset portfolio is slightly more tilted to its longer durations.

We see there that the current government in place in Belgium seems to promote these types of products, where we have a strong position and there again, we differentiate ourselves from our Belgian colleagues in terms of efficiency and our systems and flexibility. So, we are well-positioned in that market.

A - Bart Karel de Smet {BIO 16272635 <GO>}

Okay. Then the second question, the strategy. Of course, we announced the strategy in 2009. We slightly formulated differently and made it more concrete in 2012 with our vision to 2015.

And we announced also at the Investor Day in London in September that we will build the Investor Day in September next year around our strategy beyond 2015 combined with more details about our positioning towards Solvency II.

So we stay an insurance company active in two continents, Europe and Asia, where we expect our entities to be an important player in the market, yielding sufficient return on equity and also, contributing in a fundamental way to the results of the Group. And that, in most of our countries with very strong partners that bring us the distribution. So I think we have been leaving six countries since we started in 2009.

We recently decided to sell the UK Life activities with a cap gain. We restructured our activities in France to make it more lean. We doubled our presence in Portugal and Italy to have a platform to grow in these markets. So we continue to follow the way we have designed, but maybe it will come with some changes limited ones, more drastic ones where we announce the strategy beyond 2015, but it's too early to give some color on that.

Q - Martin Fahey {BIO 2146239 <GO>}

Okay. Thanks.

Operator

And there are no further questions in queue. And with that, I would like to return the conference call back to the speakers.

A - Bart Karel de Smet {BIO 16272635 <GO>}

Okay. Ladies and gentlemen, thank you for your questions. To end this call, let me summarize the three main conclusions. The third quarter insurance and Group results, driven by a good operating performance from all of our insurance activities and helped by positive financial results in China and Belgium. Shareholders' equity reaching historical heights, because of the continued increase of the unrealized gains on our fixed income portfolio. And lastly, we are diligently executing the share buyback program announced in August. With these conclusions, I'd like to thank you for your continued interest in Ageas and for joining us for what I recognize is a busy results day. Thanks for your time and goodbye.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you very much for attending. You may now disconnect your lines.
