

# Asset Gatherers Day 2018

## Feedback from Banca IMI Asset Gatherers Day 2018

Companies attending Banca IMI Asset Gatherers Day



On 9 April 2018, Banca IMI held the 6th edition of its Asset Gatherers event in Milan, hosting a number of companies operating in the Italian Asset Gatherers sector: Anima Holding, Banca Generali, Banca Mediolanum and Finecobank.

Our annual conference offered investors the opportunity to meet with the management of these Italian AG companies to discuss their business trends and strategic developments.

In this report, we outline the main takeaways from the meetings, while we confirm the ratings and target prices assigned in our latest company reports.

### Banca IMI Asset Gatherers Day Stocks - Key multiples (2018E-19E)

	Price (EUR)	Mkt Cap (EUR M)	P/Customers' Assets (%)		P/E (x)		Target Price (EUR)	Recommendation
			2018E	2019E	2018E	2019E		
Anima Holding	5.94	1,830	1.18	1.13	11.9	11.1	6.8	BUY
Banca Generali	26.82	3,134	5.14	4.73	14.1	12.5	32.8	ADD
B. Mediolanum	7.01	5,185	6.29	5.82	14.1	12.9	8.2	ADD
Finecobank	9.67	5,880	8.04	7.45	25.0	21.4	9.2	HOLD

Priced at market close on 06/04/2018; NA: not available; Source: Intesa Sanpaolo Research estimates

### Banca IMI Asset Gatherers Day Stocks - Share Price Performance

% Chg	1M	3M	6M	YTD
Anima Holding	-2.5	-2.5	-7.5	5.4
Banca Generali	-1.4	-3.0	-7.2	8.1
B. Mediolanum	-1.4	-2.6	-2.3	1.4
Finecobank	-3.0	8.5	34.1	53.6

Priced at market close on 06/04/2018; Source: FactSet

10 April 2018: 9:32 CET  
Date and time of production

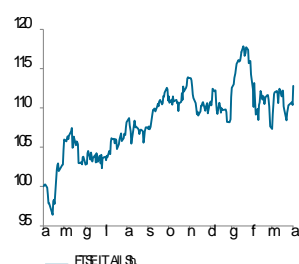
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Intesa Sanpaolo  
Research Department

Elena Perini, CFA  
Research Analyst  
+39 02 8794 9814  
elena.perini@intesasanpaolo.com

Date and time of first circulation:  
10 April 2018: 9:35 CET

### Index price performance, -1Y



Source: FactSet

Report priced at market close on 06/04/18 (except where otherwise indicated within the report).

In this report, we confirm the ratings and target prices assigned in the latest company reports (unless otherwise indicated)

## Banca IMI Asset Gatherers Day 2018: Sector Trends

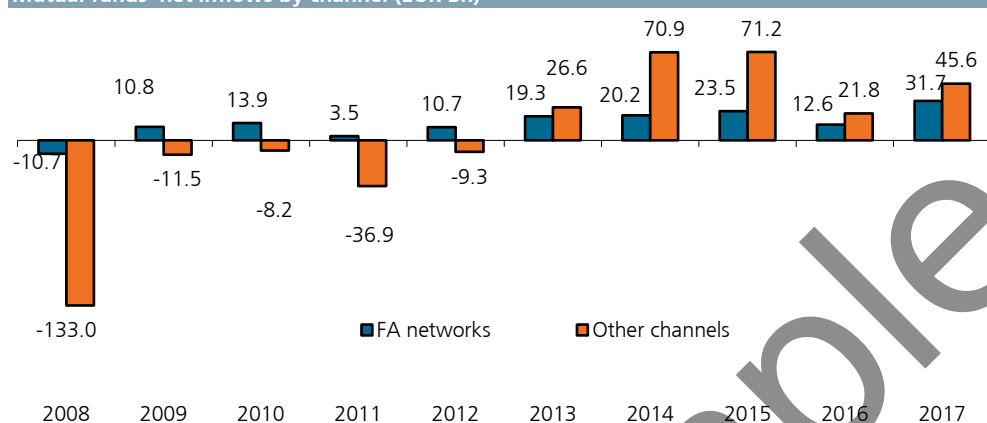
**Business trends: recent and historical data, still room for growth.** According to Assogestioni data, in the first 2 months of 2018, the Italian asset management industry had a total net inflow of EUR 9.03Bn vs. EUR 12.08Bn in the first two months of 2017, a decline related to the negative result recorded in February. Mutual funds' net inflows amounted to EUR 5.53Bn vs. EUR 9.83Bn in January and February 2017. In the first two months of 2018, the Italian financial advisors' network recorded a total net inflow of EUR 5.93Bn, with EUR 2.63Bn in mutual funds, equal to 47.6% of the total system (source: Assoreti). Looking back at the historical data, in the past five years, both financial advisors' networks and banking branches had positive net inflows in mutual funds, while the former were always positive in the past nine years.

Elena Perini, CFA-Research Analyst

+39 02 8794 9814

elena.perini@intesasanpaolo.com

### Mutual funds' net inflows by channel (EUR Bn)



Note: other channels mostly represented by banking branches; FA: financial advisors' networks. Source: Assoreti on Assoreti and Assogestioni data

There was an increase in the market share of financial advisors on managed assets distributed in Italy, which, according to Assoreti (based on Assogestioni, Covip, ANIA and Assoreti data), was up to 23.6% at end-2017 from 19.3% at end-2013 (22.9% at end-2016).

Looking at the breakdown of Italian household wealth, at end-September 2017, AuM represented approximately 34.5% of the total (EUR 4.3Trn), a rise vs. 25.8% at end-2010 and 33.1% at end-2016. However, we still identify room for growth, as: 1) AuM contribution is lower than in other developed countries (41.8% in France, 40.9% in Germany, 59.7% in the UK and 43.4% in the US); 2) the overall higher portion kept in currency and deposits and still invested in bonds (38.8% vs. 29.1% in France, 24.6% in the UK and 18% in the US); a significant amount of money (23.1% of total) is still directly invested in shares, with a negligible level (1.6%) of listed ones.

### Italian households' financial wealth breakdown

	Total Asset	Currency & deposits	Bonds		Stocks		Investment funds	Pension funds & life pr
			Total	Issued by banks	Total	Listed		
Italy	€ bn	%	%	%	%	%	%	%
1995	1,809	38.0%	22.5%	1.9%	19.2%	2.8%	5.8%	9.3%
2000	3,058	22.8%	16.5%	6.3%	29.3%	5.4%	16.9%	10.5%
2005	3,897	23.4%	18.9%	7.0%	28.0%	2.4%	10.9%	14.8%
2010	3,691	30.4%	19.6%	10.0%	19.9%	1.9%	7.6%	18.2%
2014	4,070	30.6%	12.6%	6.1%	23.1%	1.6%	10.1%	19.7%
2016	4,185	31.8%	8.7%	3.3%	22.5%	1.3%	11.3%	21.8%
2017 Q3	4,291	31.2%	7.6%	2.5%	23.1%	1.6%	12.1%	22.4%
2017 Q3								
France	5,320	27.9%	1.2%	n.a.	21.6%	5.0%	5.7%	36.1%
Germany	5,959	39.1%	2.6%	n.a.	10.8%	5.6%	10.6%	30.3%
UK	7,449	24.2%	0.4%	n.a.	11.1%	4.0%	4.8%	54.9%
USA	66,792	13.0%	5.0%	n.a.	36.5%	n.a.	11.9%	31.5%

Source: Assogestioni (based on Eurostat, OECD, ECB and Deutsche Bundesbank)

**Regulation and digitalisation.** We see regulatory risk as implicit in the financial sector to a certain extent. The MiFID II Directive has been in force since 3 January, introducing greater transparency on the cost of products and services provided. Our covered companies appear confident in being ready to face the challenges posed by the new regulation, while we see asset gatherers as overall more prepared for potential changes in the calculation mechanism of performance fees, with Banca Mediolanum moving from a monthly calculation to an annual one during this fiscal year and Banca Generali ready to introduce a new 12-month High Water Mark mechanism for new products. We consider digitalisation more as an opportunity than a threat, as: 1) we continue to believe that robo advisory should not cannibalise the human touch; and 2) we see IT as a useful support for the advisory process, both for financial advisors and banking branches.

**M&A.** We continue to believe that consolidation could be an important driver for the asset management business, allowing the companies involved to extract significant economies of scale (see our report on Anima Holding of 29 March 2018).

Overall, we believe that asset management is increasingly a business of volumes, with operating leverage and potential new revenue streams offsetting margin pressure, also coming from regulation.

Sample

## Asset Gatherers Day 2018 Company Feedback

### Anima Holding (BUY)

- **A new Anima following recent M&A.** After the recent M&A deals closed (Aletti Gestielle) and announced (insurance mandates previously managed by Banca Aletti and the assets underlying Poste Vita Class I insurance products) for a total disbursement in the region of EUR 1Bn (two-thirds financed through debt and one-third through the EUR 300M rights issue closing on 12 April), Anima significantly increases its AuM perimeter from EUR 75.35Bn on a stand-alone basis at YE17 (EUR 94.4Bn including Aletti Gestielle) to EUR 178.5Bn on a pro-forma basis, with a significant change in the retail/institutional mix: 32-68% vs. 52-48% on a stand-alone basis and 60-40% including Aletti Gestielle;
- **Margin dilution offset by more stable revenues.** We estimate the recently announced M&A deals to reduce the net management fee margin for Anima (from 28.3bps in 2017A to 16-17bps on average in the three-year 2018E-20E period), due to the significantly higher weighting of the institutional segment, which, on the other hand, increases the resilience of the group's revenues. In addition, through the abovementioned M&A deals, Anima should be able to extract significant economies of scale, which we consider key in a business increasingly driven by volumes, and has strengthened the relationship with its two major shareholders Banco BPM and Poste Italiane (20-year strategic partnership with Banco BPM, expiring in 2037 vs. 2030 for the previous agreement on BPM perimeter and commercial partnership with Poste on mutual funds and unit-linked extended to 2033 vs. an original deadline at 2025);
- **Update on recent business trends.** The first months of 2018 have been characterised by a recovery in net inflows (also driven by the retail segment), offset by a negative market performance, as shown by March and 1Q18 data, released yesterday after market hours: EUR 602M net inflows in the first three months of the year, of which EUR +478M in mutual funds vs. EUR +391M in 1Q17 for Anima stand-alone (EUR -311M for mutual funds), with total AuM at EUR 93.8Bn at end-March 2018, showing a decline vs. EUR 94.4Bn at end-2017 including Aletti Gestielle. Our FY18E estimates point to EUR 2,675M total net inflows.

Overall, we confirm our **BUY rating and target price of EUR 6.8/share**, also supported by an attractive relative valuation vs. European asset managers, with Anima currently trading (based on our estimates, assuming the successful conclusion of the capital increase) at an average 11.5% discount to the average adjusted P/E of Amundi, Schroders, Standard Life Aberdeen and GAM Holding.

### Banca Generali (ADD)

- **Business trends.** Banca Generali's 1Q18 total net inflow was strong at EUR 1.57Bn, with approximately EUR 1Bn AuM, of which EUR +236M traditional life insurance (EUR +32M in 1Q17), coming from clients' more prudent approach related to higher market volatility, also reflected in the strong non-managed assets' net inflows (EUR +562M in 1Q18, 2x the level of 1Q17, showing a positive trend in new clients' acquisition). Our FY18E estimates point to EUR 4.5Bn total net inflows. As regards financial advisors' network, Banca Generali targets 120-140 new recruits in 2018 vs. 153 in 2017 (161 in 2016);
- **Update on strategic initiatives.** The group is focused on offer innovation, potentially leading to new revenue streams and leveraging on: 1) the launch of a new SICAV, LUX IM on 30 March; 2) the expansion of BG Advisory, based on the strong start in 2017 and targeting EUR 5Bn AuM (vs. EUR 1.7Bn YTD) by 2021, translating (on the basis of an average fee close to 50bps) into potential additional annual revenues of EUR 20-25M; 3) an increased penetration of certificates for private clients to tactically exploit investment opportunities; and 4) the new JV with Saxo Bank, for which Banca Generali has a target of EUR 10-15M additional revenues in four years;
- **Attractive dividend policy.** Investors were also focused on Banca Generali's attractive dividend policy. We estimate a 2018E dividend yield of 5%, incorporating a 71% payout.

Overall, we confirm our **ADD rating and target price of EUR 32.8/share**, as we believe that Banca Generali is moving in the right direction, through a strategy centred on increasing customers' assets and client's share of wallet and working to obtain a more diversified revenues stream, in order to offset potential margin pressure also coming from regulation (MiFID II).

### Anima Holding - Key data

09/04/18	Asset Gatherers		
Target Price (EUR)	6.8		
Rating	BUY		
Mkt price (EUR)	5.94		
Mkt cap (EUR M)	1830		
<b>Ratios (x)</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
P/E	11.9	11.1	10.6
P/BV	1.8	1.6	1.5
ROE	0.16	0.14	0.14
<b>Performance (%)</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	-2.5	-2.5	5.4
Rel. to FTSE IT All	-5.5	-2.6	-6.2

Source: FactSet and Intesa Sanpaolo Research estimates

### Elena Perini, CFA - Research Analyst

+39 02 8794 9814

elena.perini@intesasanpaolo.com

### Banca Generali - Key data

09/04/18	Asset Gatherers		
Target Price (EUR)	32.8		
Rating	ADD		
Mkt price (EUR)	26.82		
Mkt cap (EUR M)	3134		
<b>Ratios (x)</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
P/E	14.1	12.5	11.1
P/BV	3.9	3.5	3.1
ROE	0.29	0.29	0.29
<b>Performance (%)</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	-1.4	-3.0	8.1
Rel. to FTSE IT All	-4.4	-3.1	-3.8

Source: FactSet and Intesa Sanpaolo Research estimates

### Elena Perini, CFA - Research Analyst

+39 02 8794 9814

elena.perini@intesasanpaolo.com

**Banca Mediolanum (ADD)**

- **Business trends.** As already announced in the 4Q/FY17 results' conference call, in the current year, Banca Mediolanum's strategy in asset management is mainly based on instalment plans, which significantly supported net inflows in 1Q18, leading to a good monthly progress in mutual funds' net inflows, which in March recorded EUR 344M net inflows, following EUR +330M in February and EUR +196M in January (EUR +304M in Italy from EUR +252M in February and EUR +132M in January). The total 1Q18 net inflow was EUR 982M, of which EUR 848M domestic (with EUR 870M in mutual funds, EUR 689M in Italy). Our FY18E estimates point to a total consolidated net inflow of EUR 5.55Bn, of which EUR 5Bn AuM, essentially represented by mutual funds and unit-linked;
- **MiFID II and strategy.** According to Banca Mediolanum, the two key concepts underlying MiFID II directive are advisory and cost transparency. In order to meet the clients' needs in the best way, the group is stressing a selling strategy based on instalment plans and constantly working on digitalisation, supporting both clients in their banking transactions and Family Bankers in their advisory process. Management remains confident that asset management volumes' growth and new revenue streams should offset margin pressure likely coming from MiFID II implementation;
- **Initiatives.** As already underlined in the 4Q/FY17 results' conference call, the group is focused on lending development (mortgages and salary-backed loans through EuroCQS, for which EUR 1Bn new business is targeted in three-years time), which should support net interest income (expected to bottom in 2018E, with a recovery in 2019E and 2020E). On the other hand, initiatives supporting fee income are identifiable in the P&C insurance business and investment banking for SMEs in connection with the success of PIR.

Overall, **we confirm our ADD recommendation and EUR 8.2/share target price.** We like the group's capability to capture growth opportunities (PIR funds, investment banking and lending). We also highlight **the stock's attractive dividend yield: 5.7% in 2018E** at the current market price, based on our EUR 0.40 DPS estimate, in line with company guidance.

**Fincobank (HOLD)**

- **Business trends.** In 1Q18, Fincobank recorded a total net inflow of EUR 1.66Bn (EUR 1.38Bn in 1Q17), of which EUR 0.73Bn AuM (EUR 0.85Bn in 1Q17). Total customers' assets amounted to EUR 68.05Bn at end-March 2018, of which EUR 33.06Bn AuM. Guided products' penetration was stable vs. end-February at 65% of AuM. Our FY18E estimates point to a total net inflow of EUR 5Bn, of which EUR 2.83Bn AuM;
- **Update on strategic initiatives.** The company essentially reiterated the key messages already provided in the 4Q/FY17 results' conference call, concerning: 1) FAM, the Irish Asset Management Company: the project is on track to be launched in 1H18, bringing on the new platform EUR 12Bn AuM by YE (of which EUR 7Bn Core Series from the first day). The benefits will be essentially related to: (i) savings coming from the Core Series' internalisation; (ii) lower cost of mandate (sub-advised funds) compared with current distribution fees; (iii) Ireland becoming the main hub for asset management, allowing the group to outsource some operational activities in an efficient way; and (iv) fiscal advantages. Our estimates factor in EUR 27M additional net profit from FAM in 2019E, up to EUR 36M in 2020E; 2) Stars Plus represents an evolution of the current Stars products (guided products and advisory services), including AuC and AuM financial products (carrying on a 0.2-1% fee-on-top) in order to make AuC profitable and speed-up the transformation from AuC to AuM; and 3) focus on lending, with guidance of yearly new business of EUR 500M in mortgages, EUR 200M (EUR 100M net) in personal loans and EUR 500M in Lombard lending. Our forecasts basically incorporate those assumptions;
- **One Stop Solution model allowing sustainable growth.** Fineco's business model is characterised by resilient revenues, due to brokerage business' countercyclical nature: the negative impact on Investing business coming from higher market volatility is offset by higher revenues for brokerage.

Overall, we confirm our **HOLD rating and target price of EUR 9.2/share**, as we believe that current market prices already factor in the strong and sustainable growth potential.

**Banca Mediolanum - Key data**

09/04/18		Asset Gatherers		
Target Price (EUR)		8.2		
Rating		ADD		
Mkt price (EUR)		7.01		
Mkt cap (EUR M)		5185		
<b>Ratios (x)</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	
P/E	14.1	12.9	11.5	
P/BV	2.3	2.2	2.0	
ROE	0.16	0.17	0.18	
<b>Performance (%)</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>	
Absolute	-1.4	-2.6	1.4	
Rel. to FTSE IT All	-4.4	-2.7	-9.8	

Source: FactSet and Intesa Sanpaolo Research estimates

**Elena Perini, CFA - Research Analyst**

+39 02 8794 9814

elena.perini@intesasanpaolo.com

**Fincobank - Key data**

09/04/18		Asset Gatherers		
Target Price (EUR)		9.2		
Rating		HOLD		
Mkt price (EUR)		9.67		
Mkt cap (EUR M)		5880		
<b>Ratios (x)</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	
P/E	25.0	21.4	19.5	
P/BV	7.4	6.7	6.0	
ROE	0.31	0.33	0.32	
<b>Performance (%)</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>	
Absolute	-3.0	8.5	53.6	
Rel. to FTSE IT All	-6.0	8.4	36.6	

Source: FactSet and Intesa Sanpaolo Research estimates

**Elena Perini, CFA - Research Analyst**

+39 02 8794 9814

elena.perini@intesasanpaolo.com

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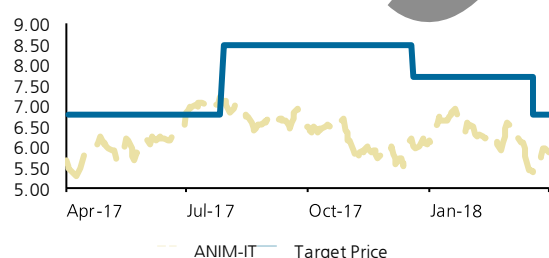
#### Equity rating key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
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MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

### Historical recommendations and target price trends (long-term horizon: 12M)

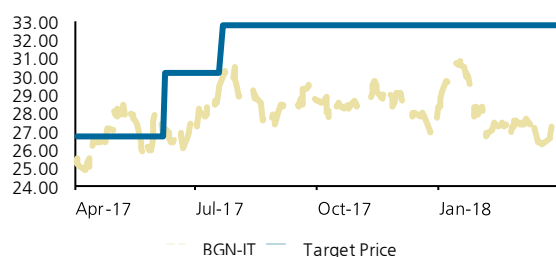
#### Anima Holding

##### Target price and market price trend (-1Y)

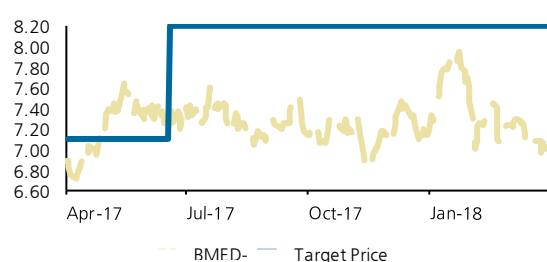


##### Historical recommendations and target price trend (-1Y)

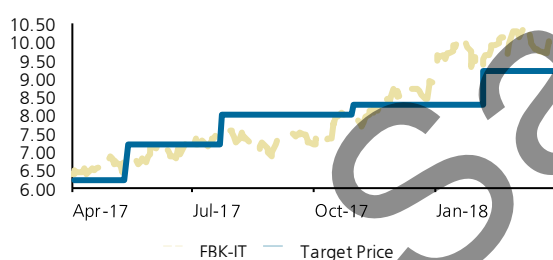
Date	Rating	TP	Mkt Price
29-Mar-18	BUY	6.80	5.51
28-Dec-17	BUY	7.70	6.00
22-Dec-17	UNDER REVIEW	U/R	6.00
07-Aug-17	BUY	8.50	7.06

**Banca Generali****Target price and market price trend (-1Y)****Historical recommendations and target price trend (-1Y)**

Date	Rating	TP	Mkt Price
31-Jul-17	ADD	32.8	30.0
16-Jun-17	ADD	30.2	27.1

**Banca Mediolanum****Target price and market price trend (-1Y)****Historical recommendations and target price trend (-1Y)**

Date	Rating	TP	Mkt Price
27-Jun-17	ADD	8.20	7.25

**Fincobank****Target price and market price trend (-1Y)****Historical recommendations and target price trend (-1Y)**

Date	Rating	TP	Mkt Price
15-Feb-18	HOLD	9.20	9.54
08-Nov-17	HOLD	8.30	7.98
01-Aug-17	HOLD	8.00	7.44
22-May-17	ADD	7.20	6.71
10-May-17	UNDER REVIEW	U/R	6.80

**Equity rating allocations (long-term horizon: 12M)****Intesa Sanpaolo Research Rating Distribution (at February 2018)**

Number of companies considered: 109	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	34	34	29	2	1
of which Intesa Sanpaolo's Clients (%) (*)	70	70	44	50	100

(\*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and Investment banking services in the last 12 months; percentage of clients in each rating category

**Valuation methodology (short-term horizon: 3M)**

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.



**Equity rating key (short-term horizon: 3M)****Equity rating key (short-term horizon: 3M)**

Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

**Company specific disclosures**

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (jointly also the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Modello di Organizzazione, Gestione e Controllo" pursuant to Legislative Decree 8 June, 2001 no. 231 (available at the Intesa Sanpaolo website, webpage [http://www.group.intesasnpaolo.com/script/sir0/si09/governance/eng\\_wp\\_governance.jsp](http://www.group.intesasnpaolo.com/script/sir0/si09/governance/eng_wp_governance.jsp), along with a summary sheet, webpage <https://www.bancaimi.com/en/bancaimi/chiamo/documentazione/normative>) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, Article 24 of Regulation on the Organisation and Procedures of Intermediaries providing investment services or collective portfolio management jointly adopted by the Bank of Italy and Consob, FINRA Rule 2241 and NYSE Rule 472, as well as the FCA Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research " and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage [http://www.group.intesasnpaolo.com/script/sir0/si09/studi/eng\\_archivio\\_conflitti\\_mad.jsp](http://www.group.intesasnpaolo.com/script/sir0/si09/studi/eng_archivio_conflitti_mad.jsp) you can find the archive of disclosure of interests or conflicts of interest of the Intesa Sanpaolo Banking Group in compliance with the applicable laws and regulations.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest:

- 1 One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from Anima Holding in the next three months
- 2 One or more of the companies of the Intesa Sanpaolo Banking Group provide/have provided investment banking services to and/or concerning Anima Holding in the last twelve months
- 3 One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from Banca Generali in the next three months
- 4 One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from Banca Mediolanum in the next three months
- 5 One or more of the companies of the Intesa Sanpaolo Banking Group have issued financial instruments linked to Banca Mediolanum
- 6 One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from FincoBank in the next three months

<b>Intesa Sanpaolo Research Department – Head of Research Department: Gregorio De Felice</b>		
<b>Head of Equity &amp; Credit Research</b>		
Giampaolo Trasi	+39 02 8794 9803	giampaolo.trasi@intesasnpaolo.com
<b>Equity Research</b>		
Monica Bosio	+39 02 8794 9809	monica.bosio@intesasnpaolo.com
Luca Bacoccoli	+39 02 8794 9810	luca.bacoccoli@intesasnpaolo.com
Antonella Frongillo	+39 02 8794 9688	antonella.frongillo@intesasnpaolo.com
Inti Salvador Merino Rimini	+39 02 8794 9813	inti.merininorimini@intesasnpaolo.com
Manuela Meroni	+39 02 8794 9817	manuela.meroni@intesasnpaolo.com
Gian Luca Pacini	+39 02 8794 9818	gianluca.pacini@intesasnpaolo.com
Elena Perini	+39 02 8794 9814	elena.perini@intesasnpaolo.com
Bruno Permutti	+39 02 8794 9819	bruno.permutti@intesasnpaolo.com
Roberto Ranieri	+39 02 8794 9822	roberto.ranieri@intesasnpaolo.com
<b>Corporate Broking Research</b>		
Alberto Francese	+39 02 8794 9815	alberto.francese@intesasnpaolo.com
Gabriele Berti	+39 02 8794 9821	gabriele.beriti@intesasnpaolo.com
Vanessa Colangelo	+39 02 8794 3187	vanessa.colangelo@intesasnpaolo.com
<b>Technical Analysis</b>		
Corrado Binda	+39 02 8021 5763	corrado.binda@intesasnpaolo.com
Sergio Mingolla	+39 02 8021 5843	antonio.mingolla@intesasnpaolo.com
<b>Research Clearing &amp; Production</b>		
Anna Whatley	+39 02 8794 9824	anna.whatley@intesasnpaolo.com
Bruce Marshall	+39 02 8794 9816	robert.marshall@intesasnpaolo.com
Annita Ricci	+39 02 8794 9823	annita.ricci@intesasnpaolo.com
Wendy Ruggeri	+39 02 8794 9811	wendy.ruggeri@intesasnpaolo.com
Elisabetta Bugliesi (IT support)	+39 02 8794 9877	elisabetta.bugliesi@intesasnpaolo.com

<b>Banca IMI SpA</b>		
<b>Institutional Sales</b>		
Catherine d'Aragon	+39 02 7261 5929	catherine.daragon@bancaimi.com
Carlo Cavalieri	+39 02 7261 2722	carlo.cavalleri@bancaimi.com
Stefan Gess	+39 02 7261 5927	stefan.gess@bancaimi.com
Francesca Guadagni	+39 02 7261 5817	francesca.guadagni@bancaimi.com
Federica Repetto	+39 02 7261 5517	federica.repetto@bancaimi.com
Daniela Stucchi	+39 02 7261 5708	daniela.stucchi@bancaimi.com
Marco Tinessa	+39 02 7261 2158	marco.tinessa@bancaimi.com
Mark Wilson	+39 02 7261 2758	mark.wilson@bancaimi.com
<b>Corporate Broking</b>		
Carlo Castellari	+39 02 7261 2122	carlo.castellari@bancaimi.com
Laura Spinella	+39 02 7261 5782	laura.spinella@bancaimi.com
<b>Sales Trading</b>		
Lorenzo Pennati	+39 02 7261 5647	lorenzo.pennati@bancaimi.com
Alessandro Bevacqua	+39 02 7261 2904	alessandro.bevacqua@bancaimi.com
<b>Equity Derivatives Institutional Sales</b>		
Emanuele Manini	+39 02 7261 5936	emanuele.manini@bancaimi.com
Andrea Cisilotto	+39 02 7261 5975	andrea.cisilotto@bancaimi.com
Francesca Dizione	+39 02 7261 2759	francesca.dizione@bancaimi.com
Enrico Ferrari	+39 02 7261 2806	enrico.ferrari@bancaimi.com
Alessandro Monti	+44 207 894 2412	alessandro.monti@bancaimi.com
Umberto De Paoli	+44 207 894 2456	umberto.depaoli@bancaimi.com

<b>Banca IMI SpA – Head of Market Hub: Gherardo Lenti Capoduri</b>		
<b>E-commerce Distribution</b>		
Alessandra Minghetti	+39 02 7261 2973	alessandra.minghetti@bancaimi.com
Alessia Galluccio	+39 02 7261 2339	alessia.galluccio@bancaimi.com
Umberto Menconi	+39 02 7261 5492	umberto.menconi@bancaimi.com
Filippo Besozzi	+39 02 7261 5922	filippo.besozzi@bancaimi.com
Lawrence Peirson (London Office)	+44 207 894 2476	lawrence.peirson@bancaimi.com
<b>Brokerage &amp; Execution</b>		
Carmine Calamello	+39 02 7261 2194	carmine.calamello@bancaimi.com
<b>Customer Service</b>		
Sergio Francolini	+39 02 7261 5859	sergio.francolini@bancaimi.com

<b>Banca IMI Securities Corp.</b>		
<b>US Institutional Sales</b>		
Barbara Leonardi	+1 212 326 1232	barbara.leonardi@bancaimi.com
Greg Principe	+1 212 326 1233	greg.principe@bancaimi.com

**Banca IMI SpA**

Largo Mattioli, 3  
20121 Milan, Italy  
Tel: +39 02 7261 1

**Banca IMI Securities Corp.**

1 William Street  
10004 New York, NY, USA  
Tel: (1) 212 326 1100

**Banca IMI London Branch**

90 Queen Street  
London EC4N 1SA, UK  
Tel +44 207 894 2600