S&P Capital IQ

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Allianz SE DB:ALV

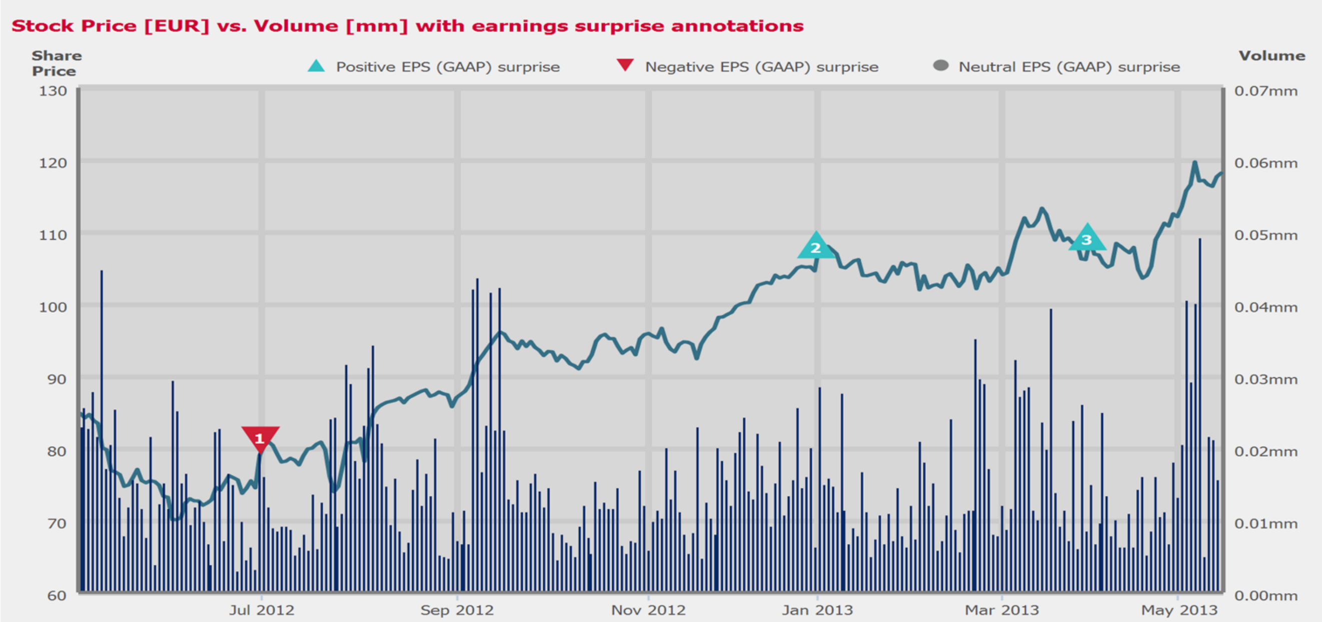
FQ2 2013 Earnings Call Transcripts

Friday, August 02, 2013 10:00 AM GMT

S&P Capital IQ Estimates

	-FQ2 2013-			-FQ3 2013-	-FY 2013-	-FY 2014-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	2.97	3.47	▲16.84	2.96	12.62	13.21
Revenue (mm)	26540.67	26776.00	▲0.89	25569.00	106097.98	105675.32

Currency: EUR
Consensus as of Aug-02-2013 10:50 AM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2012	2.70	2.68	▼1 (0.74 %)
FQ3 2012	2.81	-	-
FQ4 2012	2.55	2.66	▲2 4.31 %
FQ1 2013	3.24	3.69	▲3 13.54 %

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Presentation

Oliver Schmidt
Head of Investor Relations

Yes. Thank you, Paula. Good morning to everybody from my side as well, and welcome to our conference call about the results of the second quarter 2013. You have all seen the numbers. It was another strong quarter with good underlying performance and all the noteworthy details you will now get from Dieter.

Dieter F. Wemmer
CFO & Member of Management Board

So good morning, good afternoon, everybody, on the line. I will try to shed some funny Munich light on the numbers. And let me start -- I'm following this short presentation. So let me start with the business highlights for the second quarter.

From a customer service events, the largest event was the 50,000 clients which got hit by the floods in Central Europe. We have handled about 2/3 of the claims. We are expecting total gross payments of EUR 730 million for flood losses, and of which, we will have a net of EUR 329 million, which compares to the EUR 350 million we put as a rough estimate in our press release some weeks ago.

Additionally to this very, I think, flood losses which were visible for everybody on many days and on TV, there were some smaller floods. There was Canada, the region of Calgary. There was in France, region of Louet. And in Switzerland and Germany, we had additional hail end of June. So that's the total NatCat losses for the quarter were EUR 550 million, and this is excluding the reinstatement premium which comes on top at EUR 45 million. So you can say weather-related events, EUR 600 million in the quarter.

We got designated as global systemically important insurer. What does it mean? We will learn over the next months, and FSB promised that it has -- the proposal of the impact are finalized in 12 months.

Turkey is not only a successful acquisition, which we closed in the first week of July. That is also a successful organic growth story. And we have grown in the last 12 months our customers, 2 million customers, by adding close to 1 million customers. So, with the acquisition, we will have 4 million customers in Turkey, which makes it also, from a customer service aspect, an important country for Allianz.

Two new products in Germany. I think we talked about in the Capital Market Day. Therefore, I'm not repeating it. Bancassurance is the channel who contributes most to our great internal growth figure of 10% for the second quarter in Life, and 4 percentage points of this growth comes from bancassurance and bancassurance means Italy, Spain, Taiwan. There is also the start of our HSBC Asia activity included, and also in Germany, we've seen a good uptick in life sales for the banking channel.

Moving to the overall operating performance number, you have probably seen it already. Revenue growth adjusted for FX internal growth, 6.5%; second quarter, pretty much same level as first quarter with 6.5%. The mix has a bit changed. The weaker P&C growth and stronger Life growth, I will talk about it when I come to the segments.

Operating profit, you can see, only 5% up but in a quarter with so many changes I will talk about. It is a great number. And in particular, as we have the financial market volatilities mainly included in our operating profit and not in the net income line, as other peers are doing it, the net income line actually went up 26% and continues the success story of Q1. So we are in both quarters now a quarter up.

And that is then very visible and I should not have forgotten to mention, despite all the announcements and comments in the newspapers and also from your industry, Asset Management continues to strongly deliver. EUR 800 million operating profit with a very small contribution from performance fees only is actually a new historic high on plain fee and profit income.

Shareholders' capital; so why did our shareholders' capital go down 5% or a bit more than EUR 2.5 billion over the 6 months? Well, that is very simple. There are 3 main factors and 1 small one. The 3 main factors are you have to add EUR 3.3 billion net income, take out EUR 2 billion paid dividend and then subtract the change in unrealized gains and losses on our fixed income portfolio. On a gross level, the gains went down by EUR 10 billion after policyholder, shareholder splits and taxes, it went down EUR 3.5 billion.

And here, we are seeing, I think, a smaller change actually in the underlying interest rates, but also changes in the credit spreads and that affects our corporate bond portfolio and it also affects our emerging market exposure. And therefore, the interest rates in this range went probably a bit more down than when you would just follow the German government bond rates or the U.S. Treasury. Actually, the U.S. corporate bond portfolio, where you have seen also in the single A class of U.S. corporate bonds an uplift in credit spreads, that impacted our unrealized gain position.

The effect of it is not consolidating in our conglomerate solvency because here the bonds are all measured on amortized cost, as you might remember. The only movement you see here is actually the redemption of our EUR 2 billion hybrid, which reduced it by 6 percentage points. So ignoring it, actually, our conglomerate solvency is a little bit higher at half year than at year end.

And the same is true for the economic solvency because we see here the counterbalancing effect on the liability side for the change in underlying interest rates where the change in credit spread movement is actually compensated by some derisking action -- or overcompensated by some derisking action we took in the second quarter on hedging some equity volatility, but also, with the reduced market values, the balance for credit risk went a little bit down. And then we had a larger single derisking of a large bond with one German bank.

So our S&P rating is stable AA, and there was also no adjustment from S&P after the further downgrading of Italy that should be well recognized. In all the calculation of economic solvency and conglomerate solvency, we stick to our policy to accrue 40% of the net income as dividends. So it is, on a pro rata basis, always already taken out from the available funds.

So with this, let's move to the first segment on Page 6 and look at the growth of the P&C segment. We started the year with a 2% or close to 2% internal growth. The second quarter in the internal growth measurement is flat. And here, we have to look that we are actually operationally growing nicely in most countries, in some countries, actually, at a very good level.

Italy looks a bit smaller in the second quarter. But for the half year, we are still at 1.4% growth in Italy, and that compares very nicely with the general development of the Italian markets, which is -- which continues to shrink. So we are outperforming also here in growth the local markets by quite a lot.

So why is then our total growth number only flat? There are 2 contributors. There is already the explained reduction of our crop business in the U.S., very visible in the minus 34% growth rate for the U.S. When you exclude crop, actually Fireman's Fund is in its re-underwriting exercise, shrinking by 7%.

And the other number which probably draws your attention is AGCS number. Well, that is actually a base effect from last year. We had last year, in the second quarter, a very large ART single account, more than EUR 100 million premium, and this was a reinsurance contract which did not repeat this year. So therefore, you see the 15% reduction.

But on an organic basis, also in our direct customer base, in particular retail, we feel very strongly about our growth. Latin America, Turkey, Australia and our new global line, Allianz Worldwide Partners, continue to add to the growth with great numbers.

So if we go now to our underwriting result in P&C. Overall, an increase of EUR 120 million. So how is this possible in a quarter where you have substantial cat losses of rounded 6% impact when you add reinstatement premium to the loss part?

Well, there is, first of all the runoff result it's in the quarter looks particularly high. It looks more normal when you compare it with Q1. We had, as I mentioned last time, some delays in some special analysis and there was, in particular, I have to mention Italy. Italy had such a great loss ratio already that it took really our time and analyzed very carefully whether the runoff result is really coming through. And we booked it this quarter because we are convinced that it is a true and fair view on the Italian reserve that the runoff is really as strong as we are now seeing it. And I will mention it again when we come to the combined ratios of the individual OEs.

So that is one driver of the runoff result, and if you compare it to last year, second quarter 2012, you have to remember that the 2.1% last year was negatively affected by additional reserve increases for the Thai flood from 2011; and also, by starting to beef up the reserves at Fireman's Fund, which ended then with the big reserve increase in the third quarter 2012. So therefore, in the third quarter, you will also see the effects that we have a negative impact in the previous year and, therefore, the new quarter will look, hopefully, stronger.

So what moved the expense ratio, which is a negative development on this page; 90 basis points up on an expense ratio where we are always promising to get it down? There are a lot of one-off effects or, say, external effects. It starts with the reinstatement premium, which actually affected our whole combined ratio by 0.5%. So without reinstatement premium, we would have shown a 95.5% for the quarter. That has then also partial effect on the expense ratio, so roughly 15 basis points.

Then we have the reduction of the crop business. The crop business had a 5% -- a little bit more than 5% expense ratio, so that shifts the weighted average a bit. AGCS ART contracts similarly, and then we have the Eurocourtage acquisition, which comes in as an organization with a 10 percentage point higher expense ratio, mainly acquisition cost, so that also did deteriorate our overall expense ratio.

And then Brazil, our -- one of our good growth stories, changed their local procedures where premium tax was, in previous years, an off-balance sheet item, like you have it in Germany, and now, it is an on-balance sheet item like in the U.S. That means the premium tax goes to through premium and expense accounts and, therefore, that changes the average. I think that are the main drivers of expense ratio change. The underlying admin cost, from our analysis, looks pretty flat.

And I think then, let's move to the individual P&C countries. Yes, combined ratio, Germany, which had this great number in Q1, now 110% in Q2. Well, when you subtract 17 percentage points, 1-7, impact of the weather-related event in Q2, you end up with a pretty good underlying combined ratio for the country.

And Italy, 76%; there you have a EUR 100 million runoff result included, so that the combined ratio is extraordinarily good. However, in comparison to previous year, last year in Q2, we had the Emilia-Romagna earthquake included in the Italian numbers. So certainly, the earthquake did not repeat this year. That was actually last year, NatCat 3.6 percentage points in the 2012 Italian number.

And the U.S., still at 100% combined ratio, still on track with our internal expectation, what we want to achieve this year, and the second quarter confirmed the first quarter story.

Australia, benefiting from good rate increases. This unit was a lower expense ratio and also, a special runoff result from a large litigation case which we did win in the second quarter and which is also runoff result which you booked at the end of the court case and is not an actuarial-driven result.

So going to Page 9, investment income; investment income, EUR 70 million -- or EUR 80 million lower than last year, where actually the reduction in running interest yields is a bit less pronounced. I would say that we are faulty on a run rate, losing a bit more than 20 basis points in the current yield environment, and that will continue as long as we hit the reinvestment yield, which might change by year end upwards or not, that we will have to see.

So let's move on to the Life segment. The positive story is clearly the growth; 10% growth driven by our main markets, Germany, France and Italy, where Italy and France are very pronounced in the growth. And additionally, we see also very good growth numbers in Spain, Benelux and Asia Pacific. Asia Pacific is, by size, now actually catching up with our top 4 units and here, we only see the starting point of a broad sales arrangement with HSBC, which is adding the first new business numbers, in particular in Taiwan.

When you look at Taiwan as a country stand-alone, we have 130% growth, which is a tremendous result for the quarter. And what in particular is positive, it's all unit linked, and that's also reconfirming the heading of this page that in Asia Pacific and also Italy, unit linked are the main driver of the growth. I think in the first half year of 2013 in Italy, our unit-linked business makes about 3/4 of the whole new business volume, which is a fantastic development.

So if we now go to the Life operating profit. We have called it solid because it is certainly not as shining as the P&C results, but it is actually very explainable. And here, as I am now in my current function, the CFO as well as the Risk Manager, so the CFO, of course, doesn't like the reduction of the operating profit; but the Risk Manager actually thinks that it's a good confirmation of our risk management activities.

Because what are the drivers? The investment margin looks pretty unchanged, but you have to break it up into the 2 main contributors. We have to look at our German Life business separately and the U.S. Life business. So let's start with the U.S. Life story first.

Here, our investment margin went up about EUR 110 million, and that is actually driven by EUR 160 million uptick on interest gains on our VA business, So what you would expect was higher interest rates in June in the U.S., and that is also working in our P&L. We have made some losses on the base risk hedging, which are volatile quarter-over-quarter, and I cannot say it has any impact for the future. So, therefore, the net change in investment margin is only EUR 110 million.

But the increase in the investment margin in the U.S. is the main driver for the higher -- the DAC amortization, which consumes most of the uptick in the investment margin in the U.S. So, therefore, this additional interest rate gains in the U.S. did not go down to the operating profit of the second quarter. It stayed in the end flat.

So then we have to look at the other unit, Germany. Germany went down in its operating profit year-over-year by EUR 150 million, and it is all coming from a reduced -- or most of it coming from a reduced investment margin which are actually linked to our hedging activities. So when you hedge or increase your duration with derivatives, as long as interest rates go down, you make a profit. When they go up, you make a loss.

And additionally, we have also some foreign currency losses attached additionally because we run some of our diversified investment portfolio on this large balance sheet in foreign currency because on EUR 180 billion investment portfolio, you don't need to hedge all FX to the last euro. And therefore, we are seeing here also some losses. That makes in total the EUR 150 million reduction in operating profit 2012 to '13.

And as I said in the beginning, in the end, we have hedged our total -- or I would not say hedged. We have positioned our whole Life portfolio in a direction that it works very well when interest rates go down because that is a true risk for a life insurance portfolio which has a lot of guarantees. So from a risk management perspective, it is the right positioning.

How we adjust this in the following quarters depends very much what will be our internal view on how the interest rates are moving backward and forward. I think that it's not a clear-cut story that interest rates in all major regions of the world are now going in a predetermined direction. That is a more complex story. And from a risk management perspective, we have to see how we manage this and balance it out between very good operating profits and taking the right risk positions.

And with this one, I come to volume and the new business margin on Page 12. Value of new business, nicely up, driven by volume. The new business margin, unchanged on a 1.7% level. You can probably say that is a bit disappointing. But I would say yes and no because I think we are growing new business margin in quite a number of areas. In particular, the U.S. has done a lot to improve new business margins. Italy has -- is on the right track.

Where we still need to adjust our new business mix and the product structures fully to the markets where we are able to write business is in France. And I think we are seeing this as a future upside and not as a downside. It's actually not spoiling the overall great story on value of new business and overall developments.

A comment I have forgotten on the last page. On operating profit, Germany and U.S. were the 2 which were down, which I explained in detail. Most of the other or almost all are clearly up and actually contributing very nicely to the operating profit result of the Life segment, which is when you combine first and second quarter, we are still above the midpoint of our outlook, which is actually what we want to do as we want to deliver a great 2013 result and a good dividend.

On Page 13, a look on our investment margin. Very stable, we have not lost speed on beating and meeting our guarantees. The net margin, here shown as 0.2 percentage points, actually, the second digit is always probably of interest for you, 18 basis points in 2012, 19 basis points in 2013, so actually, not any big movement.

And then let's now move on to a look on our MCEV development. Probably you will say, well, EUR 27 billion, almost flat compared to end of year. You would have expected that the higher yields of June would have driven up the MCEV, as I did as well, but we have to look a little bit more at the details.

First of all, our Life subsidiaries have paid in the first half of the year EUR 1.3 billion in dividends. And I hope that addresses the concerns of some of you which felt that our Life units are not paying enough dividends, and that is driven by 2 things. First of all, we have started here from Munich a general faster speed in driving up dividends to the center because we want to build larger central buffers, which is in line of doing capital management of a large book.

And secondly, the dividend paying capabilities of some of the Life units is, in 2013, better than in the previous year. Take, for example, Italy year-end 2011, the credit spreads on the Italian government bond were particularly high, which limited, under local statutory perspective, the payout of the 2012 dividend. That reason did not repeat a year later, so that is already a one important thing, which comes on top of our general activity to accelerate and increase dividend flows from all the units to the center.

So the underlying MCEV number did not move too much because actually, the interest rates -- the underlying interest rates level in the relevant time lines is actually the 10 plus 10 is the relevant movement for the MCEV because the first 10 years are mainly matched. And in this area, there was only a very small movement in the underlying interest rates. Therefore, the effects are smaller. And then, there were some other events like volatility of equities changed, which is then actually going in the other direction. Therefore, the underlying did not move a lot.

So now let's move to our third segment which has created so much speculation and news flow before the result announcement. So I can reconfirm, we have a net positive inflow for our third-party Asset Management business and third-party money and it's a EUR 7 billion net inflow for the quarter, around EUR 5 billion for PIMCO and EUR 2 billion for Allianz Global Investors. And then, there is some currency impact on this number. Therefore, it looks a bit odd on the slides. I think you have to look at the right-hand side how the assets under management for third-party did develop.

So to give you a few reference points. Year-over-year, we are EUR 100 billion up in third-party money. Compared to January 1, we are still EUR 20 billion up on third-party money, and we started the year on January 1 with a very high base. Yes, when you compare it with the Q1 figures, end of Q1, we were EUR 60 billion higher. So against a high watermark, we lost EUR 60 billion.

However, now turning to the next page, shows you and we have -- we went to the archive and went back to the 10-year development of the PIMCO numbers and showing it here in relation to the movement of the 10-year treasury benchmark bonds, 10 years.

So the simple formula of that each basis point movement in the 10-year treasury benchmark explains the movement in PIMCO's AUM, I think, are clearly not demonstrated by this chart here. There were phases where interest rates went up. There were phases where interest rates went down and actually, overall, PIMCO has built up a stable and great franchise, a very scalable business and actually, went through all the changes and turmoil of the financial markets by building up and adding more than $1 trillion over this period, which I think is a tremendous proof that this business model is much more than a hedge fund playing on the U.S. Treasury bonds.

And I think that is the way how you should see it. And maybe what I have not mentioned on the previous page when comparing the AUM over the 12 months, I said we gained EUR 100 billion in AUM. If you split the movements of the core products and the noncore products, then actually the core products stayed at EUR 500 billion, pretty flat June 2012 to June 2013, where the EUR 100 billion were all added in the noncore products.

And that reminds me very much what I have heard and read about the half year conference of a very famous competitor in the asset management industry where Larry actually said pretty much the same. He sees rotation from core to noncore products in fixed income. The noncore products are addressing customers' special needs. And also, he reconfirmed that there is no sector rotation from fixed income money into equity funds. So fixed income money is, at the moment, parked in cash and therefore has to go back to investment at some point. And we can pretty much confirm that it's the same story. And I think, therefore, it is very much parallel what you see from the 2 leaders in this industry, where our net inflows for the quarter were actually still positive.

And when we now look into the revenue development, the second quarter marks a new high watermark for our revenues and also our operating results when you leave out performance fees. So that explains why we are making EUR 800 million of operating profit. And with all the positive about PIMCO, we should actually not forget Allianz Global Investors, with a EUR 95 million operating profit for the quarter that is actually compared to its European peers in FX active equity, a pretty strong operating performance number.

Also, you have probably noticed on the page that our average fee continued to go up, continuing the effects we discussed in the Q1 call together that our noncore business has higher fee levels than the core products. So this quotation also pays off for the shareholder. It is not only about the total AUM number. It is also what are you earning in basis points on the AUM.

So Page 39 (sic) [18], 40% uplift in operating profit. I think I've explained it already in detail. There is nothing to add. Cost/income ratio stays very nicely at a very good level. Yes, the performance fees of Q1 did not repeat, but I made this already as an outlook in the last quarter. Therefore, this uptick in cost/income ratio is not relevant for the long-term consideration.

So let's now move to the Corporate segment, summarizing all the numbers which are not included in the 3 operating segments. A EUR 274 million operating loss is EUR 100 million more than a year ago, but actually, very much in line what we planned for the second quarter and in line of our expectation. We have here a mixture of higher pension costs for IAS 19, which we are booking for all of Germany under the holding and treasury segment, and also higher investment expenses into new IT projects for the group.

And banking has actually not moved a lot from the closure of our German direct bank. There are only a few additional million of restructuring charges not relevant to discuss.

That leads me now to the -- on Page 20, to the summary, how are we getting from a good operating result to a stellar net income. Actually, the nonoperating items, in total, contributed a positive number because realized gains are far outweighing impairments and also our interest expense and therefore, we end up the quarter with EUR 2.5 billion income before tax. And the tax rate is a little bit lighter than last year because we don't have any special tax provision to add and also, we had some tax preferred realized gains in the calculation.

So is this realized gains number sustainable? That is a very difficult question because realized gains is actually always a mixture of periodic realization, which depends on how many real assets do you have in your investment portfolio and how is the financial markets development to build up unrealized gains, which then could be realized, and also some opportunistic movement.

I would say that probably, the number for the second quarter is an extraordinary good number. I would not bet on that it is actually every quarter the same, and I would put it probably on a lower run rate. But I leave this then up to you to read our investment mix and come up with a number what could be a reasonable run rate number. But volatility will be always in this, as ever, will be also always some medium impairments.

Now, to get to the summary, what is our view on the outlook? I think after having closed another excellent result, we are now clearly ahead of the 50% of our outlook. Therefore, we are actually feeling that we will probably reach the upper end of our outlook. Certainly, there is a high probability of doing this.

Unfortunately, we are in a volatile business. Just last weekend, another change in weather in Germany from a tropical temperature to normal summer weather, and this was caused by thunderstorms and hail which created another EUR 200 million loss already for July, which shows you that the consumers do have volatile numbers which actually support our view that we are always managing our outlook very carefully and, in the end, we always like to over deliver and not overpromise.

And with this, let me summarize the total results. Same revenue increase in Q2 as in Q1; operating profits growing; and in particular, net income, more than a quarter up in both quarters; and strong capital position and balance sheet reconfirmed.
And now we are ready for the questions.

Question and Answer

Operator

We will now take our first question from Jon Hocking of Morgan Stanley.

Jonathan Michael Hocking
Morgan Stanley, Research Division

I've got 3 questions, please. On the P&C business, it seems that the reinvestment yield in the second quarter was 230 basis points. That's actually come down, I think, from the 270 basis points you had in the first quarter. I wonder if you could explain what's going on there and what you're seeing so far in 3Q.

Second question, on the dividends from the Life units, are you done with that now for the rest of the year? Or should we expect to see more divvies coming up in the third and fourth quarter?

And then, the final question, I think it was full year, you were talking about taking more asset risk and using about EUR 1 billion of economic capital to re-risk the asset side of the balance sheet. I wonder if you could talk a little bit about how you're getting on with that.

Dieter F. Wemmer
CFO & Member of Management Board

Okay. Thank you, Jon, for the question. The reinvestment yield in the second quarter came down because we have also have shortened a bit the duration of our -- the reinvestments. And that I think it's the main driver, plus the market, yes, in the beginning of the second quarter was actually lower than the beginning of the first quarter. So I think we have now all in our head that end of June interest rates were up, but that was actually a development which was more in the last 2, 3 weeks of the quarter and not in the first 10 weeks of the quarter.

So Life unit's dividends, certainly, the bulk of the dividend is in the first half year as usually, but there will be still some dividends coming in the third quarter in particular.

On the more real assets, I think we are moving forward quite well. But certainly, you are not seeing all the deals we have done in our half year results because some of the more complex infrastructure deal have a signing and a closing process. So there is always some delay, in particular also on complex and larger real estate where you agree on a deal and before it is in your book, it is 4 or 5 months later.

And on the equity quota, we are also looking where we can, on some special occasion, increase it in various parts of the world, but we are actually moving ahead with this quite well.

Jonathan Michael Hocking
Morgan Stanley, Research Division

And has your risk appetite changed at all, given the broadly positive market performance in the first half?

Dieter F. Wemmer
CFO & Member of Management Board

Well, I think, from a risk appetite, we -- reinvesting this EUR 1 billion more, as we have explained already with the year end results. And that is the risk appetite, how we see it. We might even overweight the risk appetite a bit more, as we are in a very healthy and strong capital position.

Operator

Our next question comes from Farooq Hanif of Citi.

Farooq Hanif
Citigroup Inc, Research Division

I want to follow up on the Life cash, firstly. I mean, it looks like, in the first half, you basically paid up 100% of your cash that was generated from an embedded value perspective. What kind of percentage do you think you'll get for the full year? And related to that, can you give us a bit more information about the level of the non-life earnings or the going to the shraps [ph] in cash and non-Life earnings that we need to take into account when we're all thinking about that business upstreaming capital. That's question one.

And question two, can you just -- I mean, you've sort of answered this already, but can you just comment a little bit more about what's been happening to your flows in PIMCO since 30th of June?

Dieter F. Wemmer
CFO & Member of Management Board

Yes. I think the free cash in Life -- I think all our units have actually quite high local solvency ratios. So, therefore, when I said that it is a combination of the free cash flow of the year and also readjusting the solvency ratio levels on an OE level to build stronger central buffers, I think you see an overlap of those combinations. So, therefore, I wouldn't see any contradiction of actually paying up more dividends than the annual free cash flow of the units. I think that is very much, I think, a confirmation of the corporate policy. And the same, actually, we are working on in P&C. But in P&C, we don't publish an MCEV report, so, therefore, you don't see it on the slides.

On your question on the flows, our preliminary calculation for the AUM for our third-party Asset Management business shows a small uptick end of July over end of June.

Farooq Hanif
Citigroup Inc, Research Division

Okay. And so in P&C, obviously you're not publishing or anything, but just in terms of -- are there other particular areas where it's difficult to upstream capital from?

Dieter F. Wemmer
CFO & Member of Management Board

No. I -- in P&C, I don't see any particular area. Look, all our units are producing very good underwriting results. The investment portfolios are all not highly invested in the real assets, so there are no local constraints to pay out, and all have really very healthy local statutory solvency ratios.

Operator

Our next question comes from Andy Broadfield of Barclays.

Andrew Broadfield
Barclays PLC, Research Division

Two questions. On PIMCO, you mentioned briefly that the flows, really, over the last 12 months, I think, have come from the noncore part of the business. And I think, in the second quarter, it looks like it's -- there were actually outflows in the core, and inflows that more than compensated in the noncores, if I've done my sums right. I was wondering whether you might be able to give us a little bit more clarity or color on those noncore businesses, what the risks may be, because it certainly seems to have been very steady over quite some time, the flows in. Whether you can give us any sense of what you would perceive the risks to be to any of those flows from the noncore; and also, just how that's progressing in terms of different strategies or different products that you're developing there. So that's the first question.

Second question, just on Italy; you've talked quite for some time about your direct offering in Italy, as there's a number of strategies you're adopting there. I was wondering whether you might be able to give us a feel for how the direct -- how big that direct part of the business is in Italy now versus the sort of traditional distribution channel, and how you see that split ultimately developing to between direct and agent or standard distribution.

Dieter F. Wemmer
CFO & Member of Management Board

Okay, Andy, thanks so much for the question. The noncore-core rotation in the second quarter, you can say that the EUR 5 billion net inflows are about equal to a EUR 10 billion outflow in core and EUR 15 billion inflow in noncore. And that is a more pronounced story than in Q1, where the ratio was also a bit going in this direction but not so strongly. And I'm really glad, actually, for your question, Andy, because all the people who are looking on Bloomberg after week on the announcement of the total return fund and say, "Oh, it's 15% of PIMCO's assets. Therefore, we have to multiply it by 6 to get to the final answer for PIMCO," these people are, exactly for this reason, wrong. And therefore, it is for me very important that they see the difference.

Well, what are these different strategies? I think I mentioned it already in previous calls. There are funds like which are called unconstrained bond income, long-duration credits, liquidity. So there are actually the baby boomers in the U.S. who want a stable monthly income out of their investments. They are buying these special products, which is producing a monthly or quarterly income, but we are not going into all details. And what are the risks in it? The risk is, in the end, the key question for every asset manager: You have to be better than the market. And the track records PIMCO has built up in most of its fund is the good and steady outperformance, and that is, I think, one of the major success factor of PIMCO besides the fact that they have built a scalable operating platform. And that is, for me -- so if you want, the risk is, how they continue to outperform, where we are confident. But you can have, of course, your own view on this one.

Italy, direct market, I think, when I'm not completely mistaken, we have a bit more than EUR 200 million for the half year or EUR 120 million volume in the second quarter, a good 20% growth number. And we don't have a competition between direct and agent as such, both can grow as much as they can. It seems that the direct business is certainly, at the moment, clearly outgrowing the agent channel. We have crossed the 1 million customer line somewhere in early May -- or April, actually in April, already. And that shows you that this is probably the more dynamic business, but also our agent channel has still a small plus, in particular in motor, which shows that we are very well positioned in the Italian market at the moment.

Andrew Broadfield
Barclays PLC, Research Division

And just on that direct business, margins, are they sort of similar? I mean, obviously, basically as a whole, it's tremendous at the moment, but for direct, is the margin sort of similar to the agent channel?

Dieter F. Wemmer
CFO & Member of Management Board

It is still nicely below hundred, but it is not as strong as the agent number. But that is actually also no surprise because also, a motor portfolio has a better loss ratio when it matures. So when you have a high percentage of new business in a motor portfolio, you have always a higher loss ratio and you have to grow into a more matured stage. That is the normal way motor portfolios are developing.

Operator

We will now take our next question from Andrew Ritchie of Autonomous Research.

[Audio Gap]

Andrew James Ritchie
Autonomous Research LLP

You've done a review of reserves and released, I think you said, EUR 100 million. Is that now your reserves sort of caught up with the current benign frequency and severity? Or do you anticipate a further review later in the year? Just give us a sense, as to -- I mean clearly, the frequency and severity experience continues to be very benign in Italy.

The second question, on non-Life generally, there seems to be slightly less price effect in Q2 than Q1. Just give us a sense as to where you think, across your portfolio, pricing has become slightly more of an issue, or in areas where it's become better.

And finally, on PIMCO, apologies if you have disclosed this, but I don't think you have, what's the actual size of noncore versus core within PIMCO, in terms of AUM as at the end of half year? Because it -- I'm trying to gauge the inflows relative to that.

And linked to that, there was quite a significant margin uptick, as you talked about, Q2 versus Q1, in terms of fee margin. I mean is that -- was there anything funny in that? Or should we assume that level of fee margin is sustainable from here on?

Dieter F. Wemmer
CFO & Member of Management Board

Yes, so let me start with Italy. The runoff result is Italy is driven actually by both. It's a bit of frequency development and also a bit of severity development. Actually, I would say the improvement also in the accident year loss ratio in Italy, this year over last year, was more severity driven than frequency driven. So, from this perspective, I would almost expect that there is a good chance that the runoff development in Italy can continue to some level, but without making any final announcement because I leave this to the actuaries and the reserve committee to figure this out.

The pricing topic has -- it's certainly a slightly different picture in Q2 than Q1. We still have, I think, good pricing movement in the areas where we need it. And actually, in Germany, the cat events of June and also now July, I'm absolutely sure it will actually accelerate the hardening in the German markets because there are some regional competitors who have even stronger homeowners' market share are hit very severely. So in this low yield environment, I think they have no way out than increasing rates. So that should actually support our general direction.

Italy, on this combined ratio level, I think we can't raise rates, and also, we don't want to do this. We just want to grow our business at a very, very good profit margin. And a similar strategy, we are actually applying in Spain. We have reduced motor rates slightly in Spain. We did grow our customer base and policyholder base in motor by 5% this year and still rising it at a combined ratio which is slightly below our average. So therefore, I think it is better to improve our profit than just looking what is the total rate increases. Where we have very good rate increases is in the U.S., and that is what we need also to improve the Fireman's Funds without further. So, therefore, I think that it's now more selective where the combined ratio can be improved and needs improvement. It is less relevant where we are at high profit levels.

So now your PIMCO question. I thought I answered it already half in the process. We have roughly EUR 500 billion in core. And therefore, the noncore, it's now going to close, let's say, 60-plus percent. And that is -- that makes them up between EUR 500 million and the rest, and cost stays June over June flat, and all the EUR 100 billion gross went into noncore. And the noncore has higher fee margin, and, therefore, we hope it continues in this direction. Actually, I think it is objectively motivated hold .

Andrew James Ritchie
Autonomous Research LLP

And just to be clear, if you have an ETF which was indexed to the sort of core products, is that classified as noncore or core?

Dieter F. Wemmer
CFO & Member of Management Board

Noncore.

Andrew James Ritchie
Autonomous Research LLP

That's noncore. Because it's...

Dieter F. Wemmer
CFO & Member of Management Board

The ETFs make a very small portion in the noncore. I think when we have EUR 10 billion of ETFs in the whole, that is probably -- that's it, yes.

Andrew James Ritchie
Autonomous Research LLP

Okay. So therefore, you'd -- okay, so the fee margin uptick, I guess, you anticipate would probably uptick again to some degree over the rest of the year.

Dieter F. Wemmer
CFO & Member of Management Board

Certainly, that is something -- looking at Q1 and Q2, there is some likelihood that it continues. Although, I think that maybe the average jump in Q2 was more pronounced than also we would have expected it. So I would now not assume that the numbers are going up every quarter too strongly. But I think with the number between Q2 and Q2, I think we have a very strong fee margin growth, which is, I think, a good -- should add to a good outlook.

Operator

We will now take our next question from Marc Thiele of Mediobanca.

Marc Thiele
Mediobanca - Banca di credito finanziario S.p.A., Research Division

I have a few questions and like to come back to the reserve releases in P&C. You already mentioned Italy and the litigation issue. Can you provide more detail on the reserve releases elsewhere? Maybe you can split this into lines of business or geographies where you see some of the movements.

Then secondly, the Life Insurance net inflows, do you have a number by product instead of by country, something that corresponds to your earnings split on Slide 77? I think that would be very helpful if you could produce those numbers going forward.

And then the third thing is on the globally systematically important insurers, are you internally preparing to set some money aside even before knowing the requirements? I mean, you mentioned the buffer sitting in Munich is a degree of that already earmarked for such potential requirements.

Dieter F. Wemmer
CFO & Member of Management Board

Okay, let me start with the last question. First of all, I think from all on the list of G-SIIs 09, I think our relative bench strength and capital strength is probably at the upper end of the list of the 9. So if -- therefore, I feel comfortable with the statement that we probably don't need additional capital over what we have already. That would be very unusual because that would be dramatic for some of our colleagues.

The central buffer is more a management philosophy than being linked to the SIFI question. In the end, we need some money to manage the group. We don't need huge numbers of excess capital in local entities because they -- that makes the management of a group faster and more flexible, and flexibility, in the end, pays off in better returns to the shareholder. That is more a philosophical question.

I think the net inflows on the Life side, yes, we are -- I think you'll find it also somewhere in our financial statement. We have actually in the non-UL, so the more traditional business, it is an outflow of EUR 500 million; and the unit-linked to be A type, it is EUR 2.5 billion -- or EUR 2.3 billion-plus. So that was your second question.

And now coming to the first question, the runoff result; I think we have given actually already a lot of details, and the rest which we have not given is the usual mix of everybody. I think I mentioned that, actually, we had no reserve increases in an OE, as such. And therefore, the number as a whole is high because it is a sum of positive numbers only.

Operator

Our next question comes from Thomas Seidl of Sanford Bernstein.

Thomas Seidl
Sanford C. Bernstein & Co., LLC., Research Division

Two questions, please. On the expense ratio on the P&C side, you mentioned a few one-offs, and so I wonder what is your view on a future normal run rate? It was 28.2% at Q1, it's now at 28.7%. So is it somewhere in-between those numbers?

And secondly, on the investment side, there was quite some hits on the FX side, which may be related to your strategy to engage more in emerging markets. I wonder if you have, let's say, considered changing now the strategy or alternatively hedge more of this FX exposure. I think it's a hit from quarter to quarter of EUR 800 million.

Dieter F. Wemmer
CFO & Member of Management Board

Yes. But I think the FX now includes also the movement in our balance sheet, which is, of course, a revaluation of your subsidiaries you have always to do. That is the bulk of the FX movement and that is never reaching P&L. But also, in the P&L, we have positive and negative numbers. We had from the emerging market exposure, I mentioned that we have, in Allianz Leben, losses. We have some losses also shown under the P&C segment; that was actually the negative impact on our investment income in P&C is also coming from FX. But we have also some positive FX impacts, actually, on a corporate level, where we are hedging more the annual dividend income of our subsidiaries. So it's some pluses and minuses. It's not all negative. But the emerging market has produced some FX gains over the last 2 to 4 years. And this quarter, we had some losses. We still feel that we can actually keep this diversification or this risk and benefited from it in the long run.

The expense ratio, yes, I would expect in the -- over the long run a little bit lower expense ratio than in Q2. But the expense ratio, as I explained, has always the impact of mix. And in the end, mix changes. As long as you make money on the new business you are adding, how the split is between an expense ratio and a loss ratio should not stop us to expand our business.

So the Eurocourtage acquisition is actually a very good example. When you looked at -- our French colleagues have really compared to the historical development with a 96% combined ratio, one of their stronger combined ratios for a quarter. And that includes a EUR 40 million loss on the floods in Louet. And it includes Eurocourtage, which has a 10 percentage points higher expense ratio. So that does not mean that a higher expense ratio worsens the results for the shareholder. And we have always to distinguish between what is poor management of admin costs and what is mix change.

Operator

Our next question comes from William Hawkins of KBW.

William Hawkins
Keefe, Bruyette & Woods Limited, Research Division

Dieter, could you help me with the roll-forwards of your economic solvency ratio from the end of March to the end of June? I know there are some positives and negatives, but if you could help me just sort of think about the 2008 to 2006, that would be helpful.

And then yes, secondly, just on the derivative in Germany that hurt the second quarter, can you just remind us sort of when you put that in place and what the impacts have been in 2012 and in the first quarter of that derivative? And is it a sort of a simple symmetrical thing that were yields to reverse, this would simply come back as a positive through the income statement? Or is it more complicated than that?

Dieter F. Wemmer
CFO & Member of Management Board

That last question, William, first. Yes, that is an easy one. That is a traditional forward future. So it really moves with the broader level, and therefore, you have the P&L impact in both directions symmetrically. We boarded, I think, 2 or 3 years ago. Partially, we increased it last year. So, therefore, so far, we gained more on it than we lost in Q2, but there is always the question of whether you believe in the duration matching or not. I think not only me, but also the majority of our management team here clearly believes into it. Therefore, you have an, in accounting terms, something -- sometimes to pay for it. In economic terms, it is still a good decision. Whether you should sometimes place some tactical decisions on it, that is -- that would be a very good question, but we would certainly not, in this call, talk about tactics with this respect.

So now coming to your question on economic solvency development; the reduction of the risk capital is driven mainly by a reduction of market risk and also a little bit of credit risk. The market risk is, on one hand, lower volumes of our fixed income portfolio, and then some additional hedging activities. So from this EUR 1.3 billion reduction in market risk, 2/3 is reduction in market risk, 1/3 is additional hedging activities. And then we have an uptick in underwriting risk because a higher underlying risk in our P&C portfolio. And then, there is a very small tax impact, which explains the whole thing and then, we have I think it is less underwriting diversification which drives the underwriting risk mainly up. And on the AFR, well the shareholders' equity, moved and -- but less pronounced on this more market consistent balance sheet than in our IFRS equity. Actually, the total of all movements on the available financial resources is only a minus of EUR 0.6 billion, where the biggest impact actually comes from the redemption of our U.S. hybrid, which is not an impact in the IFRS results. So when we would have kept the hybrid level unchanged, we would actually have gained available financial resources in the second quarter, which shows you that our economic balancing and our risk management works very well and doesn't show the accounting effects of what you see in the Life results, in particular.

Operator

Our next question comes from Blair Stewart of Merrill Lynch.

Blair Thomson Stewart
BofA Merrill Lynch, Research Division

I think I've only really got a couple of questions left. They're both on the Life segment, and the first is Italy. I think you mentioned, Dieter, that 75% of your new business was unit-linked. I just wondered why, in that case, the new business margin is not higher than it is.

And secondly, for France, you said that you've not quite got the mix of business that you want. I wonder if you could just expand on that a little, tell us what the split of business you're selling there is and what the action plan is to then rectify that. I think one of your competitors has published fairly decently new business margins in France today.

Dieter F. Wemmer
CFO & Member of Management Board

Yes, yes, Blair, thank you very much. Well, in Italy, the question of why is the new business margin on the unit-linked business not better. It's very simple; because we are also making a good offer to our customer. And I think we are having a great sales success. And as the unit-linked business has a very small risk capital consumption, the return on capital, at this margin level, is really high. And why should we push it up higher? Because in the end, we are much more looking at risk returns. And new business margin, I think, is a very weak measurement for risk returns. A new business margin can look great, but the risk return is really poor behind it and vice versa. So therefore, I think new business margin is an industry convention which I am not sure that it will have a long life going forward, in particular after the introduction of Solvency type II. It needs full reengineering because, I believe, nobody can really read this number anymore.

And in France, I was less talking about the mix; I was more talking about the product design itself. We have to start really a series of improvement action on each product. And what drives -- what are the main contributors to our mix is our individual and group health products which, as such, are actually healthy and producing actually also good operating profits. I think we have also to see what is really the handicaps that the new business margins are not showing actually the full economics of the products. And maybe in one or the other area, we have also to look at repricing actions; that is simple.

Blair Thomson Stewart
BofA Merrill Lynch, Research Division

Okay, fantastic. And maybe just one follow-up. The nonoperating gains, any additional color to add there? Was there anything that was truly exceptional in Q2?

Dieter F. Wemmer
CFO & Member of Management Board

Yes, well, the nonoperational gains has to be exceptional. There were 3 major contribution where we sold -- where we did a block sale of shares. But as usually, we are not going through individual names, only if they are really material. And it was this size levels and it is also smaller companies so that it's probably doesn't make sense to go through the names.

Operator

The next question comes from Nick Holmes of Societe Generale.

Nick Holmes
Societe Generale Cross Asset Research

Just a couple of questions. First one is can you explain the DAC charge in the U.S. a bit more? In particular, what the negative true-ups relates to?

And then just moving back to PIMCO; just wondered, I mean, I know you said it's a high-quality operation, but how concerned are you that it is essentially independent, out of your control? How much does that make it difficult for you to set group targets because I mean, given your targets, compared to some of your competitors, are not quite as granular as they could be?

Dieter F. Wemmer
CFO & Member of Management Board

Nick, can you help me you with your second question, what you mean with that our targets are not as granular as some competitors?

Nick Holmes
Societe Generale Cross Asset Research

Well, I'm thinking you haven't got an earnings growth target of a specific amount; you've got a range. You haven't set 5%, 10%, something like that. And I just wondered how much PIMCO plays a part in your decision not to set more specific group growth targets because maybe you feel it's sort of out of your control, it's a bit volatile, et cetera.

Dieter F. Wemmer
CFO & Member of Management Board

Look, I -- as you're -- I think, in the second quarter, PIMCO's operating profit growth is 40%. Even the most ambitious of our peers, I think, is not expecting a 40% growth in operating performance. Therefore, I think PIMCO would probably, in all of our peers, be most welcome as an over-delivery and great contributor to their results. And I think we are not concerned about PIMCO's independence. I think we have a lot of trust in the capabilities of the management. And it is fully integrated in Allianz' activities because, here in this call, I have only spoken about the third-party money managed by PIMCO because that drives our consolidated results, but we should not forget that they are managing a substantial part of our own insurance monies. And that shows you -- actually, because when you look at PIMCO's share in our overall management of the -- our own investments, that shows actually how much PIMCO is an integral part of this group and contributes very strongly to the overall well-being. So therefore, I'm not understanding the question, or maybe I don't want to understand the question, because I'm, by no means, sharing this feeling. So...

Nick Holmes
Societe Generale Cross Asset Research

That's a very good answer, yes. And...

Dieter F. Wemmer
CFO & Member of Management Board

Yes. Actually, the DAC charge in the U.S., I would not call it a true-up of the DAC because, in the end, on this VA business, the DAC amortization is absolutely formulaic. So you put the numbers in and it calculates it. True-up actually means if you are updating some assumptions a quarter later because you didn't manage to get it done before the quarter end; that would be for my definition of true-up. And here it is just the formulaic move, and that is, in particular, on the old VA book, the DAC is very sensitive to in -- to movements in the unhedged interest rate result because, of course, the positive investment margin benefits come from the unhedged part. The hedged part doesn't move at all, obviously, otherwise, it wouldn't be hedged. So, therefore, I don't see any special development here. But certainly, the big question, as probably every VA player in the U.S. has, "What are you -- how are you readjusting your hedges over the next quarters? What is the reading of the interest rate development? And how are you positioning yourself?" That is probably the questions. And here, we actually count on strong cooperation with PIMCO, who have a better track records in reading the interest rates developments than we are.

Nick Holmes
Societe Generale Cross Asset Research

Understood. Sorry, could I just, Dieter? The negative true-up that you mentioned, it's on Slide 32, it's -- so what does that actually refer to, then? It's mentioned within the DAC paragraph, but it's not quite clear what it refers to.

Dieter F. Wemmer
CFO & Member of Management Board

Yes, I think it is mainly the amortization on the higher investment income. It might be that, in some other place, there were some small negative true-up. But in our case...

Nick Holmes
Societe Generale Cross Asset Research

Okay, so it's a minor element, right, understood.

Dieter F. Wemmer
CFO & Member of Management Board

Yes, yes. It's -- really, by and large, it's amortization on higher investment income.

Operator

[Operator Instructions] We will now take our next question from Vinit Malhotra of Goldman Sachs.

Vinit Malhotra
Goldman Sachs Group Inc., Research Division

Vinit from Goldman Sachs. Just 2 things now from a bit more top-down view. So given that PIMCO has proven more resilient to rising interest rates; and also, it looks like the Life in the U.S. wasn't so resilient on interest rates, is there some discussion internally around thinking about the interest rates since really that you have published that around EUR 200 million for 100 basis points? It could probably be different if this is the dynamic in the group, or maybe the same.

And second thing is then on the very clean, the accident year loss ratio rate for NatCat. If you strip out the AGCS file claim of EUR 60-odd million, you get to a 67.1% odd level. And I'm just wondering, over the last

3 years, this has come down from 69%, 70% levels. And part of that is obviously pricing and the other actions; part of that is also frequency from slowing economies. And what's the risk, in your view, of that as the economy recovers fully? And then is there some risk to the frequency side of this number?

Dieter F. Wemmer
CFO & Member of Management Board

Okay. Hi, Vinit, let me first start with the comparison of less-resilient versus resilient. Economically, actually, our U.S. VA portfolio gains with the uptick of the interest rates and not only economically as actually the DAC amortization, as you don't find on your -- on the local statutory balance sheet, actually, for paying dividends, I'm less concerned, and it should actually help the free cash flow at this company actually quite nicely. So that has -- unfortunately, some of this Life accounting is always very technical and economic and accounting, and IFRS versus local set. There are always that different impacts of it. So overall, higher interest rates is good for the business, and there's no doubt about it and we should take it as a simple rule of thumb, which is also driving the economics in the long run.

Our accident year loss ratio is not -- certainly has, to some extent, benefited from reduction in frequency and also severity. Is this all driven by lower economic activities in Europe? Actually, that we see in motor a lower frequency on major accidents is actually a trend which is probably over a couple of years. And I would not link this trend to the economic activity in Europe. It has also something to do with the technical equipment of the cars, maybe also the oil price, that people are driving not as fast anymore as before because they are all more oil consumption conscious. Plus also, I think the green thinking is also spreading in Europe more than in the past, therefore, people are also not doing their private races anymore on the motorway. And that certainly helped also the accident year loss ratio. But these are, I think, all secondary effects. The primary effect is really the growing pricing and underwriting discipline of the group, the rollout of pricing tools. In the end, our global P&C team is now a bit more than 2 years old. And the impact of the global P&C team has become slower [ph] in the accident year loss ratio at some point. Otherwise, we should close down the team and have, at least, the expense savings. So from this perspective, I think we are doing exactly on the underwriting results what we promised.

Your interest rate sensitivity, sorry, Vinit; yes, we are -- we see it is still the EUR 200 million operating profit interest rate sensitivity, although there are direct and indirect effects. That's -- where we had epic losses on emerging markets is, in the end, a question of interest rate sensitivity because Bernanke was speaking of tempering, and immediately, interest rates jumped in emerging markets and FX went down in emerging markets. So if you want, that is an interest rate sensitivity but just popping up in a different P&L line. So, from this perspective, the EUR 200 million in operating profit, it's probably a bit understating the volatility because that is only looking at the direct effect.

Vinit Malhotra
Goldman Sachs Group Inc., Research Division

Okay, fantastic. And if I can just follow up on the P&C investment side, please. On the running yield, which you have repeated guidance of 20 bps, I was just wondering if you could just clarify again what is the -- what caused this 20 bps uptick versus 1Q? And also, in the equities line, there's a bit of a drop in the dividend in the second quarter, probably. Is there something to note there? Or it's just -- it's a very minor number? I just need a quick clarification.

Dieter F. Wemmer
CFO & Member of Management Board

Yes, well, I think there is certainly also the question always that what are the cash flows in each months from which part of the world? Q1 P&C is very much, I would say, overrated by the Germanic countries because these are the countries which have still a lot of January 1 renewal. The second, third and fourth quarter has more a mixture of spread across the world. And then, it depends in each OE what specific actions are we taking on the change of investment mix. And we went certainly more in the -- in Germany, also in corporate bonds and things like that, and also with a little bit of longer duration. Therefore, the Q1 reinvestment rate was higher. In Q2, we were, in general, doing a bit of shortening. And we were partly also buying for portfolios which in general have a lower -- a shorter duration. So, therefore, it is a complex mixture and it would require probably a deep-dive analysis to get to the last base point of this number. Therefore, take it as it is and don't try to extrapolate it from the first quarter.

Oliver Schmidt
Head of Investor Relations

Okay, before we -- sorry, before we continue: I don't know, I think we slowly have to come to an end. It's such a busy day for all of us, so I'd probably search [ph] everybody if we restrict ourselves to 90 minutes. So that means that we have time for one last question or one last set of questions, please.

Operator

[Operator Instructions]

Dieter F. Wemmer
CFO & Member of Management Board

It seems to be good timing. Thanks so much. And I hope you have still your summer vacation ahead of you, as I do. And then, hope to see you soon after the summer break on various investor and roadshow events. Thanks very much. And then, you're probably heading now to the next conference and then you can com-peer directly -- compare, not com-peer, but compare with us these peer numbers and come to a conclusion what is the better A in the industry.

Oliver Schmidt
Head of Investor Relations

Yes. Thanks, and bye-bye from my side as well.

Dieter F. Wemmer
CFO & Member of Management Board

Thank you and goodbye.

Operator
That will conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.