Standard setter per l'analisi finanziaria

a member of

EFFAS The European Federation of Financial Analysts Societies

Certified International Investment Analyst

AIAF Definition Guide

Second Edition

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AIAF DEFINITION GUIDE - INTRODUCTION

AIAF for Financial Analysts

The release of the AIAF “Definition Guide” is among 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 an obvious reference point in the support of the Italian Financial Analysts.

Why an AIAF "Definition Guide"?

The financial world is under constant evolution, as proved 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 is on one hand an enhancement of the theoretical and practical instruments available to analysts, it can nonetheless generate confusion and cast doubt on the right kind of parameters to be taken as a reference (particularly among less experienced analysts). The lack of common definitions for reporting items and of shared formulas for the calculation of the ratios and financial parameters used in company evaluations can further complicate the 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 taking a key parameter for the financial markets such as the Earning 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..

The intention to identify and gather in an 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” giving an interpretation to be 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", 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 a reference source (a very practical tool) to support them in their work. In particular, to assist the professional growth of junior analysts and of those who want to approach to financial analysis. To date, such an organized, structured and operational product was not available (at least 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 foreseen), nor it is intended to be mandatory. The main target 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 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 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 in 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 Industrial, Banks, Insurance and Real Estate companies;
- a section on key ratios formulas and parameters of reporting analysis and of assessment of company performances.

The guide includes definitions and ratios totalling over 200 items.

A Commission of experts

Given the importance and complexity of the project, the implementation of the Guide was assigned to a specific working group composed of highly experienced and professional analysts. AIAF invited Heads of Research working for the Research Departments of leading Italian brokers (or analysts suggested by such people), widely representing the main players of the Italian financial market. The Commission "AIAF Standard Setter" started working in September 2011 and ended in April 2012. Meetings were held monthly in order to ensure continuing work and accomplish the project in due time. The Commission used an initial operating reference in the "ESN Definition Guide" provided by the European Securities Network (ESN) and its partners (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 in the Commission

Below is an alphabetical list of the brokers that joined the initiative and of the people who actively took part in the work of the Commission.

- 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 references Board Members for the project were Antonio Tognoli, Alberto Borgia and Giacomo Fedi.

AIAF and EFFAS

The AIAF Association has a well-established national presence and is also a prestigious international cooperation as the Italian member of the European Federation of Financial Analysts Society (EFFAS). The latter coordinates the knowledge, research and training of 27 Associations of Financial Analysts in the world, representing over 14,000 professionals including financial analysts and investment experts.

EFFAS offers a variety of training programs and certifications, including the CEFA certificate (Certified European Financial Analysis), the CIIA certificate (Certified International Investment Analyst), and the CIWM certificate (Certified International Wealth Manager). All of the above training programs use financial and economic terms that are gradually defined in consideration of the targets and types of courses. EFFAS has also issued specific guides, such as one including some standards for the bond sector.

AIAF is seeking EFFAS' support to sponsor the "AIAF Definition Guide" also on a European level in the hope that the good progress made so far on a domestic level will be further improved by the contribution of Associations of Analysts from other countries, thereby helping the implementation of an European "Definition Guide".

The Second Revision (September 2017 – February 2018)

A few years after the publication of the Guide (2012), a review of the content was necessary in light of the entry into force of new accounting principles and of important normative changes that affected in particular the banking and the insurance sector.

All the items (definitions and ratios) have been re-examined and discussed again by the Members of the Standard Setter Commission to assess if they were still valid or if they needed to be amended or deleted. New definitions have been also included complementing the ones of the first version.
The in-depth activity revision lasted 6 months and brought to more than 120 adjustments.

Also in this case almost all the main Italian brokers gave their availability to support AIAF in this initiative with their people participating in the revision of the Guide. The working group was coordinated by **Pietro Gasparri** (Banca Akros).

Below is an alphabetical list of the brokers that joined the initiative and of the people who actively took part in the work of the Commission.

- Banca Akros: **Francesco Previtera, Luigi Tramontana, Enrico Esposti**
- Cassa Lombarda: **Serge Escudé**
- Equita SIM SpA: **Fabio Fazzari, Andrea Lisi**
- Fidentis: **Marco Opipari, Fabrizio Bernardi**

- Intermonte: **Alberto Villa, Andrea Randone, Christian Carrese**
- Intesa Sanpaolo: **Giampaolo Trasi, Elena Perini**
- Kepler Cheuvreux: **Marco Baccaglio**
- UBI Banca: **Giovanni Barone, Marco Cristofori, Massimiliano Vecchio**
- Value Track: **Marco Greco**

Other financial analysts who were members of the Commission:

- **Luca Comi**
- **Andrea Bellucci, Luca D’Onofrio** and all members of the AIAF Commission “Sistema degli indicatori utilizzati dagli analisti finanziari per i bilanci IFRS assicurativi”

PER SHARE ITEMS «if not differently specified all items are (EURO)»

Per Share (PS) Items are classified into "basic" and "diluted" depending on the number of shares considered:

a. Basic: **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. Diluted: **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, **the Dilution is decided by each analyst** (due to stock options, warrants, convertible bonds). The dilution is always considered when expiration of the instrument is within the year and/or the call option is in the money at the current price.

Industrial Sector Definitions

PROFIT & LOSS ITEMS «if not differently specified all items are (EURO m)»

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 + tax credits + non-refundable grants.
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, this corresponds to all services invoiced to clients by advertising agencies. For advertising companies sub-sector only, the sales line correspond to gross margin plus re-invoicing of "space" bought for advertising.
Cost of Sales & Operating Costs (including Personnel Expenses)	This item includes the main operative costs of the company including the Personnel Expenses (showed 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. Expenses can be classified either ”by nature” or “by function” according to the local habits.
Operating Expenses by Function	Within this framework, operating expenses are disclosed according to their functions. Main costs items by Function usually highlighted are: • **Cost of Goods Sold**. Sum of all costs that were needed to create a product or service which has been then sold. Example: Raw materials. • **Administrative Expenses**. Expenses required to administer a business, and which are not related to the creation or sale of goods or services. Examples: Accounting staff wages, Consulting expenses. • **Selling Expenses**. Expenses needed to finalize the selling process. Examples: Agents’ commissions, shipping costs.

Operating Expenses by Nature	Within this framework, operating expenses are disclosed according to the economic reason that generated them. Main costs items by Nature usually highlighted are: • **Raw Materials Costs**. Total costs of materials and substances needed to create a product or service. • **Cost of Services and Rentals**. Total costs deriving from the purchase / rental of services necessary to carry out the ordinary activities. • **Personnel Expenses**. See definition below. • **Depreciation.** See definition on page 12. • **Amortization**. See definition on page 12.
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 with equivalent expenditure. • Major claims cost 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 of raising equity capital.
EBITDA (Reported)	EBITDA = Earnings Before Interest, Tax, Depreciation & Amortisation. EBITDA is defined as operating result after operating exceptional items (e.g. restructuring costs, start-up costs, etc.), before Depreciation, Amortisation, before Interest (also on pension provision for Germany), Associates & Tax. EBITDA = Sales — Cost of Sales & Operating Costs (including Personnel Expenses) —/+ Non Recurrent Expenses (Income).

EBITDA (Adjusted or Current)	EBITDA (Adjusted or Current) = Sales - Cost of Sales & Operating Costs (including Personnel Expenses) = EBITDA (Reported) +/— Non Recurrent Expenses (Income).
EBITDAR (only for Airlines)	EBITDAR = EBITDA before Rents. Rents correspond to operating leases.
EBITDAX (for Oil & Gas Producers)	EBITDAX = EBITDA before Exploration costs.
Depreciation	Systematic allocation of the depreciable amount of a tangible asset (e.g. property, plant, equipment, etc.) into an operational expense over its estimated useful life.
EBITA (reported)	EBITA = Earnings Before Interest, Tax & Amortisation. Earnings Before Interest, Tax and Amortisation (EBITA) is similar to EBIT but strips out Amortisation. This parameter is a more correct measure of the operational profitability as it excludes amortisations. EBITA = Sales - Cost of Sales & 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.
Purchase Price Allocation (PPA)	Application of goodwill accounting whereby one company (the acquirer), when purchasing a second company (the target), allocates the purchase price into various assets and liabilities acquired from the transaction. Outside the United States, the International Accounting Standards Board governs the process through the issuance of IFRS 3.
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 & 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 & 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 equivalent less interests paid on financial debt.
Other Financials	Currency gains and losses, hedging costs on raw materials, mark-to-market of derivative instruments.
Associates	Positive or negative contributions from Associates consolidated through Equity Method (normally it comes net of tax).
Earning Before Tax (EBT)	Earning 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 given 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 and also for Net Profit (adj.).

Deferred Tax Assets / Liability	A future tax liability or asset, resulting from temporary difference (for example accelerate depreciation, tax losses carry forward) between the accounting value of assets and liabilities and their value for tax purposes. In other word deferred taxes are non-cash tax provisions (or release of tax provisions). Reference is IAS 12.
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 ongoing 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 due to a level of subjectivity it deserves, this item is an analyst input. The adjustments made by the financial analysts are related mainly to exclude Non Recurrent Items and Discontinued Operations (in the past the adjustments were related to extraordinary items and goodwill amortisation). As a suggestion (non binding) 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 or NOPAT	NOPLAT or NOPAT = Net Operating Profit Less Adjusted Tax. NOPLAT = EBIT (adj.) * (1 – Normative Tax Rate).

CASH FLOW ITEMS «if not differently specified all items are (EURO m)»

Cash Earnings or Gross Cash Flow	Cash Earnings = Net Profit (reported) + Minorities + Depreciation, Amortisation, Provisions, Write downs and Impairments.
Cash Earnings (adj.) or Gross Cash Flow (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 (Stocks + Accounts Receivables – Accounts Payables) 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 keep the current level of operation. A common practise is to assume maintenance Capex 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 parties Cash Flow.	
Change in Net Debt	Change in Net Debt = FCF– Dividends +/– Others (i.e. Capital Increases, Change in Consolidation, Share Buy Backs, Other).
Non Cash Items	Depreciation, Amortisation & Provisions + other non cash items.

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

Net Tangible Assets	Tangible assets include items such as land and buildings, motor vehicles, furniture, office equipment, computers, fixtures and fittings, and plant and machinery. They have to be reported net of depreciation expenses (with exception of land).
Net Intangible Assets (inc. Goodwill)	Intangible assets lack physical substance. They include patents, concessions, copyrights, franchises, goodwill, trademarks, trade names, development costs, etc.. An intangible asset should also be classified as either indefinite (i.e. brand) or definite (i.e. patent). 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 net equity participation. This group consists of long-term investments to be held for many years and not to be disposed in the near future. This includes: the ownership of shares in a company or property; 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 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 convey 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").

Operating Working Capital or Trading Working Capital	Inventories + Trade Receivables – Trade Payables.
Net Working Capital (NWC)	Inventories + Trade Receivables + Other Receivables and other current Assets – Current Liabilities – Provisions and Deferred Taxes.
Inventories	Inventories include assets held for sale in the ordinary course of business (finished goods), assets in the production process for sale in the ordinary course of business (work in process), and materials and supplies that are consumed in production (raw materials).
Trade receivables	Trade receivables (also known as account receivables) are classified as current assets on the balance sheet if the payment from customers is expected within one year. *Included in this category are Accounts receivable (open account customer balances resulting from sales) and customer notes (principal and interest resulting from sales) that are formalized agreements and evidenced in writing. Trade receivables are viewed as a near-cash type of asset that will be turned into cash in the short run.*
Other Current Assets	This category includes other current assets that do not neatly fit into any of the other categories. The amounts must be deemed collectible in a relatively short period of time (operating cycle). *This item can be used as residual one to balance the Total Current Asset.*
Total Current Assets	Total Current Assets = Inventories + Trade Receivables + Other Current Assets + Cash and Cash equivalent. Current assets are cash; cash equivalent; assets held for collection, sale, or consumption within the entity's normal operating cycle; or assets held for trading within the next 12 months. All other assets are non-current.
Total Assets (TA) or Total Liabilities (TL)	It is the Total Balance Sheet TA = TL TA = Net Fixed Assets (net tangible assets + net intangibles 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 Group 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.
Trade Payables	Trade payables are also known as accounts payable and refers to money owed to creditors, lenders, vendors or suppliers for products or services rendered. Payables are considered short-term if due within 12 months.
Other Current Liabilities	Liabilities to be paid within the current operating cycle (normally a year). *This item can be used as residual one to balance the Total Current Liabilities.*
Total Current Liabilities	Total Current Liabilities = Short term financial debt + Trade Payables + Other Current Liabilities. Current liabilities are those expected to be settled within the entity's normal operating cycle or due within 12 months, or those held for trading, or those for which the entity does not have an unconditional right to defer payment beyond 12 months. Other liabilities are non-current.
Provisions	Total Provisions in the Balance Sheet. They are balance sheet items representing funds set aside by a company to account for uncertain anticipated future losses not yet occurred. They should be estimated with a realistic accuracy based on the company track record and external audit report. This items includes: total provisions for transactions and works with customers for bad debts; future legal litigations e.g. product responsibility, pension plans that should be evidenced in the reclassification.
Other Long-Term Liabilities	Liabilities not expected to be paid within the current operating cycles (> 12 months). *This item can be used as residual one to balance the Total Long Term Liabilities.*
Total Long Term Liabilities	Total Long Term Liabilities = Long term financial debt + Provisions + Other Long Term Liabilities. Long term liability accounts are the portions of debts with due dates greater than a year or the operating cycle. These are obligations that are not expected to be paid within the current operating cycle (>12 months).

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*
Net Capital Invested (CI) or Net Total Assets	CI = Net Fixed Tangible Assets + Net Fixed Intangible Assets (excluding Goodwill) + Goodwill + Net Financial Assets + Net Working Capital.
Net Capital Employed (CE) or Net Total Liabilities	CE = 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.

Leasing (*) IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted (as long as IFRS 15 is also applied).

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.

The most significant effect of the new requirements will be an increase in lease assets and financial liabilities. For companies with material off balance sheet leases, IFRS 16 changes the nature of expenses related to those leases. IFRS 16 replaces the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs). This change aligns the lease expense treatment for all leases. Although the depreciation charge is typically even, the interest expense reduces over the life of the lease as lease payments are made. This results in a reducing total expense as an individual lease matures.

ENTERPRISE VALUE «if not differently specified all items are (EURO m)»

Enterprise Value (EV)	EV = Enterprise Value = 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 calc. EV).

PER SHARE ITEMS «if not differently specified all items are (EURO m)»

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 Net Profit (reported) definition. The denominator is calculated by deducting from the average outstanding shares the existing treasury shares.

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

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 dilutive potential ordinary shares. The denominator is calculated deducting from the average outstanding shares the existing treasury shares. **The Dilution is decided by each analyst** (due to stock options, warrants, convertible bonds). The dilution is always considered when expiration 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 are entitled to get also ordinary dividend.
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	The DPS is the declared dividends (before tax) for every ordinary share, saving share and privileged share that are issued at the end of the period, net of the total of treasury shares for each of the 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 or Gross CFPS	CEPS or Gross CFPS = Cash Earning Per Share (or Gross Cash Flow Per Share), defined as Cash Earnings (or Gross Cash Flow) divided by the weighted average of the outstanding shares (ordinary shares + “ordinary shares equivalent”).
CEPS (adj.) or Gross CFPS (adj.)	CEPS (adj.) or Gross CFPS (adj.) = Cash Earnings Per Share Adjusted (or Groos Cash Flow Per Share Adjusted), defined as Cash Earning (adj.) (or Gross Cash Flow) divided by weighted average of the outstanding shares (ordinary shares + “ordinary shares equivalent”).
OpFCFPS	OpFCFPS = Operating Free Cash Flow Per Share, defined as Operating Free Cash Flows divided by outstanding shares (ordinary shares + “ordinary shares equivalent”).

FCFPS	FCFPS = Free Cash Flow Per Share, defined as Free Cash Flow divided by 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.
CFROI (%)	CFROI = Cash Flow from Operation (before change in Net Working Capital and before Capex) – Depreciation divided by Capital Invested.

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).
CE / Sales or Capital Turnover	Capital Employed divided by Sales.
Sales Backlog Ratio	Backlog of orders divided by Sales (average).
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 (%)	EBIT / Net financial Interest.
Net Debt / EBITDA (or Leverage)	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/Value of Production (for Construction companies)	EV divided by the Value of Production.
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 historic 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) or P/Gross Cash Flow (x)	Price Cash Earnings ratio (or Price Gross Cash Flow ratio) calculated as price divided by CEPS (or by Gross CFPS). For historic years calculated as annual average share price divided by CEPS (or by Gross CFPS). For current and future years calculated as the current share price divided by CEPS (or by Gross CFPS).
P/Cash Earnings (adj.) (x) or P/Gross Cash Flow (adj.) (x)	Price Cash Earnings (adj.) ratio (or Price Gross Cash Flow adj.) calculated as price divided by CEPS adj. (or by Gross CFPS adj.). For historic years calculated as annual average share price divided by CEPS (adj.) (or by Gross CFPS adj.). For current and future years calculated as the current share price divided by CEPS (adj.) (or by Gross CFPS adj.).

P/BV (x)	P/BV = Price / BVPS For historic 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 historic 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 15.
OpFCF yield (%)	OpFCF / Total Market Capitalisation.

Banking Sector Definitions

PROFIT & LOSS ITEMS «if not differently specified all items are (EURO m)»	
Net Interest income	Difference between interest income from Interest Sensitive Assets (customer loans, bonds, due from banks, other financial instruments) and interest payments from Interest Sensitive Liabilities customer deposits, bonds issued, due to banks and other financial liabilities, including differentials on hedging derivatives).
Net Commissions	Difference between commission received and commission paid on banking fees, dealing fees, fees on assets under management and custody, guarantees, etc..
Trading Income	Net capital gains / (losses) on financial transactions and result from mark-to-market valuation of the trading portfolio (including the derivatives).
Dividends and other similar revenues	Dividends earned on securities and mutual funds.
Other Operating Income	Contributions from Associates consolidated through Equity Method and other net operating income which is not attributable to the income items above indicated, but which is not exceptional.
Non Interest Income	Sum of Commissions, Trading Income, Dividends and Other Operating Income.
Total Income from Banking Business	Sum of Net 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 (excluding goodwill impairment).[1]
Pre-Provision Profit (PPP)	Pre-Provision Profit = Total Revenues – Operating Costs.
Loan Loss Provision (LLP)	Provisions made for the credit risk less write backs (IAS 39). 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 (IAS 9).
Other Operating Provisions	Other Operating Provisions made for specific risks excluding the credit risks (see below loan impairment charges). It may also include the IFRS “Non-Operating Provisions” made for risks, not related to the loan book, as well as systemic charges.[2]
Net Operating Profit (OP)	Net Operating Profit = Pre-Provision Profit – Loan Loss Provisions – Other Operating Provisions.
Other Income/Loss (Exceptional)	Other Income/Loss (Exceptional) includes income/losses which are deemed to be non-recurring and/or classified as exceptional.
Results from Financial Investments	Results from financial investments contain the disposal gains and the gains and losses on available-for-sale securities and other investment securities.

Note

1 Integration/restructuring costs are included in the staff costs. However, they should be considered as a non-recurring component and are usually reclassified below the Pretax income line, net of tax.

2 In the Bank of Italy scheme, systemic charges are included in the “other administrative expenses” line. Systemic charges are recurring costs (banks must set aside provisions for 8 years – to the Single Resolution Fund - “SRF” – and for 10 years - to the Deposit Guarantee Scheme - “DGS”), but usually they are stripped out of the operating costs line and reclassified as a component of the “other operating provisions” item.

Earnings Before Tax (EBT)	Earnings Before Tax = Operating profit +/– Other Income/Loss (Exceptional) +/- Results from Financial Investments.
Earnings Before Tax (adj.)	Earnings before tax (adj.) = EBT –/+ Other Income/Loss (Exceptional).
Other P&L items, net of tax	Below the “Earnings Before Tax” line are usually included several other items, net of tax (sometimes including levies and other systemic charges, that we have reclassified in the “Other Operating Provisions” line), such as: • Restructuring/Integration charges. • Effect of Purchase Price Allocation (“PPA”). • Goodwill impairment. • Income/loss from discontinued operations.
The rest of the items is 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 and net of loan loss provisions).
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 account of policyholders (unit-linked technical provisions). Unit-linked investments and unit-linked technical provisions are in general equal.
Interest Sensitive Assets (ISA)	ISA is the sum of Due from Banks + Customer Loans + Securities.
Customer Deposits	They include only the deposits from customers (excluding banks).

Direct Deposits	They include Customer deposits and securities (senior and subordinated bonds issued by the bank and other financial liabilities) held by bank's clients.
Core Direct Deposits	Customer deposits and securities held by retail clients.
Bonds & Debt Capital	Sum of all the 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 rest of the items is in line with the other industry groups

OTHER ITEMS «if not differently specified all items are (EURO m)»

Shareholders Equity (GW adj.) less Goodwill and other Intangible Assets or Tangible Book Value	Shareholders Equity less Goodwill and other Intangibles Assets. *Note: with IFRS, Goodwill is no more net of tax effect.*
Tier 1 Capital	Common Equity Capital plus preference shares and additional Tier1 securities. Main Negative items to deduct (-): Treasury shares, Goodwill, Other intangible assets, Loss of the period, Negative IAS / IFRS prudential filters, Other negative prudential filters.
Tier 2 Capital	Main Positive Items (+): Valuation reserves, Innovative instruments not eligible for the Tier 1 capital, Tier 2 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 higher 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	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 Tier 1 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 (ie 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	Risk Weighted Assets (“RWA”) are the banks' total assets (including the off-balance sheet exposures) weighted according to risk. The weighting depends on the estimates of Probability of Default (PD), on the regulatory values and on the models adopted by the single financial institutions (LGD or EAD) and validated by national regulators. RWA may be also calculated according to a standardised approach, with the rules set by the Basel Committee on Banking Supervision.
Non Performing Exposures (NPE)	This aggregate include all the loans for which payments are overdue. According to EBA Implementing Technical Standards (“ITS”, 2015), Non Performing exposures are divided into ther categories.
Non Performing Loans (or Bad Loans, or Doubtful Loans)	Exposures to debtors that are insolvent or in substantially similar circumstances.
Unlikely to Pay Exposures	Credit exposures, other than NPLs, (aside from those included among bad loans) in respect of which banks believe the debtors will be unlikely to meet their contractual obligations in full unless action such as the enforcement of guarantees is taken.

Overdrawn and/or Past Due Exposures	Aside from those classified among bad loans and unlikely-to-pay exposures, are those that are overdrawn and/or past-due by more than 90 days and for above a predefined amount. ITS also introduced the category of "Forbearance measures", that are are concessions towards a debtor facing or about to face financial difficulties (loans, debt securities, commitments – no trading exposures). The forbearance measures imply a modification of the terms and conditions of the original contract or a total or partial refinancing of an exposure, that would not have been granted had the debtor not been in financial difficulties. Exposures with forbearance measures may be performing or non-performing.
Assets Under Management	Off-balance assets managed by the company for third parties. The value of those assets is based on market prices.
Assets Under Custody	Off-balance assets beneficially owned and managed by clients, who contract with a third-party administration provider. The value of those assets is based on market prices.
Indirect Deposits	Sum of Assets under Management and Assets under Custody.
Change in NPLs (%):	Annual growth rate of Non Performing Loans

The rest of the items is in line with the other industry groups

MARGINS AND RATIOS

Interest Income/Avg. ISA	Interest Income divided by the average (according to fiscal year end) Interest Sensitive Assets.
Cost/Income	Cost / Income is the total Operating Costs divided by the total Banking Revenues.
Cost of Credit Risk	Loan Impairments divided by the average (according to fiscal year end) Customer Loans. Usually this item is expressed in basis points (and annualized for the interim reports) : (Net provisions on customer loans / Total net customer loans) x 10000
LLP/Avg. RWA	Loan Loss Provisions divided by the average (according to fiscal year end) credit RWA.
NPL ratio (gross)	The ratio is calculated as gross Non Performing Loans divided by gross outstanding loans.
NPE ratio (gross)	The ratio is calculated as Non Performing Exposures divided by outstanding loans (client loans + Gross NPE – Net NPE)
Both the previous ratios are often calculated net of provisions	
NPL coverage	Total Loan Loss Provisions on Non Performing Loans divided by Total Gross NPL.
NPE coverage	Total Loan Loss Provisions on Total Non Performing Exposures (including Unlikely To Pay and Past Due loans) divided by Total Gross NPE.
Loans/Deposit Ratio	Customer Loans divided by Customer Deposits.
Common Equity Tier 1 Ratio	Common Equity Tier 1 capital / RWA
Tier1 Ratio	Tier 1 Capital / RWA

Total Capital Ratio	Total Capital / RWA

All the capital ratios may be calculated within the current regulatory framework ("phased-in"), or without applying the transitional provisions set out in the CRD IV Regulation ("fully loaded, or "fully phased").

Leverage Ratio	Tier 1 Capital / Exposure measure where the "Exposure Measure" is defined as follows: (a) on-balance sheet exposures; (b) derivative exposures; (c) securities financing transaction (SFT) exposures; and (d) off-balance sheet (OBS) items. "Basel III leverage ratio framework and disclosure requirements, January 2014".
Liquidity Coverage Ratio ("LCR")	Stock of HQLA / Total net cash outflows over the next 30 calendar days where HQLA: High Quality Liquid Assets. The ratio must be equal or higher than 100% (out of the transitional period). *The LCR has been developed by the Basel Committee in order to promote the short-term resilience of the liquidity risk profile of banks, by ensuring that they have sufficient High Quality Liquid Assets to survive a significant stress scenario lasting 30 calendar days. As highlighted by the document: "Basel III: The Liquidity Coverage ratio and liquidity risk monitoring risk tool" – January 2013.*
Net Stable Funding Ratio ("NSFR")	Available amount of stable funding divided by Required amount of stable funding. The ratio must be equal or higher than 100%. The aggregates included in the numerator/denominator are defined in the BIS paper: "Basel III: the net stable funding ratio", October 2014. NSFR measures the extent to which assets with maturities of 1y+ are refinanced with liabilities with maturities of 1 year or above.
Tangible Equity as % of Assets	Shareholders Equity less Goodwill and other Intangible Assets divided by Total Assets less Goodwill and other Intangible Assets.
Texas Ratio	It may be calculated in two different ways: Net NPE / Tangible Book Value Gross NPE / (Tangible Book Value + Total Loan Loss Provisions) The same ratios may be related only to Non Performing Loans ("NPL", "sofferenze").

Insurance Sector Definitions

PER SHARE ITEMS «if not differently specified all items are (EURO m)»	
Pre-Provision Profit (per share)	Pre-Provision Profit per share is the pre-provision profit divided by the weighted average number of outstanding 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 rest of the items is in line with the other industry groups

OTHER RATIOS & VALUATION ITEMS	
ROE (adj.) (%)	Net Profit (adj.) divided by the two-years (according to fiscal year end) average of Shareholders Equity (GW adj.).
ROE (%) including Goodwill	Net Profit (adj.) divided by the two-years (according to fiscal year end) average of Shareholders Equity (including GW).
ROTE % **(Return on Tangible Equity)**	Net Profit (adj.) divided by the two-years (according to fiscal year end) average of Tangible Book Value (Goodwill adj.).
P / BV (x)	P / BV = Price / BVPS (including GW). For historic 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 historic 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.).

PROFIT & LOSS ITEMS «if not differently specified all items are (EURO m)»

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.
Non Life Premiums - Motor	Non-Life motor written premiums.
Non-Life Premiums - Non Motor	Non-Life written premiums except motor.
Net earned Premium (Non-Life)	Non-life written premiums net of premiums reverves and reinsurance.
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 Non-Life	Investment incomes from non-life business before mark to market and harvesting (Own Account).
Running Insurance Investment Income Life	Is the value of the life running investments income before mark to market and harvesting (own accounts) with components by all ordinary yield from all asset: bond, equity, real estate.
Total Current Investment Income	Investment incomes including mark to market and harvesting (Own Account).
Total Reinsurance (Life)	The sum of all life reinsurance premiums paid.
Total Reinsurance (Non-Life)	

The rest of the items is in line with the other industry groups

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

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 activated (included as an asset on the balance sheet) instead. The activated 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 account of policyholders (unit-linked technical provisions). Unit-linked investments and unit-linked technical provisions are in general 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 be able to cover future claims and other payments. Technical provisions are reported net of reinsurance.
Technical Provisions (Life, gross of reins.)	Gross Provisions Life set up by the insurance company to be able to cover future claims and other payments reported gross of reinsurance.
Technical Provisions (Life, net of reins.)	Provisions Life set up by the insurance company to be able to cover future claims and other payments 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	It is the Shareholders Equity. *Note: with IFRS, goodwill is no more net of tax effect.*
Solvency 2 Own funds	Own Funds covering the requirements of capital are composed by: • Basic own funds. • Ancillary own funds, subject to approval by Supervisor.
Solvency 2 SCR	The SRC corresponds to the capital that companies have to honour, with a probability of 99,5%, their obligations to insured in the following 12 months.
Duration Liabilities Life (Insurance investment own fund)	Duration time series projected (as by actuarial methodologies).
Duration Liabilities Non-Life (Insurance investment own fund)	Duration time series projected (as by actuarial methodologies).
Duration Asset Life (connected to ins. Invest. own fund)	Duration asset Life are usually calculated only for bonds.
Solvency 2 SCR by area of risk	Solvency Capital Requirement – The SCR is directed to reflect all (quantifiable) risks of loss in value to which assets and liabilities are exposed and is calculated by simulating the loss in value as a result of a statistically predefined adverse scenario (1 event every 200 years). This calculation can be shared in Line of Business in the EIOPA classification.
Life contacts with guarantee interest rates: expected vs realized surrender amount	The global amount of expected surrender for life contracts with guarantee interest rates is compared with the realized surrender in the same period (quarterly or yearly based).
Life contacts with guarantee interest rates: expected vs realized surrender percentage on total amount of these contract asset	The percentage of the realized surrender of life contracts with guarantee interest rates in comparison with the expected surrender in the same period (quarterly or yearly based). The percentage maybe positive if the surrender are higher than expected or negative in the opposite scenario.

The rest of the items is in line with the other industry groups

MARGINS AND RATIOS

Insurance Investment Yield (average) (%)	The 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 (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 (%)	Percentage of expenses with respect to premiums shared between: • Administrative cost • Distribution cost Administrative costs can also be shared between: • Operating expenses • Extraordinary expenses
Expense Ratio (Non-Life) (%), direct business & net of reins	
Claims Ratio (Non-Life) (%)	The Claims Ratio, also referred to as the loss ratio, is equal 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.

Claims Ratio (Non-Life) (%) Motor - non Motor - Nat Catastrophe effect	The Claims Ratio, also referred to as the loss ratio, is equal 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 divided by: 1. Motor- 2. Non Motor - 3. Nat Castrophe.
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 2 Ratio (%)	Percentage between SCR and Own Funds in which the SCR can be, as an alternative to the standard formula, the SCR calculated with the Internal Model (IM) which can be: • Complete: it covers the overall business/risks of company. • Partial: it covers one or more (under) risk modules or one or more business areas of the company. Internal Model must be approved by Supervisor.
Running Insurance Yield (%)	It 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 (%)	It 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 investments and the life year-end average investments components of all ordinary yield from all asset: bond, equity, real estate, etc. Possibly to use the quarterly average investments.
Life Harvesting Yield (%)	Is the ratio between the realised net capital gains and the life year-end average investments. Possibly to use the 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 the non-life technical provisions (net of reinsurance) and the non-life net earned premium income. The reserving ratio provides are general idea of the conservativeness in reserving by different companies. A higher reserving ratio, for a similar business composition, indicates a more conservative approach to reserving.
General cover ratio investments / Technical Reserves	Ratio of Total Investments covering Technical Reserves on Total Net Technical Reserves.
Ratio Net Equity / Total liabilities	Ratio of Net Equity divided by Total Liabilities.
Insurance leverage-Technical Reserves / Net Equity	Ratio of Technical Reserves divided by Net Equity.
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 the loan provisions in the bank balance sheet divided by the total income (the usual ratio applied for banks).

INSURANCE VALUATION DATA (EURO)

In order 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. Also 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.
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 the present value of the future profits expected to emerge from the business on today's balance sheet.
Life Embedded Value (Life EbV)	Recommended disclosure: • Principle: typically European market-consistent embedde value • Embedded value is the sum of value in force and equity Value in Force is the Net Present Value of the expected cash flows on the current portfolio of contracts including costs of capital for capital adequacy.

“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, in EbV in addition to the EbV life the EbV of other activities should also be included. 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 the ANAV (+ Goodwill) of the 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 parties assets excluding life separate account (e.g. unit-linked).

PER SHARE ITEMS «if not differently specified all items are (EURO m)»

BVPS	BVPS = Shareholders Equity divided by the number of outstanding ordinary shares.
ANAVPS	Adjusted Net Asset Value Per Share. Is equal to ANAV divided by the number of outstanding ordinary shares.
EbVPS	Embedded Value Per Share. Is equal to EbV divided by the number of outstanding ordinary shares.

The rest of the items is 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, one should be careful drawing any immediate conclusions from P/ Premiums.
P / BV (x)	P / BV = Price / BVPS. For historic 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 historic 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 historic 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 Definitions

PROFIT & LOSS ITEMS «if not differently specified all items are (EURO m)»

Gross Rental Income	Income from the leasing of investment properties.
Operating costs (Property costs)	Property operating expenses + Net services charge income + Property Taxes (IMU, Imposta di Registro).
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 rest of the items is in line with the other industry groups

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

Investment properties	Investment properties are properties which are held to earn rental income for the long term.
Development properties	Properties that are being constructed or developed for future use as investment property.

The rest of the items is in line with the other industry groups

MARGINS AND RATIOS

LTV (Loan To Value)	Market value of net financial debt / Investment Properties.

The rest of the items is in line with the other industry groups

PER SHARE ITEMS «if not differently specified all items are (EURO m)»

IFRS NAV	The balance sheet net assets / diluted number of shares end of period.
EPRA NAV	The balance sheet net assets plus the 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 scheme / diluted number of shares 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 end of period.

The rest of the items is 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 would exercise his first possible termination option (= break).
Average length of leases (end of contract)	The average residual length of all leases in force is case no break option is exercised and all tenants 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 coming from indexation, increase/decrease of vacancy rates, 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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