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PRESS RELEASE

Generali agrees to sell 89.9% of Generali Leben in Germany, in a transaction valuing the company at up to €1 bln. Total estimated cash-in up to approximately €1.9 bln.

Agreed vision for an innovative industrial partnership with Viridium Gruppe for the sustainable management of the Generali Leben Life portfolio.

Media Relations  
T +39.02.48248884  
[media@generali.com](mailto:media@generali.com)

Investor & Rating Agency  
Relations  
T +39.040.671402  
[ir@generali.com](mailto:ir@generali.com)

Communications and Public Affairs  
Generali Deutschland  
T +49 89 5121-8294  
T +49 89 5121-6100

[www.generali.com](http://www.generali.com)

 user: Generali  
 user: @GENERALI  
 user: generaligroup  
 user: GruppoGenerali

- Total evaluation for 100% of Generali Leben up to €1 bln, incl. €125 mln as earn out in case of changes in the reservation rules. In addition, €882 mln of loans to be reimbursed to Generali Group;
- Life business in Germany rebalanced on Unit Linked, Hybrid and Protection products. Generali remains Germany's second largest insurer;
- The transaction is in line with the Group's strategic ambition of rebalancing its portfolio, significantly reducing exposure to interest rate risk and improving return on risk capital;
- Positive impact on German Solvency of approximately 43 p.p. and on Group Solvency of 2.6 p.p.;
- Contractual obligations toward customers will remain unchanged. The customers will continue to enjoy excellent customer service standards safeguarded by the expertise of Viridium and the Service Level Agreement with Generali Deutschland. Generali to maintain a 10.1% stake in Generali Leben and a seat on the Supervisory Board;
- Generali Investments Europe will manage the Generali Leben assets for a 5-year period, receiving a cumulative total fee of €275 mln;
- Generali will have the possibility to invest in a minority stake in Viridium, subject to the successful completion of the due diligence.

Trieste/Munich – The Board of Directors of Assicurazioni Generali and the Supervisory Board of Generali Deutschland have entered into an agreement to sell the majority stake of Generali Leben to Viridium Gruppe, a leading specialist for the management of life insurance portfolios in Germany. Viridium is owned by the international London-based private equity firm Cinven and the global German reinsurer Hannover Re.

The transaction will serve the interests of the customers and all stakeholders through an innovative industrial partnership. The transaction is expected to be signed shortly.



Generali Deutschland will sell 89.9% of Generali Leben to Viridium. The total evaluation for 100% of Generali Leben is up to € 1 billion, including €125 million as earn-out in case of changes in the rules regulating the allocation to ZZR<sup>1</sup> reserves. Viridium will also reimburse €882 million of hybrid loans to Generali Group.

The transaction will improve the return on risk capital and will mitigate the Group's exposure to interest rate risk. The transaction will add approximately 43 p.p. to the German and 2.6 p.p. to the Group Solvency II positions respectively, generating a capital gain (gross of tax) of approximately €275 million at Group level.

Generali Leben represents approximately 36% of Generali Deutschland's Life reserves<sup>2</sup> and is mainly focused on the guaranteed traditional policy business. It manages 4 million policies with traditional reserves amounting to €37.1 billion and includes several portfolios of formerly merged companies. After the transaction, Generali Deutschland will remain a leader in the Unit-Linked, Hybrid and Protection business and will maintain its position as the second largest German insurer, through the other business units of the Group.

Contractual obligations towards customers will remain unchanged. Retail customers will continue to receive the excellent service standards also thanks to the specific expertise and resources of Viridium, supported in the mid-term by a Service Level Agreement with Generali Deutschland. Corporate business (bAV<sup>3</sup>) customers will be further supported by the specialized Competence Center of Generali in Frankfurt. In addition, Generali will maintain a 10.1% stake in Generali Leben and a seat on the supervisory board. Generali and Viridium will respectively retain on this stake customary put and call options to be exercised starting from three years after closing.

**Generali Group CEO, Philippe Donnet**, commented: *"Today's decision represents a key step in the process of strengthening Generali according to our strategy. All of our stakeholders will benefit from it. This transaction will allow us to invest in innovative solutions for our German customers, guaranteeing a higher return for our shareholders. Germany is a core market for Generali. The management team and all of our colleagues are working relentlessly to strengthen our position as a leader in the insurance industry. This commitment makes us confident about our future in the market."*

**The CEO of Generali Deutschland, Giovanni Liverani**, stated: *"This is the final step in the strategic turnaround of Generali in Germany, which allows us to grow and be stronger in this market. We are committed to guarantee maximum continuity to our customers, opportunities for our employees, and further investments in growth. Leveraging on our longstanding and excellent distribution partnership with the Deutsche Vermoegensberatung that will distribute our strong Generali brand, on our digital leadership with CosmosDirekt, as well as on our innovative and unique smart insurance product range, we are now positioned better than ever to reinforce our footprint among the leaders in Germany."*

Generali will have the possibility to invest in a minority stake in Viridium, subject to the successful completion of the due diligence. The holding company controlling Viridium is currently owned by Cinven (80%) and Hannover Re (20%).

Under the terms of the agreement, Generali will manage the assets under management of Generali Leben for a 5-year period through Generali Investments Europe. Viridium will recognize a cumulative sum of €275 million to Generali over the 5 years.

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<sup>1</sup> Zinzusatzreserve (ZZR): Additional interest rate risk reserve

<sup>2</sup> Including Health

<sup>3</sup> Betriebliche Altersvorsorge (bAV): Life Corporate Pension



#### **FULL CONTINUITY AND BENEFITS TO CUSTOMERS OF GENERALI LEBEN THANKS TO THE PARTNERSHIP WITH VIRIDIUM**

Viridium Gruppe is a leading specialist for the efficient management of life insurance portfolios. The Group currently manages a portfolio of almost 1 million insurance contracts and assets of approximately €16 billion. Their strong expertise, in combination with the specialised business model, provides all necessary prerequisites for the excellent management of this portfolio. Viridium has a strong track record of integrating newly acquired portfolios. The Viridium model of portfolio management is largely focused on building scale and generating efficiency gains that lead to significant cost improvements and sustainable benefits for the policyholders.

#### **SOCIAL RESPONSIBLE SOLUTIONS FOR EMPLOYEES WITH LOCATION AND JOB GUARANTEES**

Around 300 employees currently managing the closed book of Generali Leben shall change to a new Service Company. Viridium will maintain unchanged the working conditions for those employees, in line with the existing agreement for Generali Deutschland employees put in place in early 2018.

#### **BAFIN EXPECTED TO VERIFY ALL THE ASPECTS OF THE TRANSACTION TO FULLY ENSURE CUSTOMERS' INTERESTS**

The transaction will be subject to the approval by the German Federal Financial Supervisory Authority (BaFin). In the authorizing process, it is expected that BaFin will carefully verify all the aspects of the transaction, specifically the operational feasibility and the capital solidity of the buyer, in order to ensure that the interests of customers are fully protected.

Furthermore, the transaction is subject to the clearance by the competent German antitrust authorities.

Morgan Stanley & Co. International plc acted as financial advisor.

#### **THE GENERALI GROUP**

Generali is an independent, Italian insurance group, with a strong international presence. Established in 1831, it is among the world's leading insurers and is present in over 60 countries with total premium income exceeding €68 billion in 2017. With nearly 71,000 employees in the world and 57 million customers, the Group has a leading position in Western Europe and an increasingly significant presence in Central and Eastern Europe as well as in Asia.