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Q1 2017 Earnings Call

Company Participants

- Dieter Wemmer, Chief Financial Officer
- Oliver Schmidt, Head-Investor Relations

Other Participants

- Andrew J. Ritchie, Analyst
- Arjan van Veen, Analyst
- Farooq Hanif, Analyst
- Michael Haid, Analyst
- Michael Igor Huttner, Analyst
- Nick Holmes, Analyst
- Paul De'Ath, Analyst
- Peter D. Eliot, Analyst
- Thomas Seidl, Analyst
- Vinit Malhotra, Equity Analyst
- William Hawkins, Analyst

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MANAGEMENT DISCUSSION SECTION

Operator

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

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

Oliver Schmidt {BIO 2473131 <GO>}

Thank you, Ron. Yeah, good afternoon from my side as well, and welcome to our conference call about the results of the first quarter 2017. I think I can give a brief. We have released our key numbers already last week. We've seen the Analyst Presentation this morning and all the details you will now get from Dieter.

Dieter Wemmer {BIO 4755450 <GO>}

So thank you very much, Oliver. And also good afternoon or good morning to everybody on the call. It's through these (01:02) already old numbers, a week old, but maybe I have

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still a few interesting details for you and I'm also looking forward to an engaging Q&A session.

Headlines. Clear €2.9 billion operating profit at a new record level. I think maybe at one point we will also have a €3 billion operating profit line, but not this quarter. Total revenues up 2.5%. Shareholders' net income is down. However, we have this extraordinary high results in last year on blocked rates, which we realized substantial amount of gains. Our €1.8 billion for Q1 when compare it with the full year results of 2016, it's more than a quarter, so we are well set for continuing our EPS growth even with the same number of shares outstanding, which is not happening, as you know.

So let's go into our solvency ratio because that was not announced last week. 212% is our regulatory reported solvency ratio for end of the quarter. The change to year-end is two-fold. On one hand, we have fully deducted the full share buyback amount of €3 billion. I think as of yesterday, we have executed some €1.2 billion and a little bit, so we are well on track. But our regulator recommended to us when you start executing and you should not deduct pro rata, you should take it all. So, €3 billion is 9 points impact. That means without the share buyback, we would have ended up at 221% that would be for the first time 1 point out of our capital management range from 180% to 220%. So, really a very strong solvency ratio and I come to the details a little bit later.

Also, shareholders' equity 0.9% up to 67.7% and that is also I think a good start into the year. Some movement and unrealized gains and losses, less gains on in particular the Mediterranean government bonds and more gains on equity.

I think the sensitivities for your reading and I'm sure (04:18) part of the Q&A anyway so I shifted now and let's look at our Solvency generation.

We had a really good operating earnings and the operating earnings are by and large close to our IFRS earnings. For the Corporate segment and Asset Management is literally the same. For P&C, it's almost the same; you have only this little changes from reserve discounting in and out. The P&L effects are pretty small of this discounting. And then in Life, of course, all the DAC movements are out, but you have the new business value generation and as new business value had a record quarter in Q1, also we have a record quarter in operating Solvency II earnings.

Market impact is what you expect. Capital management is very much the €3 billion share buyback program and then the accrual for the 2017 dividend because we are following strictly the rule that we every quarter accrue pro rata our potential dividend. And that did lead to a slight – despite the high capital deduction that leads to a slightly decreased (06:00) own fund calculation. This capital is up to €35.8 billion, the main driver is model changes. The model changes are – well, that is a combination of both the regulator ask us to do and the things we wanted to refine. Actually in total, you can say, when you looked at the model changes created €2.2 billion of additional own funds and €1.1 billion of risk capital. If you just divide the two figures, you are getting pretty much to our average Solvency ratio. That means all the changes we do are refinements and we believe better

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matching our business logic. However, the regulator is watching out that numbers are not giving us any additional big benefits.

So now moving to page 9 and diving a little bit deeper into the P&C segment. With close to 3% revenue growth, I think we had a pretty good start into the year. We expect actually that it should in some markets even should go up even more. We had 2% organic growth and 1% from acquisitions from last year that is small Dutch commercial portfolio we acquired and then the Morocco business we invested in.

So most of the organic growth is actually price. Split is more than 1%, so 1.2% is price and 0.5% is volume increase. But it's very different by market, where Germany is really able to push through price very well and Italy, obviously, the opposite with still a very high profit margin, we still see an average reduction of motor premiums in the market. And at AGCS, it is a little bit weaker pricing, but mainly less rising because we really stick to our underwriting discipline. We have a very positive market with Spain, Latin America, Australia, and also Allianz Worldwide Partners where we get both price and also volume running at a very good level, and also Latin America good mixture between price and volume.

Now, turning to page 11, the overall profitability of our P&C business. There is certainly at first glance less underwriting profit, and I come to this in a moment, but what is positive is actually that investment result is keeping up very nicely.

So, let's now look at our combined ratio, 2.3 percentage point worsening. It's, from my perspective, actually hiding a 40 basis points improvement on the underlying. So how do I look at this? Well, on one hand, yes, there was a bit more NatCat in Q1 as being explained here in this little bubble. Then we had more large losses. Large losses is our long-term average, it's actually 3.1% and we had 4.2% in Q1. And then there here is the famous Ogden case, I think you have in the meantime seen this with all of our peers and particularly UK market leaders.

In our case, Ogden cost us in the run-off ratio 0.8% that means when you take out Ogden in Q1, our run-off results would be at 3.6% or a very average run-off results for our group. Hence the Ogden is also expecting slightly the current accident (10:52) year, so in Q1, it has actually cost us 20 base points in our segment number.

And it's not only our UK business, which is paying the Ogden bill, it is also our third-party reinsurance business, which has via excess of loss contracts in the motor (11:19) line but also in other casualty lines, there's some Ogden impact and then not to forget also Ireland is following the Ogden, Holland has also some small impact, although that is for our segment of course negligible.

Going to page 13, the operating profit and combined ratio by country, the biggest Cat events were on one hand, funds had a couple of these mid-sized firms and then Australia with the strong debut, I think everybody has on his radar, is what the biggest Cat event of the quarter, turning our Australian operating profit into the negative, the same as Mr. Ogden turned our UK profit into the negative.

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What is working well is the continued turnaround in Latin America, first positive operating profits in quite some time and showing that our work starts to show, to bring forth (12:43) to what we were waiting for such a long time. I think else besides this weather and cap volatility and some large loss volatility mainly AGCS, but also Germany had some more large losses from the previous year and also funds a little bit.

Italy, very shining results with the low 80s credit insurance. So, Spain continue to show a great story of growth and high profitability, pretty much unchanged by quarter-over-quarter and Allianz growth by partners at, in the international health business as well as in the travel insurance programs, good progress on re-underwriting some of the key relationships.

So I think overall, our combined ratio and the volume development, is much on track with the expectation and when we look on page 15. The investment income actually over delivering in Q1, so that we have actually no concerns about making our outlook number or even a little bit more in the P&C segment this year. Of course, the caveat is always the large catastrophes.

So from this I would directly dive into the Life segment. New business volume nicely up. The present value of new business premium 3% up and together with the new business margins, the first time above our target of 3% to 3.1% creating in total of yearly new high for new business value for our group. And when you look at the mix of the business clearly our capital efficient product stay at a good one sort of it and we see a growing portion of unit-linked without guarantees, protection and health slightly up. So all three together further shrinking the traditional guaranteed savings and annuity business, so very much all pointing to what's the right direction and with this one, I would move to page 19 and a little bit looking at operating profit.

€1.155 billion is a very high number for the operating profit, which can immediately creates a question, how sustainable is it, – is investment margin driven by additional harvesting. It is not, we have certainly as one of the changes is a €95 million swing in the basis risk gain in our USPA business, but the €95 million consist of a €56 million loss in previous year and then a good €30 million plus this year, so actually when you want to neutralize, so if you would deduct €30 million.

And I think there are – we have a one-off catch up in big adjustments also coming from our U.S. business of around €50 million. So, if you want to be very conservative, I would maybe subtract €100 million from the profit in the Life segment, when you compare to a year ago I think actually what I told you before was the current new business value and where we are standing. We are on a stable 3% to 4% profit growth together also with the underlying balance sheet goals in Life, so that is very much confirmed. I would say we have roughly €50 million more sustainable profit this year than we had a year ago, ignoring Korea completely that would come as an additional base effect. So, that our numbers in Life are really going into the direction we would like to see it, and they are really confirming quarter-over-quarter.

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Well, who are the main success stories? So I think that is on one hand Germany continues to grow new business volume, you have seen on page 19, it's a double-digit growth in new business in Germany, new business value is nicely up. Italy shows a growing new business value and that is all driven by unit-linked, and clearly our Asia-Pacific region is really doing very well, and we are producing a very good growth, but also our smaller countries are doing very nicely in this area.

Volume-wise, the U.S. had a weak start into the year. New business volume was clearly down, but we have corrected the new business margin and with 3.9% we have achieved really excellent new business margin. In the first quarter, in April and May, sales start to pick-up and we are pretty sure that we can, over the whole 12 months, just continue the success story of previous years.

Operating profit in the U.S. is it's shining, that it's a ubiquitous (19:26) swing plus the €50 million in debt collection and also – and that is not a positive one-off, but a year ago, we had in the U.S. an additional reserving in the long-term care business, which we did not repeat. So therefore the operating profits in the U.S. was €325 million, that's a very good start into the year which allows me actually to go to our investment margin. We have delivered 25 basis points for the first quarter. Our guidance for the whole year is 95 basis points, that means we have 70 basis points to go for the rest of the year. So actually the 25 basis points, maybe 2, 2.5 basis points above what you would expect any way to achieve 95 basis points for the full year, and as the base risk effect from the U.S. and so that is pretty normal.

I think our net harvesting has a little bit less realized gains than last year, but it has also substantially less impairments than last year, which explains more the net improvement. So it is very much – I think a very stable situation. And our unrealized gains in particular in our equity portfolio and also real estate portfolio have grown in this year and also in the last three months substantially further. So we are far away from harvesting the pro-rata share of the growth in unrealized gains.

Asset Management, so I think we have, during this time, the right order of our segment, that we have clearly kept the best for last. Asset Management segment is benefiting from on one hand a good financial market, so we have in total more than €40 billion more assets under management of which half comes from markets and the other half inflows at PIMCO close to €21 billion of net inflows at PIMCO has really a very strong continuation of what was already looking pretty good in Q4 and Q3 last year. So the trend just continues and I'm also optimistic for the next quarter to go.

And on page 27, you can actually see that PIMCO keeps its profit margin pretty unchanged, and hence the whole results (22:53) in a good increase of revenues of 12% and Allianz Global Investors also benefiting from equity market development. Of course, it's showing a double-digit increase in revenues which gives us for the whole segment an increase in revenues of 12%, and that allows us then on page 29 to turn this into more profit and our operating profit in Asset Management has a 24% jump in Q1 2017, which is, I think, a great recovery of our Asset Management sector and shows that in some areas, active Asset Management can still compete very well into our today's world.

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I think I will then just go to the summary. Corporate segment, nothing exciting, a little bit more profits in the banking segment we have less provisioning for – less loan provisioning than a year ago and in holding and treasury we show a little bit lower handful expenses, and also some better hedging results in F/X, since a year ago we had some more losses there, so that is in the end small movement in the overall scheme, which then is bringing me to the last page, page 33 of the numbers.

Nice close in operating profit by €250 million, but the realized gains of €400 million down and hence we have actually a lower income before tax and as the realized gains from last year were completely tax exempt, you have actually also (25:10) effect on the tax rate and this 29% we still show a very low tax rates below our 30% target level, because we had still some tax exempt income and resulting then in a €1.8 billion shareholders net income, which is a very good start into the year.

And let me then summarize, where we stand with respect to our 2018 target on page 35. Okay. EPS growth is the holding (25:50) for quarter, 4.8%, plus it is continued effect you will get out of the share buyback. So I think we are very much on track for this year to repeat, a good EPS growth. Return on equity of the group is at the moment standing at 12.5%. Certainly still a bit limited by our very strong capital base, but as you all know that it's more of a luxury problem than anything else.

P&C combined ratio, (26:23) 95.6%, clearly above our target, but I think the underlying improvement shows in the right direction. So I think, we are still on track to make our 94% by 2018. 10% ROE for our Life businesses, we show in Q1 61%, but Italy and France are both close to the 10%, when I just add the two countries we are at 85% plus already of the whole segment. And both have actually too much capital in their balance sheet, so also easy to correct by just upstreaming the money via dividends.

New business margin at target level and also on the qualitative targets, we are moving forward. Also, the qualitative targets are not all we measured on a quarterly basis, so some of them are older information.

So the Net Promoter Score, we have not updated in Q1. So therefore, that is not new news. But interest rate sensitivity is a little bit higher than at year end. That is a consequence of the model changes, and I'm waiting for the question to dive there into the details.

PIMCO's cost income ratio, very much at the target, internal employee satisfaction and Work Well index close to where we want to be, and I think, we made a good jump in digitizing our new products and also one got launched this year, half of them are already satisfying our full digital product definition.

And with this one, I give actually speaking back to Oliver to manage for the Q&A now.

Oliver Schmidt {BIO 2473131 <GO>}

Yeah, thank you Dieter. And we're now happy to take your questions, if any.

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Q&A

Operator

Thank you. We will now take our first question from Peter Eliot of Kepler Cheuvreux. Please, go ahead.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Hi, thanks very much. Dieter, I doesn't want to disappoint you. So, I will start off with the question you were expecting. I was just going to ask anyway actually, but, yeah, no, I was intrigued by the Solvency sensitivity and how the upside, the symmetry has been restored by modeling changes. And especially, I guess given that you've actually closed the duration gap in the Life business this quarter as well. So, yeah, I mean, if you could explain now what's happened then that would be great.

Second question on the Asset Management. I mean, great news on both earnings and flows. In the same way that you very kindly gave us guidance in the Life division, I was wondering if you could sort of give us the guidance on whether – to what extent do you think there are any one-offs in that result. I mean, I guess, in particular, the footnotes on slide 27 regarding the €46 million of other revenues and looking at the financial statement supplements and it looks like those have sort of flowed through largely towards the bottom line.

And if I can slip in one third one perhaps? You mentioned the business evolution weighing ever less on the SCR development and obviously zero this quarter. Just wondering if you think – is that sustainable going forward. And if so, I'm just wondering whether the guidance you've given for the run rate of underlying capital generation is even a little bit light, especially the benefit you're getting on the numerator from new business? And, I guess, a fair amount of that, as you said, is coming from Germany where you must now have about 40% of the market (31:20). I'm just wondering how sustainable is that numerator and denominator. Thanks a lot.

A - Dieter Wemmer {BIO 4755450 <GO>}

Okay. So then let me try to explain the change in interest rate sensitivity. Actually when one of you could give me a whiteboard and some pens I could easily explain it, but let's try to put it in words.

Yes, we are – in duration, which is actually more on the own fund side, we are neutral and we have closed at first glance the gap there. So, the increased sensitivity is all coming from the SCR, so actually the next derivative. And how should I quote it, we have changed the whole modeling of our German exposure (32:27) that we did already use for the new business margin and value calculation in Q3 last year, but we couldn't use it yet for the Solvency II calculation because the approval by the regulator had the stamp January 1. So, therefore, it is a beginning of the year change and not the year-end change that has to be included.

So this change is modeling all the cash flows and also from all the new products much better. And overall, the sensitivity of the interest rate increased on both, on the up as well as on the down. However, the downside is more protected by the additional funds, our Allianz Leben subsidiary has, which are under transferability restrictions. That means when you transfer the Solvency ratio and also the sensitivity from the Life subsidiary in Germany to the group, the upside goes fully through, the downside is being dampened by the amounts which got haircut by transferability restriction. So it is a very complex – probably now you know why I would have preferred to present it on a board in a room and not over the phone. It's really difficult. But I...

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Q - Peter D. Eliot {BIO 7556214 <GO>}

(34:03) thank you.

A - Dieter Wemmer {BIO 4755450 <GO>}

But I think we do much better and actually also personally my gut feeling of this was that our upside was understated. So I like the new sensitivity numbers more because I cannot sleep better.

In Asset Management, yes, we're showing in the footnote a one-off that was a catch-up booking on foreign currency exchange translation mainly U.S. dollar to British pound. It is actually also going through the profit sharing at PIMCO so, therefore, the operating profit impact is 70% of the number. And, in Q2, we will not have the cost for the incentive scheme anymore because Q1 2017 is the last booking. So you can also see that this expense was in Q1, the last one-off of this number. So I think we are on good track in Asset Management.

Guidance on Solvency II and quarterly production, I think with our operating earnings guidance unchanged and strong new business values produced in the quarter, so we should see a similar positive development there. Of course, there are always some secondary effects, which are hard to anticipate. Will we also not consume more capital? I think that is much more difficult because the diversification shifts every quarter a little bit on market parameters and the market parameters we all look at, like interest rates, equity markets were obviously positive. But you should also not forget that I think mid of April, also end of March WICCs (36:19) was at a record low, interest rates volatility came in lower. So, there is also a number of secondary parameters, which supported our development in Q1 and that number still will go around.

Certainly what I would expect on Solvency II is that with the financial market as of today, Solvency ratio would be looking better. Credit spreads after the French election on French government bonds came in, I think actually that French government bonds show at the moment zero spread compared to swap. So that it's certainly pretty positive for our numbers. Interest rates are slightly higher. Equity markets are further up in the second quarter and volatility still very low. So anybody who was betting on that WICCs (37:28) would come back quickly. I think that people are not earning a lot of money or have lost efforts already.

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So I hope that answered all your questions, Peter?

Q - Peter D. Eliot {BIO 7556214 <GO>}

Thanks, great. Thank you very much.

Operator

We will now take our next question from Nick Holmes of Société Générale. Please go ahead.

Q - Nick Holmes {BIO 3387435 <GO>}

. Hi, there. Thanks very much. Couple of questions. First one is, Dieter, what do you think we ought to do with the Solvency and Financial Condition Reports? I mean, what do recommend we focus on if you could give us any guidance there, that will be great.

And the second question is looking at Italian motor, there is lots of mixed views about what's going on in the market. Wondered if you could tell us your experience. I think you said pricing is still on the pressure, but you're seeing some signs of stabilization. Thank you.

A - Dieter Wemmer {BIO 4755450 <GO>}

Yeah. Thank you, Nick, for the two questions. Well, with this – because there are two recommendations. When you print it, you can burn it. When it's digital, you can delete it. So I must say, yes, there is probably a lot of additional detailed information in it for – if you want to find certain points and I'm sure that you and your colleagues will put a lot of focus on conditionals and none of the Allianz entities you will find any balance sheet conditionals.

But I think and what I hope is actually that it gives a more comparison across the whole industry. And what I think is probably another focus area where are the disclosed Solvency ratios are actually fully aligned with the regulatory filed numbers. I think we are really trying to be very precise and really only put in our analyst presentation what is also being filed with the regulator and so far we have not found any deviations. We have done the following.

We have in total produced 61 reports, 60 legal entities in the EU and one group report. Out of the 60, of course, there is a lot of very small entities; therefore, we have put on our website here in the IR section 10 or 12 of the individual legal entity reports. And when there is any missing company you want to know, Bulgaria or whatever, we will certainly also be able to provide the link, but then you have to call the Investor Relations department to get this.

We will in our Inside Allianz Series do a special section and also I think Tom Wilson got the job to hand you more details through these reports and how to read the various sections, what is in it and whatnot. And I think our Chief Actuary, Oskar Buchauer, is also

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there. So you have all our technical expertise who then after you have some time to read the reports and if there is a special area of interest then we are very happy to explain it.

So to (41:13)

Q - Nick Holmes {BIO 3387435 <GO>}

Dieter, could I just quickly follow up. Am I correct in thinking that you won't give us the group ratio until the Investor Day in June? And I just wondered if that is correct, why would you want to do it that way? Because, I mean, we'll all be sort of involved in a guessing game for the group ratio. I just wondered what your thinking is.

A - Dieter Wemmer {BIO 4755450 <GO>}

I don't understand what you mean with group ratio.

Q - Nick Holmes {BIO 3387435 <GO>}

The group Solvency II ratio, the volatility adjuster and items like that. Is it correct that that was the...

A - Dieter Wemmer {BIO 4755450 <GO>}

What you mean is the impact of the various components.

Q - Nick Holmes {BIO 3387435 <GO>}

Yes, exactly.

A - Dieter Wemmer {BIO 4755450 <GO>}

I think that is ready. On May 24, we have also to go through our various internal setting and approval process. Therefore, I don't have it yet fully at hand. But – therefore, I said, there is no balance sheet conditional.

Q - Nick Holmes {BIO 3387435 <GO>}

Yes.

A - Dieter Wemmer {BIO 4755450 <GO>}

The only what we use is the VA and that has some impact on our Life businesses. For the rest, it is really not important, and for the group, the impact is also minor. But I don't have the number now at hand. And I think also from a sign-off procedure you have to understand that I'm not disclosing it before I went through all formalities here, that would clearly be not correct.

Q - Nick Holmes {BIO 3387435 <GO>}

Okay. That's very clear. Thanks.

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A - Dieter Wemmer {BIO 4755450 <GO>}

Yeah. Well, the total number is the 212% we just gave you. And also please keep in mind, this Financial Condition Report are based on year-end. This is an annual report part, so it doesn't link back to the Q1 number. Then you have to wait another year. So that is – I am more in favor of support of the numbers and – yes, the year-end, therefore, I am not so excited. But maybe if there is some practice in the industry on a peer average, which could be improved by the whole industry then I am sure you and your colleagues will spot it and the industry will do better after that.

Q - Nick Holmes {BIO 3387435 <GO>}

We will try. Thank you.

A - Dieter Wemmer {BIO 4755450 <GO>}

Yes. Italian motor, yeah, actually our accident year loss ratio is slightly better than a year ago. That tells you that all of the rates decreases we were suffering and complaining about during last year did not reduce profitability. So that is a good news. The consequence of this is that the market might slow down a little bit in rate decrease, but it will not stop it.

Q - Nick Holmes {BIO 3387435 <GO>}

And just a quick follow-up. Do you see any sign that the bottom might be reached in the next 12 months?

A - Dieter Wemmer {BIO 4755450 <GO>}

Yeah. We are very hopeful that the answer to your question is yes.

Q - Nick Holmes {BIO 3387435 <GO>}

Okay. Thank you very much.

A - Dieter Wemmer {BIO 4755450 <GO>}

Thank you, Nick.

Operator

Our next question comes from Thomas Seidl of Bernstein. Please go ahead.

Q - Thomas Seidl {BIO 17755912 <GO>}

Yeah. Thanks. Good afternoon. Three questions. First on the regular investment income in P&C. You normally show like a model like behavior in drop in RI, but not this quarter, it's pretty stable. You closed dividends as I wonder if this is just a one quarter respite or is this also what you expect for the year pretty flattish regular RI in P&C. First question.

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Second, on Life realized gains, I heard your comment obviously, Dieter, but I still think that a 30-bp quarterly run rate on harvesting, which benefited obviously from lower impairment, is pretty high, also compared to history. Again, I wonder if this is what you expect for the full year and was it like last year mainly driven by disposals on bonds, which was the main thing last year.

Third and last question on Asset Management, another drop in the revenue margin 0.8 basis points mainly driven by Allianz Global Investors where PIMCO is now stable. My question here is, how high is your conviction that this is now the bottom and how does it show any development here? Will it stay at the current revenue margin level or is there some or even strong optimism that it will recover again.

A - Dieter Wemmer {BIO 4755450 <GO>}

Okay. Thomas, thank you. Let me start with the P&C investment income. We have guided beginning of the year to a reduction of the annual investment income of some €200 million. And I think with where we stand today, I would say that this number was too conservative.

What I'd say that we are sticking at absolutely is the same level every quarter. Now that is at the moment a little bit difficult to say there were one small positive one-off in Q1, and then Q1, Q2 are always a bit in total distorted because also the dividend income from equity investment is included there, which is of course in Q3 and Q4 nothing. But I would say somewhere that we probably end up in the middle between flat and the $200 million reduction. That means $100 million less than last year is probably the reasonable assumption.

Q - Thomas Seidl {BIO 17755912 <GO>}

And why is this slowing down? Looking at your economic reinvestment year, nothing has really changed here.

A - Dieter Wemmer {BIO 4755450 <GO>}

It is a bit currency mix.

Q - Thomas Seidl {BIO 17755912 <GO>}

Okay.

A - Dieter Wemmer {BIO 4755450 <GO>}

And now coming to your Life question. Actually when I look at the net harvesting and correct for the swing in U.S.-based risk, the swing is $95, last year it was a minus, this year it is a small plus and actually it's net actually down and not up. So, that means our ongoing realization activity is pretty much unchanged and it is true there is harvesting also coming from the bonds as we are always using the bond portfolio also to lengthen and create fresh duration and we are not rating obviously until maturity. We harvest earlier because the last two years, from a market point of view, these bonds are heavily in the negative yield. So why would you hold to a bond which only produces on mark-to-market

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negative yield for the last two years? Then you start to turn it around and we have really a better systematic approach also to use this constantly to create new duration.

What you could see on the Life side is actually that our reinvestment yield is slightly down quarter-over-quarter, which is coming from the fact that we took a little bit less credit risk in first quarter 2017 that means we became a bit more conservative on running credit risk.

So your last question was on Asset Management and the drop in margin. So the year-over-year comparison, the big drop came in Q2 from the Rogge acquisition. That is an averaging effect. The Rogge is institutional bond mandates that means there's a very small fee margin. So that has created for our total segment has – the Rogge acquisition has cost us 60 basis points on average in the fee margin. And that is I think explaining most of the drop. But certainly there is also – well, then I should not forget a very interesting observation.

Our Korean asset manager, which we tried to sell together with our Life company, the transaction has not yet closed. It is still with us where the Life company is sold. That means that actually our former in-house business turns now into third-party business and that actually reduces, for the third-party business, the average fee by another 20 basis points. So that is actually already explaining most of it. And so that is ups and down, but also I don't want to hide that at Allianz Global Investors also the ongoing business see some fee margin pressure.

Q - Thomas Seidl {BIO 17755912 <GO>}

Yeah. But overall would you say that this is bottoming out from here, is this your base case, do you stay at this level?

A - Dieter Wemmer {BIO 4755450 <GO>}

Small movements still ahead, but not this big jump Q1 over Q – yeah, well, now you have them to compare the ongoing process and not to the fourth (51:55) quarter, otherwise you have always the Rogge acquisition in between the next quarter.

Q - Thomas Seidl {BIO 17755912 <GO>}

Of course. Of course. Okay. Thanks, Dieter. Very helpful.

Operator

We'll now take our next question from Paul De'Ath of RBC. Please go ahead.

Q - Paul De'Ath

Hi there. Thanks. Couple of questions, please. Firstly on the Life business. Obviously, very strong result in terms of new business value. And you very helpfully made a number of comments on the full year around what level of future earnings you expect from the new business value that came in, in (52:39) the full year. And, I mean, if we use the same sort of multiples on that, would that be reasonable (52:47) over €1.5 billion of future earnings has

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been added on in Q1. And, I guess, as an add-on to that, are you making any progress on your potential enhanced disclosures around the new business. That is question one.

And then the second point is just on the P&C business in the UK. Can you just remind me of your strategy and of your exit direct and kind of going forward, what's the strategy there (53:24) currently reporting that you might be in discussions with LV, would you see the UK as a more or less attractive proposition post Ogden? Thanks.

A - Dieter Wemmer {BIO 4755450 <GO>}

Paul, thank you very much. I think the new business value what we showed last year was that we are producing out of last year's operating profit of around €5 billion. But I think it is – if you just want to be not this precise just to use round numbers. If you multiply the value of new business with three or maybe it's a little bit more than three, you have a good graph on what operating profit is being added quarter-by-quarter. So we are fully sticking to this calculation. Sure, you would need to the finance at the quarter also what asset mix are we doing with the selective money and how the credit spreads are moving, but then you get into a full modeling. Therefore, I think the factor three is probably a pretty good and easy formula.

UK P&C, we have exited the Life business, it's still a (54:52) the motor business. The Life business, we never entered (54:54) actually that was one of the best strategic decisions. I think we have a reasonable business in homeowners, we have a reasonable business also in Motor Fleet, as well as the broker (55:16), and we have this fantastic pet business in Retail plus a very strong commercial position. We are working on our expense base in UK, and I think, we are on very good track to get back, at the moment of course, after the Ogden decision and challenges, are you getting enough rates to make up for the Ogden impact.

And as a reminder, there is yet – it's mainly Motor, but every other line of business, which includes bodily injuries, whether it's employer's liability or also third-party liability cases or whatever, they are all impacted by Ogden, that means, you have now really to go through every product and say Ogden impact, yes, no, how much is it, how much rate do I need to make up for it. And then we have to see in which line of business, is the market positively reacting to it and where is fierce competition actually stopping ahead.

So, that is besides simplifying our internal organization policy, our main effort at the moment what we do in the UK.

Q - Paul De'Ath

Excellent.

Operator

We will now take our next question from Farooq Hanif of Credit Suisse. Please, go ahead.

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Q - Farooq Hanif {BIO 4780978 <GO>}

Hi, thanks very much. A quick question on Life, and then on Asset Management. In the Life business you're changed to fair value accounting for the VA business. I wanted to understand what impact that had, when you talk about the swing in base risk in Q1, you mentioned roughly €150 million. Have you gone from negative basis to neutral or from neutral to positive? And going forward, would we be expecting in the current quarter the environment from future basis profits? It'd be nice just to understand the volatility of that line going forward.

Second question on Asset Management, what do you think is going to happen to the cost income ratio now at PIMCO? Now that's reached the target, and in fact the plans are coming to an end, what do you think we should take into account? Thank you.

A - Dieter Wemmer {BIO 4755450 <GO>}

So, thanks so much. I think I'm looking forward that we can see small improvement in the cost income ratio, but also we will not stick only to the current business, we're also going to expand into new strategic areas, therefore we are not planning, that the cost income ratio is now the big driver of higher profit margin. It's more important that we continue to grow revenues and enjoy the current profit level.

I should have mentioned maybe in the beginning of the presentation, the accounting change we did. We have only changed a very small part, so the valuable annuity business and the hedging of the equity guarantees you have implicitly in the product, that part has not changed at all, so we still have the same base risk as before, because there also accounting never helps you, because the base risk is just the difference that you allow your customers to invest in actively managed funds and your equity hedges are naturally linked to an index. And the base risk is the difference between active managed and the passive index fund, sometimes positive, sometimes negative.

What we have hedged is actually for the minimum retirement benefits, we had the interest rate risk open and not hedged. The local statutory accounting in the U.S., as well as the capital formulas under local stats have changed already in end of 2015 or something, so already more than a year ago. So that means the two changes in the U.S. allowed us under local stat to do already the interest rate hedging without creating a volatility in the accounting number, only we did not do the hedging because the IFRS numbers where would have then just shown the movement of the interest rate hedges.

So now with the change to fair value, we have implemented a hedging on Gen 1, that means now we have closed this risk position. Is this creating additional operating profit? Yes, in the long run maybe some small positive because you don't have the losses from the interest rate exposure. Of course, you could argue when, now the Fed is raising rates every three months. We have missed an opportunity to gain something which we have now locked out with, with locking in the current position. So, I see it's from an operating profit, if you want to be conservative, it is very small positive. I see it as a really de minimis change.

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Q - Farooq Hanif {BIO 4780978 <GO>}

And may I quickly ask what the size of that portfolio is in euros or dollars just the one that's been moved to the fair value basis.

A - Dieter Wemmer {BIO 4755450 <GO>}

It's a €7 billion retirement benefit portfolio.

Q - Farooq Hanif {BIO 4780978 <GO>}

Thank you very much.

Operator

We will now take...

A - Dieter Wemmer {BIO 4755450 <GO>}

So, that is not anymore the active equity part.

Q - Farooq Hanif {BIO 4780978 <GO>}

Got it, thanks.

Operator

We will now take our next question from Arjan van Veen of UBS. Please go ahead.

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

Thank you. Dieter, I may ask you a question on the improvement in the attritional loss ratio. Could you call out if there's any particular countries where that the contributions' coming from and could you also maybe make any commentary around where potentially you're seeing some price – some kind of pricing coming in that you haven't seen last year.

The second question I have is around PIMCO, I saw a headline today that you said that the trends have continued positively into second quarter 2017, so if you can confirm that and then finally, your very strong growth in new business value in Asia Pacific, could you also highlight specifically if this is coming from certain countries rather than others? Thank you.

A - Dieter Wemmer {BIO 4755450 <GO>}

Okay, a very interesting question. Attritional loss ratio that is a very mixed picture.

I think the largest positive contributor, it starts actually with Italy, what I have mentioned before, then even (01:03:11) France is a small positive. Our Allianz Worldwide Partners is a small positive; Latin America is a small positive. And I think a little bit negative is or more neutral is Germany. So overall, I think, this is a very broad base. Worsening we have seen

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slightly I think in AGCS, and the UK that is the Ogden impact mainly Australia is on a slight recovery, but needs to do more.

So it is – in this €15 billion portfolio that is one of the questions where it is hard to give this one answer who explains it all. The main drivers for our gross business growth in Southeast Asia or in Asia in general, is China and Taiwan and that is all bank distribution, which delivers this business to us. And then you have – yeah, yeah, PIMCO, yeah, I think we are doing pretty fine in the second quarter. I...

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

Just the second part of this – sorry, the second part of the question, which is just whether you're seeing any adverse inflationary trends anywhere?

A - Dieter Wemmer {BIO 4755450 <GO>}

Right. Inflation and – although, when I said...

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

It's just the countries you mention before, is it?

A - Dieter Wemmer {BIO 4755450 <GO>}

Yeah, well. I said, UK is going in the wrong direction and Germany sees some increase in claims – well, claims inflation or claim incidents. I – we had this discussion this morning in our press conference that actually bodily injury in Germany continues slightly to pick up and that's – yeah. And I had this morning the comments that the big debate in the U.S. about the distracted driving, whether this debate should not soon also come to Continental Europe and we should have the same discussion.

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

Okay. Thank you.

Operator

We will now take the...

A - Dieter Wemmer {BIO 4755450 <GO>}

Yeah. Go ahead.

Operator

We will now take our next question from Michael Huttner of JPMorgan. Please go ahead.

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

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Fantastic. Thank you so much and thanks for such a lovely presentation and great numbers. And on the buyback, so €1.2 billion in, I guess, just around three months. So, we've got – my question is, could you actually do another – a second buyback on top of the €3 billion this year, is there any reason which would stop you doing so, whether (01:06:23) or I don't know.

And the other one in terms of the profit target of €10.8 billion and I was listening, maybe half listening, you confirmed the €5.3 billion in non-Life, which seems to becoming a bit more of an investment income, you kind of indicated, that's why I understood that Life would be better than your target, because your run rate is incredible and you're not going to lose the money which you gained some money, which you made in Q2 – Q1?

Asset Management, it sounds like you're on track to beat by €200 million, there's still a lot of performance fees to come. So it will end up to €11 billion and a bit. And I just wondered at which – at what stage would you feel confident enough to kind of review your profit target? (01:07:09)? And then on the corporate bonds, I must just say, you had some positive sensitivity to corporate bonds, I just wondered, but if it's – maybe too many questions? Thank you.

A - Dieter Wemmer {BIO 4755450 <GO>}

Yes. Michael, thank you very much. I was already concerned you were not on the phone, because usually you are the first to ask.

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

Thank you.

A - Dieter Wemmer {BIO 4755450 <GO>}

So, then welcome to the call.

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

Thank you.

A - Dieter Wemmer {BIO 4755450 <GO>}

And thank you for dialing in. The share buyback, I think we are executing to really at maximum speed. We had only before our Shareholder Meeting, that is a legal break period, which we had to comply with, therefore we only restarted after the Shareholder Meeting.

Look, the decision to do another share buyback need – share buyback is an overall strategic consideration. Therefore, you have to understand that I cannot not answer this question, but certainly I can confirm that the Solvency position and the liquidity would not stand in the way. So, therefore, we have really a lot of flexibility, whatever we do strategically.

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The outlook is actually as you know Allianz much longer than I do, you know very well that we like to show a good performance against our outlook and we never change our outlook in Q1.

Whatever happens to the number, whether it's a weak start into the year or a strong start into the year. Q1 is too early to settle for the year. And I think, we have much more opportunity to draw all your conclusions and I will then answer it with the half year results.

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

And on the – maybe the bond sensitivity, the corporate bonds?

A - Dieter Wemmer {BIO 4755450 <GO>}

Corporate bond sensitivity.

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

Is positive.

A - Dieter Wemmer {BIO 4755450 <GO>}

Yeah, well, certainly on the government bonds, I think our largest investment are French govies, of course, when you want to look which asset has the best performance in Q2, then it is definitely the French government bonds. We have some €40 billion market value of it. And if I'm not mistaken, the average maturity of it is above 12 years. So that is a high level achievement. I think in Q2, French govies, that came in 23 or 24 basis point, multiplies it with 12 years, it will be probably made on this investment, only 2.5% plus in market value. So that is a pretty decent number, but of course attributed mainly for hedging in our Life books, the higher market value is not creating now the tremendous additional shareholder fund, but it is clearly reducing credit spread risk as such.

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

Good. It's fantastic. Well done. Thank you so much.

Operator

We will now take our next question from William Hawkins of KBW. Please go ahead.

Q - William Hawkins {BIO 1822411 <GO>}

Hello. Thank you very much. Slightly following-up on then Michael's question, Dieter, you just gave a very clear answer on the operating earnings. Thank you. But I understand trade (01:11:09) on the Life side, because you are making it quite clear that there is not much we should strip out to normalize that results. And also, this is my math, suggesting to what you said, it's – points to you being above the top end of the target range that you mentioned just a couple of months ago. So, I just want to be clear. Has something changed that you weren't expecting three months ago, that makes this result so high and so sustainable. Or should we maybe be tempering our enthusiasm, that whilst there is

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nothing specific you can point to, this maybe has been a surprisingly high a quarter? I'm just a bit confused on it. Thank you.

And then second is, really quick. Slide 7, my normal question about the Life operating capital generation. Are there any variances that you could mention to us, or if we just take the total minus new business value the enforced run-off is sustainable.

And then lastly, I hope this is quick, restructuring charges. They were very high this quarter, because of AGCS. I think in the past you've been doing about €200 million a year. Are we still happy with that level coming below the line or is the first quarter restructuring charges could be structurally high? Thank you.

A - Dieter Wemmer {BIO 4755450 <GO>}

No, I think good questions. No, I cannot add anything to the Life operating profit story. I think the €100 million to get down to sustainable number that is still correct, but also the volatilities we have they are not as we quote positives. Therefore, you know that we are tremendously careful people before we hype our result. Yes, we all believe at the moment that financial markets are in a green position, as the asset class is peaking, and that cannot, of course, change, and then I have to do a lot of explanation why the variance growth in the asset direction. So I think we are pretty happy to keep the overall outlook number at the moment to where it is. And you can make your process where you see at the moment, the pluses and some minuses, probably you will find more pluses than minuses, and I would not reject your conclusion.

The formula, how to see the Solvency II operating earnings development, I think what you have said, I can only confirm that's absolutely fine.

On the restructuring charges, the reason why we moved it from operating to non-operating profit, that was not to spoil your strategies, that was really to create more flexibility and faster reaction (01:14:04). As a lot of our managers are being incentivized on operating profit before they use, the excuse that they have to wait until next year with the restructuring because it has to be put into the plans. We have really opened up this line, and say, if you see an opportunity where you can restructure the business to create economic value, start Monday and don't wait until next year. That is simple, the internal message to restructuring. It's a big project that was Allianz Global Investors last year (01:14:51) has had already a big restructuring. AGCS did a lot of announcements year-end and are now in full execution of entry book the agreed things than, well, selling of the real (01:15:08) is of course the ultimate restructuring you can do. And we will also see some as cases where we need to drive the organization. And that we will certainly do this year. And I think we have the financial resources as well as energy to drive more change through the organization and we will see many local projects doing so.

Q - William Hawkins {BIO 1822411 <GO>}

Great color, Dieter. Thank you.

Operator

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We will now take our next question from Michael Haid of Commerzbank. Please go ahead.

Q - Michael Haid {BIO 1971310 <GO>}

Thank you very much. Good afternoon. I have three questions. First question on third-party Asset Management and obviously, PIMCO performs very well. On the other hand Allianz Global Investors has net outflows in the first quarter, and I wonder how you see that especially after we have seen already net outflows. In last year, in total of €2.8 billion at Allianz Global Investors, what are the drivers of this?

Second question, the new business margin in Life and Health, 3.1%. This spends against your target of – from the renewal agenda to achieve 3.0% by 2018 and should we expect an increase of this target or do you think the 3.1% is somewhat exceptional at this stage?

And last question on the value of new business. As you said, you provide the, an interesting insight into the value of new business? How it translates into operating profit? Obviously, I also do not expect you to give an update every quarter, but just for my understanding, the more you move from traditional Life products to capital Life products, the lower this is – this multiplier, which you just mentioned, should be three times. The lower it should become because the cost of capital are included in the value of new business, but it's not – it's excluded in the operating profit. Is this effect material, say from one year to the other, say from 2017 versus 2016?

A - Dieter Wemmer {BIO 4755450 <GO>}

All questions are very good and excuse us, the last question, I have not thought about, but I – when you give me 10 seconds, I hope to find an answer for you.

So, let's start with Allianz Global Investors. That net outflows are mainly in pure expected equity and the inflows is in our multi asset product. I think we're doing a very strong job in selling our capabilities in multi asset. It's a very successful product. The active equity, I think Q1 was exceptionally high quarter, and I think we are looking for a more balanced result in the next quarter. It's also more U.S. driven than Europe and U.S., we are actually – we have not such a huge portfolio.

The new business margin, no, we are sticking to the 3% and we clearly want to grow the business, and prefer volume growth over dividing additional – the new business margin, of course, there can be obviously quarters where they are a little bit below or even a bit higher up. When we are able to increase our biometric risk business and our heath business, certainly it's still going to be there for – even for better new business margin, but a strategy target will stick at 3%.

The new business development and how it translates into operating profit. Yes, you are right, unit links doesn't have the risk margin or cost of capital charges. However, you have in traditional business also the cost of option and guarantees which are not translating into operating profit at all.

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So I still – I have not done the calculation whether the factor of 3% to 3.5% is for unit-linked higher than for the rest, but maybe, actually, unit-linked is probably a bit lower. However, our capital Life products are still in the general account, and that is our main growth line.

Q - Michael Haid {BIO 1971310 <GO>}

Okay. Well, thank you very much.

A - Dieter Wemmer {BIO 4755450 <GO>}

We will have more calculations, and when we meet next time then I think, I know probably all variations I will discuss.

Q - Michael Haid {BIO 1971310 <GO>}

Thank you.

Operator

We will now take our next question from Andrew Ritchie of Autonomous. Please go ahead.

Q - Andrew J. Ritchie {BIO 18731996 <GO>}

Hi there. First question, AGCS, I would see you've applied the (1:20:49) restructuring. I am more interested in, there was quite a big shrinkage in premium, I think it was down 7% on an internal basis. Is there a sort of more significant repositioning taking place in AGCS, has there been a further assessment of the tough pricing conditions in commercial lines. It looks like you just may have been flat or even growing slightly there, and then suddenly you are shrinking. So, what were you shrinking, what part of the business is U.S. or outside the U.S.?

Second question on PIMCO. A lot of the flows have been concentrated in one fund, the very successful Income Fund, and that appears to be the case looking at data into April as well. That fund has been rated highly, because it's been nimble in the past, and it's been quite concentrated in illiquid securities, non-agency mortgages, commercial MBS. How scalable is it? Can it really continue to grow and see the level of inflows that you've been seeing and maintain performance or you can actually start (1:21:52) more relatively diversifying or hoping to launch a new range of products? Thanks.

A - Dieter Wemmer {BIO 4755450 <GO>}

Okay. Thank you so much. I think actually in the premium income AGCS, there is the shrunky volatility from our ARC product. Our alternative risk transfer is always doing large premium deals and that is the main driver for the big move in premium. Otherwise, it would be closer to zero or slightly down. But we do also substantially analyzing program in Marine and also in our U.S. MidCorp business, so there we would see a small decline in volume. I think all what we're doing there is clearly helping to restore the attritional loss ratio profitability.

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Yes, PIMCO, you can – it's nice that you still call the Income Fund as a very nimble and eternal fund (1:23:03). It gains a title of the world's largest actively managed bond fund. So it's not small anymore. So AUM are at $80 billion. The performance, I think we are also indicating it in our explanation of all PIMCO products is still high at 92% and also the Income Fund is a part of outperformance, which of course is attracting more money and we are doing very nicely there and as I said before April and May are not showing any changes.

Q - Andrew J. Ritchie {BIO 18731996 <GO>}

Are you concern (1:23:57) about the concentration of flows into that one strategy?

A - Dieter Wemmer {BIO 4755450 <GO>}

No.

Q - Andrew J. Ritchie {BIO 18731996 <GO>}

Because that's what the data still shows, the Morningstar data for example.

A - Dieter Wemmer {BIO 4755450 <GO>}

Yeah, that is on one hand too, and the other hand, when you look over the last 24 months, the inflow and outflows at PIMCO, the increase in inflows is actually not so big, the bigger shift is in the reduced outflows.

So the inflow levels were actually always very stable, and that was also the reason why I am very early about saying I am very confident that we will see a turnaround at PIMCO's net flow numbers from the negative to stable, and then to positive that we would go so quickly to Q1 levels that is of course a part of our expectation. But I think that explains mainly why we are seeing here, and we have quite a number of also other fund strategies which have a positive flows, yes the lion's share is the Income Fund.

Q - Andrew J. Ritchie {BIO 18731996 <GO>}

Okay. Great.

A - Dieter Wemmer {BIO 4755450 <GO>}

But we are working to broaden it, and I think we will continue to see it, in particular the Income Fund has shown very stable flows also in December-January, when the (1:25:37) in the U.S. about fast growing (1:25:41) space, in the meantime we are lower than we were actually end of November. So, I think that fund product offers also a stable situation in a more volatile interest rate market.

Q - Andrew J. Ritchie {BIO 18731996 <GO>}

Great. Thank you.

A - Oliver Schmidt {BIO 2473131 <GO>}

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Okay. Before we continue, the time is over that we have allocated to this call. So we have time to take one last question please.

Operator

Our last question comes from Vinit Malhotra of Mediobanca. Please go ahead.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Hi, there. Good afternoon. Just managed to sneak in. Thank you. Just two very quick ones hopefully. In the capital efficient products, the operating profit was I noticed affected by some lower realized gains and less favorable hedging results as on slide 20, I mean this number was below the recent run rate as well. Given the emphasis in the group on capital efficient products, does it not concern you that realized gains have caused sort of a lower profit, any comment would be useful?

And second one is a quick follow-up, just to clarify my understanding, this GMIB restatement, was it – just to understand, this was negligible in 1Q and also is not material from your guidance perspective, just want to confirm what I seem to understand but wasn't sure? Thank you.

A - Dieter Wemmer {BIO 4755450 <GO>}

Thank you, Vinit. So, I must say, I have obviously done a very bad job to explain the GMIB product, because we started the wall (1:27:33) hedging in (1:27:34), the profit impact of this product – of the changed accounting is in indeed de minimis. (1:27:44) by enlarge two products that is our fixed index annuity business in the U.S. and then German variation of fixed index annuity, which we sell under this brand name in Germany that's (1:28:05) and so on.

The operating profit also of – the fixed index annuity business had some realized gains last year which did not repeat this year, but more important is as we are building the portfolio in Germany so fast, there are the acquisition losses on day-one are still overshadowing the profitability of the business. When you look that the new business margin in Germany and actually of this product is at a very healthy level, you can be reassured that the profitability of this line has not reduced, it is only differed.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Okay. All right, thank you, Dieter. Thank you.

A - Dieter Wemmer {BIO 4755450 <GO>}

Actually, I should add that their product in Germany reached zero operating profit level for the first time. If I remember correctly, in fourth quarter 2016, it was still minus €22 million operating profit.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes, yeah.

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A - Dieter Wemmer {BIO 4755450 <GO>}

Because – I remember this very well, because I think I had a long discussion about it with (1:29:34) in February.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Okay, all right. thank you.

A - Dieter Wemmer {BIO 4755450 <GO>}

Okay, then thank you very much. So hope to talk to all of you either over the road show or then in three months and in the meantime enjoy reading our financial condition report.

A - Oliver Schmidt {BIO 2473131 <GO>}

Yeah, thanks for your time.

A - Dieter Wemmer {BIO 4755450 <GO>}

Yeah, thank you and have a good weekend.

A - Oliver Schmidt {BIO 2473131 <GO>}

I just wanted to say goodbye as well. Thanks for your time and your interest, have a nice day and a nice weekend. Bye.

Operator

Thank you. This does conclude the Allianz conference call on the financial results of the first quarter 2017. Thank you for your participation. You may now disconnect.

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