EFFAS THE EUROPEAN FEDERATION OF FINANCIAL ANALYSTS SOCIETIES

Integrity
Qualification
Communication

EFFAS Definition Guide

Definitions and ratios that we cannot live without!

Foreword

Identifying and gathering in one organized guide the definitions of the main reporting items and of other economic-financial data as well as those of the various aggregates and ratios was the mission behind the taskforce created by the AIAF to compile the "AIAF Definition Guide”. It provides an interpretation that is as close as possible to the "best practice" used by senior analysts. Practical implementation of the Guide has been assigned to a newly established commission, the AIAF Standard Setter, which is made up of representatives from some of the leading Italian brokers.

The compelling feature of this Definition Guide is that it was achieved thanks to the contributions of passionate and experienced professionals and practitioners who in a unique and innovative way wanted to provide a useful and important tool not only for experienced investment professionals but also for students preparing to embark on a career in finance as well as investors, and one that could also be used by the media. It is not enough to know your products. Like any physician or scientist, you need to have the requisite vocabulary - you have to have a command of the language of finance.

We would like to congratulate the AIAF Standard Setter Commission, all the sponsoring equity brokers and the people who worked on this initiative and the completion of this first edition.

The Guide has been clearly and persuasively written, and the result lives up to all expectations. We aim to revise and update the Definition Guide on a regular basis so as to always stay abreast of the challenges ahead. We trust this *Definition Guide* will be embraced and put to good use, and will serve as a practical reference work for all.

Jesús López Zaballos
EFFAS Chairman

Purpose of the Guide

Paolo Balice

I am very pleased to present the AIAF Standard Setter project. With this issue we wish to pursue two main goals in the interests of our associates and especially the financial community as a whole.

I would like to emphasise that:

a. AIAF is an independent professional association of financial analysts. One of our missions is to elaborate tangible scientific tools, recognized and understood throughout Europe.
b. AIAF is an ideal forum for the financial community in particular and civil society in general, as well as for the stakeholder and shareholder communities, to meet and enter into dialogue.

In these particularly troubled economic and political times, I want to emphasize the value of this work (and of many other AIAF initiatives as well). This is not only a practical and useful Guide for analysts in their daily work but also a link between our domestic market and a potential larger international readership. One of our missions is, indeed, to strengthen the ties between the Italian and international markets.

During the first ten years following the euro's introduction, we probably missed a great opportunity in Italy to heal and promote our country with low rates of interest, strong foreign demand for our national debt and the substantial opportunity to channel investment of our high private savings directly into domestic enterprises.

Unfortunately, however, we must realize that during those years in Italy we did not have a strong capital market; on the contrary, it got weaker.

Today the Stock Market/GNP ratio is at its historical minimum level. Companies, even the most dynamic and globalized, prefer to grow without the support to the stock market. The corporate bonds market, after witnessing one setback after another (often to the detriment of unsuspecting savers), is small, and never really took off. Our country's banks played a subsidiary role, sometimes exclusively for credit flows to companies.

And this is a hard and rewarding task. In fact, in the face of the crisis among big group companies (either state or public), together they have guaranteed the stability of the system. Over the past years, increasing setbacks mean they are paying the price of a very deep recession. However, with more courage and foresight in certain cases it would have been better to leave room for new entrepreneurs and fresh ideas.

Venturing a look into the future, we would like a strong banking system which – instead of doing away with financial analysis departments and not shunning the stock market – would actively participate in the revival of the capital market, which is necessary and complementary to a solely finance-based system.

It is our wish for the current government programme, as well as programmes of future governments, to include a fundamental project: to re-establish the indispensable link between private or institutional investors on the one hand and small, medium and large companies on the other. A key role will be played here by the financial analyst in making a professional contribution of information and advice to investors. Without this link, the Italian economy will not be able to recover.

It is our desire for investors to return to the Italian stock market, and that also means believing in our country's future.

Lastly I would like to thank Mr. Giorgio M. Zancan (CEO of ESN Partnership), who initially proposed to make the ESN Definition Guide (produced by the Members of ESN) available as initial document of reference and main operating source for the AIAF working group.

Paolo Balice
AIAF Chairman

AIAF – the Association of Italian Financial Analysts Presentation

AIAF, established in 1971, has about 1,000 members, including financial analysts and professionals connected to finance, banking and investment management. Most of them are employed by banks, financial institutions, insurance companies, pension funds, publicly listed companies and independent research firms.
The Association is a non-profit organization. Its missions:

a. To promote and improve studies, culture and education in the area of financial analysis;

b. To enhance, develop and uphold our profession for the following professional groups:
   1) Financial analysts and researchers;
   2) Asset managers, individual and collective "wealth managers";
   3) Independent financial advisers;
   4) Consultants in corporate finance and evaluators of businesses;
   5) Any other professions in which financial analysis plays a major role.

c. To contribute to the transparency and efficiency of the financial markets, giving due regard to standards and practices recognized internationally, and to interact to achieve these objectives with public and private organizations as well as associations.

AIAF's work involves a threefold commitment:

1) to our members;
2) to the Italian financial community and its institutions;
3) to the international analyst community operating on the global market.

The first mission is realised through study and research (fundamental analysis, financial modelling, valuation of corporate social responsibility and intangible values inherent in financial statements, etc.) conducted by a scientific panel. A weekly newsletter informs members about the Association's day-to-day activities and work, as does the website (www.aiaf.it) providing a section for the general public and a (password accessible) section devoted to the members.

The second mission is achieved by two publications: the "Rivista AIAF online" quarterly and the "Quaderni AIAF online", along with the part of the site accessible to all AIAF and social networks such as facebook, Twitter, LinkedIn.

Moreover, activities directed externally of fundamental importance include training provided by the AIAF Financial School, which organises all courses and all the diplomas provided by the Association.

The third mission is pursued through international organizations with membership at the European level such as the the European Federation of Financial Analysts Societies (EFFAS), and at the global level through the Association of Certified International Investment Analysts (ACIIA).

In addition, AIAF is one of the founding members of:
- OIC Organismo Italiano di Contabilità
- OIV Organismo Italiano di Valutazione
- XBRL Italia (eXtensible Business Reporting Language)

Foreword to the Definition Guide

by Pietro Gasparri

The realization of this Guide is certainly a good example of real and effective cooperation among financial analysts.

As coordinator of the projects of the “AIAF Standard Setter" Commission, I would like to sincerely express how pleased I am with the result achieved: i.e. the participation of a group of analysts who day by day are involved in their own activities for companies, some of them competitors, but who on this occasion have cooperated with one another in a spirit of initiative and steadfast determination on the project of compiling this Guide and making it available to all financial analysts.

It was indeed a source of great satisfaction for AIAF to persuade most Italian brokers to commit to the project. This has enabled us to establish a team of high-profile and diverse professional experts in the field of equity research and company valuation. The seniority as well as the sector specialization of the analysts involved made comparing and analysing the content easier, thus making the Guide broadly representative of the industry.

My thanks, first of all, goes to the heads of research and the analysts who participated in the Commission’s work by taking time off from their normal professional and personal activities.

I would also like to thank the Chairman and the members of the Board of Directors of AIAF, who have supported the project from the outset with enthusiasm, have constantly followed its evolution and have promoted it at the European level (EFFAS).

My hope is that this Guide will be widely disseminated, set standards and become a useful tool for financial analysts (especially younger ones) and all those wishing to become involved in financial analysis.

Pietro Gasparri

Note: Pietro Gasparri is the representative counsellor in the field of “Fundamental Equity Analysis and Company Valuations."

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AIAF/ EFFAS DEFINITION GUIDE - INTRODUCTION

AIAF for financial analysts

The release of the AIAF “Definition Guide” is one of the Association's initiatives aimed at improving and strengthening the role of the financial analyst. The AIAF Standard Setter Guide is both a concrete service for the existing Members and a reference document to attract new ones. With this work, our Association would like to establish itself as a reputable leading standard setter in the equity field and become a first point of reference in supporting Italian financial analysts.

Why an AIAF "Definition Guide"?

The financial world is constantly evolving, as demonstrated by the increasing number of formulas, ratios, financial acronyms and definitions (and their interpretations) which do not always reflect what is commonly recognized by the major accounting entities and by national and international standard setters. While this evolution process on one hand is an enhancement of the theoretical and practical instruments available to analysts, it can nonetheless generate confusion and cast doubt on what kind of parameters should be taken as a reference (particularly among less experienced analysts). The lack of common definitions for reporting items and of shared formulas for calculating the ratios and financial parameters used in company valuations can further complicate comparison among companies/groups. Take, for example, the adjustments analysts make individually in order to "normalize" reporting items such as EBIT, EBITDA or Net Profit. Another case in point is that with a key parameter for the financial markets such as the Earnings Per Share (EPS), comparison problems may arise depending on the type of EPS an analyst has considered (EPS “reported” or EPS “adjusted”, EPS “reported fully diluted”, EPS “adjusted fully diluted”) and on how the adjustments have been made and the impact of potentially dilutive instruments such as warrants, convertible bonds, etc. Identifying and gathering in one organized guide the definitions of the main reporting items and of other economic-financial data as well as those of the various aggregates and ratios was the mission behind the taskforce created by the AIAF to compile the "AIAF Definition Guide”. It provides an interpretation that is as close as possible to the "best practice" used by senior analysts. The practical implementation of the Guide has been assigned to a newly established Commission called "AIAF Standard Setter", which is made up of representatives of some of the leading Italian brokers.

Purpose of the Guide

The purpose of the Guide is to provide financial analysts with a reference source (a very practical tool) to support them in their work. It is particularly designed to assist the professional growth of junior analysts and of those wishing to become involved in financial analysis. Such an organized, structured and operational product has not been available to date (at least not in Italy) because each broker tends to adopt its own definitions and reclassification systems which, as such, cannot be accessed by third parties.

The AIAF Definition Guide is not and cannot be exhaustive (a periodic review is planned), nor it is intended to be mandatory. The main objective has simply been that of identifying the parameters as well as the economic and financial data that are commonly used by equity financial analysts, to report the "best practices" and to provide “operating guidelines” for their correct application in financial analysis.

The contents of the Guide will eventually be revised over time with additional definitions and parameters, not to mention additional information on valuation methods most widely used across macro sectors.

AIAF hopes that its Definition Guide will enable the Association to play a major role in the relationship with members and non-members dealing with the reclassification/analysis of financial statements and with the principles of financial analysis in general, both on a professional and non-professional basis.

Four separate sections (Industrials, Banks, Insurance and Real Estate companies)

From an “operational” point of view the Guide is structured into four different sections:

1. Industrial sector
2. Banking sector
3. Insurance sector
4. Real Estate sector

representing the main economic sectors. A number of AIAF standards have been identified and established with reference to:

- definition of the main reporting items for Industrials, Banks, Insurance and Real Estate companies;
- a section on key ratio formulas and parameters of reporting analysis and of assessment of company performances.

The Guide includes definitions and ratios totalling over 200 items.

Commission of experts

Given the importance and complexity of the project, implementation of the Guide was entrusted to a specific working group made up of highly experienced and professional analysts. AIAF invited heads of research working for the research departments of leading Italian brokers (or analysts proposed by such people) broadly representing the major players on the Italian financial market.

The “AIAF Standard Setter” Commission started its work in September 2011 and completed it in April 2012

Meetings were held monthly to ensure continued work and completion of the project in good time. The Commission used an initial operating reference in the “ESN Definition Guide” provided by the European Securities Network (ESN) and its Members:

- ✓ Banca Akros,
- ✓ Bankia Bolsa,
- ✓ Bank Degroof,
- ✓ Caixa Banco de Investimento,
- ✓ CM-CIC Securities,
- ✓ Equinet Bank,
- ✓ Investment Bank of Greece,
- ✓ NCB Stockbrokers,
- ✓ Pohjola Bank,
- ✓ SNS Securities.

Sponsoring brokers and people who worked on the Commission

The following is a list in alphabetical order of the brokers who joined the initiative and the people who took an active part in the Commission’s work:

- ✓ Banca Akros: Francesco Previtera - Francesco Di Gregorio - Marco Cavalleri - Francesco Sala
- ✓ Banca Profilo: Francesca Sabatini
- ✓ CAI Cheuvreux Italia SIM SpA: Marco Baccaglio
- ✓ Cassa Lombarda: Serge Escudé
- ✓ Centrobanca: Marco Cristofori
- ✓ Equita SIM SpA: Matteo Ghilotti
- ✓ ICBPI Istituto Centrale delle Banche Popolari Italiane SpA : Luca Comi - Luca Arena - Stefano Vulpiani - Enrico Esposti
- ✓ Integrae SIM: Antonio Tognoli
- ✓ Intermonte SIM: Pier Passerone
- ✓ Intesa Sanpaolo: Giampaolo Trasi and the members of the Equity Research Team
- ✓ Mediobanca: Marco Greco - Simonetta Chiriotti - Federica Maccaferri

The work of the AIAF Standard Setters Commission was coordinated by Pietro Gasparri (Member of the AIAF Board in charge of the project). Other board members actively involved in the project were Antonio Tognoli, Alberto Borgia and Giacomo Fedi.

AIAF and EFFAS

The Italian Association of Financial Analysts (Associazione Italiana degli Analisti Finanziari, AIAF) together with senior investment professionals from a number of leading European equity brokers released a publication on financial definitions and their interpretations, formulas, ratios and various acronyms.

The AIAF initiative to develop such a manual, which was promoted under the past EFFAS chairman, was greatly welcomed by the EFFAS EMC. Moreover, AIAF proposed adopting this national initiative at the European level, turning it into an EFFAS product and making it available for all other EFFAS member societies.

In time, the prospective EFFAS guide might be enhanced by further contributions from other countries, thus serving as a sound document of practical use for investment professionals (or prospective investment professionals as well as career changers, business schools, etc.). The implementation of the AIAF Standard Setter Guide is among the Association's initiatives designed to make a tangible contribution towards improving and enhancing the work of financial analysts. The purpose of the Guide is to provide financial analysts with a practical tool to support them in their work.

The EFFAS Financial Commission recommended the Definition Guide for endorsement by the EFFAS Executive Management Committee (EMC). In accordance with the Governance Model, the decision was ratified by the AGM in June 2013.

Definitions Guide

PER SHARE ITEMS (all items are (EURO) unless otherwise specified)

Per share (PS) Items are classified into “basic” and “diluted” depending on the number of shares considered:

a) **<u>Basic</u>: The Item is divided by number of “Average OUTSTANDING Shares”** (ordinary shares + “ordinary shares equivalent”, e.g. savings and/or preference shares) for historical, current and estimated data. Analysts have to update the outstanding number of shares every quarter. The number of shares is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

b) **<u>Diluted</u>: The Item is divided by number of “Average DILUTED Shares”** (ordinary shares + savings and/or preference shares) for historical, current and estimated data. The number of shares is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor. Furthermore, dilution is decided by each analyst (due to stock options, warrants, convertible bonds). Dilution is always considered when the instruments expire within a year and/or the call option is in the money at the current price.

Industrial Sector Definitions

INDUSTRIAL SECTOR DEFINITIONS

PROFIT & LOSS ITEMS (all items are (EURO m) unless otherwise specified)

Sales

Published consolidated net sales, excluding other revenues.

Value of Production

Value of Production = Sales + change in inventories of finished and semi-finished goods + increase in fixed assets for internal use.

Gross Profit

Sales minus Cost of Goods sold (for manufacturing companies) or Cost of Services provided (for service companies), before Personnel Expenses.

Gross Profit (for advertising companies)

Advertising companies have to show the gross margin line, which corresponds to all services invoiced to clients by advertising agencies. For the advertising companies sub-sector only, the sales line corresponds to gross margin plus re-invoicing of "space" bought for advertising.

Cost of Sales and Operating Costs (including Personnel Expenses)

This item includes the company's main operative costs including Personnel Expenses (shown separately below) such as: cost of sales, selling expenses, general and administrative expenses, research and development expenses, service costs and all the other recurrent operating costs.

Personnel Expenses

Wages and salaries, social security contributions, severance pay costs, costs related to other defined benefit plans, costs related to defined benefit plans, employee disputes, reorganisation costs, other costs.

Non Recurrent Expenses (Income)

As reported in the P&L of the company.

Examples of these include the following:

- restructuring costs;
- income from grants, where this is not matched by equivalent expenditure;
- major claims costs not covered by insurance;
- cost of industrial disputes;
- income and expenditures arising from supplementary amendments to pension plans;

- expenditures on company anniversaries;
- expenditures on significant changes in distribution systems;
- one-off sales costs;
- costs of stock market flotation or costs of raising equity capital.

EBITDA (Reported)

EBITDA = Earnings Before Interest, Tax, Depreciation & Amortisation.

EBITDA is defined as operating result after non-recurring operating items (e.g. restructuring costs, start-up costs, etc.), before Depreciation, Amortisation & Write Downs, before Interest (also on pension provision for Germany), Associates & Tax.

EBITDA = Sales - Cost of Sales and Operating Costs (including Personnel Expenses) -/+ Non Recurrent Expenses (Income).

EBITDA (Adjusted or Current)

EBITDA (Adjusted or Current) = Sales - Cost of Sales and Operating Costs (including Personnel Expenses) = EBITDA (Reported) +/- Non Recurrent Expenses (Income).

EBITDAR (only for Airlines)

EBITDAR = EBITDA before Rents. Rents correspond to operating leases.

Depreciation

Systematic allocation of the depreciable amount of a tangible asset (e.g. property, plant, equipment, etc.) to an operational expense over the asset's estimated useful life.

EBITA (reported)

EBITA = Earnings Before Interest, Tax and Amortisation.

Earnings Before Interest, Tax and Amortisation (EBITA) is similar to EBIT but strips out Amortisation and Write Downs. This parameter is a more correct measure of operational profitability as it excludes amortisations and most of the write downs.

EBITA = Sales - Cost of Sales and Operating Costs (including Personnel Expenses) -/+ Non Recurrent Expenses (Income) - Depreciation.

EBITA (Adjusted or Current)

EBITA (Reported) +/- Non Recurrent Expenses (Income).

Amortisation

Systematic allocation of the depreciable amount of an intangible asset (e.g. goodwill, trademarks, patents, etc.) over its estimated useful life.

Provisions, Write Downs and Impairments

Downward adjustment in the accounting value of an asset. The book value of an asset is reduced because it is overvalued compared to its market value.

EBIT (Reported)

EBIT = Earnings Before Interest and Tax.

EBIT is defined as operating result after Depreciation, Amortisation, Provisions, Write Downs and Impairments, before Interest (also on pension provision for Germany), Associates & Tax.

EBIT (Reported) = Sales - Cost of Sales and Operating Costs (including Personnel Expenses) -/+ Non Recurrent Expenses (Income) - Depreciation – Amortisation – Provisions, Write Downs and Impairments.

EBIT (Adjusted or Current)

EBIT (Adjusted or Current) = Sales - Cost of Sales and Operating Costs (including Personnel Expenses) - Depreciation - Amortisation – Provisions, Write Downs and Impairments = EBIT (Reported) +/- Non Recurrent Expenses (Income).

Net Financial Interests (NFI)

Interests received related to cash or cash equivalents less interests paid on financial debt.

Other Financials

Currency gains and losses, hedging costs on commodities, mark-to-market of derivative instruments.

Associates

Positive or negative contributions from Associates consolidated through Equity Method (normally it comes net of tax).

Earnings Before Tax (EBT)

Earnings Before Tax or Pre-Tax Profit.

EBT = EBIT – Net Financial Interest -/+ Other Financials +/- Associates +/- Other Non Recurrent Items

Tax

Actual Corporate Tax charge.

Tax Rate (%)

Actual Corporate Tax charge on EBT.

Normative Tax Rate (%)

Each company has a different Normative Tax Rate, which is determined by its geographic mix of business or by specific legislation, in terms of deductible financial charges, or by other specific company factors. Normative Tax Rate is used for WACC, NOPLAT and ROCE calculation as well as for Net Profit (adj.).

Deferred Tax Assets/Liability

A future tax liability or asset resulting from temporary differences (for example, accelerated depreciation, carry forward of tax losses) between the accounting value of assets and liabilities and their value for tax purposes. In other words, deferred taxes are non-cash tax provisions (or release of tax provisions). Reference is IAS12.

Discontinued Operations

A discontinued operation is a component of an entity that either has been disposed of or is held for sale and 1) whose operations and cash flows have been, or will be, eliminated from the on-going operations of the entity as a result of its disposal, and 2) in which the entity will have no significant continuing involvement after its disposal.

Net Profit (reported)

Net Profit (reported) = reported earnings after Discontinued Operations, after Tax but before Minorities.

Net Profit (attributable)

Net Profit attributable = reported earnings after Discontinued Operations, after Tax, after Minorities.

Net Profit (adj.)

As it is not possible to standardise this calculation given the level of subjectivity it deserves, this item requires analyst input. The adjustments made by the financial analysts are related mainly to excluding Non Recurrent Items and Discontinued Operations (in the past the adjustments were related to extraordinary items and goodwill amortisation). As a (non-binding) suggestion, the following is a formula to calculate Net Profit (adj.): Net Profit (adj.) = (EBT +/- Non Recurrent Items – Write Downs and Impairments) * (1-Normative Tax Rate) – Minorities.

NOPLAT

NOPLAT = Net Operating Profit Less Adjusted Tax. NOPLAT = EBIT (adj.) * (1- Normative Tax Rate).

CASH FLOW ITEMS (all items are (EURO m) unless otherwise specified)

Cash Earnings

Cash Earnings = Net Profit (reported) + Minorities + Depreciation, Amortisation, Provisions, Write Downs and Impairments.

Cash Earnings (adj.)

Cash Earnings (adj.) = Net Profit (adj.) + Minorities + Depreciation, Amortisation, Provisions, Write Downs and Impairments.

Cash Flow from Operations (before change in Net Working Capital and before Capex))

CF from Operations before NWC and before Capex = EBITDA (reported) +/- organic increase in provisions + Dividends from non-consolidated companies - paid Taxes.

Change in Net Working Capital (NWC)

Change in (Inventories + Accounts Receivable - Accounts Payable) from the former year.

Capex (Gross Capex)

Total Capital Expenditure sum of Maintenance Capex and New Investments Capex (or growth Capex).

Maintenance Capex

Maintenance Capex is the amount spent by the company to maintain its current level of operations. A common practice is to assume that maintenance Capex is equal to the level of depreciation and amortization.

Asset Disposals

Cash in generated from the disposal of long-term assets.

Operating Free Cash Flow (OpFCF) or Free Cash Flow to Firm

OpFCF = Cash Flow from Operations (before change in NWC and before Capex) - Change in Net Working Capital - Capex (only Maintenance Capex).

Free Cash Flow (FCF) or Cash Flow to Equity

FCF = OpFCF – Net Financial Interest – Growth Capex +/- Net Financial Investments/Divestments (+ Divestments – Financial Investments).

Note. Capex is Maintenance & Growth Capex, but the analyst has to adjust the figure from third-party Cash Flow.

Change in Net Debt

Change in Net Debt = FCF - Dividends +/- Other (i.e. Capital Increases, Change in Consolidation, Share Buy-Backs, Other).

Non-Cash Items

Depreciation, Amortisation & Provisions + other non-cash items.

BALANCE SHEET ITEMS (all items are (EURO m) unless otherwise specified)

Net Tangible Assets

Tangible assets include items such as land and buildings, motor vehicles, furniture, office equipment, computers, fixtures and fittings, plant and machinery. They have to be reported net of depreciation expenses (with the exception of land).

Net Intangible Assets (incl. Goodwill)

Intangible assets lack physical substance. They include patents, concessions, copyrights, franchises, goodwill, trademarks, trade names, development costs, etc. They have to be reported net of amortization expenses.

Net Financial Assets

This group consists of long-term investments to be held for many years and not to be disposed in the near future:

- Investments in subsidiaries or affiliated companies
- Investments in securities, such as bonds, common stock, or long-term notes
- Investments in fixed assets not used in operations (e.g. land held for sale)
- Investments in special funds (e.g. pension funds)
- Reported Loss Carried Forward (being Tax assets)

Note. Companies that operate under a service concession (e.g. motorways, airports, energy distribution networks, etc.) are subject to IFRIC 12 rules.

The operator shall not recognise the "infrastructure", which will be relinquished (also called "revertible assets"), as a tangible asset because the contractual service arrangement does not confer the right to "control" the infrastructure but only the right to use it to provide the public service in accordance with the terms specified in the contract with the grantor.

This right must be classified as a "financial asset" or as an "intangible asset", depending on whether there is an unconditional contractual right to receive a consideration regardless of effective use of the infrastructure (e.g. in the case of "availability payments" or guaranteed minimum revenues), or a right to charge for the use of the public service (e.g. the cases of "direct tolling" or "shadow tolls").

Net Working Capital (NWC) – Short definition

Inventories + Non-Financial Receivables - Non-Financial Payables.

Net Working Capital (NWC) – Detailed definition

Inventories + Trade Receivables + Other Receivables and other Current Assets - Current Liabilities - Provisions and Deferred Taxes.

Total Assets (TA) or Total Liabilities (TL)

Is the Total Balance Sheet TA = TL

TA = Net Fixed Assets (Net Tangible Assets + Net Intangible Assets + Net Financial Assets) + all Current Assets (inventories, trade receivables, etc.) + cash & cash equivalents (securities).

TL = Long-term liabilities (long-term financial debt, pension provisions, etc.) + all short-term liabilities (short-term financial debt, trade liabilities, short-term provisions, etc.) + shareholder's equity (nominal capital, capital reserve, minorities, dividends, etc.).

Total Equity

Total Equity = Shareholders' Equity + Minorities Equity.

Shareholders' Equity

Book Value of **Consolidated** Equity (including non-redeemable preferred shares) and without convertible bonds.

Minorities Equity

Book Value of Minorities Equity (including non-redeemable preferred shares) and without convertible bonds.

Provisions

Total Provisions in the Balance Sheet.

Net Debt (Net Financial Debt) - Reported

Long-term financial debt + short-term financial debt - cash - cash equivalents.

Net Financial Debt - Adjusted

Long term financial debt + short term financial debt - cash - cash equivalents, excluding non-cash accounting effects (such as those resulting from the fair valuation of derivatives).

Net Financial Debt – Restated (*)

Net Financial Debt (Restated) = Net Financial Debt Adjusted – advanced payment

(*) for contract-based companies.

Other Net Liabilities or Assets

All items not covered by other Balance Sheet input lines. As such this line balances the Assets and Liabilities sides of the Balance Sheet (and if negative becomes "Other Net Assets").

Net Capital Employed (CE) or Net Total Assets

CE = Net Fixed Tangible Assets + Net Fixed Intangible Assets (excluding Goodwill) + Goodwill + Net Financial Assets + Net Working Capital.

Net Capital Invested (CI) or Net Total Liabilities

CI = Shareholders' Equity+ Minorities Equity + Provisions + Net Debt + Other Net Liabilities (or - Other Net Assets).

Net Capital Employed (CE) = Net Capital Invested (CI)

Off Balance Sheet Items

Leasing, securitised loans, CDOs, etc.

ENTERPRISE VALUE (all items are (EURO m) unless otherwise specified)

Enterprise Value (EV)

EV = Total Market Cap + Net Debt (reported) + Minorities Equity (market value or estimated market value).

Enterprise Value (adj.)

EV (adj.) = Enterprise Value adjusted = Total Market Cap. + Net Debt + Off Balance Sheet Items + Provisions (retirement and others related to future cash-outs) + Minorities Equity (market value or estimated market value) - Peripheral Assets (market value or estimated market value).

Minorities Equity (estimated market value)

Value of cost of buyout of Minorities Equity used to calculate EV, subjectively estimated by each analyst. A common way to calculate the estimated value of Minorities Equity as a market value is: Book Value of minorities x current P/BV of the company, or alternatively Net Profit attributable to Minorities x current P/E.

Peripheral Assets (market value)

Estimated market value of peripheral assets not contributing to Sales or EBIT (used to calculate EV).

PER SHARE ITEMS (all items are (EURO) unless otherwise specified)

a) EPS (attributable) or Basic EPS

Formula: Net Profit (attributable)/ Average Outstanding Shares (ordinary shares + "ordinary shares equivalent").

EPS reported or Basic EPS is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding including ordinary shares equivalent (the denominator) during the period. The earnings numerators (Net Profit or Loss) used for the calculation should be after deducting all expenses including taxes, minority interests, and preference dividends (see definition for Net Profit (reported)). The denominator is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

The denominator includes Savings and/or Preference Shares ("ordinary shares equivalent") for historical, current and estimated data when these categories of shares also confer entitlement to ordinary dividends.

b) EPS (attributable f. d.) or EPS attributable fully diluted or Basic EPS fully diluted or Diluted EPS

Formula: Net Profit (attributable)/ Average Diluted Shares (ordinary shares + "ordinary shares equivalent").

EPS (attributable f.d.) or Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other potentially dilutive ordinary shares. The denominator is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor. Dilution is decided by each analyst (due to stock options, warrants, convertible bonds). Dilution is always considered when expiry is within the year and the call option is in the money at the current price.

The denominator includes Savings and/or Preference Shares ("ordinary shares equivalent") for historical, current and estimated data if these categories of shares also confer entitlement to ordinary dividends.

c) EPS (adj.) or EPS adjusted

Formula: Net Profit (adj.)/ Average Outstanding Shares (ordinary shares + "ordinary shares equivalent").

d) EPS (adj. f.d.) or EPS adjusted fully diluted

Formula: Net Profit (adj.)/ Average Diluted Shares (ordinary shares + "ordinary shares equivalent").

DPS

DPS is declared dividends (before tax) for every ordinary share, savings share and privileged share that are issued at the end of the period, net of the total of treasury shares for each category of shares. The dividend per share for each category of shares includes the dividends paid out over an entire year (including interim dividends and special dividends).

CEPS

CEPS = Cash Earning Per Share, defined as Cash Earnings divided by the weighted average of the outstanding shares (ordinary shares + "ordinary shares equivalent").

CEPS (adj.)

CEPS (adj.) = Cash Earnings Per Share Adjusted, defined as Cash Earning (adj.) divided by weighted average of the outstanding shares (ordinary shares + "ordinary shares equivalent").

BVPS

Book Value per Share calculated as Shareholders' Equity divided by outstanding shares (ordinary shares + "ordinary shares equivalent").

GROWTH RATES, MARGINS AND RATIOS

Sales growth or EBITDA growth or EBIT growth or EBT growth or Net profit (reported or adj.) growth (%)

Growth rate in Sales/EBITDA/EBIT/EBT/Net profit (reported or adj.) on an annual basis (Y/Y).

EBITDA adj. growth or EBIT adj. growth (%)

Growth rate in EBITDA adj./EBIT adj. on an annual basis (Y/Y).

EPS/EPS adj./DPS/CFPS adj. growth (%)

Growth rate in EPS/EPS adj./DPS/CFPS adj. on an annual basis (Y/Y).

EBITDA Margin or EBIT margin (%)

EBITDA or EBIT divided by Sales.

EBITDA adj. Margin or EBIT adj. margin (%)

EBITDA adj. or EBIT adj. divided by Sales.

ROE (adj.) (%)

Net Profit (adj.) divided by Shareholders' Equity (end period).

ROE average (adj.) (%)

Net Profit (adj.) divided by the year opening and year end average of Shareholders' Equity.

ROCE (adj.) (%)

ROCE (adj.) = NOPLAT / (CE – Net Financial Assets) = [EBIT (adj.) *(1-Normative Tax Rate)] / (Capital Employed – Net Financial Assets).

ROCE average (adj.) (%)

ROCE average (adj.) = NOPLAT divided by the year opening and year end average (Capital Employed – Net Financial Assets).

ROCE (adj.) / WACC (%)

ROCE (adj.), as defined above.

WACC = Weighted Average Cost of Capital of each company or Cost Capital (CC).

Net Debt/Equity

Net Debt divided by Total Equity (when negative this item shows net cash).

Gearing (%) = [D/(D+E)]

Debt divided by the sum of Equity and Net Debt.

Interest Cover (%)

EBITDA / <u>Net Financial Interest.</u>

Net Debt / EBITDA

Net Debt divided by EBITDA.

Payout Ratio

Total dividends / Net Profit (reported).

Equity Ratio

Shareholder's Equity incl. Minorities / Total Assets (or Total Liabilities).

VALUATION ITEMS

EV/Sales (x)

EV (*) divided by Sales.

(*) EV may be either Enterprise Value or Enterprise Value (adj.) as defined on page 16.

EV/EBITDA (x) or EV/EBIT (x)

EV divided by EBITDA or EBIT.

These figures can be seen as an "Operating level P/E".

EV/EBITDA adj. (x) or EV/EBIT adj. (x)

EV divided by EBITDA adj. or EBIT adj.

EV/CE (x)

EV / (Capital Employed – Net Financial Assets).

P/E (adj.) (x)

Price Earnings ratio calculated as price divided by EPS adj. For historical years calculated as annual average share price divided by EPS (adj.).

For current and future years calculated as the current share price divided by EPS (adj.).

PEG

PE (adj.) / EPS CAGR (**)

(**) EPS CAGR = EPS Compounded Average Growth Rate. It is the estimated percentage change in the forward EPS growth rate. Analysts can assume a 3 to 5-year time horizon depending on the activity of the company and on the visibility of the business

P/Cash Earnings (x)

Price Cash Earnings ratio calculated as price divided by CEPS.

For historical years calculated as annual average share price divided by CEPS.

For current and future years calculated as the current share price divided by CEPS.

P/Cash Earnings (adj.) (x)

Price Cash Earnings ratio calculated as price divided by CEPS adj.

For historical years calculated as annual average share price divided by CEPS (adj.)

For current and future years calculated as the current share price divided by CEPS (adj.).

P/BV (x)

P/BV = Price / BVPS

For historical years calculated as annual average share price divided by BVPS.

For current and future years calculated as the current share price divided by BVPS.

Dividend yield (Gross) (%)

For historical years calculated as gross DPS divided by the annual average share price

For current and future years calculated as gross DPS divided by the current share price (DPS/P).

Total Yield Ratio (%)

Calculated using the total counter value of dividends paid and buy backs implemented.

Total Yield Ratio (%) = (Dividends counter-value + Buy-Backs counter-value) / Market Cap.

OpFCF/EV (%)

OpFCF= see definition on page 13.

OpFCF yield (%)

OpFCF / Total Market Capitalisation.

Banking Sector Definitions

BANKING SECTOR DEFINITIONS

PROFIT & LOSS ITEMS (all items are (EURO m) unless otherwise specified)

Net Interest income

Difference between interest payments received on loans outstanding and interest payments made to customers on their deposits.

Commissions

Difference between commission received and commission paid on banking fees, dealing fees, fees on assets under management etc.

Trading Income

Net capital gains / (losses) on financial transactions and result from mark-to-market valuation of the trading portfolio (including derivatives).

Dividends

Dividends earned on securities (excluding income from consolidated interests, see Associates below).

Other Operating Income

Other Operating Income includes the income which is not attributable to the income items indicated above, but which is not extraordinary.

Non Interest Income

Sum of Commissions, Trading Income, Dividends and Other Operating Income.

Total Income from Banking Business

Sum of Interest Income and Non-Interest Income from the banking business.

Revenues from Insurance Business (less claims)

The insurance result includes premiums, fees and allocated financial income, less claims and benefits and less operating expenses. Realized capital gains and losses on investments backing certain insurance liabilities (i.e. separated funds) are usually included in trading income.

Total Revenues

Sum of Total Income from Banking Business and Revenues from Insurance Business (less claims).

Operating Costs

Sum of personnel costs, general & administrative expenses and amortization and depreciation on tangible and intangible assets. It may also include integration costs. It also includes the IFRS "Non-Operating Provisions" made for risks, not related to the loan book.

Other Operating Provisions

Other Operating Provisions made for specific risks excluding credit risks (see Loan Impairment Charges).

Pre-Provision Profit (PPP)

Pre-Provision Profit = Total Revenues– Operating Costs – Other Operating Provisions

Loan Loss Provision (LLP)

Provisions made for the credit risk less write backs.

Provisions (non-cash) made to account for future losses on loan defaults, assuming that a certain percentage of loans will default or become slow-paying.

Operating Profit (OP)

Operating Profit = Pre-Provision Profit – Loan Impairment Charges.

Other Income/Loss (Non Recurring Items)

Other Income/Loss (Non Recurring Items) includes income/losses which are deemed to be non-recurring and/or classified as extraordinary. For the past (before IFRS), this item also includes "Goodwill Amortisation", "General Banking Risk Provisions" and "Extraordinary Items".

Results from Financial Investments

Results from financial investments include disposal gains and gains and losses on available-for-sale securities and other investment securities.

Associates

Positive or negative contributions from Associates consolidated through Equity Method (normally it comes net of tax).

Earnings Before Tax (EBT)

Earnings Before Tax = Operating profit + Other Income/Loss (Non Recurring Items) + Results from Financial Investments + Associates.

Earnings Before Tax (adj.)

Earnings before tax (adj.) = EBT -/+ Other Income/Loss (Non Recurring Items).

The remaining items are in line with the other industry groups

BALANCE SHEET ITEMS (if not differently specified all items are (EURO m))

Due from Banks

Loans to other banks (including Central Bank and cash).

Customer Loans

Loans to customers (excluding banks).

Securities

An investment instrument, other than an insurance policy or fixed annuity, issued by a corporation, government, or other organization which offers evidence of debt or equity.

Unit-Linked Investments

Investments held for the account of policyholders following the sale of unit-linked insurance products. Unit-linked investments back the technical provisions for accounts of policyholders (unit-linked technical provisions). Unit-linked investments and unit-linked technical provisions are generally equal.

Interest Sensitive Assets (ISA)

ISA is the sum of Due from Banks + Customer Loans + Securities.

Customer Deposits

These include only the deposits from customers (excluding banks).

Bonds & Debt Capital

Sum of all bonds issued by the bank (including subordinated debt).

Technical Provisions Insurance (Life and Non-Life)

Provisions (Life and Non-Life) set up by the insurance company to cover future claims and other payments. Technical provisions are reported net of reinsurance.

The remaining items are in line with the other industry groups

OTHER ITEMS (all items are (EURO m) unless otherwise specified)

Shareholders' Equity (GW adj.) less Goodwill and other Intangible Assets or Tangible Book Value.

Shareholders' Equity less Goodwill and other Intangibles Assets.

Note: Under IFRS, Goodwill is no longer net of tax effect

Tier 1 Capital (Basel 2).

Main Positive Items (+): Share capital, Share Premium Reserve, Other Reserves, Net income, Preference Shares and other innovative instruments (such as preferred securities, perpetual bonds, other unredeemable securities, extraordinary convertible bonds/Grandfathering - such as Tremonti Bonds, etc).

Main Negative items to deduct (-): Treasury shares, Goodwill, Other Intangible Assets, Loss of the Period, Negative IAS / IFRS prudential filters, other negative prudential filters.

Core Tier 1 Capital (Basel 2)

Core Tier 1 Capital (as defined) - Preference Shares and other innovative capital instruments (perpetual bonds, etc.).

Tier 2 Capital (Basel 2)

Main Positive Items (+): Valuation reserves, innovative instruments not eligible for Tier 1 Capital, hybrid capital instruments, subordinated loans, excess total adjustments with respect to expected losses, net capital gains on equity investments, Other Items.

Main Negative Items to deduct (-): Stakes in banks and other financial institutions greater than 20% of the investee's capital, stakes in banks and other financial institutions included in the 10-20% range of the investee's capital, stakes in insurance companies (if purchased after 20 July 2006), net capital losses on equity investments, excess of expected losses with respect to total adjustments, prudential filters, Other Items.

Total Capital (Basel 2)

Tier 1 Capital + Tier 2 Capital (as defined) - Other Deductions (items to be deducted from Tier 1 and Tier 2 Capital - not included in the negative items of Tier 1 and Tier 2 previously mentioned).

Common Equity capital (Basel 3 committee definition)

Common Equity Tier 1 Capital consists of the sum of the following elements:

- Common shares issued by the bank that meet the criteria for classification as common shares for regulatory purposes (or the equivalent for non-joint stock companies);
- Stock surplus (share premium) resulting from the issue of instruments included in Common Equity Tier 1;
- Retained earnings;
- Accumulated other comprehensive income and other disclosed reserves;
- Common shares issued by consolidated subsidiaries of the bank and held by third parties (i.e. minority interest) that meet the criteria for inclusion in Common Equity Tier 1 Capital.
- Regulatory adjustments applied in the calculation of Common Equity Tier 1.

RWA

RWA are a bank's total assets (including the off-balance sheet exposures) weighted according to risk. The weighting depends on the estimates of Probability of Default (PD), the regulatory values and the models adopted by the single financial institutions (LGD or EAD) and validated by national regulators.

Non-Performing Loans (NPL)

A loan that is in default or close to being in default. Many loans become non-performing after being in default for 90 days, but this can depend on the contract terms.

"*A loan is nonperforming when payments of interest and principal are past due by 90 days or more, or at least 90 days of interest payments have been capitalized, refinanced or delayed by agreement, or payments are less than 90 days overdue, but there are other good reasons to doubt that payments will be made in full" (IMF definition)*

Assets Under Management

Off-balance assets managed by the company for third parties.

The value of those assets is based on market prices.

Change in NPLs (%):

Annual growth rate of Non-Performing Loans

The remaining items are in line with the other industry groups

MARGINS AND RATIOS

Interest Income/Avg. IEA

Interest Income divided by average (according to fiscal year end) Interest Earning Assets.

Cost/Income

Cost/Income is total Operating Costs divided by total Banking Revenues.

LLP/Avg. Customer Loans

Loan Loss Provisions divided by average (according to fiscal year end) Customer Loans.

LLP/Avg. RWA

Loan Loss Provisions divided by average (according to fiscal year end) RWA.

NPL ratio (gross)

The ratio is calculated as Non-Performing Loans divided by outstanding loans.

LLP/Loans

Loan Loss Provisions divided by total outstanding loans.

NPL coverage

(LLP/Loans) divided by NPL gross ratio.

Loans/Deposit Ratio

Customer Loans divided by Customer Deposits.

Core Tier1 Ratio

Core Tier 1 Capital / RWA.

Tier1 Ratio

Tier1 Ratio is the Solvency Capital ratio pursuant to the Basel Agreement. Tier 1 Capital / RWA.

Total Capital Ratio

Total Capital Ratio is the total capital ratio pursuant to the Basel Agreement. Total Capital / RWA.

Common Equity Ratio (Basel 3)

Common Equity Capital / RWA (minimum at full capacity: 7%).

Tangible Equity as % of Assets

Shareholders' Equity less Goodwill and other Intangible Assets divided by Total Assets (or in some cases divided by Total Assets less Goodwill and other Intangible Assets).

PER SHARE ITEMS (all items are (EURO) unless otherwise specified)

Pre-Provision Profit (per share)

Pre-Provision Profit per share is the pre-provision profit divided by the weighted average number of outstanding ordinary shares.

BVPS (BV per share)

BVPS = Shareholders' Equity divided by the number of outstanding ordinary shares.

TBV (TBV per share)

TBVPS = Tangible Book value divided by the number of outstanding ordinary shares.

The remaining items are in line with the other industry groups

OTHER RATIOS & VALUATION ITEMS

ROE (adj.) (%)

Net Profit (adj.) divided by the two-year (according to fiscal year end) average of Shareholders' Equity (GW adj.).

ROE (%) including Goodwill

Net Profit (adj.) divided by the two-year (according to fiscal year end) average of Shareholders' Equity (including GW).

ROTE % (Return on Tangible Equity)

Net Profit (adj.) divided by the two-year (according to fiscal year end) average of Tangible Book Value (Goodwill adj.).

P/BV (x)

P/BV = Price / BVPS (including GW). For historical years calculated as the average share price divided by BVPS. For current and future years calculated as the current share price divided by BVPS.

P/TBV (GW adj.) (x)

P/TBV = Price / TBVPS (GW adj.). For historical years calculated as the average share price divided by TBVPS (GW adj.). For current and future years calculated as the current share price divided by TBVPS(GW adj.).

Insurance Sector Definitions

INSURANCE SECTOR DEFINITIONS

PROFIT & LOSS ITEMS (all items are (EURO m) unless otherwise specified)

Life Gross Premiums (IFRS 4)

Gross written premiums under IFRS 4 (insurance products).

Life Investment Products (IAS 39)

Deposits inflows under IAS 39 (investment products).

Life Gross Premiums (Local GAAP)

Life written premiums under Local GAAP.

Non-Life Gross Premiums

Non-life written premiums.

Life Gross New Production (APE) – Local GAAP

New Life Premiums written in terms of Annual Premium Equivalents under local GAAP. Annual Premium Equivalents or APE is defined as the sum of all regular premiums plus 1/10 of single premiums.

Total Reinsurance (Life & Non-Life)

The sum of all non-life and life insurance R/I premiums paid.

Running Insurance Investment Income

Investment incomes before mark-to-market and harvesting (Own Account).

Total Current Investment Income

Investment incomes including mark-to-market and harvesting (Own Account).

Life Solvency 1 Available Capital

Life Capital = capital allocated to Life business under Solvency 1 requirement.

Non-Life Solvency 1 Available Capital

Non-life capital = capital allocated to non-life business under Solvency 1 requirement.

Comprehensive Profit

Net Profit + change in AFS (available for sale) equity reserves.

The remaining items are in line with the other industry groups

BALANCE SHEET ITEMS (all items are (EURO m) unless otherwise specified)

Deferred Acquisition Costs (DAC)

The costs related to the acquisition of new business (mainly longer-term life and pension insurance policies) which are not immediately expensed (through P&L in first year of policy) but are capitalised (included as an asset on the balance sheet) instead. The capitalised acquisition costs are then 'amortised' in future accounting periods. DACs may be amortised either over the life of the contract or over the expected future profitability of the contract.

Insurance Investments (Own Account)

Investments, sum of Fixed Income, Equity, Real Estate and other Investments, held for the account of the insurance company to back both technical provisions and Shareholders' Equity.

Unit-Linked Investments (Policyholders Account)

Investments held for the account of policyholders following the sale of unit-linked insurance products. Unit-linked investments back the technical provisions for accounts of policyholders (unit-linked technical provisions). Unit-linked investments and unit-linked technical provisions are generally equal.

Banking Interest Earning Assets

Sum of Customer Loans + loans to banks + Securities.

Technical Provisions (Life and Non-Life)

Provisions (Life and Non-Life) set up by the insurance company to cover future claims and other payments. Technical provisions are reported net of reinsurance.

Financial Debt

Operating financial debt excluding subordinated/hybrid debt instruments.

Subordinated and Hybrid Debt

Sum of all the issued subordinated and hybrid debt instruments (bonds, etc.).

Banking Interest Bearing Liabilities (IBL)

Sum of customer deposits and securities issued by the bank.

Shareholders' Equity

Is the Shareholders' Equity

Note: Under IFRS, goodwill is no longer net of tax effect

The remaining items are in line with the other industry groups.

MARGINS AND RATIOS

Insurance Investment Yield (average) (%)

Insurance Investment Yield is the ratio of investment income (before write-downs) to average investments ratio.

ROE (adj.) (%)

Net Profit (adj.) divided by Shareholders' Equity (end period).

ROE average (adj.) (%)

Net Profit (adj.) divided by the average of t and t-1 Shareholders' Equity.

Return on Embedded Value (RoEbV)

Return on Embedded Value = (EbVt - EbVt-1 + dividends paid in t - capital injected in t + capital extracted in t) divided by (EbVt-1).

EbVt-1 is the adjusted opening EbV.

EbVt is the EbV at the end of the period plus any dividends paid during the period, minus capital injections and plus capital extractions (and therefore includes Operating performance, NBV (New Business Value) and Investment market conditions).

Both EbVt and EbVt-1 are EbVs for the entire company (life, non-life, asset management, bank,...) as also discussed in the EbV definition.

Expense Ratio (Life and Non-Life) (%)

Expense Ratio (Life and Non-Life) is calculated as total expenses for the insurance business divided by Net Premiums Earned (Life and Non-Life).

Claims Ratio (Non-Life) (%)

Claims Ratio, also referred to as loss ratio, is equal to Total Non-Life Claims & Provisions (claims paid and change in technical provisions over the accounting period, both net of reinsurance) divided by Net Non-Life Premiums Earned.

Combined Ratio (Non-Life) (%)

Combined Ratio = Claims Ratio + Expense Ratio.

A combined ratio in excess of 100% indicates that the Non-Life business is loss-making on a technical basis (i.e. excluding the investment income).

Solvency 1 Ratio (%)

Solvency 1 Ratio = Capital available / Capital required (under Solvency-one framework); if available stated figure, otherwise it is possible to use standard parameters, i.e.:

Capital available = Tangible NAV + Minorities + Subordinated/hybrid instruments

Capital required = 16% of P&C earned net premium (if premium breakdown is available then 1.5x factor should be applied to liability business lines excluding motor insurance) + 4% of net life reserves + 1% of life separate accounts

Tangible NAV = NAV – intangibles (where NAV = IFRS Shareholder Equity + Off Balance net capital gains)

Solvency 2 Ratio (%)

Solvency ratio under Solvency 2 framework or internal models (as reported by the company)

Running Insurance Yield (%)

Is the ratio between the running insurance investment and the year-end average investments. Possibly, for actual numbers use quarterly average investments.

Comprehensive Income Yield (%)

Is the ratio between total current investment income including change in AFS (available for sales) equity reserves and the year-end average investments. Possibly, for actual numbers, use quarterly average investments.

Life Running Insurance Yield (%)

Is the ratio between the life running insurance investment and the year-end average investments. Possibly, for actual numbers, use quarterly average investments**.**

Life Harvesting Yield (%)

Is the ratio between the realised net capital gains and the life year-end average investments. Possibly, for actual numbers, use quarterly average investments.

Non-Life Running Insurance Yield (%)

Is the ratio between the life running insurance investment and the year-end average investments. Possibly, for actual numbers, use quarterly average investments.

Financial Leverage (%)

Financial Leverage = (Subordinated + hybrid instruments) / (Adjusted Net Asset Value + Minorities).

Retention Ratio (Non-Life) (%)

The ratio of net earned non-life premium income over gross earned non-life premium income. The difference between gross and net is reinsurance. The Retention Ratio can serve as a basis to compare the different use of reinsurance by different companies. This is for example helpful in case of catastrophes. Companies with a higher Retention Ratio would generally be more exposed.

Reserving Ratio (Non-Life) (x)

The ratio of non-life technical provisions (net of reinsurance) and non-life net earned premium income. The Reserving Ratio provides are general idea of different companies' conservativeness in reserving. A higher Reserving Ratio, for a similar business composition, indicates a more conservative approach to reserving.

Cost/Income (Banking) (%)

The Cost/Income ratio is equal to operating costs for the banking operation divided by total banking income (the usual ratio applied for banks).

Loan Loss Provisions (Banking) (%)

Loan Loss Provisions is equal to loan provisions on the bank balance sheet divided by total income (the usual ratio applied for banks).

INSURANCE VALUATION DATA (EURO)

To provide more uniform valuation data, a number of additional valuation input fields are included in the input sheet, for insurance. In the interest of comparability, unless stated otherwise all concepts below are for all the activities of the company. Moreover, concepts like **Embedded Value**, which are often only disclosed for the life insurance business and not for the other activities, are calculated for all activities of the company. For a company that discloses EbV figures only for life insurance, the ANAV will be for all the activities, and PVFP (Present Value of Future Profits Life) and CoC (Cost of Solvency Capital) will be for life only. For companies which publish EbV for both life and non-life, ANAV is for all activities and PVFP and CoC for both life and non-life.

Off-Balance Sheet Unrealised Capital Gains

Unrealised capital gains, often on the real estate investments portfolio, which are not yet included in IFRS Shareholders' Equity.

Other Adjustments

Other adjustments required to Shareholder's Equity to obtain ANAV.

Goodwill on Life, Property & Casualty, Banking or Any Other Activity

All the goodwill on the balance sheet of the company. The goodwill related to all activities (life, non-life, banking, asset management).

Tangible Net Asset Value (ANAV)

Tangible Net Asset Value = Shareholders' Equity - Deferred Acquisition Costs – Goodwill on Life, P&C (Property & Casualty), Banking or Any Other Activity – Other intangibles + Off-Balance Sheet Unrealised Capital Gains + Other Adjustments.

Tangible Net Asset Value provides a gone concern value of the company.

Present Value of the In-Force Business (PVIF) or Present Value of Future Profits Life (PVFP)

Present value of future shareholder cash flows projected to emerge from the assets backing the in-force life insurance business. Alternatively, it is present value of the future profits expected to emerge from the business on today's balance sheet.

Life Embedded Value (Life EbV)

Life EbV is the present value of shareholders' interests in the earnings distributable from assets allocated to the in-force life insurance business after sufficient allowance for the aggregate risks in the in-force life insurance business. Life EbV is made up of the following components:

- free surplus allocated to the in-force life insurance business;
- required capital, less the cost of holding required capital;
- present value of future shareholder cash flows from in-force life insurance business (PVIF).

The value of future new business is excluded from the EbV.

"Non EbV Goodwill" (Goodwill for parts of the company for which no EbV figures are published)

Goodwill for banking activities and for non-life insurance, if no EbV figures for non-life are available.

Group Embedded Value (EbV)

EbV = ANAV + PVFP – CoC + non EbV Goodwill.

Embedded Value is Adjusted Net Asset Value + Present Value of Future Profits on existing life book. EbV is always for all activities of a company. If the company has other activities besides life insurance, the EbV of other activities in addition to the EbV life should also be included in EbV. In the absence of additional EbV information on other activities, the EbV of the other activities is simply the ANAV of other activities PLUS the goodwill of the other activities. The sum of the EbV life and ANAV (+ Goodwill) of other activities is the EbV of the company.

Group Embedded Value is a measure of the consolidated value of shareholders' interests in the in-force life insurance business. Alternatively it is the value embedded in the current life insurance policies on the balance sheet that is expected to emerge during run-off.

Assets Under Management (AUM)

Assets Under Management is third-party assets excluding life separate account (e.g. unit-linked).

PER SHARE ITEMS (all items are (EURO) unless otherwise specified)

BVPS

BVPS = Shareholders' Equity divided by the number of outstanding ordinary shares.

ANAVPS

Adjusted Net Asset Value Per Share. Equal to ANAV divided by the number of outstanding ordinary shares.

EbVPS

Embedded Value Per Share. Equal to EbV divided by the number of outstanding ordinary shares.

The remaining items are in line with the other industry groups.

OTHER RATIOS & VALUATION ITEMS

P/Premiums (x)

Is the share price of the company divided by the sum of net earned premiums of life and non-life. Because of similarity of this ratio to P/Sales for industrial companies, it is advisable to exercise care when drawing any immediate conclusions from P/Premiums.

P/BV (x)

P/BV = Price / BVPS. For historical years calculated as the average share price divided by BVPS. For current and future years calculated as the current share price divided by BVPS.

P/Tangible Book Value (x)

P/Tangible Book Value = Price / Tangible Book Value per share. For historical years calculated as the average share price divided by Tangible Book Value per share. For current and future years calculated as the current share price divided by Tangible Book Value per share.

P/EbV (x)

P/EbV = Price / EbVPS. For historical years calculated as the average share price divided by EbVPS. For current and future years calculated as the current share price divided by EbVPS.

Real Estate

Sector Definitions

REAL ESTATE SECTOR DEFINITIONS

PROFIT & LOSS ITEMS (all items are (EURO m) unless otherwise specified)

Gross Rental Income

Income from the leasing of Investment Properties.

Operating Costs (Property Costs)

Property operating expenses + net services charge income + Property Taxes (e.g. IMU, Imposta di Registro in Italy).

Net Rental Income

Gross Rental Income – operating costs.

Portfolio Result

Revaluation of Fair Value of Investment Properties – Gains/Losses on disposal of Investment Properties.

Net Financial Costs

Net financial costs except share of the profit of associates & dividend income and revaluation of financial instruments. These costs are mainly linked to the financial debts of the company.

The remaining items are in line with the other industry groups.

BALANCE SHEET ITEMS (all items are (EURO m) unless otherwise specified)

Investment Properties

Investment Properties are properties which are held to earn long-term rental income.

Development Properties

Properties that are being constructed or developed for future use as investment property

The remaining items are in line with the other industry groups

MARGINS AND RATIOS

LTV (Loan To Value)

Market value of net financial debt / Appraised Value of Investment Properties.

The remaining items are in line with the other industry groups.

PER SHARE ITEMS (all items are (EURO) unless otherwise specified)

IFRS NAV

Balance sheet net assets / diluted number of shares at end of period.

EPRA NAV

Balance sheet net assets plus surplus on trading properties, excluding fair value adjustments for debt and related derivatives, deferred taxation on revaluations and capital allowances and the effect of those shares potentially issuable under employee share schemes / diluted number of shares at end of period.

EPRA NNNAV

EPRA NAV less fair value adjustments for debt and derivatives and the deferred taxation on revaluations and capital allowances / diluted number of shares at end of period.

The remaining items are in line with the other industry groups.

OTHER RATIOS & VALUATION ITEMS

Occupancy Rate

ERV (Estimated Rental Value) of let units expressed as a percentage of the total ERV of the portfolio, excluding Development Properties. The ERV is the estimated market rental value of lettable space.

Portfolio Yield

Rental contracts / Fair Value of the portfolio.

Portfolio Yield on full occupancy

(Rental contracts + ERV of vacant space) / Fair Value of the portfolio.

Average Length of Leases (First Break)

The average residual length of all leases in force if each tenant were to exercise his first possible termination option (= break).

Average Length of Leases (End of Contract)

The average residual length of all leases in force in the case that no break option were exercised and all tenants were to remain in their rented space until the contractual end of the leases.

Like-For-Like Rental Growth

Calculated on the stabilised portfolio as the growth rate resulting from indexation, increase/decrease of vacancy rates and renegotiation of rents with existing tenants.

Premium / (Discount) to NAV

(Share price / IFRS NAV) -1

Premium / (Discount) to EPRA NAV

(Share price / EPRA NAV) -1

Property Portfolio Changes (most recurrent items)

Assets at the end of the year = assets at the beginning of the year + investments – disposals + Capex +/- change in Fair Value.

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