Q2 2017 Earnings Call

Company Participants

- Dieter F. Wemmer, CFO & Member of Management Board
- Oliver Schmidt, Head of IR

Other Participants

- Andrew Hughes, Insurance Analyst
- Andrew James Ritchie, Partner, Insurance
- Arjan van Veen, Executive Director and Equity Research Analyst of Insurance
- Farooq Hanif, Head of Insurance Research in Europe
- James Austin Shuck, Director
- Johnny Vo, MD
- Michael Igor Huttner, Senior Analyst
- Nick Holmes, Equity Analyst
- Paul De'Ath, Analyst
- Peter Eliot, Head of Insurance Sector Research
- Thomas Seidl, Senior Analyst
- William Hawkins, MD, Head of European Insurance Research and Senior Analyst

Presentation

Operator

Ladies and gentlemen, welcome to the Allianz Conference Call on the Financial Results of the Second Quarter 2017. For your information, this conference is being recorded.

At this time, I would like to turn the call over your host today, Mr. Oliver Schmidt, Head of Investor Relations. Please go ahead, sir.

Oliver Schmidt {BIO 2473131 <GO>}

Thank you, Abbey. Yes. Good afternoon from my side as well. Welcome to today's conference call. Before I hand over to Dieter, let me apologize for the delayed publication of our documents this morning and any inconvenience this may have caused.

Well I hope it was worth the wait. And all the highlights you'll get now from Dieter.

Dieter F. Wemmer {BIO 4755450 <GO>}

Okay. Good afternoon, to everybody on the call. I'm running through our presentation relatively quickly. And then we have enough time for the Q&A session.

So let me start with the half year summary. I think the group started really excellently into the first six months. Our operating profit in Q2 is matching almost, I think, to EUR 2 million or EUR 3 million our Q1 operating profit. So we're ending up with EUR 5,860 million for the first six months. I will not comment in the middle segments here because I do this when we go into the details of the Second Quarter. With EUR 3.8 billion of net income, I think we have also a very good start into the year, some 17% higher than last year. And I think at the end of the presentation, we will then also a bit discuss what does it mean for the full year outlook and what are reasonable expectations.

So let's go into the Second Quarter in more detail. Revenues, flat EUR 30 billion, 2% up; shareholders' net income, 83%, up to close to EUR 2 billion; and operating profit at EUR 2.9 billion. The sharp increase in net income, 83%, well, that is based on a 22% increase in operating profit. And then no negative news as we had a year ago. Last year, we had a number of write-downs on equities and we had booked Korea as held for sale, which dampened the Second Quarter '16, I think, by some EUR 200 million in net income. But like-on-like, a 23% increase in operating profit rates. And you will see with very strong performance of the segments and only a very small impact of one-offs.

Let's first have a look on the balance sheet. Equity, EUR 64 billion. Yes. It is EUR 3.5 billion down compared to quarter-end '17. However, we paid out EUR 3.4 billion as a dividend. We executed another EUR 1 billion of our EUR 3 billion share buyback in the Second Quarter. And we had a EUR 1 billion impact of the weaker U.S. dollar. And that's then, of course, offset by EUR 2 billion net income. So that explains actually the movement in our net capital. So it's mainly a return to shareholders.

The solvency ratio is reflecting that our balance sheet is really in a very strong position, 219%. And as you all are aware, our management range for the solvency ratio is 180% to 220%. That means this 219%, we are clearly at the upper end. And please, as a little reminder, the EUR 3 billion share buyback is already completely deducted from our solvency ratio. We did this at last quarter. And we will continue to spend some money by year-end. So the share buyback is not only out of the solvency, it will also, in cash terms, soon out of the door. We also have further accrued the dividend for 2017. So when you have in a quarter EUR 2 billion earnings, then the dividend accrual, as there's a 50% mark, EUR 1 billion.

Our key sensitivities. I think there are good use because we can directly test what we published as key sensitivities in Q1 and see when we move to the next page, whether we can use the key sensitivities actually to calculate how our solvency ratio moved during the quarter. And it is actually when you use the movement in interest rates as well as the movement in credit spreads and you interpolate with our disclosed sensitivities, then we have actually a 4-4 split of Solvency to ratio movement. So it's a 15% or 15 basis point movement of the 20-year euro swap and a 30 basis points tightening of our core sovereign spreads that gives you each 4 points. And that explains the solvency movement.

Yes. That would end up with 8. We had one negative, which you can't delete from the sensitivities. We lost EUR 1 billion, as I mentioned, from the weaker U.S. dollar in our consolidation. And that EUR 1 billion is then obviously not covered by sensitivities. But that explains very much what happened into our solvency numbers during the quarter. Also may be interesting to observe is it is mainly a reduction in risk capital, where the own funds stayed pretty stable.

So then let's move to the first segment, our P&C segment. Yes. We have continued really great growth from our Allianz Worldwide Partners business. This 20% plus clearly continues the success story of previous quarters. It's strong growth in the travel business, a lot of U.S. travel is included here. But also we have expanded our network and service capabilities in the Middle East for our international Health business. And that is the other pocket of additional growth compared to previous years.

The overall number with 0.6% is maybe a bit disappointing. I have only to give here 2 explanations. I think, by and large, our businesses are continuing to be in good shape. But Turkey has a forced reduction in premium volume as the government reduced the motor tariffs by 30%. And as we are the market leader in motor, that, of course, is also visible in our numbers.

And in our large corporate business, AGCS, we have not done in Q2 any big structured deals. We had, for example, last year some EUR 200 million in our premium number. But this is a lumpy business, which comes not really exactly quarter-by-quarter. So over the year, we are not seeing this as a big setback. The other reduction in AGCS, our participation in the crop business in the U.S. that's run off in the First Quarter. So we don't have any crop premium booked. That is then visible not only in the premium income of AGCS, actually it affected also their expense ratio negatively as this is a low expense business. But I'll talk about the expense ratio a little bit later in more detail.

Coming to Page 13. I think we have a great story on our operating profit in Property-Casualty segment. Underwriting results substantially up. And I explained the movement of the loss ratio in detail. But what I like the same is actually that investment income stayed pretty much at last year's level, which I think is as important as the good underwriting result. So let's talk about the underwriting results. We have a 93.7% combined ratio. So we should be very happy that we are below our 94% target. That is -- I think we are moving in the right direction. But we are not yet fully at our 94% target.

Actually, to keep the story short, the underlying loss ratio in our calculation improved 1.7percentage points compared to last year. We have a good improvement. But that is hard to say whether it's normal. I think we are at the moment at a relatively normal level of weather-related losses and large losses that is about the 5-year average. So lower than last year. Last year, we were above the average. And cat is, with 1%, clearly below our normalized assumption. But I think we are still on a very good level.

What we don't like is the development of our expense ratio. Yes. There are always explanations why the expense ratio goes up. But I think that is where Allianz will clearly spend even more focus on to drive it in the right direction. It doesn't harm a great result in the Second Quarter. But as a level, it's not good enough for our mid-term ambition level.

So moving to the individual OEs. Actually, the operating profit is carried by a broad base of units. Combined ratio could be well spread. Actually, we have -- since I am presenting the numbers here, the smallest share in businesses above 100%, it is just Latin America left at the moment. And there, it's mainly Brazil. We are -- that is just 3% of the overall portfolio that means 97% are below 100%. It's actually another way to explain why our overall performance is so strong.

Moving to the investment income page on the P&C business. I mentioned already interest and similar income even a little bit higher than last year. The Second Quarter benefits also from the dividend income out of stock investments, which will not be this strong in the third and the Fourth Quarter. But I think we are doing well with our well-diversified investment strategy because when you look at the upper right-hand side of the chart, the plain returns on fixed income investments are still continuing to fall slightly. So duration is very much unchanged. Cash flow into the segment, I think, is fine. We have a slight increase in our asset base. So I think actually all parameters for the P&C business in very good shape.

So I have described the P&C business already in good shape. So now I have to find the right terminology for our Life segment. It's actually in better shape than the Property-Casualty business, 3.4%, new business margin. Our strategic product shift mix is actually well established. Yes. The trends are now very much variations quarter-over-quarter. Second quarter, we had much stronger sales on unit-linked without guarantees. Therefore, they have dominated and increased in their overall share. But I think that we are playing between these segments, capital-efficient products, the unit-linked without guarantees and protection and health, gives me really a lot of confidence that we are clearly hitting our strategic targets in the Life business. Maybe it's also one of the reasons that the capital consumption, as you could see in the Solvency II waterfall, that we are not consuming a lot of additional capital over the maturing old businesses.

And 3% growth in new business is not a big number. However, when you see that we had to drop -- to compensate a drop in the U.S. of 22% in new business volume compared to a year ago, I think the 3% is a strong number that our overall segment is really in a good shape to compensate when one of the OEs has a weaker quarter. And in the U.S., we probably have not yet fully adjusted in the new world post the DOL rule implementation. And I think that is actually still our upside for the quarters to come. So also here the Life segment in very good shape.

And let's now move to the operating profit. Operating profit, EUR 1.1 billion, strong movement from the loadings and fees. Actually, the investment margin is, as a base point margin, completely unchanged to a year ago. The EUR 38 million plus is just equal to the underlying growth of the reserves you earn your margin on. And the technical margin, plus EUR 70 million, is a return of the technical margin more to a normal level. We had last year negative one-offs. Therefore, that is the main driver of the EUR 70 million. Maybe EUR 50 million is one-off, EUR 20 million is improvement of the technical margin.

Still, we don't want to oversell our Life business. So therefore, internally we calculate all the assumptions a little bit tighter and we see more a flat EUR 1 billion as our underlying normalized profit number for Life and then growing, of course, with the new business evolvement and reserve costs. So it is not that we see it as a flat number for the future but as a basis for building on with reserve and new business costs. And with the new business value we have generated last quarter and also the First Quarter, we are hopefully slightly conservative for the future. But that is better to outperform than to underperform.

I will then go again also for the segment into this split by country, Page 23. EUR 469 million new business values, broad-based support. When I complain that U.S. was falling a little bit short in new business volume, where they continue to grow is actually a new business value because the margin is so much better than a year ago that we could also compensate for a 20% reduction in volume. A very nice development in new business value in Italy and France, substantially up. But also our Asia Pacific, I would say now unleashed from the burden of Korea, starts to excel in growth and new business margin. And also our smaller units are producing very good additional value growth number. So that EUR 469 million is, I think, a new top position for the Life segment of Allianz. And that's in a yield environment which is certainly not pretty.

Usual page on the investment margin. I think I have already mentioned everything. Also in the Life business, we see a more or less unchanged current yield. And last year, it was 110 basis points to use a second digit. And this year, it's 109 basis points. So we are -- we dropped 1 basis point. The guarantees also dropped 1 basis point from 53 to 52 basis points. So very much unchanged picture. And that explains why the absolute euro investment margin grew by a good 3.5% to EUR 1,035 million.

I would also like to point out that with all the ALM management we are doing but also with the help that Korea is out of the books and interest rates went a little bit up in the first half year, our asset duration in the Life segment is now slightly ahead our liability duration. That is not taking out interest rate sensitivity in our solvency calculation. First of all, duration is only an average measurement. And our duration matching is clearly much better for the first 30 years than anything above. Plus additionally, a Solvency II calculation has a lot of second order effects. Even when the duration matching would be perfect for 70 years, there would be still interest rate sensitivity remaining because the diversification between the various risk classes is always varying these interest rate levels and that you can never get out of the system.

So Page 27, I think a needed advertisement for the German life insurance industry. There was in our last conference call was -- we had very interesting discussions about SFCRs. I actually made the comment that I am not really very excited about it. But at least I think we've got very detailed and written confirmation where the industries of the various countries are standing. And when I compare the countries among each other, the German life insurance industry looks to me really good. And what we have put here on this page are actually the market share buckets in the various categories.

So in the top category, where we are a strong contributor and we're in total 56% of the market is, it's the category above 350%. On the right-hand side, you see that when you subtract the balance sheet transitionals, only 34% of the market in this category, including our sales as we are not using the balance sheet transitional. But overall, only small shares of the market are below 100% without the balance sheet transitional. And when you do this in other large life markets, I think the numbers look a little bit different. Therefore, all this bashing of the German life insurance industry is maybe not enough fact-based. And I would consider a rethinking of this one. But that is also from our point of view, your argument, which we have discussed in many meetings, that we have to rescue everybody else has from this slide on no basis.

And with this, I would move to the Asset Management industry and our segment and our performance in the Asset Management industry. Yes. Assets under management, flat at EUR 1,400 billion. A tremendous inflow of EUR 55 billion got eaten up by the weaker dollar. So we show a flat AUM but have to say that the inflows, in particular for PIMCO, were at a record level. We have the EUR 51.6 billion. It is all in normal PIMCO product, EUR 51.4 billion went into what we have defined some years ago as nontraditional products. And even on the traditional, that is the Total Return Fund and similar, we had a net inflow of EUR 0.2 billion, which is, I think, an interesting footnote to make.

EUR 50 billion, I think it is EUR 20 billion was -- or almost EUR 20 billion was a single mandate that is a long-term fund and certainly not fully paying the average fee. But the rest, as you can also -- when we look at the fee development, is paying the average fee we are used to in the PIMCO business. And clearly, PIMCO's performance on a 12-month basis, on a 36-month basis is clearly supporting the inflows. Yes, I know there are some funds in the U.S. who are advertising even bigger inflow numbers in the Second Quarter. But they are 100% passive. Here, this is 100% actively managed Asset Management business. And that puts, I think, PIMCO at a very exceptional level in the Asset Management industry.

So not to forget it, Allianz Global Investors, EUR 3 billion inflows. It's actually a pretty good number for the size but also for the business mix Allianz Global Investors has. And we are also very happy that they continue to contribute to our success story in the Asset Management space. When we translate this into revenues, 4% up for Allianz Global Investors, 8% up for PIMCO and 8% up in total is then the basis for a strong P&L of the quarter. Because when you have 8% more revenues and expense is overall a little bit down, that clearly tells you that profit growth will be bigger and the 17% profit growth coming from PIMCO, we are in really good shape. Another 2018 strategic target was for us to bring PIMCO to a turnaround and below the 60% cost/income ratio. I think with a 58.8% in the Second Quarter '17, that is a good start for next year's 60% target. So another opportunity maybe to have some outperformance.

Moving just to the corporate segment. There is actually not a lot of things which happened, very uneventful quarter with some little movement. Central costs more or less unchanged. Some better investment results from the strong central cash buffers. And that explains most of the numbers in our corporate segment.

When we then move to the summary chart. Nonoperating items is almost a flat number. Realized gains making up for the -- actually the debt -- the input cost on our external debt. And we have booked EUR 150 million restructuring charges that is for one restructuring in Germany but also for our central technology company. The impairment figure of EUR 59 million is fairly low and includes the write-down on Banco Popular. The rest of Banco Popular is in our Life segment. Maybe I don't know whether this is a question on your list. We had, beginning of Q2, an exposure of EUR 116 million out of Banco Popular stocks. With the action of the banking facility in Europe, that got written down to 0. And we have shown partially this write-down here in the corporate segment impairments. But the rest is in the Life segment. And I think post taxes, because the event is fully tax-deductible, I think. And in some parts, we have also policyholder participations. I think net is it's some EUR 45 million, EUR 43 million -- EUR 39 million that's net-net.

The effective tax rate in the Second Quarter is 27%. We have some tax-exempt realized gains and losses. Therefore, the rate is low. And also the Spanish impairment, as we had assumed that it is not tax-deductible, we had actually taken a careful view in Q1, which now got reversed in Q2 with the final write-down of Banco Popular and that supported also our low tax rate. When we talk about taxes, I think in our half year 2017, we have also moved forward in what we are seeing in the last year. So already a consumption of our tax loss carryforwards. That means actually that from a cash point of view, our paid income taxes are actually lower than our accounted income taxes, another source of additional cash flow beyond the dividend paid by our subsidiaries.

Then another extra page for our usual run-through, Page 39. Today's announced deal between Allianz U.K. and Liverpool Victoria. I think that is, from a strategic point of view, a very interesting activity. On one hand, I think we are moving forward in our positioning as a strong customer-centric insurer because that is what LV gets told and awarded for in the U.K. industry for great customer service. On the other hand, I think we do hear a deal to create industry logic, that the industry needs more consolidation because scale really matters. The transaction looks a bit complicated. So let me explain it a little bit.

In step one, we are acquiring 49% of LV's P&C business. Additionally, we transfer parts of our retail business to the LV carrier. So all the motor and homeowners business. And on the other hand, they will transfer out their commercial business because Allianz U.K. will then fully focus on commercial business. So actually, another GBP 300 million of commercial business will also for us create nicely scale on our commercial business. And in retail, we are transferring most of it, what stays back is our Petplan business because that is anyway not running under the Allianz brand. It has own product brand, Petplan. And it would not make any sense to combine it. There would also be no operational additional synergies.

So I think going forward, we create really a market position of scale. When you just add in commercial and retail, the premium, you come up to on a 2016 pro forma basis to GBP 3.7 billion. When you think about that Allianz is also writing large corporate business and credit insurance business and assistance business and some travel insurance, probably when we add up all our P&C premium, that will then probably end up with the #2 in the U.K. market. But we have not done this because in the end, it has nothing to do with the industry logic we are creating here. It is the scale for investments, for bringing know-how together and really creating a great service platform for customers.

What did we pay? For 100% of the business, it would be GBP 1 billion so that it's roughly on the business -- this one at around 95% combined ratio. So when you see how the market is moving at the moment in motor. So the estimate is 11x earnings based on 2018 numbers. The deal is fixed at 130% solvency ratio. And that means the acquired business stand-alone solvency ratio under standard model. So I'm not talking about moving the standard model to an internal model. But already, the diversification effect in our group model from a local 130% gives you a substantial diversification as it is almost all underwriting risk and it is probably ending up in the group model at 200% roughly. So that is -- therefore, it's really -- the only consumption of solvency, what the deal makes, is the goodwill we have in the transaction. So we acquire first 50%, then 70%, then we go up to 70%. So the goodwill on a 100% basis, to use round numbers, would be about half. That is just for the GBP 500 million. That means even for the second step for 70%, you have 70% times GBP 500 million. So GBP 350 million goodwill. And GBP 350 million goodwill is roughly 1percentage point in our solvency calculation.

And maybe something I have forgotten to mention. As we have announced the completion of our bank disposal in Germany, Oldenburgische Landesbank, we expect this deal to close also by the end of the year. That gives us actually in the Solvency II calculation a good EUR 300 million free-up. So I would say closing the deal with Liverpool Victoria and closing the bank disposal will roughly give a wash in our solvency calculation.

And that is, I think, more or less the end of my presentation. Then I would come to our Q&A. I'm really looking forward to it.

Questions And Answers

Operator

(Operator Instructions) And we will take our first question from Michael Huttner with JPMorgan.

Q - Michael Igor Huttner {BIO 1556863 <GO>}

These are amazing numbers. So I don't have any questions or not very big ones. The first one, already detailed, Turkey, the combined ratio was stable. But prices were down and you're a market leader in motor. So why? Maybe on Brazil, you could say when you think you might actually reach the combined ratio breakeven, I think, the figure was 107% in Q2. Then the third one is the U.S. turnaround. So we had Fireman's Fund and you had bits of losses last year in Q1. With the AGCS at 97.4%, is the U.S. part of that also breakeven?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Thanks very much, Michael, for the question. I think on Turkey, your observation is fully right. This decision to cut the prices that is going into the portfolio, of course, only with the annual renewal, there was no fixed date that we had to change all the prices for the customers. So the combined ratio will certainly go into the wrong direction month-over-month. In operating profit, we make up with strong investment income. But I think for 2017, it will be still okay. 2018, Turkey will certainly be more under pressure. On the other hand, I have to say we are the market leader. We have a pretty strong expense base. We are very efficient in the market. We also can, with agility, move stronger and close to other line of business, et cetera. So there are a lot of counter measurement. I believe there will be almost a cleanup among competition when the government is keeping this rule too long in place. And when the pressure on other competitors is becoming too big, I assume that the government will then also reconsider. Then we should also have some benefit from this. Brazil was on a very good rate. But I think I mentioned already last time that we have written 2 large contracts, which are unfortunately not helpful for reaching the target below 100% combined ratio. And therefore, we see a delayed development there. We have to get rid of the 2 contracts again. And then Brazil should be there. Fireman's Fund has actually still higher combined ratio than the average. But it got much closer to the average and it is playing, I think, just below the 100%. It is still the expense base is still too high because we need still to pay for too many IT systems. And the full completion of the new IT platform will only be in 2020. But loss ratio development very much on track. And we are quite happy that we did it. It is not a sick leave exercise. Before you create this impression, I think it was really a fundamental turnaround of the business and bringing operation and also underwriting to the level which is equal to the Allianz quality.

Operator

And we will take our next question from Peter Eliot with Kepler Cheuvreux.

Q - Peter Eliot {BIO 7556214 <GO>}

The first one is on your Life ROE target of 10%. I mean, you're approaching that for all of your businesses now. But also you've got a number of businesses that are substantially above it. And I'm not wondering whether 10% is the right target for those. I mean, in the case of Germany life, that still comes with a very high Solvency II ratio, as you've shown. And I'm just wondering how much you can work on some of the better-performing businesses and whether, for example, Germany needs to be that well-capitalized. The second question...

A - Dieter F. Wemmer {BIO 4755450 <GO>}

So go ahead. Yes, I was already jumping the answer, yes, sorry.

Q - Peter Eliot {BIO 7556214 <GO>}

Sorry, I was taking too long. The second one was on M&A. I mean, you've highlighted that the deals don't really move the dial in terms of Solvency II. So I guess my assumption is that today's announcement doesn't really impact your appetite for any further deals. I'm wondering if you can sort of concern that and give us sort of any hints at how you might otherwise prevent the ratio going above the top end of the range.

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Very good. Let's start with the Life ROE. Our 10% number is not an average number. The 10% number is clearly a benchmark for every of our Life OEs and say, "When you want to stay with your Life business long term in the Allianz family, you are better above 10%." So it is a minimum hurdle to participate. And the average is, of course -- actually, I don't know the number for Second Quarter. But I guess it is some 12%, 13% around without doing more precise calculation. The one who are still missing on our -- for six months, it is 13%. So I guess it's even slightly better than for the Second Quarter. There is still some of the big ones missing. But when you look at the SFCRs also of the other Allianz subsidiaries. And I'm sure that some of you have done this, we are -- actually, we are very well capitalized and can further stream up capital from these entities. And then they are also in the 10% category. The new business consumption is not this strong from a capital perspective. So actually, Oliver just gave me the Q2 number. We have 14.2% was the average Life ROE number for the Second Quarter. I'm not saying that we will achieve this every quarter. But clearly higher than 10%. M&A, yes, when you look at our Solvency II numbers, our Solvency II numbers are just saying we have accrued EUR 1 billion for the dividend this quarter. That is the dividend to pay it next year. And still, we have generated 7 points. 7 points means rounded EUR 2 billion excess. So we have EUR 2 billion actually already generated this quarter. We could do something. And I think the deals are driven much more by what type of deal is available, what deal can you do at reasonable prices because you can say we paid a full price for Liverpool Victoria participation. I think with the opportunities included in it, it is clearly an accretive transaction. And therefore, when we find similar deals, then certainly our appetite is unstopped. But you also see, it takes quite some time to find the right partners here. For me, very important is that we are also prepared for creating scale to put all this industry logic that large-scale business helps service to the customer. Modern digital processes is more important that we get everything 100% and can put our Allianz brand on it.

Q - Peter Eliot {BIO 7556214 <GO>}

Okay. Could I perhaps just come back quickly on the first point? Because I guess my point was when I look at the returns at the Life division and how those could change going forwards, I'm thinking that actually it's probably the regions which are above -- already above 10% that possibly can contribute to further improvements more than those below 10%. Perhaps it's the wrong answer is to look at the ones below 10% for improvement. I'm wondering if the other divisions could actually be made even more efficient?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Then, sorry. I really missed your point. I think the 2 big contributors above 10% are our German Life and Health business. I'm -- yes, certainly, we always try to optimize. But I think that model is probably more growing at current level. It's -- whether this creates much more ROE and IFRS terms. Well not sure that this would be the focus where we find the biggest improvements. But certainly, very safe on the performance and I also don't see too many changes here coming forward. Certainly, the U.S. is probably the business of scale where I would see also good opportunities for further growth and expansion. And our Asian business is, yes, well, it's still needs some years to get really to scale. But from a dynamic, in very good shape.

Operator

And we will take our next question from Thomas Seidl with Bernstein.

Q - Thomas Seidl {BIO 17755912 <GO>}

First question on Liverpool transaction. I wonder how you would describe the strategic fit, Dieter. Allianz stated a risk grew last year from U.K. motor because of the competitive pressures you are now the largest reinsurer of Hastings and now with this transaction you will reenter, probably, the most competitive space in the insurance market globally U.K. motor, which runs at Liverpool at around 96% combined ratios. So I wonder what the strategic fit is also in the commercial line side you're acquiring a portfolio, which ones well above 100% combined over the years. So not really profit-making. But that's my first question. Second, you already hinted at this valuation, you're paying 2x book and then I look at your implied PE, you expect Liverpool to improve 10%, 15% of earnings compared to the last 2, three years. So are you not at a risk here buying at the peak level into this venture? And the third question, a very important one, I think, for future earnings. You already commented on the stability of the regular investment income, 2 bps down in P&C, 1 bps down in Life. This compares -- this is quite a contrast to previous years when you always had like 20%, 25 % drop in the regular yield and this despite falling reinvestment yield. So what's going on? Why can you now all of a sudden keep regular yields stable?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Okay, I think that's a good question, Thomas. And I think up the challenge. So first of all, I think we withdraw from a motor direct market with Greenfield activity where here, we are investing in a scale business. Clear, very good customer position, plays very well in the aggregator space and makes money. Are we investing at the peak? Well I think Ogden is in the balance sheet and the rate prices in the market are actually at the moment pretty good. I think when you read the half-year announcement of the direct insurer. And I'm sure you have seen it, whether you look at direct line or insurer yesterday, actually, the trends for the U.K. motor market are at the moment very strong. That means in the transition period, when we have to do the improvement of systems and creating the synergies, the market is supporting this very well. The 90 2016 combined ratio of LV in total was when I take out Ogden 94.1% or something like this that includes the commercial business. And in commercial, I think our organization is pretty strong. We do hear a renewal right transfer. That means we will include it in our more efficient operation. We will include it also in our underwriting processes. And we have no doubt that we get this then also to the right numbers. So I feel this actually as a very good opportunity. And also now as -- from a portfolio point of view, investing at the moment into British pounds, I think is also a reasonable timing. The stable P&C investment income.

Q - Thomas Seidl {BIO 17755912 <GO>}

And Life?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Yes. And Life. Our investment income is not only driven by the fixed income rate. We are talking every quarter about our growing investments in alternative investments. So when we are growing above EUR 110 billion, EUR 120 billion, we have today announced another large transaction together with a Canadian pension fund we have bought for EUR 1.5 billion a Spanish gas pipe -- our share in a Spanish gas pipeline network, the Canadian stayed $1 billion, we paid EUR 500 million in the transaction. So that is another example how we generate cash flows. But also, the dividend flow from the stock investments, which come on top, are also pretty good. And I carefully mentioned, I hope at least I did, that the Second Quarter might have some isometric or a periodical because in the Second Quarter you have more dividend income from European stocks than you have in other quarters. So therefore, in the third and Fourth Quarter, I would still expect some decline. But not as pronounce for the whole year as you rightfully mentioned for the previous years.

Q - Thomas Seidl {BIO 17755912 <GO>}

May be one follow-up, if I may. On the Liverpool deal, their policyholders not need to approve this transaction, Liverpool being a mutual?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

The P&C Company is being held by the Life company and the Life company has approved it. And you are right, there is policyholder, a fund committee in the life company. And of course, they have approved the transaction.

Operator

And we'll take our next question from James Shuck from Citi.

Q - James Austin Shuck {BIO 3680082 <GO>}

I have 3 questions, please. Firstly, on the Solvency II capital position. So your target is 180% to 220% and you've accrued for everything and you're still blowing up at the top end of that range. My question is really about at what stage will you run the company at the midpoint of that target range? I think your argument in past has been, "well, the world's a bit risky. Our balance sheet is bit volatile, we prefer to keep some flexibility." At what stage is -- does that change? Is it sort of 2, three years we actually see you move down to the midpoint of that range? What needs to actually happen for us to get there? That's the first question, please. Secondly, on the Liverpool Victoria deal, just in terms of conceptually, I think it's quite interesting seeing a mutual do something like this. And I'm wondering if you look around the rest of Europe, is this something that if it works well that it'd be good advertisement for Allianz able to partner up partner up with other mutuals? Do you think other mutuals in Europe might look to try and release some capital from the non-Life businesses in particular? Then thirdly, I just like to get your thoughts on the GDPR. Not so much in terms of kind of data integrity and what happens if someone hacks into your systems. But more in terms of how it might actually be used as an opportunity for you? I'm thinking about the portability of data and whether that might mean you can partner with banks, with other commercial enterprises in order to use that data and to be able to sell into their networks.

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Okay, that are a very interesting questions, James. Well when we would move to the midpoint that would actually mean we have to give up the range and just say it is 200% and full stop. I would actually see, going forward much more depression. Can we move the range to a maybe potentially smaller range and/or can we move the midpoint downwards? That would be more a discussion, I think, going forward has some likelihood. At the moment, yes, when we could invest in good deals and when other mutuals would call us and ask for similar transactions when the terms are reasonable and good and create accretive transaction, we would certainly invest more than 2 points of our solvency ratio into it. And I think, that is actually also divesting to make our solvency ratio less volatile is by clearly expanding the underwriting risk. Therefore, the LV deal is, I think, actually for the size of the deal, we are talking already too much about it. If you see it as a prototype and more opportunities, then I would love to see it as a starting point for similar developments. And 5, 10 points of solvency ratio in such deals would be a really great use of capital. The GDPR is a very complicated exercise for all, well, not only for financials, actually, for all companies who have customer data. We have built up a large project to be able to be compliant with everything. And I think we will be. This isn't a business opportunity that is an excellent idea we should follow-up on. At the moment, it is much more the fight, are we ready in time, because it rules up partially, it is the usual rough idea, it starts with a good concept and then it gets into many costly details how to implement it. But I take it back to our colleagues and say, can we make a real business out of it? So thank you for the idea, James.

Operator

We will take our next question from Arjan van Veen with UBS.

Q - Arjan van Veen {BIO 5197778 <GO>}

Just a couple of follow-up questions on the LV deals. So in terms of how the deal is structured. How do you extract synergies from the deal? I assume by the renewal rights, you could -- you can do a switch off the parts of the business that are being issued by each business. So the retail business within Allianz and then the commercial business with an LV. Then secondly, in 2019 when you take a majority of ownership, do you then fold in the company's costs together and extract further expense and/or capital synergies?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Yes. Well I think you answered it already almost with your question. The first step has a 2 cost renewal rights that means that we will already use the scale on motor and homeowners on one end. And on the other end, on the commercial business. But the 2-year transition period is allowing also LV to separate their operations between P&C at Life. And we will create in this process also, (poetry) also using some of our P&C software packages, actually a new operating platform for the retail business. So that we create here the right starting points. Then over time, probably also more company-related synergies. But that would be done in a later step. The first two years will be really on creating that specific and efficient operations for the 2 different businesses and run it with more scale.

Operator

We will take our next question from Paul De'Ath with RBC Capital Markets.

Q - Paul De'Ath

Just a few more questions for me. Firstly, just looking at the expense ratio in P&C, this is kind of one area that you kind of beat yourself off a bit on I think, Dieter. And how much of the movement in the expense ratio is actually down to kind of business mix because you talked about in the slide back in the increase in kind of higher expense ratio travel policies, for example. And again, essentially how much is down to that? And if it does down to that, then do you still want to battle against that? Or would you be willing to let expense ratio move up in that situation? And that's first question. Second one, on the Life business and the new business margin on protection health was exceptionally good in the quarter. And is that a level in any way sustainable going forward? Or is there kind of something funny going on in there? Then the last question on PIMCO flows. If we strip out the big single mandate. And is -- if $10 billion flows a quarter or a month rather. And the reasonable run rate to assume going forward, do you think? And that's the question.

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Paul, I think out of the expense ratio, it's between 40 and 50 basis points is business mix proportion. And it's also a split -- do we want to accept it? Yes and no. But we still work for an improved expense ratio of more than half a %. Costs and the business mix shift your starting point up, then it's harder to show a visible reduced expense ratio. But I think we'd also see -- we have the one-off as the AGCS premium income was very low. So therefore, I would not take the 28.8% now as a normalized starting point. We have still to see for next year how we get close or below the 28%. The Life new business margin is, I think, is a bit better. There is certainly a little bit of additional improvement from our French health and protection business in it. I think there is a little bit of one-off character included in it. But not dramatic. We have in the pure protection business clearly a new business margin larger than 6%. And what has also improved well is the individual Health business in France, also very strong a new business margin. Our group business is still a little bit of the laggard in this calculation. I think it has contributed in Q2 with some 3.2% new business margin. And there was a little one-off included in this. But the 3% new business margin for the French group business would be our midterm target anyway. So that means the numbers should stay close to this level. PIMCO run rate. Yes. Well it's around $10 billion is probably a good number for the time being. The fight for customer inflows are pretty tough. Will we have every month the same success, I don't know and I can't give you a guarantee for this. But the last 12 months, we have certainly produced a wonderful track record.

Operator

We will take our next question from Farooq Hanif with CrÃ©dit Suisse.

Q - Farooq Hanif {BIO 4780978 <GO>}

Just the 3 questions. Firstly, on AWP, I mean, it's rapidly growing. It's been rapidly growing for years. I'm guessing that the travel insurance growth has to do with geographical expansion. So can you talk a little bit about, yes, what other things like global automotive or other factors could drive above average growth in AWP? Or would you think this is really a kind of the one-off step function in growth? Secondly, on Turkey. What countermeasures are you going to take to maintain the sub-100% combined ratio? And at what point do you start to give up on that market? And lastly, the put option that LV has, could you just go through very quickly what the fair value option is on that, just the details on how that's going to work.

A - Dieter F. Wemmer {BIO 4755450 <GO>}

AWP has in almost every quarter a double-digit growth. The travel insurance will be one of the growing segments of our global insurance industry. And we will always try to build up more market share in this one because we offer, really -- a really high-quality global service network. And there, we will continue to expand. On the book option LV at fair market value, there are not more details to disclose at the moment. And it is also a couple of years out and we will see how the whole thing develops over time and how fast, what options is being triggered or not. On Turkey, as I said before, we certainly also tried to grow our business outside the motor line. And I'm not believing that we would give up in this market. We have worked hard to achieve market leadership. It's operationally. And from the -- our management team, one of our best subsidiaries. And I do not believe that the government or the regulator will win the industry completely. There was certainly a reason why they wanted for -- that people -- general people had more cash to spend and not -- and therefore, reduced motor premiums. But I think that is not holding up forever. And I think we have clearly -- the energy and also the financial stability to stand softer periods in this market that is not a drama for our segment or group. And it is a good opportunity actually to bolster a market-leading position midterm.

Q - Farooq Hanif {BIO 4780978 <GO>}

Can I just very quickly ask? If you didn't write the motor TPL business, what will the combined ratio roughly be in Turkey?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

I think as -- I think Michael Huttner asked why is a combined ratio not well, because the combined ratio lives on the profitable business written in the last 12 months, the change of the system, I think it started in March or April. So we are 3, four months into this restricted tariff. But we will have further increases in the average combined ratio. But it is MTPL. So that means actually full coverage is actually not limited by this tariff. So we will also clearly look that we get more comprehensive coverage business and other lines. So what will be the total combined ratio impact? Yes. It will be some points. And it -- I think best thing is we discuss it in the Third Quarter because then we have another three months of evolvement of the number and see where this. And when it is lifted, then it will turn quickly in the other direction and then it was may be a period of a year where the numbers were more suppressed.

Operator

We will take our next question from William Hawkins with KBW.

Q - William Hawkins {BIO 1822411 <GO>}

First of all, on Liverpool Victoria. I'm sorry if I'm being slow. Can you help understand the comments you made about the consideration? Normally, I would have thought that you're paying EUR 500 million. That would be a consideration to Liverpool Victoria and it would be irrelevant to the capital position of the subsidiary. You're implying that this transaction is also a part of recap of a subsidiary.

And so presumably, some of the money is going to Victoria and some of the money is going into the subsidiary. But bit confused on that. And also, given that, I'm a bit confused that how a goodwill be so high if some of what you're paying is effectively a recap of some. Sorry if I'm missing something, could you explain that?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

No. Will, I -- we pay only to the shareholder and we pay EUR 500 million for 50% rounded numbers. And the deal says they have to deliver to us the balance sheet at capitalized at 130% Solvency II ratio.

Q - William Hawkins {BIO 1822411 <GO>}

What was it at the end of last year? Could you know what were you doing?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

No, not really.

Q - William Hawkins {BIO 1822411 <GO>}

Then, sort of hopefully...

A - Dieter F. Wemmer {BIO 4755450 <GO>}

I must say, for me, that is -- you get a determined a fixed quality of balance sheet. And that is what the price is fixed at.

Q - William Hawkins {BIO 1822411 <GO>}

Yes. Likely. From a business point of view, once this transaction closed at the end of the year, how would you agree you're going to be underwriting retail motor business? Is it then all going to be written immediately by Liverpool Victoria system and people? Or are you going to be in some way very quickly sharing the underwriting process? Can you just explain how the underwriting work from the new joint venture from close? Then lastly, when you're giving your formal remarks in the Life business, you made another passing reference to if we normalize the Life result is down to EUR 1 billion, it's very hard to see why we should be doing that normalization. Can you just try and be clear about where there is some exceptionally good stuff occurring? The only thing you mentioned was Popular. And that was actually a negative.

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Well I think there were some smaller one-offs in the deck. And I'm also maybe a bit less bullish on the investment income. And we had also some positives from the U.S. base split. And when you add up all categories, you end up with EUR 100 million. And look, I'm more like to be a bit more conservative on this calculation than telling you that 1,100 is ready. So worst outcome of a quarter. I think it still gives a very good track record for our business. And when we have around 4% growth rate on our reserve base with the current inflows of new business, that gives, I think, a good growth perspective on this profit. Plus when we stick to current new business margin and volume levels, then I would say that probably, the number -- the profit growth numbers need some little upward direction. But I think we can talk about it when the numbers are expressing itself stronger. I don't need to now start to upsell the business, which has already such a strong performance.

Q - William Hawkins {BIO 1822411 <GO>}

And on the underwriting?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

The underwriting process, yes, I think that will be switched between P&C and commercial, whether it will exactly happen with the closing of whether you need a few months transition period that has to be figured out from now on with the regulatory filing process. Let's see when we get the approval and when then really operationally the teams have moved from one end to the other. Actually, maybe, for everybody's benefit was not good collection, when we exclude from our Turkey combined ratio MTPL, we have a 96 combined ratio in the Second Quarter. Will, did I answer your questions or did I forget any?

Q - William Hawkins {BIO 1822411 <GO>}

(inaudible)

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Okay, next question then.

Operator

We will take our next question from Johnny Vo with Goldman Sachs.

Q - Johnny Vo {BIO 5509843 <GO>}

A lot of my questions have been answered already. But just a couple more questions. Just given the new business margin is above target and you've had significant growth in VMV, are you able to revise your Solvency II capital generation going forward? Then lastly, obviously, there's chat that the Ogden discount rate may be positively restated. Does that have any influence or impact on the purchase price LV? Given I think, they took a charge of GBP 139 million?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Yes. The Solvency II operating production every quarter might slope up a little bit. But I'm not sure that we are now down to this decimal point. We use for a lot of our Solvency II breakdowns still categories in 100 or a quarter of a billion. So therefore, I'm not sure that we can do already this very refined calculation with this mode -- decimal points. LV might have an indirect benefit of it. We don't have a price adjustment clause. However, the capital requirement is 130% Solvency II, when you can release the Ogden reserve, you have a higher net assets value. And that's might certainly help in the Solvency II capitalization. So there is may be some small effect coming out of it.

Operator

We will take our next question from Nick Holmes with Societe Generale.

Q - Nick Holmes {BIO 3387435 <GO>}

Just a couple of fairly quick questions. First one on U.S. Life, could you elaborate this a little bit more on your thoughts about the DOL? And the latest developments there? And also, I mean, clearly, there's been a big slowdown in fixed index annuities, the comparative was very difficult. If you could elaborate a little bit more on the growth outlook for the rest of the year. Then the second question is on German Life. And there seems to be more companies talking about disposing of bank books at the moment. And my question is, certainly not whether you would dispose your bank book. But just the opposite. Whether you might be interested as a consolidator in the industry, if a scope for you to actually participate in that way?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Thank you very much, Nick. May be we should also have a chat whether you like to -- what your view is now of the European SFCR reporting procedures? Whether it's really delivering what we all were hoping for? So -- but let's first go to Life U.S. UL. I think, yes, the large warehouses and the large distribution channels, of course, have the company view on DOL and an interpretation and they have rolled out procedures. But a lot of smaller producers are probably still struggling with the interpretation and are not yet sure what products with -- what presentation can be sold to customers, what is the best advice under it. But we would actually assume that our fixed index annuity business stays at 2 -- at the Second Quarter level. And maybe I give you a few numbers. We had -- last quarter in 2016, we had EUR 1.9 billion volume. In the First Quarter, EUR 1.7 billion. And now in the Second Quarter, EUR 2.2 billion. So it is actually not that UL has destroyed our distribution. The comparison looks so tough for us because we had, a year ago, a really fantastic quarter where we sold EUR 3.1 billion, new business volume. So the like on like comparison looks fair. But when I look at the development quarter-over-quarter that we are again above EUR 2.2 billion, I think that is a good starting point when people get better accustomed to fixed -- to DOL that we can catch up with something between EUR 2 billion and EUR 2.2 billion quarter-over-quarter. The German Life back book disposal that is a completely different line of business. I am personally, I think, more interesting for us, are businesses, which have fast cash flows. And when you invest in the back book, you have first policy to inject capital. And before you can take any dividend out of this back book, you need a young management team and a lot of patience. And I'm not sure that for cash return of yen to a company like Allianz, where we are working a lot to accelerate cash returns and not to slow it down that back book acquisition would be the right business line. And also, you are better off when you can use a level x balance sheet and -- so I think private equity houses are probably the better place. And there are certainly some of them who have consideration around this business model. And that is a good solution for the German market, I'm really appreciating this.

Operator

We will take our next question from Andy Hughes with Macquarie.

Q - Andrew Hughes {BIO 1540569 <GO>}

Thanks for the Slide showing the German Life insurance industry is well capitalized and there're deciding to bail out U.K. insurance industry. So on the LV deal, the bit I don't understand. And is the kind of EUR 500 million acquisition price. And because in the call this morning, when asked LV about the put option, the reason they have the put option is they can assume the value of the put option in their capital, in their solvency. So in their solvency, they're assuming the put option is exercised and therefore, has a capital benefit for LV. And the way you're describing the transaction is, you're only assuming basically no capital for the put option. And I would've thought Allianz would want to assume 100% of the proceeds are paid out for this deal on announcement i.e. EUR 1 billion acquisition from a capital standpoint rather than kind of the EUR 500 million you're talking about. And the second question was on the 130% over 200% as to diversification of Allianz. And Allianz is obviously very big with lots of risks, lots of diversification. And but the fundamental problem for me the capital ratio doesn't mean very much if you can have subsidiaries on standard model 130, which are bridging the ability to pay dividends. And yet the group level you are still reporting over 200%. Is it a better way to look at dividend capacity within the group in the future rather than focus on the solvency ratio, which may not be relevant for dividend paying ability of the Allianz Group?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Thank you. Certainly, the EUR 500 million is being paid for the first 50%, the EUR 200 million -- next EUR 200 million. And that is put option you are talking about, that is the increase from 50% to 70% that's not being paid...

Q - Andrew Hughes {BIO 1540569 <GO>}

Sorry, I misunderstood. The put option is on top of the 20% the first consideration, is that not right? The put option is for the remaining 30%?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

No, no. The put option is for the 20%. That is -- yes, well, it's actually the put option is for the 20% is a forward. And yes, we have completely set aside also for this option some capital. But that is not a big amount. So now with your solvency ratio for the subsidiaries, sure, the dividend paying capability of a subsidiary is based on its solvency position. So when the starting point is 130%. And that is for a P&C business with a low volatility, actually, a reasonable starting point in particular. And you have an Allianz' guarantee on top. That means the earnings of the year can completely paid out. And when we collect our dividends from our subsidiaries, we start with a reasonable solvency ratio. And you are right, most of our subsidiaries are higher capitalized than the 130%. But for a retail business, 130% is absolutely sufficient. From a solvency point of view, that means the earnings they produced in 2018, '19 or going forward, can be then dividended out. And in our cash flow assumption for the group, we assume that our P&C businesses pay out some 85% of the earnings. And our Asset Management businesses, because they don't have a solvency ratio, are more between 95% and 100%. And on the Life businesses, we have a lower assumption that is 70%. On top to this assumption on the dividend paying capability of our subsidiaries, we have still subsidiaries as you can easily follow through from the SFCR report, which are too highly capitalized. And the centralization of this capitalization of the subsidiaries to the center is for us an additional source of cash flow. Altogether, I think we have really a very good cash flow collection. In particular, the share buyback we are at the moment financing is paid out of cash reserves collected in previous years and has nothing to do with the running cash collection from the profits in 2016 and '17.

Q - Andrew Hughes {BIO 1540569 <GO>}

Can I just -- so you're very confident that you won't have to book any capital for the put option and the capital cost won't be much bigger than the EUR 500 million?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

I said we will book clearly the put option in the beginning of the year, hence it is more than the EUR 500 million. But I made this EUR 500 million more as the calculation of the goodwill assumption because that was, I think, the question I tried to answer.

Q - Andrew Hughes {BIO 1540569 <GO>}

Okay, sorry, I was just confused. I'm struggling to see how the capital would not be much bigger than EUR 500 million, if you see what I mean with the, i.e. you'd have to assume 100%. But maybe I can -- I would check afterwards.

A - Oliver Schmidt {BIO 2473131 <GO>}

All right. It's half past. So we have time for one last question please, if there's any.

Operator

We will take our next question from Andrew Ritchie with Autonomous.

Q - Andrew James Ritchie {BIO 18731996 <GO>}

Very quickly, just want to quickly visit the 3 operational targets, new business margin, cost income ratio at PIMCO and combined ratio for nonlife. I guess, a simple question. I mean, you're running above the new business margin target. Is that still the right target? Is there -- or do you think it will trend back at sort of roughly 3% midterm target? On PIMCO cost income, it was below 60 already. I don't know if there's obviously some potential expenses as you expand the business. But do you think it could stay below 60 now? And finally, on combined ratio, I just want to clarify a sort of confused message. But I think what you're saying is, you're running like 3.7, if you normalize for normal catastrophe, may be you're closer to 95. But the expense ratio will compensate -- expense ratio work will compensate for that, hence, the 94 is eminently achievable. Is that the message?

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Thank you very much for the question, Andrew. I think that is for the last question a really good summary of our strategic outlook. Yes, I think that the combined ratio, we have made steps forward to our 94 target mainly on the loss ratio, on the expense ratio that is certainly the missing part. But we will certainly also hear and say as to improve our loss ratio that is certainly, still Latin America and also some small portfolios in the middle countries. The cost income ratio, it was our strategic target to go below 60%. I think that was a target, some of you question whether it is realistic. Certainly, we will try to stay where we are and not going backward. But we will not update our target and our new business margin. I think that the current level is with current interest rate levels defendable. But we will not in particular fight for keeping it at 3.4% because when we get more volume, 3% as the average is a very good number than I actually think we should do more volume because 3% is a pretty strong return on equity or IRR, whatever you use as a long-term measurement in your new business calculation. So therefore, I think 3% is absolutely a great number to write business. But you -- I would more look that we should focus on keeping the new business value strong and try to increase it.

A - Oliver Schmidt {BIO 2473131 <GO>}

All right. That closes our call. Thank you very much for joining. We say goodbye, wish you a very pleasant weekend.

A - Dieter F. Wemmer {BIO 4755450 <GO>}

Thank you. Goodbye.

Operator

Ladies and gentlemen, once again, this concludes today's call. And we thank you for your participation. You may now disconnect.
