

2004
Ras group
full year report

Summary



**Costruttori
di certezze**

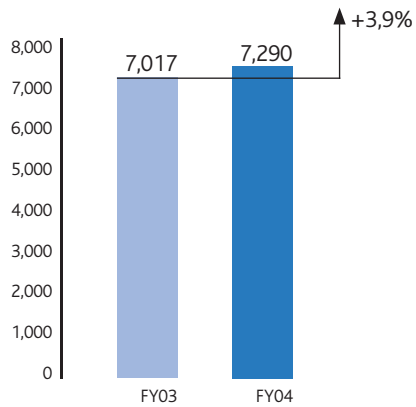
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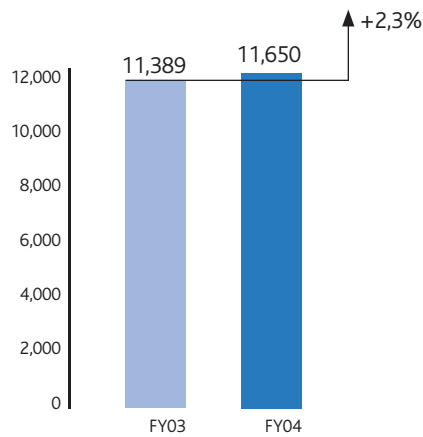
group financial highlights

Property and Casualty (millions of Euro)

Gross premium written



Gross Reserves

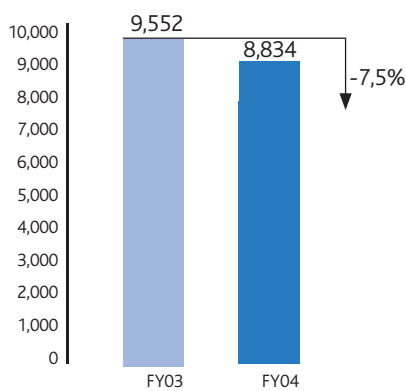


Technical result

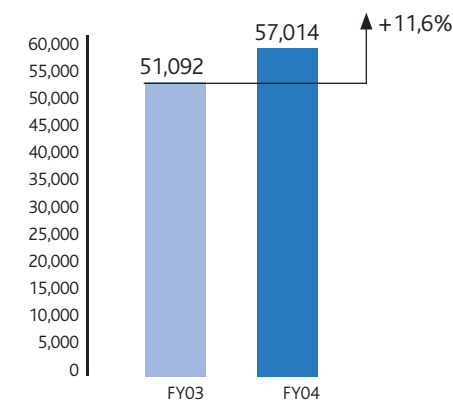


Life business (millions of Euro)

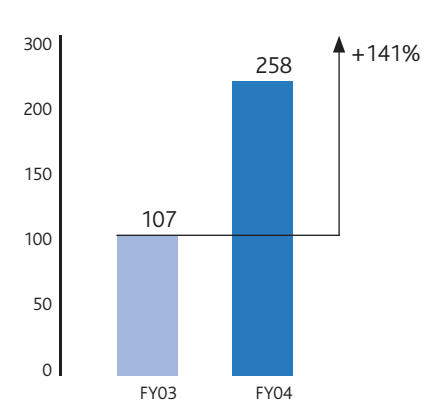
Gross premium written



Gross Reserves

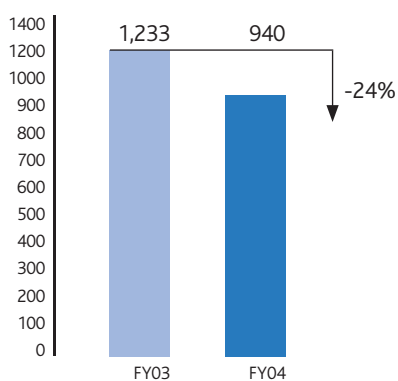


Technical result

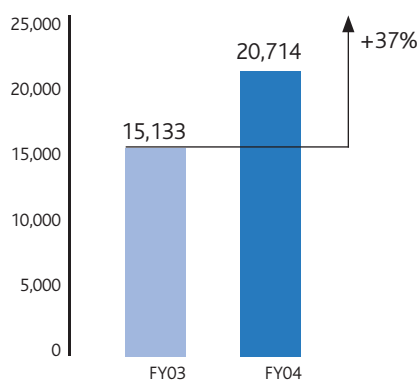


RasBank FAs performance (including Life business distributed through FAs) (millions of Euro)

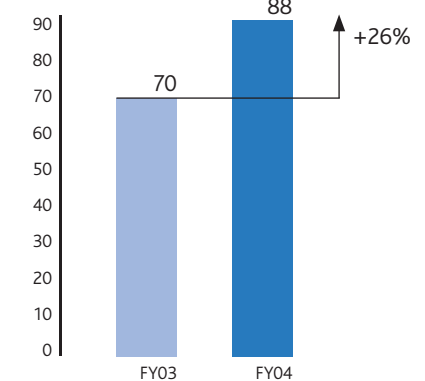
Net Inflows



Assets under administration



Gross ordinary result



Excluding Life distributed through FAs

1,097 730

13,020 17,498

39 49

	2000	2001	2002	2003	2004
Total premiums					
Gross premium income (in millions of Euro)	10,862	12,805	15,039	16,569	16,124
of which in Italy (in millions of Euro)	6,811	8,370	10,117	11,440 ¹	10,932 ¹
Non-life					
Gross premium income (in millions of Euro)	5,751	6,174	6,696	7,017	7,290
of which in Italy (in millions of Euro)	3,097	3,373	3,640	3,794	3,948
Gross technical reserves (in millions of Euro)	9,517	9,990	11,285	11,389	11,650
Net reserve ratio (%)	159.5	155.8	165.7	162.1	162.3
Technical result (in millions of Euro)	-432	-268	-283	-68	+55
Net combined ratio (%)	106.8	105.6	104.7	101.1	99.2
Life					
Gross premium income (in millions of Euro)	5,111	6,631	8,343	9,552	8,834
of which in Italy (in millions of Euro)	3,714	4,997	6,477	7,646 ¹	6,984 ¹
Gross traditional technical reserves (in millions of Euro)	20,137	21,217	26,429	26,591	28,108
Gross unit-linked and pension fund technical reserves (in millions of Euro)	2,598	5,462	8,309	13,112	17,255
Technical result (in millions of Euro)	216	105	118	107	258
New business value (in millions of Euro)	172	90	119	162	182
Life in-force value (in millions of Euro)	1,307	1,285	1,383	1,530	1,575
Personal financial services					
Assets under management at 31 December (in millions of Euro)	11,032	10,525	9,502	10,838	14,663
Assets under administration at 31 December (in millions of Euro)	769	877	1,208	2,182	2,835
Net inflows of assets under management and administration (in millions of Euro)	1,142 ²	786	936	1,097	730
New business value (in millions of Euro)	58	21	13	16	28
Asset management in-force value (in millions of Euro)	330	302	224	214	294
Profit of ordinary business (in millions of Euro)	589	634	137	937	1,078
Net profit for the year (in millions of Euro)	383	402	911	554	691
Pay-out (%)	59	67	35	73	78
Dividend per ordinary share (Euro)	0.31	0.37	0.44	0.60	0.80
Contribution to Umana Mente (in millions of Euro)	-	-	3.6	3.6	
Shareholders' equity including net profit (in millions of Euro)	4,162	4,352	4,974	4,391	4,705
R.O.E. (%)	9.5	9.4	19.5	12.9	15.2
Risk Capital (in millions of Euro)	n.a.	4,078	3,659	3,386	3,441
RORAC (%)	n.a.	n.a.	n.s.	15.7	20.1
Group Shareholder Value (incl. EV) (in millions of Euro)	n.a.	n.a.	7,030	6,940	7,381
ROEV adj (%)	n.a.	n.a.	n.a.	11.2	12.9
Shareholder Value per share (Euro)	n.a.	n.a.	9.60	10.30	11.00
Investments (in millions of Euro)	31,184	32,502	39,041	40,694	43,485
Unrealised capital gains on listed securities (in millions of Euro)	2,869	1,774	1,806	2,096	2,517
Number of insurance sector employees at 31 December	14,337	13,931	12,758	12,351	11,967

¹ including premiums of Darta Saving, the Group's Irish insurance company whose products are distributed in Italy by RasBank financial advisors

² relates only to assets under management

board of directors, statutory auditors and general management of ras spa

(starting from 1 March 2005)

Board of Directors

Giuseppe Vita
Chairman

Michael Diekmann
Deputy Chairman

Mario Greco
Chief Executive Officer

Detlev Bremkamp
Carlo Buora
Vittorio Colao
Nicola Costa
Rodolfo De Benedetti
Paolo Biasi
Klaus Dührkop
Pietro Ferrero
Francesco Micheli
Salvatore Orlando
Helmut Perlet
Giampiero Pesenti
Andrea Pininfarina
Gianfelice Rocca
Carlo Salvatori
Directors

Giuseppe Vita
Michael Diekmann
Mario Greco
Detlev Bremkamp
Pietro Ferrero
Gianfelice Rocca
Executive committee

Aldo Andreoni
Secretary to the Board of Directors

Board of Statutory Auditors

Pietro Manzonetto
Chairman

Giorgio Stroppiana
Paolo Pascot
Standing Auditors

Michele Carpaneda
Luigi Gaspari
Alternate Auditors

General Management

Massimo Arrighi
Mario Greco
Pierluigi Riches
Paolo Vagnone
General Managers

Daniele D'Abramo
Camillo Candia
Maurizio Devescovi
Diego Fumagalli
Claudia Motta
Roberto Notarbartolo di Villarosa
Alessandro Scarfò
Guido Sommella
Pierluigi Verderosa
Central Managers

Independent Auditors

Kpmg spa

Savings shareholders' representative

Gianfranco Negri Clementi

group organisational structure in italy



b
business development

business

International macroeconomic scenario

During 2004 the major international economies with the exception of the euro area achieved sustained growth, although all the main regions reported a slowdown in the second half of the year after a very strong first half. Projections for 2005 remain positive in the USA and the UK, where growth is expected to stay buoyant, if somewhat slower; results in the euro area and in Japan are likely to be more disappointing.

Although preliminary estimates indicate that fourth-quarter 2004 GDP was lower than expected, albeit final figures may be somewhat higher, the US economy recorded 4.4% growth, the highest since 1999, fuelled by a strong surge in investments and steady consumer spending. Investments benefited on one hand from low interest rates and from the Bush Administration's favourable tax policy and on the other from the upbeat economic climate. Consumer spending was driven by the gradual improvement on the jobs market, with unemployment decreasing from 5.7% to 5.4%. Higher spending adversely affected the savings rate, which slid to 0.3% in November. Net foreign demand was a negative factor in US growth: the trade deficit reached a record US\$ 60 billion in November, standing at more than 5.7% of GDP.

In the euro area, after a largely positive first half, the European economy experienced a strong downturn in the second half of the year. The 2004 full-year figure should be around 1.8%, which, though higher than the 0.5% result of 2003, is still significantly lower than the results reported by the other main international economies. Growth in the region was hampered above all by weak internal demand: consumer spending reflected a climate of uncertainty, with consumer confidence indicators only very slightly higher than the minimum levels recorded in 2003, due to lack of growth on the labour market (unemployment stayed at 8.9%, with no significant improvements).

Growth in Japan was driven by exports and investments, while consumer spending remained weak. GDP growth is therefore expected to be 2.9%. The key problem for the Japanese economy – deflation – has still not been resolved. Core inflation was negative for the sixth year running.

Given these disparate macro-economic scenarios, the policies of the main central banks differed. Beginning in June, the Fed introduced a series of 25 base-point increases, taking Fed Fund rates from 1% to 2.25%, since strong economic growth meant there was no further need for the previous ultra-expansionary monetary policy to continue. The European Central Bank, on the other hand, kept rates unchanged at 2% for the entire year, given modest economic growth and a contained rate of inflation.

On the currency markets, the euro continued to strengthen against the dollar, reaching a record high of 1.36 in the last few days of the year. The dollar was weakened by the widening trade deficit which, given the high tax deficit, meant the US was dependent on foreign capital inflows. Among the other main currencies, the euro gained ground against the yen and was unchanged against the pound.

2004 was a positive year on the equities markets, where the upbeat mood that began in 2003 following the outbreak of war in Iraq continued. Despite rising oil prices, the Eurostoxx index rose by more than 9%, as did the S&P500. The Italian market was one of the strongest in Europe, turning in a performance of 18.1%. Growth on the Nikkei was slacker, at just over 7%.

The start-up of the Fed's restrictive monetary policy stimulated a sharp rise in US yields at the short end of the curve (2-year yields rose from 1.84% at the end of 2003 to 3.08% at the end of 2004), while ten-year yields, despite strong movements during the year, closed 2004 at year-earlier values, due to lack of significant inflationary pressures.

In the euro area, yields dropped along the entire curve. The weak economic cycle and the lack of inflationary pressures cancelled market expectations of forthcoming rates increases from the ECB.

Italian market

2004 was a year of moderate growth in global premium income in the Italian insurance sector. Total inflows in the motor liability line of business made contained progress, from 20,684 million euro in 2003. The third-party motor liability segment saw limited tariff increases and a substantially stable automobile market: new registrations increased by a modest 0.5% in 2004 and were almost all replacement purchases, with virtually no impact on the total number of vehicles on the roads. In qualitative terms, demand for vehicles with larger engines slowed. The automobile market was sustained in 2004 by consumer demand, stimulated in turn by frequent consumer credit offers mainly targeting models at the medium-low end of the range; unlike 2003, business demand, which traditionally focuses on vehicles at the top of the range, dropped. The combined effect of these trends had a very significant impact on premium income growth in 2004, which was an estimated 2.5% in third-party motor liability and 2% in motor vehicle hulls (Prometeia). The strongest segment in 2004 is expected to be Total non-Motor Liability (inflows of 13,504 million euro in 2003), with estimated growth of just over 5%. In greater detail, the Health line of business (Accidents and Illness) reported an improvement of around 4%. The Property line returned to growth rates in line with the overall trend (approximately 5%). The general liability line continued to make strong progress in 2004 (around 7%), driven both by tariffs and by increased demand for insurance coverage.

In the Life business, new production in individual policies totalled 47 billion euro in 2004, an improvement of 1.61% on 2003 (source Ania 2004). The global result arose from disparate performance in the individual distribution channels: the agent channel achieved growth of 11.86%, banks and post offices were fairly stable at +1.83%, while the financial advisors channel reported a drop of 18% on 2003. In terms of product placements, annual-premium policies increased by 22.8% while single-premium contracts were stable. Traditional policies grew by approximately 13% to 18 billion euro, while demand for unit- and index-linked policies declined by 12%. During 2004, Italy approved a decree law on supplementary pensions, which, among other things, provides for severance indemnities reserves to be invested in supplementary pension plans unless otherwise specified (silence = consent). This could lead to the development of a second- and third-pillar pension system, although it will depend to a large extent on the executive decrees to be issued during 2005. According to the latest figures date (Covip data at September 2004), Italian pension funds have assets totalling 37,351 million euro and more than 2 million investors, with pre-existing funds accounting for the large majority of assets (almost 30 billion euro).

Private investment trends in Italy in 2004 reflected a continued aversion for all forms of risk, especially the more sophisticated products. While this was true for wealth as a whole, however, assets under management saw a shift towards equities and flexi-

ble products (hedge funds and total return funds), and a move away from monetary funds and bonds. Furthermore, thanks to a market recovery largely in the first and last parts of the year, the Italian assets under management market recorded a rise in global assets to 778 billion euro at the end of December 2004 (source Assogestioni), an increase of 7% since the beginning of the year, which was slower than the previous year. Assets in mutual funds amounted to 517 billion euro at the end of December 2004 (+2.6%), with bonds/monetary funds accounting for 66% of the total, followed by equity/flexible funds (28%) and balanced funds (7%). In terms of inflows, mutual funds showed a loss of 4.3 billion euro since the beginning of the year.

Individual portfolio management products, excluding pension products and insurance products, were a positive factor in overall market growth, totalling 128 billion euro (+37% from the beginning of the year, source Assogestioni). Fund-based portfolio management showed a loss of 4.8 billion euro.

Ras Group Non-Life business

Consolidated Non-Life premium income increased by 3.9 per cent in 2004 to 7,290 million euro, from 7,017 million euro in 2003. The Group's technical performance led to a combined ratio, net of reinsurance, of 99.2 per cent, compared with 101.1 per cent in 2003. This trend, combined with a reserve ratio steady at 162.3 per cent (162.1 per cent in 2003), reflects the excellent technical performance achieved by Ras in 2004. In Italy, where the Group is the third-largest player on the Non-Life market with an estimated share of 11 per cent, premiums amounted to 3,948 million euro, for growth of 4.1 per cent. The overall combined ratio was 99.1 per cent (99.5 per cent in 2003); the reserve ratio moved from 157.9 per cent in 2003 to 159.0 per cent in 2004.

Specifically, premiums in the Motor lines of business (Third-Party Motor Liability and Motor Vehicle Hulls) rose 3.6 per cent to 2,448 million euro. The growth of the Motor business was fuelled by a modest inflation-linked increase in tariffs and a significant contribution from the direct channel (Genialloyd), whose 2004 premium inflows totalled 203 million euro (+19.3%) for 424,500 policies. The Motor combined ratio continued to improve, from 97.2% in 2003 to 96.9%. The Motor claims rate was down once again, although the first signs of a flattening emerged. The average cost of claims increased by 5.4% on the previous year.

The largest tariff increases were in General Liability, in part as a result of a more rigorous underwriting policy across the entire market. Since 2001, Ras has been introducing sweeping reforms focusing in particular on co-insurance policies and contracts with public authorities and hospitals, where in the past profitability had been insufficient. As a result the combined ratio improved to 114.8% in 2004, compared with 127.3% in 2003 and 155.2% in 2002.

Analysis of performance by client segment reflects significant differences in results:

- in the Personal segment, which is typically highly profitable, premium income was 3,095 million euro (+4.1%). New products focused on ad hoc solutions for specific types of client. For example, the new Sistema Formula Piena was developed for clients looking for a high level of service and total coverage combining flexibility and security, while the new Sistema Formula Base is for clients who are more sensitive to the price factor;
- another profitable line is the Small and Medium-sized Business segment (companies with net sales of up to 5 million euro), where premium income for the year amounted

to 187 million euro, an improvement of 9 per cent. A targeted offer was developed in this segment too: new entries included a product for retailers (Orario Continuato), which combines full coverage for the specific risks of this category with round-the-clock service;

- in the Corporate, Major Accounts and Public Bodies segment, premium income decreased by 3.4 per cent to 639 million euro; this was consistent with Ras' highly selective approach to risk assumption in this segment.

In Austria, where the Group operates through Allianz Elementar and is the market leader with a share of 12 per cent, premium income was 922 million euro (+2.2%). The Motor business grew largely (5.4%) as a result of tariff increases introduced as from January 2004. The Motor claims rate was stable and technical performance in the non-Motor lines of business was also satisfactory. Not including provisions to the equalisation reserves, the total combined ratio was 100.0 against 104.8 in 2003.

In Switzerland, the Group operates through Allianz Suisse, which ranks fourth on the Non-Life market with an estimated share of around 7% at the end of 2004. Premiums written in 2004 amounted to 1,254 million euro (+4.2%). Accident and medical policies, usually underwritten with large clients, were reviewed during 2004. The combined ratio improved from 105.9 to 101.4 in 2004. It is to be underlined also that the expense ratio varied from 26.3 to 24.2.

In Spain, the Ras Group operates through Agf-Ras Holding (equally owned with Agf), the second player on the Non-Life market with an estimated share of 7% at the end of 2004. Gross premium written in 2004 amounted to 850 million euro (+4.7%). Combined ratio improved from 96.2% to 92.6% in 2004.

Ras Group Life business

Premium income in the Ras Group Life business decreased by 7.5% in 2004 to 8,833 million euro, largely as a result of slacker performance by the bank channel in Italy and the market slowdown in Switzerland. Premiums on policies distributed in Italy, where the Ras Group ranks second, decreased by 8.7% to 6,984 million euro.

The agency channel, with 1,891 agents, 5,943 subagents and 3,395 Life specialists at the end of 2004, reported premiums of 1,472 million euro, in line with the 2003 result. New business premium income in the individual policy sector, which generates the highest added value, amounted to 517 million euro, compared with 420 million in 2003 (+23 per cent), for growth double that reported by the market in the agency channel. This gave Ras a 6.6% share of the agency market, up from 6.2% in 2003. Growth was reported for all types of premium: annual and recurring premiums totalled 128 million euro (+17 per cent) while single premiums amounted to 389 million euro (+25 per cent).

These excellent results were achieved largely thanks to the action taken to re-organise the agency model, the introduction of a new incentives system and on-going product innovation:

- over the last five years Ras has implemented a model that has consolidated the number of agencies and subdivided them into three tiers: top agencies (currently about 28% of the total), with high productivity in the Life business and assets under management, at least one team manager and 3 Life specialists; high-potential agencies (around 27% of the total) with high Life productivity; and family agencies whose main focus is non-Life. This segmentation aims to enable Ras to provide differentiated support in terms of dedicated personnel, investments, technology, targeted

marketing. In order to consolidate its competitive advantage, Ras continued to invest in the agency segment in 2004 with the introduction of 60 team managers and 725 Life specialists, with a view to "promoting" high-potential agencies to the top tier;

- great attention has been given to product innovation. For example, a new modular product was created to meet clients' need for flexibility. This product, Progetti di Vita, is the first to combine a traditional product (providing a guaranteed minimum) with a unit-linked product. It consists of four lines (Affetti, Sicurezze, Sogni and Idee) for different time frames and investor risk propensity and also offers complementary guarantees (for example, coverage for personal injury, death), some of which are provided in the standard packages. The re-styling of old products also continued successfully, to enhance client loyalty by providing incentives for longer-term contracts.

The financial advisors network, consisting of 2,938 RasBank advisors at the end of 2004 (of whom approximately 700 working in Ras agencies), had premium income of 623 million euro, up by 12.7% on 2003. New production on individual policies totalled 327 million euro (+30%) compared with 2003. Growth was achieved both on annual and recurring premiums (+42%) and on single premiums (+28%).

These results are even more significant when compared with the market as a whole, which reported an 18% slide in individual policies: the RasBank financial advisors network therefore boosted its market share from 4.9% in 2003 to 7.8%.

The excellent progress of the financial advisors channel was due to a series of factors:

- continuous product innovation: for example, the Valore product, which is combined with a mutual fund accumulation plan to create a blend of "certainty" and "opportunity", the basic principle of the Wealth Planning pension platform; the launch of Valore also marked the start of a review of all cliquet options on new traditional products, with consolidation of the guaranteed minimum on maturity rather than annually. In the second half of the year, the Group's Irish company, Darta Saving, launched Darta Personal Target, a unit-linked personalised investment solution which, after establishing the client's targets as regards time frames and risk profiles, provides continuous position monitoring and automatic switching between the product's four investment lines;
- at the end of 2003, after completing a pilot test on a group of 40 financial advisors, RasBank began the roll-out of a new sales support system based on an innovative Wealth Planning approach. The Wealth Planning model aims at integrated management of client needs in line with the personal characteristics, income and wealth profile of the individual family. The new tool helps the financial advisor analyse client requirements and create effective personalised solutions to reach specific goals. By the end of 2005 Wealth Planning is expected to be used by more than 1,000 financial advisors, further consolidating the new management approach.

The bancassurance channel, consisting largely of Unicredito bank branches, reported a 13% slide in premiums written to 4,833 million euro. New production amounted to 4,368 million euro (-16%). However, a recovery emerged in the fourth quarter, with a 19% rise in premiums compared with the year-earlier period. Specifically 2004 new production focused on products with high value added, with unit-linked products accounting for 92% of the total and traditional products for 8%; there were no sales of index-linked products.

The bank channel market share was 12.4% in 2004.

		FY2002	FY2003	FY2004	YoY
Life Agents - Italy Direct Business (millions of Euro)	Recurrent Premiums	103	109	128	17%
	Single Premiums	276	311	389	25%
	Total	379	420	517	23%
Life Fas new business - Italy Direct Business (millions of Euro)	Recurrent Premiums	34	37	52	42%
	Single Premiums	78	215	275	28%
	Total	112	252	327	30%
Life Agents and Fas new business - Italy Direct Business (millions of Euro)	Recurrent Premiums	137	146	180	23%
	Single Premiums	354	526	664	26%
	Total	491	672	845	26%
Life Bancassurance new business - Italy gross of minorities (millions of Euro)	Recurrent Premiums	144	157	106	-32%
	Single Premiums	4,124	5,064	4,262	-16%
	Total	4,268	5,221	4,368	-16%
Life Total new business - Italy Direct Business (millions of Euro)	Recurrent Premiums	280	303	286	-6%
	Single Premiums	4,479	5,590	4,927	-12%
	Total	4,759	5,893	5,213	-12%

In Austria, where the Ras Group ranks seventh on the Life market, with an estimated share of approximately 6%, premiums increased by 2.9% to 398 million euro. Operations in Austria focus on traditional products distributed through traditional channels.

In Switzerland, where the subsidiary Allianz Suisse Leben is sixth on the Life market with a market share of around 5%, premium income reached 1,059 million euro (down by 8.8%). Single-premium traditional products declined by 11%, while unit-linked production improved by 33%. Premiums on group policies dropped 5.8%, due to tariff increases and greater selection, as a result of which a number of contracts were cancelled.

In Spain, the Ras Group subsidiary Agf-Ras Holding, owned equally with Agf, ranks eighth on the Life market with a share of around 3.5 per cent. Premiums totalled 307 million euro, an increase of 14.5%.

Ras Group Personal Financial Services

At the end of 2004, the RasBank network had 2,938 professional financial advisors (+22% from 2003), including 700 advisors operating in Ras Group insurance agencies. The increase in the number of advisors was due in part to the acquisition on 25 March 2004 of BNL Investimenti, a network managing assets of more than 4 billion euro. With assets under management of 20.7 billion euro, RasBank was the third-largest financial advisors network in Italy at the end of 2004.

RasBank net inflows in 2004 totalled 940 million euro, including new Life production (illustrated in detail in the section on the Life business above). Total inflows for assets under management (net of double-counting) were 190 million euro. A significant factor in performance in these two lines of business was the new Wealth Planning approach, with the inclusion in the RasBank offer of total return solutions using multi-

manager investment strategies and the RasBank brand, and personalised investment products such as Darta Personal Target. Net inflows for assets under administration were 388 million euro, a decrease of 38% on 2003. This performance was consistent with the strategy adopted in 2004 to reduce structured product issues in favour of products offering larger margins, such as Life products. At the end of 2004 current accounts had grown by 7% from the end of 2003, and numbered approximately 143,000. In this area, RasBank introduced a new current account, Conto Vedo, which recognises the client's global wealth position and provides automatic rewards as investments with the Ras Group are increased. At the end of 2004, RasBank clients numbered more than 473,000.

Ras provides private banking services through Investitori Sgr. Today this company has 10 Private Bankers and reported total inflows of 132 million euro in 2004.

At the end of 2004, the Group's personal financial services for retail clients alone had assets totalling 20,715 million euro, an increase of 37% from December 2003. At constant size, i.e., excluding BNL Investimenti, growth would have been 9%, a figure that reflects positive organic growth in this business.

	FY2003	FY2004	YoY	Assets under administration net inflows Retail Business (millions of Euro)
AuM net inflows	473	342	-28%	
Banking net inflows	624	388	-38%	
Total	1,097	729	-34%	
Life new business	252	362	44%	
Total	1,349	1,092	-19%	
Double-counting	116	152	31%	
Total net double-counting	1,233	940	-24%	

	FY2003	FY2004	YoY	Total Assets including Life reserves Retail Business (millions of Euro)
Assets under management	10,838	14,663	35%	
Banking assets	2,182	2,835	30%	
Total	13,019	17,498	34%	
Life sold through FAs	3,084	4,399	43%	
Total	16,103	21,897	36%	
Double-counting	971	1,183	22%	
Total net double-counting	15,132	20,715	37%	

Acquisition and merger of BNLI

With the approval of the Bank of Italy and the Antitrust authorities, on 25 March 2004 Ras closed its acquisition of Banca BNL Investimenti, for 105 million euro. The deal brought RasBank a network with assets totalling more than 4 billion euro.

The subsequent merger process has created a single network operating with a single product and service platform under a single brand identity. Other results achieved through the merger are:

- high retention of assets under management: 95% of initial assets have been retained by the Ras Group;
- completion of the re-organisation of non-productive financial advisors with small portfolios: 200 advisors managing assets worth less than 2 million euro have left the

- network, with a very slight impact on retained assets. Assets per financial advisor have risen by 43%, from 4.1 million euro in 2003 to 5.8 million at the end of 2004;
- another equally important result is the speed with which assets have been transferred from BNL Sgr to Ras Group products: in just six months, assets totalling 1,500 million euro were transferred, representing 60% of funds under management. The switch will continue in the first few months of 2005;
- the recent launch of the first Irish open-end investment fund, which will lead to the transfer of an additional 400 million euro, currently still in the BNL portfolio in the form of third-party open-end funds. The product range will be extended with 21 new funds, enhancing the appeal of the RasBank offer and bringing obvious benefits for RasBank financial advisors.

With the completion of the integration process, RasBank already expects cost synergies of around 20 million euro in 2005 and a significant rise in commission revenues, largely as a result of the success of the switch. On 1 November 2004, to complete the merger, RB Vita acquired the Life portfolio placed by BNLI financial advisors. With technical reserves for approximately 1 billion euro, the portfolio was purchased for 49 million euro (of which 15 million for acquisition of equity).

Customer service and cross-selling

The important results achieved by the Group in 2004 also included the contribution of cross-selling activities targeting 4.5 million retail policyholders in Italy, and aimed at comprehensive coverage of all customer needs. These activities confirm Ras' growing strategic focus on service in the last three years. Large investments to improve customer analysis and segmentation models, which are indispensable for developing cross-selling activities, have given Ras a significant edge over its traditional competitors. The Ras cross-selling strategy adopts a highly integrated approach, brand enhancement (emphasising the Ras-RasBank identity), a distinctive positioning as "builders of certainties" (the claim that goes with the logo), skilful marketing and significant product innovation, especially in the second half of the year.

Cross-selling in 2004 led to a further increase in the number of clients who decided to use a wider range of Ras services. At 31 December 2004, of the 2.6 million clients with not just Motor policies, 1.1 million clients also held Life policies and/or asset management/banking products (770,000 in 2000); of these, 849,000 held a Life policy and 365,000 held an asset management/banking product.

The breakdown of the Ras Group retail client base in Italy in relation to potential wealth is as follows: High net worth (financial assets in excess of 500,000 euro) approximately 2%; Affluent (financial assets between 100,000 euro and 500,000 euro) approximately 14%; Mass Market (financial assets of less than 100,000 euro) approximately 84%. Demographic distribution is as follows: under-35 age group, 20% of customers; 35-65 age group, 63%; 65 plus age group, 17%. In terms of geographical distribution, 58% of clients are located in northern Italy, 20% in central Italy and the remaining 22% in southern Italy and the islands.

The Group client retention in Italy rate was 90%, rising to 93% in RasBank.



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Ras Group profitability

The consolidated profit and loss account for the year ended 31 December 2004 shows a net profit of 691 million euro, against 554 million euro in 2003. In 2004 the Group adopted a new accounting policy under which acquisition commissions paid on subscription of long-term Life contracts are capitalised. The change of policy had a positive effect, generating income, net of tax, for a total of approximately 91 million euro. Full details are provided in the section on accounting policies in the Notes to the financial statements.

Under Italy's new tax laws governing dividends from equity investments introduced with Legislative Decree no. 344 of 12 December 2003, tax credits are no longer admissible. As a result of this amendment, the Group's financial income and its provisions to the tax reserve both decreased by approximately 101 million euro.

	2004	2003	Reclassified profit and loss account (millions of Euro)
Premium income from the Non-Life business	7,290	7,017	
Outwards reinsurance	-784	-695	
Net retained premiums	6,506	6,322	
Change in premium reserves	-41	-117	
Claims	-4,484	-4,437	
Change in claims reserves	-328	-266	
Commissions, acquisition costs and other administrative costs	-1,558	-1,526	
Other technical income and charges	-40	-44	
Technical operating result for the Non-Life business	55	-68	
Premium income from the Life business	8,834	9,552	
Outwards reinsurance	-102	-112	
Net retained premiums	8,732	9,440	
Claims, maturities, annuities and surrenders	-5,242	-4,866	
Change in claims and actuarial reserves	-4,731	-5,556	
Commissions, acquisition costs and other administrative costs	-534	-680	
Other technical income and charges	121	193	
Income transferred to the technical account - line C	1,138	1,137	
Income transferred to the technical account - line D	774	439	
Technical operating result for the Life business	258	107	
Other ordinary income and expense	10	-34	
Ordinary investment income net of income transferred to the technical account	532	634	
Net gain on the disposal of short-term investments	252	253	
Operating profit on ordinary operations	1,107	892	
Impairment losses and impairment reversals on investments	-29	45	
Profit on ordinary operations	1,078	937	
Net gain/(loss) from the sale of long-term investments	60	29	
Other extraordinary items	3	-23	
Pre-tax profit	1,141	943	
Income tax	-344	-340	
Consolidated net profit	797	603	
Minority interest	-106	-49	
Group net profit	691	554	

Consolidated gross premiums decreased by 2.7 per cent, from 16,569 to 16,124 million euro. The premium retention ratio was 94.5 per cent (95.1 per cent in 2003). Life business premiums totalled 8,834 million euro, and were down 7.5 per cent from 9,552 million euro in 2003, a reduction that arose primarily among the Italian compa-

nies and, to a lesser extent, among the Swiss companies. Non-Life business premiums amounted to 7,290 million euro, an improvement on the 7,017 million euro of 2003 of 3.9 per cent, which reflected contributions from companies in all the countries in which the Group operates.

Premiums (millions of Euro)	Life		Non-Life		Total	
	2004	2003	2004	2003	2004	2003
Italy	6,780	7,461	3,948	3,794	10,728	11,255
Austria	398	387	922	902	1,320	1,289
Portugal	86	89	316	305	402	394
Spain	307	268	850	812	1,157	1,080
Switzerland	1,059	1,161	1,254	1,204	2,313	2,365
Ireland	204	186			204	186
Total	8,834	9,552	7,290	7,017	16,124	16,569

The technical operating result was 313 million euro, up from 39 million euro reported in 2003: specifically, 258 million euro in the Life business (107 million euro in 2003) and 55 million euro in the Non-Life business (-68 million euro in 2003). Operating profit on ordinary operations, not considering impairment losses and impairment reversals to reflect market trends, totalled 1,107 million euro (892 million euro in 2003). Operating profit net of gains realised on disposals was 855 million euro compared with 639 million euro in the previous year. Net technical reserves were 55,107 million euro, an increase of 5,890 million euro on 49,217 million euro in 2003. Consolidated shareholders' equity attributable to the Group at year-end was 4,706 million euro, up from 4,391 million euro at 31 December 2003.

Non-Life business

Profitability in the Non-Life business strengthened in all countries except Portugal. The combined ratio improved from 101.1 per cent in 2003 to 99.2 per cent in 2004. The Non-Life net technical operating result was 55 million euro, compared with -68 million euro in 2003.

As the table shows, the technical result improved in all countries in which the Group operates, and was achieved by keeping reserves at a more or less steady level. In Italy, the technical result rose from 18 to 33 million euro, with an increase of 251 million euro in technical reserves. The technical result in Switzerland improved from -66 million euro to -17 million euro, and in Austria from -56 million to -23 million euro.

Non-Life Technical reserves and Technical Result (millions of Euro)	Net technical reserves		Net technical result	
	2004	2003	2004	2003
Italy	5,778	5,527	33	18
Austria	946	946	-23	-56
Portugal	365	344	10	11
Spain	869	780	52	25
Switzerland	2,601	2,648	-17	-66
Total	10,559	10,245	55	-68

The total cost of claims in the Non-Life business was 4,484 million euro, up by 47 million euro from 4,437 million euro in 2003. Acquisition costs, at 1,188 million euro, were substantially stable (1,168 million euro in 2003). General expenses amounted to 370 million euro, and were largely unchanged from the previous year.

Life business

The Life business technical result was 258 million euro (107 million euro in 2003). Technical reserves for unit- and index-linked policies rose sharply (+31.6 per cent), with almost all of the improvement arising in Italy. The technical result grew in Italy, Austria, Switzerland and Ireland, and was substantially unchanged in Portugal and Spain.

Country	Net technical reserves		Net technical reserves benefitting policyholders		Net technical result		Life Technical reserves and Technical result (millions of euro)
	2004	2003	2004	2003	2004	2003	
Italy	15,453	14,319	16,260	12,586	160	89	
Austria	2,540	2,442	277	132	42	12	
Portugal	350	336	0	0	11	13	
Spain	2,011	1,866	46	53	26	27	
Switzerland	6,939	6,895	282	157	15	-35	
Ireland	0	1	390	185	4	1	
Total	27,293	25,859	17,255	13,113	258	107	

Life payments totalled 5,242 million euro, an increase of 7.7 per cent from 4,866 million in 2003. Acquisition costs amounted to 385 million euro, a decrease of 533 million euro from the previous year due in part to the new accounting policy, which capitalises acquisition costs on long-term policies; the policy change had a positive impact of approximately 91 million euro. Total acquisition costs and general expenses amounted to 534 million euro (-21.5 per cent from 680 million euro in 2003).

Income transferred to the technical account amounted to 1,912 million euro, compared with 1,576 million euro in 2003, arising as follows:

- 1,138 million euro of financial income on traditional products (1,137 million euro in 2003);
- 774 million euro on contracts with investments benefiting policyholders bearing the risk and on pension fund management (439 million euro in 2003).

Finance

Investments totalled 43,485 million euro at the end of 2004, up 6.8 per cent on 40,731 million euro at the end of 2003. The main focus of the securities investment policy was an increase in investments in bonds and equities. Specifically, investments in trading equities and equity funds in Italy reached 4.4 per cent at the end of the year (4.5 per cent in 2003); in Switzerland they increased to 3.2 per cent (1.5 per cent in 2003).

	2004	Mix %	2003	Mix %	Investments (millions of Euro)
Land and buildings	2,825	6.5%	2,687	6.6%	
Other financial investments					
Equity investments	1,341	3.1%	1,043	2.6%	
Mutual fund units	2,402	5.5%	2,285	5.6%	
Bonds and other fixed-income securities	28,320	65.1%	26,947	66.2%	
Loans	3,051	7.0%	3,169	7.8%	
Other	2,407	5.5%	1,884	4.6%	
Total	40,346	92.8%	38,015	93.3%	
Investments in group companies:					
Equity investments	1,500	3.4%	1,476	3.6%	
Bonds and other fixed-income securities	731	1.7%	341	0.8%	
Loans	908	2.1%	899	2.2%	
Total	3,139	7.2%	2,716	6.7%	
Total	43,485	100.0%	40,731	100.0%	

"Investments in group companies" includes the strategic investments in Unicredit, Banco BPI and Banco Popular Español, and the companies consolidated with the equity method, mostly comprising companies in the financial services sector and companies stated at cost. Ordinary income from investments, less related charges, amounted to 1,670 million euro (1,748 million euro in 2003). This downturn was due in part to amended legislation on tax credits, which generated a reduction in ordinary financial income that was offset in part by a lower tax charge.

Income from investments (millions of euro)	2004	2003	YoY
Income from real estate operations	61	97	-36
Other financial investments:			
Income from equity investments	131	225	-94
Income from fixed-income securities	1,190	1,065	125
Income from loans	158	146	12
Other	92	173	-81
Share of net profit of companies held	38	42	-4
Total	1,670	1,748	-78
Value adjustments	-29	45	-74
Net gain on disposal of short-term investments	252	253	-1
Total	1,893	2,046	-153

"Net profit of companies held" includes the profits of companies consolidated using the equity method. Disposals of short-term investments generated a net gain of 252 million euro, in line with the 253 million euro reported in 2003.

Net gain on disposal of short-term investments (millions of euro)	2004	2003	YoY
Fixed-income securities	98	152	-54
Equity investments	154	49	105
Total	252	201	51
Restatement for comparative purposes	0	52	-52
Total	252	253	-1

Value adjustments on fixed-income securities and equities totalled -29 million euro (45 million euro in 2003).

Value adjustments (millions of Euro)	2004	2003	YoY
Impairment reversals/(losses) on fixed-income securities	-17	-21	4
Impairment reversals/(losses) on equities, mutual funds and other	-12	23	-35
Total	-29	2	-31
Restatement for comparative purposes	0	43	-43
Total	-29	45	-74

Total unrealised gains on listed securities reached 2,517 million euro, up on 2,096 million euro in 2003. Unrealised gains on bonds totalled 1,394 million euro, increasing from 1,077 million euro in 2003. Unrealised gains on trading equities and mutual funds totalled 1,123 million euro (1,019 million euro in 2003).

Unrealised capital gains (millions of Euro)	2004	2003	YoY
Equity investments	165	141	17.0%
Mutual fund units	263	158	66.5%
Bonds and fixed-income securities	1,394	1,077	29.4%
Other shares of group companies	695	720	-3.5%
Total	2,517	2,096	20.1%

Personal financial services

Work continued on the growth and value creation programme introduced under the three-year plan, focusing, on one hand, on expansion of the network to strengthen leadership in the financial advisors sector and, on the other, on development of a distinctive service model based on the new wealth planning tool and a new range of products.

In the asset management business, entry, management, redemption and performance fees totalled 190 million euro, up on 165 million euro in 2003. Performance fees amounted to 9.5 million euro, while total commission expense to the network amounted to 77 million euro, compared with 67 million euro in 2003.

Gross profit in the banking business was in line with the year-earlier result, at 46 million euro. This was consistent with the Group strategy to reduce structured product issues in favour of products with higher added value (Life and Assets under management) and a corresponding impact on the commission margin.

The cost ratio improved from 56% to 50%, following intensive outsourcing of RasBank IT and back-office activities.

Extraordinary transactions

The following extraordinary transactions took place during 2004:

- on 25 March 2004, closure of the agreement for the acquisition of BNL Investimenti for 100 million euro;
- the sale of the RAM Lux fund management company with effect as from 30 June 2004. The transaction generated a capital gain of 4 billion euro, which was not recognised in the half-year profit and loss account;
- on 1 July 2004, the merger of BNL Investimenti into RasBank with effect as from 1 January 2004. RasBank did not recognise any goodwill as a result of the merger;
- on 27 July 2004, acquisition by RB Vita of the Life client portfolio of the financial advisors of BNL Investimenti. The portfolio, with technical reserves of approximately 1 billion euro, was purchased for 49 million euro (of which 15 million euro in respect of shareholders equity).



C capital management

Since 2000, one of Ras' objectives has been to increase shareholder value by optimising capital allocation and rationalising its financial structure. To achieve these objectives and also to assess strategic options more effectively, in 2001 Ras developed its own risk capital model and introduced a capital management programme designed to reduce the absorption of capital by its business activities and to make more efficient use of excess capital.

Risk capital model and allocation by line of business

The Ras model links the concept of capital with the concept of risk, by defining capital as the financial resources that enable the company to cover unexpected losses or unforeseen changes in profitability. This is a departure from the concept of a reserve set aside to protect policyholders' interest, which is the solvency margin required by law. The Ras model, developed in co-operation with Alef-Laboratorio di economia finanziaria, is based on an asset and liability management approach and considers the impact on assets and liabilities of the various sources of financial and actuarial risk. Risk capital is determined as value at risk over one year, with a conventional level of confidence of 99.93%. The calculation method, which is based on general principles of prudence, considers the correlations among the various sources of risk (benefit of diversification) and among the Group's various lines of business (benefit of aggregation). The capital required is allocated by line of business as shown in the table below.

	2004	2003	2002	Capital allocation (millions of Euro)
Non-Life	2,263	2,395	2,570	
Life	993	887	985	
Personal Financial Services	185	104	104	
Total	3,441	3,386	3,659	

The following factors affected capital dynamics in 2003-2004:

- in the Non-Life business, the containment of overall exposure to catastrophic risks through reinsurance and the consequent reduction of peak earthquake and flood exposure; the on-going restructuring of a number of non-performing general third-party liability portfolios whose risk level (and capital absorption) was not in line with profitability projections. At the same time, specific attention was paid to credit risk on outwards reinsurance, which benefited from careful scrutiny of the security measures adopted when placing reinsurance and the significant level of implicit exposure diversification;
- in the Life business:
 - alignment of the asset management policy with conditions on the financial markets and with liabilities, by matching the duration of technical commitments with the duration of investments, especially with regard to traditional segregated fund-related products;
 - continuous monitoring of credit risk in the bond portfolio through an investment policy that avoids over-weighting the corporate component. The low percentage of speculative-grade securities – less than 0.2 per cent of the total – and a credit risk capital level within the level of maximum prudence (less than 2 per cent of the bond portfolio market value) demonstrate high credit quality;

- on-going development of a range of Life insurance products with low capital absorption, thanks to the specific structure of their embedded options;
 - the stability of risk capital for actuarial risks (mortality, longevity, surrender), both in absolute terms and in proportion to technical commitments, confirming the quality of the policy portfolio and the low volatility of the funds underlying unit-linked contracts;
- in the Personal Financial Services business, the increase in risk capital was not due to greater inherent risk, but to the expansion of the PFS business as a result of the merger of Investitori Sgr and the former Cami-Commerzbank Asset Management and Banca BNL Investimenti financial advisors networks.

The capital allocation model confirms the absolute financial solidity of the Group and each of its business units: comparison of the risk capital of each unit with its respective solvency margin shows the presence of a buffer of financial resources (excess capital) that can be used to take advantage of new opportunities for growth.


Three projects have been introduced to raise capital management efficiency:

- Value-based Management: 2004 was the first year in which Group managers were assessed on the basis of performance indicators linked explicitly to capital absorption. The capital management model allocates capital to the individual business units and lines of business, thus making it possible to measure value created or lost with respect to capital absorbed by the Group and its operations.
- Embedded Options Project: in deference to the recommendations of the CFO Forum and the publication of the European Embedded Value Principles in May 2004, Ras undertook a project for accurate measurement of the embedded options in the Italian companies' Life assurance contracts, using the latest financial techniques and stochastic simulation methods. The assessment, which is unique in Italy, confirmed that the sum of financial commitments to policyholders, linked to minimum return guarantees is extremely modest, also by virtue of the quality of financial investments of segregated funds, which generate steady positive margins.
- Risk Committee: details about this advisory committee to the Board of Directors set up in January 2004 are provided in the chapter on Corporate Governance.

Management of excess capital

Ras has set up a parallel plan of action for management of excess capital. The initial assessment of risk capital showed that excess capital was almost entirely in assets with low liquidity. Therefore, the first step was to transform a portion of these assets into liquid capital.

Accordingly, in 2002 Ras sold the Proprietà Immobiliari subsidiary, which held its non-core real estate leased to third parties. The sale, conducted with the assistance of expert independent advisors, took the form of a tender procedure based on principles of absolute transparency, which commenced in October 2001 and was designed to give Ras a clear understanding of market trends. Having decided that it was in Ras' interest to proceed with the sale of Proprietà Immobiliari, the Board of Directors, with the support of the advisors' opinion, carried a resolution to sell the subsidiary to Aida S.r.l., whose bid of approximately 1.7 billion euro was the most attractive of those received. The sale generated a capital gain of 874 million euro after tax. The 19 per cent tax rate was extremely favourable.



Ras used part of the sale proceeds for a share buy-back through a public offer of 14 euro per share, from 9 December 2002 to 10 January 2003. The total outlay was 709.1 million euro.

On 17 February 2003, after the period of time required by law had elapsed, Ras implemented the shareholders' resolution of 28 October 2002 and reduced excess capital by cancelling 57,778,318 own shares worth approximately 800 million euro, specifically 49,483,389 ordinary shares and 8,294,929 savings shares with a nominal value of 34,666,990.80 euro. Of these cancelled shares, 42,676,389 ordinary shares and 7,973,929 savings shares had been purchased through the buy-back. The other cancelled shares (6,807,000 ordinary shares and 321,000 savings shares) were already owned by Ras at the buy-back inception date. After this operation, Ras share capital stood at 403,102,758 euro and was represented by 670,497,920 ordinary shares and 1,340,010 savings shares, each with a nominal value of 0.60 euro.

Since the 800 million euro share capital reduction, the company has remained on a very sound financial footing, as the credit ratings of the top agencies confirm. During 2003 and 2004, in accordance with its business plan, the Ras Group financed growth in the Personal Financial Services business by acquiring Commerzbank Asset Management Italia and Banca BNL Investimenti, with their respective asset management and Life portfolios.

Even after this acquisition-based growth, the Group's financial and equity structure is sufficiently solid to enable it to finance other core business investments and, equally, to pursue a dividend policy consistent with its 2004-2006 growth projections and with efficient capital allocation.



embedded value

Supplementary information regarding embedded value of life insurance, Italian retail asset management businesses and property & casualty businesses

Introduction

The Ras group, like other Italian insurance companies, reports the profits from its life insurance business in its published financial statements on the statutory basis required by Italian regulations. The bases used to report the company's assets and liabilities are principally concerned with the demonstration of the financial strength of the company, and this may give rise to implicit profits within the business in force.

An alternative method of reporting the value and determining the performance of a life insurance company is to use embedded value accounting. This method was used by a number of European insurance groups to provide supplementary information to that shown in their published accounts. On 5 May 2004, the insurance industry published the European Embedded Value Principles (the "EEV Principles") in order to improve the consistency and transparency of life insurance reporting. The EEV Principles have been developed by the CFO Forum, a group of Chief Financial Officers drawn from 19 major European insurance companies, who have agreed to adopt the Principles for calculating embedded values in their companies' supplementary financial reporting from the end of 2005. The early adoption of the EEV Principles was encouraged by the CFO Forum and Ras has decided to adopt them from the end of 2004 for its Italian business.

Retail asset management business shares many common features with life insurance business, resembling unit-linked business in many ways. The concepts underlying the determination of an embedded value may equally be applied to retail asset management business. A common approach allows comparison on a consistent basis with the life insurance business, which is particularly important if part of the profit streams associated with the life insurance line of business arise in a sister asset management company.

An embedded value is an actuarially determined estimate of the value of the company, excluding any value attributable to future new business.

Given the importance to the group of both life insurance and retail asset management, and the additional insights which this reporting method can provide into the company's performance, the Ras group has decided to disclose the embedded value and embedded value earnings of its life insurance business and of the retail asset management business distributed in Italy ("PFS"). These values have been determined with the assistance of Tillinghast, the global actuarial and management consulting business of Towers Perrin.

In order to provide a reconciliation to the primary financial statements, the Ras group has decided to disclose additional information on its Property and Casualty business ("P&C") and in particular the segmental earnings and adjusted net asset value by country.

The calculation of embedded values requires the use of numerous assumptions with respect to future business, operating, and economic conditions, and other factors,

some of which are beyond the control of the Ras group. Although the assumptions used represent estimates which the Ras group and Tillinghast consider to be reasonable, actual future operating conditions and actual future experience may vary from that assumed in the calculation of the embedded values, and such variations may be material. Consequently, the inclusion of embedded value information herein should not be regarded as a representation by the Ras group, Tillinghast, or any other person, that the stream of future after-tax profits used to determine the embedded values will be achieved.

Embedded value

The embedded value of a company comprises the sum of adjusted shareholders' net assets and the value of business in force at the valuation date.

Adjusted shareholders' net assets are based on published consolidated net assets adjusted to reflect the market value of the underlying assets. For composite insurance companies such as Ras, it is necessary to undertake a subdivision of the consolidated balance sheet in order to present values in respect of the P&C, life insurance, and PFS businesses.

The adjusted shareholders' net assets for life insurance and PFS have been restated for 2002 and 2003 to take account of the revised perimeter of valuation and the tax treatment of the assets classified as participation exemptions in Italy.

The value of in-force life insurance business is the present value of the projected stream of future after-tax profits that are expected to be generated by the policies in force at the valuation date, assuming assets equal to the technical reserves, less a charge for the cost of holding an amount of solvency capital.

The value of in-force asset management business is similarly defined as the present value of the projected stream of future after-tax profits expected to be generated by the mutual fund contracts and asset management mandates in-force at the valuation date.

The stream of future after-tax profits is determined using realistic assumptions for future operating conditions as regards such items as investment returns, inflation, expenses, taxation, lapse, disinvestment, surrender and mortality rates. This valuation takes account of the aggregate risks in the covered business including the cost of financial options and guarantees via risk margins in the discount rate and the cost of required capital.

No valuation was carried out of the value of in-force P&C business.

Shareholder value

The Ras group has calculated embedded values in respect of its most significant life insurance businesses and PFS business. The following table shows these values together with the adjusted net asset value of the P&C business as at 31 December 2002, 2003 and 2004.

31 December	2002	2003	2004	Shareholder value (millions of Euro)
Embedded value of Life insurance	3,215	3,409	3,336	
Consolidated net assets	1,480	1,395	1,527	
Adjustments to consolidated net assets	352	484	234	
Value of in-force Life insurance business	1,383	1,530	1,575	
Embedded Value of PFS	415	416	513	
Consolidated net assets	202	212	310	
Adjustments to consolidated net assets	(11)	(11)	(91)	
Value of in-force PFS business	224	215	294	
Adjusted net asset value of P&C	3,401	3,115	3,532	
Consolidated net assets	3,293	2,783	2,868	
Adjustments to consolidated net assets	108	332	663	
Total Shareholder Value	7,030	6,940	7,381	

The values shown above are net of minority interests, taxes and cost of solvency capital.

The division shown above of the consolidated net assets of Ras S.p.A. between Life insurance, PFS and P&C businesses is the result of allocation of the companies of the group to their respective lines of business. The net assets of companies not attributable to a line of business e.g. an investment company or holding company have been attributed in proportion either to the percentages held by each line of business where possible or to the net assets of each line of business within a composite company. The companies with a valued in-force portfolio and new business are detailed in the appendix together with their relative consolidation percentage.

The table below shows the adjustments to consolidated net assets relating to (i) the elimination of intangible assets, including goodwill and deferred acquisition costs, and other minor after-tax adjustments; (ii) the after-tax effects of marking assets to market, including properties, allowing for shareholders' interests in life insurance policyholder assets, and (iii) the immediate and deferred impacts of tax on the above items and the withholding taxes on remittance of profits from foreign subsidiaries.

31 December	2002	2003	2004	Net asset value adjustments (millions of Euro)
Life net asset adjustments	352	484	234	
Elimination of intangible assets and other adjustments	(150)	(117)	(187)	
Unrealised gains/(losses) on securities	515	483	421	
Unrealised gains/(losses) on properties	191	192	(1)	
Deferred taxes and discounting	(20 5)	(75)	1	
PFS net asset adjustments	(11)	(11)	(91)	
Elimination of intangible assets and other adjustments	(18)	(18)	(96)	
Unrealised gains/(losses) on securities	0	0	0	
Unrealised gains/(losses) on properties	0	0	0	
Deferred taxes and discounting	7	7	5	
P&C net asset adjustments	108	332	663	
Elimination of intangible assets and other adjustments	(386)	(352)	(321)	
Unrealised gains/(losses) on securities	596	663	793	
Unrealised gains/(losses) on properties	88	96	396	
Deferred taxes	(190)	(75)	(205)	
Total net asset adjustments	448	804	806	

The values of the in-force life insurance and PFS businesses are calculated on a consolidated line of business basis, after minority interests, using assumptions considered appropriate at each valuation date. The risk discount rates for Italian business are 6.30% for traditional life business, 6.55% for unit-linked life business and 7.00% for PFS business as at 31 December 2004 and 7% for all lines of business as at 31 December 2003 and 2002. The discount rates for other territories are set on an economically consistent basis. The value of in-force life insurance business is shown in the table below after the cost of holding solvency capital.

Value of in-force business (millions of Euro)	31 December	2002	2003	2004
Life insurance – Italian business				
Agents		660	654	729
Financial Advisors		220	228	304
Banks		192	244	256
Life insurance – Foreign business		312	404	286
PFS		224	214	294
Total value of in-force business		1,607	1,745	1,869

Value added

The value added by the Ras group is equal to the sum of the change in the value of in-force business life insurance and PFS business, the change in the value of net asset adjustments including the effect of the introduction of the participation exemption, and the group's consolidated after-tax profits, as shown in the following table.

Value added in 2003 and 2004 (millions of Euro)	2003	2004
Change in value of in-force life insurance and PFS business	138	125
Change in value of other adjustments to consolidated net assets	356	1
Consolidated after-tax profits	554	691
Value added	1,048	817
equivalent to		
Change in shareholder value	(90)	441
Exchange rate and other movements	43	(26)
Dividends (and share buy-back)	1,095	403
Impact of purchases, sales & mergers	-	(54)
Impact of participation exemptions	262	-
Value added excluding impact of purchase and exemption	786	871

The introduction of the participation exemption at the end of 2003 increased the value added in the period from 786 million euro to 1,048 million euro and the purchase of BNL in 2004 has reduced value added in 2004 from 871 million euro to 817 million euro.

The value added analysed between lines of business for 2004 is shown below. The infra-group transfers represent the value of the unrealised gains (128 million euro) associated with the properties transferred at book value from life net assets to P&C net assets of Ras S.p.A. In addition, profits related to the life line of business emerge in PFS companies for a total of 22 million euro.

	Life	PFS	P&C	Value added 2004 by line of business (millions of Euro)
Change in value of in-force life insurance and asset management business	45	80	n/a	
Change in value of other adjustments to consolidated net assets	(250)	(80)	331	
Consolidated after-tax profits	313	8	370	
Infra-group profit transfers	150	(22)	(128)	
Value added	258	(14)	573	
equivalent to				
Change in shareholder value	(74)	97	417	
Infra-group capital movements	155	(110)	(45)	
Exchange rate and other movements	28	(1)	(54)	
Dividends (and buy-back)	148	-	255	
Impact of purchases, sales & mergers	2	(56)		
Value added excluding impact of purchases	256	42	573	

Embedded value earnings for the Life and PFS businesses can be divided into three major components:

1. The impact of purchases, sales and mergers.
2. Value added before new business, comprising (i) expected profits, based on the assumptions underlying the opening embedded value, including the expected return on free surplus; (ii) exchange rate variances, (iii) experience variances, resulting from differences between actual experience and the assumptions used at the start of the year, before the impact of new sales in the year (iv) changes in assumptions for future operating experience, excluding economic and tax assumptions; (v) changes in assumptions for future economic conditions, including the risk discount rate; (vi) changes in assumptions for future taxation.
3. The value added by new business in the year, on end year assumptions, determined initially at the point of sale, and then accumulated at the risk discount rate to the end of the year. New life insurance business is defined as new policies issued. New asset management business is defined to be gross retail inflows net of switches within funds and managed asset portfolios.

These components are shown in the following table by line of business.

	Life	PFS	Component of value added (millions of Euro)
Impact of purchases, sales and mergers	2	(56)	
Value added before new business			
Expected profits	198	21	
Exchange rate variances	4	-	
Operating experience variances	32	(6)	
Changes in future operating assumptions	(3)	3	
Changes in economic assumptions	(139)	(4)	
Changes in taxation assumptions	(18)	-	
Total value added before new business	74	14	
Value added by new business	182	28	
Value added	256	42	

A description follows of the significant factors affecting the embedded value earnings in 2004.

The acquisition and subsequent integration of BNL resulted in a reduction of value in the year of 54 million euro as a result of a write-down in goodwill of 117 million euro and integration costs for 32 million euro after allowing for tax, partially offset by the associated increases in the value of in-force business in both the PFS and life businesses for a total of 95 million euro.

Expected profits, based on the start-year assumptions amounted to 219 million euro. Exchange rate variances relate to the depreciation of the euro against the Swiss franc. The variances from the assumptions used at the start of the year increased earnings in the year by 26 million euro in aggregate. Positive variances from investments accounted for 80 million euro; these were the result of positive variations in asset composition for 4 million in the PFS business, and positive investment performance for 53 million euro in the foreign life companies, and 23 million euro in the Italian companies. Other variances of 54 million euro are principally associated with negative persistency experience on the life in-force business portfolio (51 million euro) and continuing investments in the banking business (8 million euro).

Operating assumption changes are principally the result of positive changes in expected future expense and mortality experience offset by negative changes in expected persistency experience. The changes to economic assumptions reduced earnings by 143 million euro due to the combined effect of the reduction in future investment returns and the increase in the regulatory minimum guarantees for the Swiss business (178 million euro), partially compensated by the positive combined effect of variations in projected investment returns and reductions in risk discount rates in other countries. The increase in the taxation of reserves in Italy had a negative impact on earnings of 18 million euro.

New business contributed 210 million euro to embedded value earnings in 2004. The following table shows a breakdown of these values for 2002, 2003 and 2004.

Value added by new business in 2002, 2003 and 2004 (millions of Euro)

New business	2002	2003	2004
Life insurance – Italian business			
Agents	65	72	82
Financial Advisors	19	37	49
Banks	32	35	30
Life insurance – Foreign business			
PFS	13	16	28
Total value added by new business	132	177	210

The cost of solvency capital allowed for above in the value added by new life business in 2004 is 31 million euro.

Methodology

The valuations make use of actuarial methodology typically used in embedded value reporting, based on deterministic projections of future after-tax profits, with an allowance for risk through the use of a range of risk discount rates which take account of a stochastic valuation of the cost of financial options and guarantees, and an explicit assumption for the level and cost of holding capital. The allowance for risk may not correspond to a capital markets valuation of such risk.

Covered business

The Ras group has calculated embedded values in respect of its life insurance business and PFS business valuing the portfolios in respect of its most significant businesses as indicated in the appendix. In 2004, Ras acquired BNL Investimenti in the PFS perimeter and also purchased the life business portfolio of the same company from BNL Vita.

Earnings

Embedded value earnings can be defined either as the change in the embedded value over a year, after adjustment for any capital movements such as dividends and capital injections, or equal to the sum of the change in the value of in-force business, the change in the value of net asset adjustments, and the after-tax profits for the year. The two definitions are equivalent and provide a measure of the company's performance during the year in terms of its ability to generate value.

Expenses

General and administrative expenses, including holding company and overhead expenses, associated with the life insurance and Italian asset management business, at the consolidated level, have been subdivided by line of business, and fully allocated into investment, acquisition and maintenance expenses. Maintenance expenses expressed as per-policy amounts on Italian business are assumed to increase with expense inflation. In other countries, expenses are expressed as a percentage of premiums. Where costs of managing the covered business are incurred within service companies, profits or losses to the service companies have been valued on a "look through" basis.

Development costs

No expenses have been allocated to development costs.

Reinsurance and infra-group arrangements

The value of in-force life insurance business is shown after the impact of reinsurance outside the Ras group. All infra-group arrangements in force on 31 December 2004 are assumed to remain unchanged.

Participating business

For Italian life business, policyholder profit participation, management fees, and other charges, have been assumed to remain unaltered. For foreign life business, where discretionality exists regarding policyholder profit participation, the current distribution philosophy has been maintained, consistent with projected economic and operating conditions.

Residual assets

The valuation treatment of free RfB in Austria uses the "attribution" or "interest uplift" approach, whereby free RfB is assumed to be managed as a fixed proportion of reserves. The free RfB is allocated to policyholders, and shareholders benefit from their share of the uplift to the investment returns on reserves. This method explicitly recognises the mutuality between generations, and is applied equally to in-force and new business. No additional value is ascribed to the release of free RfB over time, over and above the projected shareholders' share.

Required capital

Life insurance undertakings are generally required to maintain a level of capital in excess of technical reserves in order to demonstrate solvency. For the purposes of this disclosure, the Ras group has determined the cost of solvency capital based on a level of 100% of the EU minimum solvency requirements. Assets backing this solvency capital can be considered as being locked-in and are projected to earn an after-tax rate of investment return, which is less than the risk-adjusted discount rates used in the calculation of the value of in-force business.

The annual charge for the cost of maintaining solvency capital is represented by the

difference between the after-tax amount earned on assets backing solvency capital and the amount expected in accordance with the risk adjusted discount rate. The cost of solvency capital is the present value of these annual charges over the outstanding life of the policies in force.

No required capital has been allowed for explicitly on PFS business.

Risk margins in the risk discount rate

The discount rates used to calculate the present values are determined with reference to the prevailing levels of interest rates, and include margins (as described separately) to reflect the risk that the assumptions chosen to project the future profits may not be borne out in practice.

New business

The value added by new business in the year, calculated on closing operating and economic assumptions, is determined initially at the point of sale, and then accumulated at the risk discount rate to the end of the year. New life insurance business is defined as new policies issued. New asset management business is defined to be gross retail inflows net of switches within funds and managed asset portfolios.

Published new business volumes

New life business included in 2004 was 297 million euro (253 million euro 2003) of regular premiums and 3,436 million euro (3,641 million euro 2003) of single premiums as detailed in the appendix. The primary financial statements include consolidated new business premiums for Eurovida and Bernese Vita of 9 million euro and 16 million euro which were not valued. New asset management business included was 1,765 million euro in 2003 and 2,098 million euro in 2004.

New business margins

New business margins have been disclosed (in the appendix) as the ratio of the value of new business both to the present value of new business premiums and to the annual premium equivalent ("APE") of new business premiums (1/10 of single premiums plus regular premiums).

Tax

All results are disclosed after tax. Projected profits in Italy have been subject to a tax charge (allowing for the aggregate impact of Ires and Irap). The taxes payable in advance on reserves, and the associated loss of interest, as a result of the Italian tax legislation (D.L.168/2004), have been projected. Projected profits in foreign subsidiaries have been taxed at normal local rates. To determine consolidated results, account has been taken of the impact taxes on the remittance of profits to Italy. Allowance has been made for the assets classified as participation exemptions.

Financial options and guarantees

The "intrinsic value" of financial options and guarantees has been calculated by reference to the expected cost based on best estimate projections of future investment returns. This incorporates the expected cost of the financial options and guarantees into the valuation. The "time value" of the financial guarantees has been determined stochastically and incorporated explicitly as a margin in the risk discount rate as described below. This value has been allowed for in the value of in-force business as at 31 December 2004 and is disclosed in the appendix.

Foreign exchange translation

Embedded value, the value added by new business and other accounting items denominated in foreign currencies have been translated to euro using the appropriate closing exchange rate. The closing Swiss franc exchange rates used are €1 = 1.5429 at 31 December 2004, €1 = 1.5571 at 31 December 2003 and €1 = 1.4524 at 31 December 2002.

Risk discount rates

Ras has reviewed its approach for 2004 to setting the risk margins in its risk discount rate and has identified three components in its risk margins, as follows:

- A margin for financial risk (or market-related risk) excluding the time value of financial options and guarantees. Projections of the cash flows were made on a risk-neutral basis in order to determine the required margin for financial risk. In practice, the certainty-equivalent technique was employed in the projections, as commonly used in the pricing of various instruments in the financial markets. It entails adjusting each cash flow to remove the impact of financial risk and discounting the resulting cash flows at the risk-free rate.
- A risk margin for the time value of financial options and guarantees. The amount of the risk margin has been determined by performing stochastic projections under a range of future possible investment scenarios. An economic scenario generator calibrated to market prices of financial instruments at the valuation date projected scenarios of future interest rates and equity returns. Credited investment returns to policyholders were calculated for each scenario based on Ras's crediting policy and investment strategy.
- A margin for non-financial risk. This includes an allowance for other risks such as lapse, mortality and expense inflation risk. The amount of the risk margin was determined by utilizing the results of Ras's well-established Risk Capital model. The amount of capital required in excess of that necessary for financial risk was charged with a cost of capital calculated as the spread between the risk-free rate and a required shareholders' return. The spread was set at 4% per annum.

The evaluations for Italy were carried out separately for traditional life, unit-linked business and PFS, for traditional and non-traditional distribution channels, and by country. Product lines with similar characteristics were then aggregated in order to avoid an unnecessarily complex discount rate structure.

In order to set an appropriate risk discount rate based on the above risk margins to use within the framework of a deterministic projection using best-estimate assumptions (i.e. including financial risk), the risk-free discount rate was increased in order to arrive at an equivalent valuation taking account of the three risk margins identified above.

The risk margins for Italy included in the risk discount rate are set out in the table below:

	Traditional	Unit-linked	PFS
Risk-free discount rate	3.75%	3.75%	3.75%
Margins			
Financial risk	0.79%	0.77%	1.59%
Time value	0.35%	-	-
Non-financial	1.41%	2.03%	1.66%
Risk discount rate	6.30%	6.55%	7.00%

Risk margins
and risk discount rate
2004 Italy

With the assistance of Tillinghast, Ras also evaluated alternative methods to setting the risk discount rate. In particular, applying the capital asset pricing model based on a market beta of 0.93 and a risk-free rate of 3.75% and market risk premium of 3%, the group's weighted average cost of capital was determined to be 6.5%. Taking into account the estimated costs of capital of the P&C business, excess capital and franchise value of the group, the cost of capital of the life business was estimated in aggregate to be consistent with the risk discount rates above. The results obtained, however, did not provide sufficient information to allow distinctions to be made between product groups.

The risk discount rates for non-Italian companies were determined using the above methodology.

Stochastic modelling

The in-force portfolios of unit-linked and profit-sharing life insurance policies of all the Italian companies of the Ras group have been valued using a stochastic model in order to determine the appropriate risk margins in the risk discount rate.

An arbitrage-free stochastic pricing model was used, calibrated to interest rate levels and volatilities, stock price volatilities and correlations as at 31 December 2004. Financial risk was analysed by modelling interest rate risk (for each significant currency), equity risk and credit risk. Non-financial risk has been measured taking into account mortality/longevity, surrender and expense inflation risk. Both closed form pricing expressions as well as Monte Carlo simulations were used in the valuation. These models, for the stochastic valuation, were developed using the proprietary software and with the collaboration of Alef - Laboratorio di economia finanziaria.

Stochastic asset model

The valuation is based on a two-factor diffusion model obtained by combining a one-factor Cox-Ingersoll-Ross model for interest rate risk and the Black-Scholes model for stock market risk; the two sources of uncertainty are correlated. The Cox-Ingersoll-Ross model has been chosen to avoid the inconsistency of negative interest rates affecting some other models at long maturities. Corporate bonds have been treated using an extended version of the Cox-Ingersoll-Ross model calibrated on the observed credit spreads making allowance for default risk. A set of parameters was used for each currency.

Calibration of the asset model

For each currency, the parameters for the interest rate risk model have been estimated using swap rates and the quoted prices of interest rate caps and floors. For example for the euro, the interest rate swaps for maturity up to 30 years and the interest rate caps/floors quoted on the Euribor market were used.

Investment and crediting strategy

The cost of the embedded options and the expected fund returns depend on the investment strategy of the segregated funds. Ras has implemented a simplified form of its investment and crediting strategy in algorithmic form in the model, including the effects of the accounting rules defining the fund return. A target return is calculated each year as the greater of a "profitability target return" and a "market target return". The "profitability target return" is calculated to give an appropriate profit margin to Ras whereas the "market target return" is based on historic investment returns. The investment strategy classifies as held-to-maturity the fixed rate government and corporate bonds contained in the asset portfolios whereas floating rate bonds and equities are available for sale in order to achieve the target return. For the stochastic valuation, new money is assumed to be invested as liquidity. In the projection of best estimate deterministic returns, it was assumed that new money is invested in the major asset classes in line with the composition of the asset portfolio as at 31 December 2004 and that new bond purchases have an average duration of 7 years.

The valuation procedure

The investment strategy was implemented in a Monte Carlo simulation. In each iteration, a sample path of market returns is simulated having time length equal to the maximum maturity of the cash flows generated by the in-force asset-liability portfolio. A

sequence of annual profits/losses is generated implementing the investment strategy for each sample path; the specific profit-sharing mechanisms were modelled analytically; and the cash flows are then discounted by the path-specific discount factor. The value of the portfolio is obtained by taking the average of the present values of the cash flows over a large number of simulations.

The sample paths of market returns are generated by the two-factor stochastic asset model using the corresponding risk-neutral probability distribution. Since the cash flows generated under the risk-neutral probability are risk-adjusted they have been discounted using a risk-free discount rate.

Time value of options and guarantees

The cost of the minimum guarantees (that is the price of the put options embedded in the portfolio) was derived "by difference". A virtual liability portfolio based on the actual portfolio but with no minimum guarantees was defined; then the value of the put options was obtained as the difference between the value of the virtual portfolio and the actual portfolio.

The "time value" is defined as the difference between the price of the put options and their intrinsic value. The "intrinsic value" of the embedded options is defined and computed by discounting at the risk-free rate the option payoff corresponding to the expected fund returns taken under the forward risk-neutral probabilities. This corresponds to a "certainty-equivalent" valuation which uses a single-scenario approach in a risk-neutral probability framework.

The results were linked with the deterministic actuarial valuation by using the "certainty-equivalent" valuation as a connection between the single scenario approach and the stochastic valuation model, specified under both the risk-neutral and the real world probabilities.

Monte Carlo simulations

The number of iterations required in order to obtain sufficiently low estimation errors is dependent on the volatility of the stochastic processes that model the underlying assets of the liability portfolio. The returns of typical segregated funds display low variability, since the more volatile equity component, which makes a large contribution to the volatility, is relatively small compared to the bond component. Moreover the accounting rules allow the fund manager to reduce further the volatility if "buy and hold" investment strategies are followed. Empirical evidence suggests that 1000 iterations are usually sufficient to obtain acceptable results in typical life insurance applications. In some cases, 5000 sample paths were generated in order to control the stability of the simulation results. As concerning the time length of the sample paths, the most significant component of the value of the portfolio is usually given by the profits generated up to 20-30 years. However, in order to get an accurate valuation also for longer maturity contracts the sample paths have been generated until the contractual term of the policies. For example for the fund Vitariv of Ras, 105 year sample paths were generated, since there are whole-life policies in force in the liability portfolio.

The valuation assumed a run-off of the existing liability portfolio without allowing for future new business. Additional valuations were performed to evaluate the impact of future new business which did not materially affect the results.

Risk capital and cost of capital

Since a risk-adjusted probability for non-financial risks cannot be directly estimated from the market, the risk margin was derived using an alternative approach. Since 2001 the Ras group has attributed risk based capital to its lines of business based on the underlying risk drivers. The risk capital model is consistent with the stochastic model used for the embedded value; hence the risk capital figures computed by Ras for non-financial risks have been adopted and the corresponding costs of capital have been

adopted as a proxy for the non-financial risk premia. These non-financial risks refer to lapses/surrender, mortality and business risk and are computed at company level and at a 99.93% confidence level. This information is used in the risk margin derivation without taking any credit for diversification. The cost of capital was derived using a 400 bps spread between the shareholders return and the investment return.

The time value of options determined for the Italian companies of the Ras group is set out below:

Time value of embedded options (millions of Euro)	31 December 2004	Time value	Reserves	Cost as a % of reserves	31.12.2003 Cost as a % of reserves
In-force business					
Ras	17	6,145	0.3%	0.1%	
L'Assicuratrice Italiana Vita	0	81	0.0%	0.0%	
Allianz Subalpina	14	1,451	1.0%	1.0%	
Creditras	2	2,702	0.1%	0.3%	
RBVita	4	2,552	0.2%	0.0%	
Total in-force business	38	12,931	0.3%	0.2%	

Cost of capital

The cost of solvency capital for life insurance business has been determined on the basis of 100% of the EU minimum requirement assuming that assets backing solvency capital earn an appropriate after-tax investment return. On average, the difference between the after-tax amount earned on assets and the respective risk discount rates is approximately 3.6%.

The cost of capital included in the value of in-force business and new business is shown in the tables below.

Cost of capital - In-force business (millions of Euro)	31 December	2002	2003	2004
Life insurance – Italian business				
Agents	57	85	79	
Financial Advisors	23	31	46	
Banks	28	39	38	
Life insurance – Foreign business				
PFS	75	94	106	
Total cost of capital - In-force business	183	249	270	

Cost of capital - New business (millions of Euro)	2003	2004
Life insurance – Italian business		
Agents	13	12
Financial Advisors	2	5
Banks	10	8
Life insurance – Foreign business		
PFS	-	-
Total cost of capital - New business	32	31

The solvency capital, risk-based capital and the adjusted net assets as at 31 December 2004 are set out in the table below.

31 December 2004	Solvency capital	Risk-based capital	Adjusted net assets
Life insurance – Italian business	701	705	1,128
Traditional		564	
Unit-linked		141	
Life insurance – Foreign business	338	288	632
PFS		185	219
Total	1,039	1,178	1,980

Assumptions

Embedded value accounting, in common with any valuation method based on projections of future earnings, necessarily involves a degree of subjectivity when establishing the assumptions to be used. The Ras group, assisted by Tillinghast, has sought to employ appropriate assumptions, in a consistent fashion, for all its lines of business.

The principal assumptions and bases are given below:

31 December	2002	2003	2004
Italy			
Risk discount rate			
Traditional	7%	7%	6.30%
Unit linked	7%	7%	6.55%
PFS	7%	7%	7.00%
Benchmark asset returns			
10 year government bond	4.5%	4.5%	3.85%
Equities	7%	7%	6.75%
Expense inflation	3%	3%	2.5%
Tax rate (IRES + IRAP)	40%	38.25%	38.25%
Switzerland			
Risk discount rate			
	5.0%	6.25%	6.1%
Benchmark asset returns			
10 year government bond	2.5%	2.75%	2.31%
Equities	5.0%	5.7%	5.6%
Expense inflation	n/a	n/a	n/a
Tax rate	25.0%	25.0%	25.0%
Austria			
Risk discount rate			
	6.9%	7.0%	6.6%
Benchmark asset returns			
10 year government bond	4.4%	4.3%	3.68%
Equities	6.9%	7.0%	6.75%
Expense inflation	n/a	n/a	n/a
Tax rate	6.8%	6.8%	6.8%
Spain			
Risk discount rate			
	6.9%	7.0%	6.6%
Benchmark asset returns			
10 year government bond	4.4%	4.3%	3.71%
Equities	6.9%	7.0%	6.75%
Expense inflation	n/a	n/a	n/a
Tax rate	35.0%	35.0%	35.0%

- The rate of return on assets backing life technical reserves was determined using economically consistent parameters, based on the projected average asset mix. For the Italian segregated funds, the average projected yield was 4.62% for the 2004 valuation (4.50% for 2003 and 4.80% for 2002). The impact of the emergence of unrealised gains is considered for the assets backing reserves within the value of in-force business and for other assets as an adjustment to the net asset value. The rates of return, before charges, on unit-linked life insurance, mutual funds and PFS portfolios were determined in accordance with the average asset composition of each fund, with average yields for the 2004 valuation of 4.5%, 4.4% and 4.4% respectively.
- Future experience for mortality, lapse, surrender and other exits, including rates of total and partial withdrawals on unit-linked and asset management business, has been based on recent analysis of the operating experience of the Ras group, supplemented by market knowledge where necessary.
- Commissions and other payments to agents, salesmen and financial promoters in respect of life and asset management business have been based on recent Ras group operating experience, on a consolidated line of business basis.
- Life business contract charges, terms and conditions, including surrender value bases, have been assumed to remain unaltered.
- Commissions and other charges on asset management business have been projected assuming that the prevailing rates at the valuation date are maintained.
- An assumption regarding future performance commissions on asset management business has been based on internal Ras group analysis.

Sensitivities

The risk discount rate appropriate to an individual shareholder or investor depends upon the investor's own requirements, tax position and perception of the risks associated with the realisation of future profits. To judge the impact of using alternative discount rates, the embedded value at 31 December 2004 has been calculated discount rates respectively 0.5% higher and lower than the central rate. The results are shown in the table below:

Sensitivities of embedded value as at 31 December 2004 (millions of Euro)

	+0.5%	Central rate	-0.5%
Sensitivity of embedded value to the discount rate			
Embedded value of Life insurance	3252	3336	3421
Change in %	-2.5%		+2.6%
Embedded value of PFS	507	513	520
Change in %	-1.3%		+1.3%

The value added by new business in 2003 has also been calculated using discount rates respectively 0.5% higher and lower than the central rate as shown in the table below.

Sensitivities of value added by new business in 2004 (millions of Euro)

	+0.5%	Central rate	-0.5%
Sensitivity of New Business to the discount rate			
New Business - Life	165	182	198
Change in %	-9.6%		+8.8%
New Business - PFS	27	28	29
Change in %	-3.5%		+3.6%

External review

Tillinghast, the global actuarial and management consulting business of Towers Perrin, has reviewed the methodology and assumptions used the Ras group, and the calculation of embedded values and embedded value earnings. On the basis of the data made available, Tillinghast has reported to the Ras group that it considers that the methodology is reasonable; that the operating assumptions used to determine these values are reasonable in the context of the group's recent experience and expected future operating environment; that the economic assumptions, risk discount rates and allowance for the cost of solvency capital are reasonable; and that the resulting embedded values and embedded value earnings are also reasonable. Certain approximations were necessary in the calculation of values for the foreign Life business, but in aggregate these were not considered to be material.

In the opinion of Tillinghast, for the Italian business of the Ras group, the embedded value as at 31 December 2004 and the value added by new business in 2004 have been determined using methodology and assumptions which are compliant with EEV Principles set by the CFO Forum.

Statement by directors

The directors confirm that the embedded value as at 31 December 2004 and the value added by new business in 2004 have been determined for the Italian business of the Ras group using methodology and assumptions which are compliant with EEV principles. As 2004 is the first year of adoption of EEV principles and 2003 has not been restated, the EV earnings are not fully compliant.

appendix – segmental reporting

1. Shareholder value by country

2. Value of in-force by country

3. Net asset value adjustments by country

4. Net asset value by country

5. Restatement of adjusted net assets in 2003 and 2002

6. Net asset value adjustments

7. Cost of capital by country

8. Value added by country

9. Value added analysis by country

10. Consolidated profits by country

11. Life new business value added analysis

12. Value added component analysis by country

13. Ownership of companies by line of business

14. Sensitivities

1. Shareholder value by country

31 December	2002	2003	2004	(millions of Euro)
Embedded value of Life insurance	3,215	3,409	3,336	
Italy ¹	2,384	2,440	2,418	
Switzerland	436	549	463	
Austria	122	127	158	
Spain	125	132	133	
Others ¹	148	161	164	
Embedded value of PFS	415	416	513	
Italy	411	413	513	
Others	4	3	0	
Adjusted net asset value of P&C	3,401	3,115	3,532	
Italy	2,209	1,836	2,120	
Switzerland	497	508	533	
Austria	171	192	211	
Spain	194	212	294	
Others	329	367	374	
Total Shareholder Value	7,030	6,940	7,381	

¹Darta Saving, an Irish based life insurance company, which distributes its products in Italy only via the financial consultants of Rasbank has been included under Italy

31 December	2002	2003	2004	(millions of Euro)
Italy	5,004	4,688	5,051	
Switzerland	933	1,058	996	
Austria	293	319	369	
Spain	319	344	427	
Others	481	531	538	
Total Shareholder Value	7,030	6,940	7,381	

2. Value of in-force by country

31 December	2002	2003	2004	(millions of Euro)
Life value of in-force	1,383	1,530	1,575	
Italy	1,071	1,126	1,289	
Switzerland	236	303	162	
Austria	29	44	55	
Spain	26	34	36	
Others	22	23	33	
PFS value of in-force	224	215	294	
Italy	224	215	294	
Others	0	0	0	
Total value of in-force	1,607	1,745	1,869	

31 December	2002	2003	2004
Italy	1,295	1,341	1,584
Switzerland	236	303	162
Austria	29	44	55
Spain	26	34	36
Others	22	23	33
Total value of in-force	1,607	1,745	1,869

3. Net asset value adjustments by country

(millions of Euro)	31 December	2002	2003	2004
Life net asset value adjustments		352	484	234
Italy		316	429	167
Switzerland		-	38	43
Austria		7	(6)	(0)
Spain		14	0	1
Others		14	23	24
PFS net asset value adjustments		(11)	(11)	(91)
Italy		(11)	(11)	(91)
Others		-	-	-
P&C net asset value adjustments		108	332	663
Italy		199	360	627
Switzerland		(204)	(202)	(172)
Austria		(24)	(5)	10
Spain		42	38	54
Others		94	140	145
Total net asset value adjustments		448	805	806

	31 December	2002	2003	2004
Italy		505	778	703
Switzerland		(204)	(164)	(130)
Austria		(17)	(11)	9
Spain		56	38	55
Others		109	162	169
Total net asset value adjustments		448	805	806

4. Net asset value by country

(millions of Euro)	31 December	2002	2003	2004
Life net asset value		1,480	1,395	1,527
Italy		997	885	961
Switzerland		200	208	258
Austria		86	90	103
Spain		85	98	96
Others		112	115	108
PFS net asset value		202	212	310
Italy		198	209	310
Others		4	3	-
P&C net asset value		3,293	2,783	2,868
Italy		2,010	1,475	1,494
Switzerland		702	710	705
Austria		195	197	201
Spain		152	173	240
Others		235	228	229
Total net asset value		4,974	4,391	4,705

31 December	2002	2003	2004	(millions of Euro)
Italy	3,204	2,569	2,765	
Switzerland	902	918	963	
Austria	281	286	305	
Spain	237	272	336	
Others	351	346	336	
Total net asset value	4,974	4,391	4,705	

5. Restatement of adjusted net assets in 2003 and 2002

31 December 2002	Original	Restated	Variance	(millions of Euro)
Life Insurance	1,652	1,832	180	
Consolidated net assets	1,289	1,480	191	
Adjustments to consolidated net assets	363	352	(11)	
PFS	196	191	6	
Consolidated net assets	207	202	(6)	
Adjustments to consolidated net assets	(11)	(11)	0	

The variation in consolidated net assets is a result of the significant variation in the perimeter of valuation including the net assets of associated and ancillary subsidiaries.

31 December 2003	Original	Restated	Variance	(millions of Euro)
Life Insurance	1,543	1,879	337	
Consolidated net assets	1,231	1,395	164	
Adjustments to consolidated net assets	312	484	172	
PFS	202	201	(1)	
Consolidated net assets	213	212	(1)	
Adjustments to consolidated net assets	(11)	(11)	0	

The significant variation in adjustments in 2003 is principally a result of the introduction of the participation exemption and the consequent favourable taxation treatment of unrealised gains.

6. Net asset value adjustments

31 December	2002	2003	2004	(millions of Euro)
Life net asset adjustments	352	484	234	
Elimination of intangible assets and other adjustments	(150)	(117)	(187)	
Unrealised gains/(losses) on securities	515	483	421	
Unrealised gains/(losses) on properties	191	192	(1)	
Deferred taxes and discounting	(205)	(75)	1	
PFS net asset adjustments	(11)	(11)	(91)	
Elimination of intangible assets and other adjustments	(18)	(18)	(96)	
Unrealised gains/(losses) on securities	0	0	0	
Unrealised gains/(losses) on properties	0	0	0	
Deferred taxes and discounting	7	7	5	
P&C net asset adjustments	108	332	663	
Elimination of intangible assets and other adjustments	(386)	(352)	(321)	
Unrealised gains/(losses) on securities	596	663	793	
Unrealised gains/(losses) on properties	88	96	396	
Deferred taxes	(190)	(75)	(205)	
Total net asset adjustments	448	804	806	

(millions of Euro)	31 December	2002	2003	2004
	Elimination of intangible assets and other adjustments	(544)	(487)	(603)
	Unrealised gains/(losses) on securities	1,112	1,146	1,213
	Unrealised gains/(losses) on properties	279	289	396
	Deferred taxes	(388)	(143)	(199)
	Total net asset adjustments	448	804	806

7. Cost of capital by country

(millions of Euro)	31 December	2002	2003	2004
	Italy	108	155	164
	Switzerland	37	52	60
	Austria	13	14	14
	Spain	22	26	29
	Others	3	3	3
	Total cost of capital	183	249	270

8. Value added by country

(millions of Euro)		2003	2004
	Life value added	351	256
	Italy	179	265
	Switzerland	123	(89)
	Austria	8	36
	Spain	12	21
	Others	29	23
	PFS value added	(3)	42
	Italy	(4)	42
	Others	0	-
	P&C value added	439	573
	Italy	267	332
	Switzerland	34	73
	Austria	22	27
	Spain	45	105
	Others	70	37
	Total value added	786	871
		2003	2004
	Italy	442	639
	Switzerland	157	(16)
	Austria	30	63
	Spain	58	126
	Others	100	60
	Total value added	786	871

9. Value added analysis by country

2004	Italy	Switzerland	Austria	Spain	Others	Total
Life Value added						
Impact of purchases, sales and mergers	2	-	-	-	-	2
Value added before new business						-
Expected profits	143	35	7	7	6	198
Exchange rate variances	-	4	-	-	-	4
Operating Experience variances	(73)	17	(1)	7	5	(45)
Investment variances	23	27	22	4	0	76
Changes in future operating assumptions	(15)	(2)	4	3	8	(3)
Changes in economic assumptions	44	(178)	(1)	(5)	1	(139)
Changes in taxation assumptions	(18)	-	-	-	-	(18)
Total value added before new business	105	(97)	31	16	19	74
Value added by new business	161	8	5	5	3	182
Life Value added	265	(89)	36	21	22	256
PFS value added						
Impact of purchases, sales and mergers	(56)	-	-	-	-	(56)
Value added before new business						-
Expected profits	21	-	-	-	-	21
Experience variances	(6)	-	-	-	-	(6)
Changes in future operating assumptions	3	-	-	-	-	3
Changes in economic assumptions	(4)	-	-	-	-	(4)
Changes in taxation assumptions		-	-	-	-	-
Total value added before new business	14	-	-	-	-	14
Value added by new business	28	-	-	-	-	28
PFS value added	42	-	-	-	-	42
P&C value added						
Change in value of adjustments to consolidated net assets	267	29	15	16	6	331
Infra-group transfers	(128)	-	-	-	-	(128)
Consolidated after-tax profits	194	43	12	89	31	370
P&C value added	332	73	27	105	37	573

10. Consolidated profits by country

(millions of Euro)	2003	2004
Life consolidated profits	185	313
Italy	124	216
Switzerland	18	47
Austria	6	20
Spain	19	18
Others	19	12
PFS consolidated profits	19	8
Italy	19	8
Others	0	0
P&C consolidated profits	350	370
Italy	242	194
Switzerland	31	43
Austria	4	12
Spain	49	89
Others	25	31
Total consolidated profits	554	691
31 December	2003	2004
Italy	384	418
Switzerland	49	91
Austria	9	32
Spain	68	107
Others	44	43
Total consolidated profits	554	691

11. 2004 Life new business added value analysis (millions of Euro)

	Regular premiums	Single premiums	Annual premium equivalent (APE)	Present value of new business premiums	New business added value	New business margin % (APE)	New business margin % (PVNBP)
Italy							
Agents	102	575	160	1,504	82	51.6%	5.5%
FAs	47	279	75	691	49	65.4%	7.1%
Bancassurance	53	2,235	276	2,555	30	10.7%	1.2%
Switzerland	15	155	31	267	8	25.7%	3.0%
Austria	13	19	15	129	5	34.2%	4.0%
Spain	11	135	25	240	5	20.4%	2.1%
Others	2	92	11	41	3	31.9%	8.5%
Total new business	243	3,490	592	5,426	182	30.8%	3.4%

2003 Life new business added value analysis (millions of Euro)

	Regular premiums	Single premiums	Annual premium equivalent (APE)	Present value of new business premiums	New business added value	New business margin % (APE)	New business margin % (PVNBP)
Italy							
Agents	92	605	152	1,428	72	47.2%	5.0%
FAs	35	212	56	472	37	65.7%	7.8%
Bancassurance	75	2,527	327	3,019	35	10.7%	1.2%
Switzerland	22	153	37	312	5	13.4%	1.6%
Austria	15	24	17	155	5	29.0%	3.2%
Spain	13	100	23	222	4	17.8%	1.8%
Others	3	19	5	58	3	66.5%	5.2%
Total new business	253	3,641	618	5,667	162	26.2%	2.9%

12. Value added component analysis by country

2004	Life	PFS	Property & Casualty	Total
Value added	256	42	573	871
Change in value of in-force life insurance and PFS business	45	80	-	125
Impact purchase BNLI	35	60	-	95
Net change in value of in-force	10	20	-	30
Change in value of adjustments to consolidated net assets	(250)	(80)	331	1
Impact property transfer	128	-	(128)	-
Impact purchase BNLI	33	83	-	117
Net change in value of adjustments to consolidated net assets	(88)	3	203	118
Consolidated profits	313	8	370	691
Infra-group transfers	22	(22)	-	-
Impact purchase BNLI	-	32	-	32
Net consolidated profits	334	19	370	723
Italy				
Value added	265	42	332	639
Change in value of in-force life insurance and PFS business	163	80	-	243
Impact purchase BNLI	35	60	-	95
Net change in value of in-force	128	20	-	148
Change in value of adjustments to consolidated net assets	(262)	(80)	267	(76)
Impact property transfer	128	-	(128)	-
Impact purchase BNLI	33	83	-	117
Net change in value of adjustments to consolidated net assets	(101)	3	138	41
Consolidated profits	216	8	194	418
Infra-group transfers	22	(22)	-	-
Impact purchase BNLI	-	32	-	32
Net consolidated profits	237	19	194	450
Switzerland	(89)	-	73	(16)
Change in value of in-force life insurance	(141)	-	-	(141)
Change in value of adjustments to consolidated net assets	5	-	29	34
Consolidated profits	47	-	43	91
Austria	36	-	27	63
Change in value of in-force life insurance	11	-	-	11
Change in value of adjustments to consolidated net assets	5	-	15	20
Consolidated profits	20	-	12	32
Spain	21	-	105	126
Change in value of in-force life insurance	2	-	-	2
Change in value of adjustments to consolidated net assets	1	-	16	17
Consolidated profits	18	-	89	107
Value added other countries	23	-	37	60
Total value added	256	42	573	871

13. Ownership of companies by line of business

Life	2003	2004
Italy		
Ras	100%	100%
Allianz Subalpina	98%	98%
RB Vita	100%	100%
L'Assicuratrice Italiana Vita	100%	100%
Creditras Vita	50%	50%
Switzerland		
Allianz Suisse Lebensversicherungs	70%	70%
Austria		
Allianz Elementar Lebensversicherungs	50%	50%
Spain		
Allianz Compañía de Seguros y Reaseguros	48%	48%
Portugal		
Companhia de Seguros Allianz Portugal l	65%	65%
Ireland		
Darta Saving Life Assurance ¹	100%	100%

¹Darta Saving, an Irish based life insurance company, which distributes its products in Italy only via the financial consultants of Rasbank has been included under Italy in the consolidation.

PFS	2003	2004
Italy		
Rasbank	100%	100%
Investitori	100%	100%
Ras Asset Management	100%	100%
Luxembourg		
Ras Asset Management	100%	100%

14. Sensitivities (millions of Euro)

	Italy	Switzerland	Austria	Spain	Other	Total
Central Value						
Life and PFS in-force value	1,584	162	55	36	33	1,869
Life in-force value	1,289	162	55	36	33	1,575
Life and PFS embedded Value	2,931	463	158	133	164	3,849
Life embedded Value	2,418	463	158	133	164	3,336
Life and PFS new business Value	189	8	5	5	4	210
Life new business Value	161	8	5	5	4	182
Total Shareholder Value including P&C	5,051	996	369	427	538	7,381
Life time value of options	38					
Increase in Discount Rate by 50 bp						
Life and PFS in-force value	1,517	153	51	32	32	1,785
Life in-force value	1,229	153	51	32	32	1,498
Life and PFS embedded Value	2,859	454	154	129	164	3,759
Life embedded Value	2,352	454	154	129	164	3,252
Life and PFS new business Value	173	7	5	4	3	192
Life new business Value	146	7	5	4	3	166
Total Shareholder Value including P&C	4,979	986	365	422	538	7,291
Life time value of options	38					
Decrease in Discount Rate by 50 bp						
Life and PFS in-force value	1,652	172	59	41	34	1,958
Life in-force value	1,351	172	59	41	34	1,657
Life and PFS embedded Value	3,003	473	162	138	165	3,941
Life embedded Value	2,483	473	162	138	165	3,421
Life and PFS new business Value	203	9	6	5	4	227
Life new business Value	175	9	6	5	4	198
Total Shareholder Value including P&C	5,124	1,006	373	432	539	7,473
Life time value of options	38					
Increase in Interest rate by 50 bp						
(50 basis points parallel shift in fixed interest market yields on new fixed interest investments for traditional funds and returns on unit-linked funds)						
Life and PFS in-force value	1,644	239	67	45	34	2,029
Life in-force value	1,342	239	67	45	34	1,727
Life and PFS embedded Value	2,990	539	170	143	166	4,008
Life embedded Value	2,467	539	170	143	166	3,485
Life and PFS new business Value	203	11	6	5	4	229
Life new business Value	174	11	6	5	4	199
Total Shareholder Value including P&C	5,047	1,046	379	425	535	7,432
Life time value of options	28					
Decrease in Interest rate by 50 bp						
(50 basis points parallel shift in fixed interest market yields on new fixed interest investments for traditional funds and returns on unit-linked funds)						
Life and PFS in-force value	1,524	60	44	0	32	1,659
Life in-force value	1,524	60	44	0	32	1,659
Life and PFS embedded Value	2,871	361	147	97	163	3,638
Life embedded Value	2,364	361	147	97	163	3,131
Life and PFS new business Value	175	4	4	2	3	188

	Italy	Switzerland	Austria	Spain	Other	Total
Life new business Value	148	4	4	2	3	161
Total Shareholder Value including P&C	5,054	919	359	402	542	7,276
Life time value of options	53					

Increase in Maintenance expenses by 10%

(does not include commission related expenses)

Life and PFS in-force value	1,528	143	54	32	31	1,788
Life in-force value	1,253	143	54	32	31	1,514
Life and PFS embedded Value	2,877	444	157	129	163	3,769
Life embedded Value	2,382	444	157	129	163	3,274
Life and PFS new business Value	172	7	5	4	3	191
Life new business Value	147	7	5	4	3	166
Total Shareholder Value including P&C	4,997	976	368	423	537	7,301
Life time value of options	38					

Decrease in Maintenance expenses by 10%

(does not include commission related expenses)

Life and PFS in-force value	1,635	182	55	40	35	1,946
Life in-force value	1,321	182	55	40	35	1,632
Life and PFS embedded Value	2,981	483	158	137	166	3,925
Life embedded Value	2,447	483	158	137	166	3,391
Life and PFS new business Value	212	9	5	5	4	236
Life new business Value	174	9	5	5	4	198
Total Shareholder Value including P&C	5,102	1,015	369	431	540	7,457
Life time value of options	38					

Increase in Lapse rate by 25%

Life and PFS in-force value	1,517	164	53	34	29	1,797
Life in-force value	1,265	164	53	34	29	1,545
Life and PFS embedded Value	2,864	465	156	131	160	3,776
Life embedded Value	2,392	465	156	131	160	3,304
Life and PFS new business Value	170	8	5	4	2	188
Life new business Value	148	8	5	4	2	167
Total Shareholder Value including P&C	4,984	998	367	425	534	7,308
Life time value of options	38					

Decrease in Lapse rate by 25%

Life and PFS in-force value	1,661	160	56	38	38	1,953
Life in-force value	1,311	160	56	38	38	1,603
Life and PFS embedded Value	3,007	461	159	135	169	3,931
Life embedded Value	2,438	461	159	135	169	3,362
Life and PFS new business Value	195	9	6	5	4	219
Life new business Value	174	9	6	5	4	198
Total Shareholder Value including P&C	5,128	994	370	429	543	7,463
Life time value of options	38					



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Share performance and total return on investment

In 2004 the Ras ordinary share price rose 23.3 per cent, outperforming Milan's Mibtel general index (17.7 per cent) and SP/Mib index of highest capitalisation stocks (14.94 per cent). The Ras ordinary share price at 30 December 2004 was 16.7 euro. Taking into account dividends of 403 million euro distributed to shareholders during the year and assuming reinvestment in Ras shares, the total return on Ras ordinary shares in 2004 was 28 per cent.

Considering a longer timeframe, from the beginning of 2000 to the end of 2004, the Ras ordinary share rose 67 per cent, compared to -16 per cent for the Mibtel index and -46 per cent for the European DJ Euro Stoxx Insurance index. Over the same period, considering dividends for 2000, 2001, 2002, 2003 and 2004 and the buy-back, shareholders received approximately two billion euro.

Market capitalisation

As a result of the performance described above, Ras market capitalisation grew from 6 billion euro at the start of 2000 to 11 billion euro at the end of 2004, lifting Ras from twentieth to eleventh place in the ranking of Italy's top capitalised companies. This is particularly impressive considering that over the same period Ras distributed two billion euro to shareholders, including 1.2 billion to minority shareholders. Among European stocks, Ras ranked seventh on the DJ Euro Stoxx Insurance index at the end of 2004 (tenth at the end of 1999).

DJ Euro Stoxx 600 Insurance		Mkt Cap end 99	DJ Euro Stoxx 600 Insurance		Mkt Cap end 04
1	Allianz AG	81,626	ING Groep NV		46,183
2	Aegon	57,319	Allianz AG		37,549
3	ING Groep NV	56,943	Assicurazioni Generali SpA		31,862
4	Axa	48,924	AXA SA		31,809
5	Muenchener Rueckversicherungs	44,154	Muenchener Rueckversicherungs AG		20,766
6	Assicurazioni Generali SpA	33,649	Aegon NV		14,929
7	AGF	9,928	Ras		11,173
8	Mediolanum SpA	9,915	AGF		9,610
9	Alleanza Assicurazioni SpA	9,493	Alleanza Assicurazioni SpA		8,684
10	Ras	6,022	CNP Assurances		7,313
11	CNP Assurances	4,997	Sampo Oyj		5,628
12	AMB Generali Holding AG	3,737	Mediolanum SpA		3,822
13	Irish Life & Permanent Plc	2,765	Irish Life & Permanent Plc		3,679
14	Sampo Oyj	2,101	Hannover Rueckversicherung AG		3,467
15	Fondiarìa-Sai SpA	1,729	Fondiarìa-Sai SpA		3,305
16	Hannover Rueckversicherung AG	1,283	AMB Generali Holding AG		3,229
17	Corp Mapfre SA	988	Corp Mapfre SA		2,051
18	Unipol	914	Cattolica di Assicurazioni Scrl		1,609

Number of shares

Outstanding shares at the end of 2004 totalled 670,886,994 ordinary shares and 1,340,010 savings shares. Own shares held by the company at the end of 2004 numbered 500,000 for a purchase counter value of 7.8 million euro.

Dividend per share

From 2000 to 2004, the dividend per Ras ordinary share rose 158% per cent: the 2000 dividend (paid in 2001) was 0.31 euro, while the 2004 dividend (to be paid in 2005) is 0.80 euro, for average annual compound growth of 26.7 per cent.

The 2004 dividend entails a dividend yield of 4.8 per cent at the 2005 opening price. Since 2000, the pay-out on consolidated net profit has risen from 59 per cent to 78 per cent.

The 2004 Ras savings share dividend is 0.82 euro.

Other ratios

In 2004 Ras share volatility in respect of the S&P Mib index was very low, with a beta (indicator of sensitivity to fluctuations in the S&P Mib index) of 0.84.

Credit ratings

Ras has been monitored for a number of years by the top credit ratings agencies specialising in the insurance-financial sector: Standard & Poor's, AM Best and Moody's. Rating is part of a broader assessment of the entire Allianz Group, to which Ras belongs. The process is conducted in three stages:

- analysis of the company's annual and interim figures, with particular attention to profitability, efficiency and financial soundness;
- annual meeting with top management to discuss results, strategy, objectives and expectations for both the short- and the medium/long-term;
- regular monitoring of the market, competitors and the company's progress.

The information collected by the agency is summarised in a report illustrating the company's rating. The rating, and those of the other main companies in the Allianz Group, form the basis for the overall Group rating.

In 2004, Ras was once again rated as one of the most financially healthy companies on the Italian market, in recognition of its high capitalisation for risk-based capital coverage, strong market position, the improvements of the last few years and its potential for further profitable growth.

Ratings:

- Standard & Poor's: AA- (Very strong financial security characteristics), negative outlook;
- AM Best: A+ (Superior), negative outlook;
- Moody's: Aa3 (Under review for downgrade), stable outlook.





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future

strategic lines

A multi-channel distribution model with highly integrated product and service platforms; a leading-edge position in a number of business lines; an efficient organisation structure focused on innovation: these competitive factors, achieved as a result of the 2001-2003 industrial plan, provide Ras with a solid basis on which to continue along its growth path in the current three-year period, 2004-2006. This targets growth in both profitability and volumes, as detailed in the business plan approved by the Board of Directors on 6 October 2003.

A cornerstone of the new plan is further action to strengthen the distribution model, through major investment in the agency network and the financial advisors network. Ras also intends to boost the contributions of the Personal Financial Services business and the Life business to Group results. Finally, it will employ the decisive experience obtained since 2001 in managing and restructuring risk capital to implement new projects aimed at optimising returns on invested capital.

In detail, Ras' profitability targets for 2006 are: ROE 16.5 per cent (15.2 per cent in 2004), RORAC 17.5 per cent (20.2 per cent in 2004) and a special focus on the ordinary operating result. The improvement in the profit ratios will be assisted by a strong increase in net profit and attentive capital management.

The excellent results achieved since the plan was launched just over a year ago confirm the validity of its strategic lines and the sustainability of the business model.

These results include:

- a significant rise in the number of financial advisors and the assets managed by the PFS area, in part through the acquisition of BNL Investimenti, which has been successfully merged with RasBank;
- strong growth in Life inflows through the proprietary channels (financial advisors and agents), in part thanks to on-going investment in the agency network with recruitment of 725 Life specialists and 60 team managers (the latter co-ordinate agency cross-selling activities);
- continuous improvements in profitability in the Non-Life business, through a selective growth policy focusing in particular on corporate clients and the third-party motor liability business;
- a significant increase in net profit and profitability (ROE, ROEV and RORAC), supported by further expansion of the dividend pay-out policy in order to reduce excess capital, which is still considerable.

Overall, results for 2004 are better than expected and strengthen Ras confidence in its ability to attain the plan targets, which are illustrated below.

Non-Life

The 2006 premium inflow target for the Non-Life business is more than 8 billion euro; at technical level, Ras projects a further decrease in the combined ratio, from 101.1 per cent in 2003 to 98 per cent at the end of 2006. Ras plans to adopt a differentiated segment-based approach, focusing on growth in the Personal and Small-Medium-sized Business segments. In detail:

- in the Motor sector, attention will continue to focus on portfolio quality, employing

- the procedures developed over the last few years. Genialloyd, the Group's direct over-the-phone and on-line sales company, will be a key growth driver;
- in non-Motor Personal and Small-Medium-sized Business, product innovation and targeted marketing will generate returns in terms of enhanced coverage for clients;
 - the General Liability line of business will benefit from the portfolio restructuring that began in 2001 and continue with targeted projects of this type.

Life

In the Life business, Ras foresees strong growth in new business value, despite a conservative scenario (pressure on margins, at least as regards products with a high investment content, without considering the eventuality of pension reform).

Ras plans to expand the Life business by:

- augmenting distribution capacity; for the agent channel, this will consist of an extension of the "organised agency" model currently adopted by 28 per cent of agencies to a second group (an additional 30 per cent) of high-potential agencies. The Ras organised agency, the only model of its kind in Italy, is a sophisticated structure in which Non-Life personal line insurance specialists, Life insurance experts and financial advisors work together under the co-ordination of a team manager. The model offers clients a global approach thanks to a close-knit team of professionals offering personalised services. 300 new financial advisors will be placed in high-potential agencies as well as 2,000 Life specialists and 300 team managers;
- re-designing the product portfolio to support the new wealth planning approach. This approach focuses on integrated management of requirements (pension/protection/savings/investment) to enable clients to maintain their current life style over the long term. Wealth planning offers different solutions over time to meet changing client needs or market conditions, and uses a dynamic management approach;
- training the sales network on the new service approach and targeted marketing action based on customer segmentation techniques;
- raising brand visibility through significant investment in advertising campaigns.

Personal Financial Services

Ras expects a significant expansion in the personal financial services offered through the RasBank network. In the Ras vision, the real source of added value for the client are the consulting services offered by its financial advisors, independently of the need to promote specific products in the Ras portfolio. Personal financial services will also be a highly profitable business in terms of invested capital. In this area, Ras aims to become a reference model for the market and is already one of the leading players (third-largest network in terms of financial advisors and managed assets).

Ras growth drivers are:

- investment in recruitment, to reach 3,600 financial advisors by the end of 2006. Attainment of this goal is already very close thanks to the acquisition of BNL Investimenti;
- continued enhancement of the service model, with the extension of the wealth planning approach to all financial advisors, including those that work in Ras insurance agencies;
- capitalisation of the current client portfolio and higher productivity among financial advisors, through product innovation.

These growth drivers will boost the profitability of the PFS business, with clients shifting towards services with a greater consultancy content, which typically provide higher margins.

Capital optimisation

Continuing down the path successfully tested in the 2001-2003 three-year period, Ras is adopting a proactive approach to risk capital management with a view to maximising shareholder value and reducing unprofitable surpluses. It has set specific RORAC improvement targets for each line of business in order to enhance value by using excess capital to finance growth. Considering the Group's financial and equity structure, the use of excess capital will enable Ras to pay out significantly higher dividends without preventing it from taking advantage of new opportunities on the market.

consolidated

b

balance sheet and profit

Balance

and loss account

31 December 2004

A. Receivables from shareholders for subscribed share capital not yet paid-up					1	0
of which: called up	2	0				
B. Intangible assets						
1. Acquisition commissions to be amortised	3	91,360				
2. Other acquisition costs	4	-				
3. Goodwill	5	79,614				
4. Other intangible assets	6	53,578				
5. Goodwill arising on consolidation	7	397,877			8	622,429
C. Investments						
I - Land and buildings					9	2,824,845
II - Investments in group and other companies						
1. Equity investments:						
a) parent companies	10	0				
b) subsidiary companies	11	260,631				
c) affiliated companies	12	142,781				
d) associated companies	13	42,317				
e) other	14	1,054,056	15	1,499,785		
2. Bonds	16	730,953				
3. Loans	17	908,030	18	3,138,768		
III - Other financial investments						
1. Equity investments	19	1,340,835				
2. Mutual fund units	20	2,402,052				
3. Bonds and other fixed-income securities	21	28,320,114				
4. Loans	22	3,050,971				
5. Shares of investment pools	23	0				
6. Deposits with banks	24	410,853				
7. Other financial investments	25	1,898,200	26	37,428,025		
IV - Deposits with ceding companies			27	98,159	28	43,484,797
D. Investments benefiting life policyholders bearing the risk and investments arising from pension fund management					29	17,256,825

to be carried forward

61,364,051

31 December 2004

brought forward

61,364,051

D.bis Reinsurers' share of technical reserves

I - Non-life business

1. Premium reserve	30	184,951		
2. Claims reserve	31	906,045		
3. Other	32	61	33	1,091,057

II - Life business

1. Actuarial reserves	34	795,506		
2. Reserve for amounts payable	35	20,157		
3. Other	36	393		
4. Technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management	37	0	38	816,056
			39	1,907,113

E. Receivables

I - Receivables relating to direct insurance business	40	1,610,715		
II - Receivables relating to reinsurance business	41	328,404		
III - Other receivables	42	1,121,493	43	3,060,612

F. Other assets

I - Tangible assets and stock	44	109,855		
II - Cash and cash equivalents	45	607,708		
III - Own shares	46	7,870		
IV - Other assets	47	595,397	48	1,320,830

G. Accrued income and prepaid expenses

49 491,783

TOTAL ASSETS

50 **68,144,389**

31 December 2003

brought forward 54,284,213

130 168,755

131 974,912

132 155 133 1,143,822

134 701,403

135 29,822

136 450

137 0 138 731,675 139 1,875,497

140 1,735,081

141 373,270

142 969,495 143 3,077,846

144 114,800

145 828,778

146 10,178

147 651,581 148 1,605,337

149 461,832

150 61,304,725

31 December 2004

A. Shareholders' equity

I. Group shareholders' equity

1. Subscribed share capital or equivalent fund	51	403,336			
2. Equity reserves	52	3,748,093			
3. Consolidation reserve	53	-137,255			
4. Reserve for differences arising from valuation of unconsolidated investments	54	80,579			
5. Reserve for conversion differences	55	-88,115			
6. Reserve for own shares and shares of parent company	56	7,870			
7. Net profit (loss) for the year	57	690,997	58	4,705,505	

II. Minority interests

1. Capital and reserves attributable to minority interests	59	543,113			
2. Net profit (loss) for the year attributable to minority interests	60	106,341	61	649,453	62 5,354,564

B. Subordinated liabilities

63 45,000

C. Technical reserves

I. Non-life business

1. Premium reserve	64	2,249,890			
2. Claims reserve	65	9,040,180			
3. Equalisation reserve	66	97,219			
4. Other	67	263,112	68	11,650,401	

II. Life business

1. Actuarial reserves	69	27,108,874			
2. Reserve for amounts payable	70	426,154			
3. Other	71	573,350	72	28,108,378	73 39,758,779

D. Technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management

74 17,254,856

E. Provisions for risks and charges

1. Staff pension and similar obligations			75	197,228	
2. Tax provisions			76	332,314	
3. Consolidation provision for future risks and charges			77	0	
4. Other provisions			78	292,940	79 822,482

to be carried forward

63,235,681

31 December 2003

151	403,336				
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152	3,691,682				
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153	-246,626				
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154	71,450				
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155	-93,541				
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156	10,178				
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157	554,342	158	4,390,821		
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159	532,428				
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160	48,816	161	581,244	162	4,972,065
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				163	45,000
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164	2,192,963				
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165	8,895,216				
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166	62,349				
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167	238,458	168	11,388,986		
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169	25,593,567				
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170	431,314				
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171	566,030	172	26,590,911	173	37,979,897
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				174	13,112,355
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		175	160,295		
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		176	350,714		
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		177	0		
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		178	333,322	179	844,331
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to be carried forward

56,953,648

31 December 2004

	brought forward		63,235,681	
F. Deposits from reinsurers			80	851,276
G. Payables and other liabilities				
I - Payables relating to direct insurance business	81	758,109		
II - Payables relating to reinsurance business	82	324,667		
III - Bond issues	83	0		
IV - Payables to banks and financial institutions	84	86,754		
V - Secured debts	85	50		
VI - Sundry loans and other financial payables	86	1,501,834		
VII - Staff severance indemnity	87	112,021		
VIII - Other payables	88	414,444		
IX - Other liabilities	89	782,214	90	3,980,093
H. Accrued liabilities and deferred income			91	77,339
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			92	68,144,390

31 December 2004

I - Guarantees provided			93	83,651
II - Guarantees received			94	81,891
III - Guarantees provided by third parties in the interest of consolidated companies			95	105,831
IV - Commitments			96	224,231
V - Third party assets			97	920,686
VI - Pension fund assets managed on behalf of third parties			98	215,494
VII - Securities deposited with third parties			99	39,861,347
VIII - Other memorandum accounts			100	1,313,152

31 December 2003

brought forward			56,953,648	
				180 770,830
	181	878,981		
	182	331,291		
	183	0		
	184	117,720		
	185	111		
	186	1,001,543		
	187	107,363		
	188	425,735		
	189	639,210	190	3,501,954
			191	78,293
			192	61,304,725

31 December 2003

			193	72,577
			194	4,262
			195	62,584
			196	141,323
			197	916,234
			198	67,769
			199	35,408,439
			200	426,614

I. Non-life business technical account					
1. Premiums, net of outwards reinsurance					
a) Gross premiums accounted for	1	7,289,858			
b) (-) Outwards reinsurance premiums	2	783,521			
c) Change in gross premium reserve	3	57,974			
d) Change in reinsurer premium reserve	4	16,498	5	6,464,861	
2. Other technical income, net of outwards reinsurance					
			7	7,132	
3. Charges relating to claims, net of recoveries and outwards reinsurance					
a) Amounts paid					
aa) Gross amount	8	4,907,970			
bb) (-) Reinsurers' share	9	383,022			
cc) Change in recoveries, net of reinsurers' share	10	-40,488	11	4,484,460	
b) Change in claims reserve					
aa) Gross amount	12	235,544			
bb) (-) Reinsurers' share	67,290	-23,938	14	259,482	15 4,743,942
4. Change in other technical reserves, net of outwards reinsurance					
			16	733	
5. Reversals and profit participation, net of outwards reinsurance					
			17	36,148	
Operating costs					
a) Acquisition commissions	18	859,907			
b) Other acquisition costs	19	377,407			
c) Change in commissions and other acquisition costs to be amortised	20	0			
d) Premium collection commissions	21	125,405			
e) Other administrative costs	22	370,166			
f) (-) Commissions and profit participation received from reinsurers	23	175,366	24	1,557,519	
7. Other technical charges, net of outwards reinsurance					
			25	46,985	
8. Change in equalisation reserves					
			26	31,827	
9. Result of non-life business technical account (item III.1)					
			27	54,839	

31 December 2003

		111	7,016,579			
		112	695,035			
		113	129,290			
		114	12,156	115	6,204,410	
				117	11,125	
	118	4,850,984				
	119	390,370				
	120	-23,791	121	4,436,823		
	122	163,608				
	123	-67,290	124	230,898	125	4,667,721
				126	-24,094	
				127	45,783	
		128	813,440			
		129	352,436			
		130	0			
		131	119,505			
		132	358,097			
		133	117,647	134	1,525,831	
				135	54,789	
				136	13,567	
				137	-68,062	

31 December 2004

II. Life business technical account

1. Premiums, net of outwards reinsurance

a) Gross premiums accounted for	28	8,834,067		
b) (-) Outwards reinsurance premiums	29	101,552	30	8,732,515

2. (+) Income from investments transferred from the non-technical account (item III.5)			40	1,138,439
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3. Income and unrealised capital gains relating to investments benefiting policyholders bearing the risk and investments arising from pension fund management			41	1,003,537
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4. Other technical income, net of outwards reinsurance			42	209,746
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5. Charges relating to claims, net of outwards reinsurance

a) Amounts paid				
aa) Gross amount	43	5,369,882		
bb) (-) Reinsurers' share	44	132,334	45	5,237,548
b) Change in reserve for amounts payable				
aa) Gross amount	46	-4,818		
bb) (-) Reinsurers' share	47	-9,734	48	4,916
			49	5,242,464

6. Change in actuarial reserves and other technical reserves, net of outwards reinsurance

a) Actuarial reserves				
aa) Gross amount	50	999,044		
bb) (-) Reinsurers' share	51	-39,898	52	1,038,942
b) Other technical reserves				
aa) Gross amount	56	-49,260		
bb) (-) Reinsurers' share	57	1	58	-49,261
c) Technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management				
aa) Gross amount	59	3,624,075		
bb) (-) Reinsurers' share	60	0	61	3,624,075
			62	4,613,756

7. Reversals and profit participation, net of outwards reinsurance			63	117,729
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8. Operating costs:

a) Acquisition commissions	64	356,188		
b) Other acquisition costs	65	93,964		
c) Change in commissions and other acquisition costs to be amortised	66	-91,360		
d) Premium collection commissions	67	38,435		
e) Other administrative costs	68	149,248		
f) (-) Commissions and profit participation received from reinsurers	69	12,024	70	534,451

9. Capital and financial charges and unrealised capital losses relating to investments benefiting policyholders bearing the risk and investments arising from pension fund management			75	229,968
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10. Other technical charges, net of outwards reinsurance			76	88,115
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11. Result of life business technical account (Item III.2)			78	257,754
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31 December 2003

		138	9,552,495			
		139	111,863	140	9,440,632	
				150	1,113,561	
				151	648,926	
				152	220,315	
	153	4,983,808				
	154	194,730	155	4,789,078		
	156	28,336				
	157	-49,242	158	77,578	159	4,866,656
	160	552,952				
	161	-122,094	162	675,046		
	166	-30,185				
	167	20	168	-30,205		
	169	4,813,035				
	170	0	171	4,813,035	172	5,457,876
				173	97,978	
		174	422,542			
		175	80,381			
		176	0			
		177	41,334			
		178	148,270			
		179	11,983	180	680,544	
				185	210,203	
				186	44,872	
				188	65,305	

III. Non-technical account						
1. Result of non-life business technical account (item I. 9)				79	54,839	
2. Result of life business technical account (item II.11)				80	257,754	
3. Income from investments						
a) Income from equity investments						
aa) Share of year's results of investments stated using the equity method	81	37,835				
bb) Other	82	133,432	83	171,267		
a) Income from other investments						
aa) Land and buildings	84	169,556				
bb) Other	85	2,101,191	86	2,270,747		
c) Write-backs of investments			87	40,628		
d) Profit on sale of investments			88	316,398	89	2,798,650
4. Capital and financial charges						
a) Investment management charges and interest payable			90	771,479		
b) Write-downs of investments			91	69,579		
c) Loss on sale of investments			92	64,679	93	905,737
5. (-) Income from investments transferred to the life business technical account (Item II.2)				94	1,139,439	
6. Other income				95	258,513	
7. Other charges						
a) Interest on financial payables			96	8,632		
b) Sundry charges			97	238,738	98	247,374
8. Profit (loss) of ordinary business				99	1,078,206	
9. Extraordinary income				100	107,619	
10. Extraordinary charges				101	44,528	
11. Net extraordinary income/(charges)				102	63,090	
12. Result before taxes				103	1,141,296	
13. Income taxes for the year				104	344,353	
14. Consolidated net profit (loss) for the year				105	796,943	
15. Net profit (loss) for the year attributable to minority interests				106	106,340	
16. Net profit (loss) for the year attributable to the Group				107	690,603	

31 December 2003

				189	-68,062	
				190	65,305	
	191	41,864				
	192	226,343	193	268,207		
	194	155,931				
	195	1,596,914	196	1,752,845		
			197	84,322		
			198	476,174	199	2,581,548
			200	273,412		
			201	82,190		
			202	274,905	203	630,507
				204	1,113,561	
				205	240,641	
			206	11,289		
			207	221,213	208	232,502
				209	842,862	
				210	163,162	
				211	80,542	
				212	82,620	
				213	925,482	
				214	322,324	
				215	603,158	
				216	48,816	
				217	554,342	

notes

otes to the consolidated financial statements

Part A - General accounting policies and consolidation area

The consolidated financial statements and comparative prior-year figures have been drawn up in accordance with Legislative decree no. 173/97, which implements EEC directive no. 91/674.

Consolidation policies

The line-by-line method is used for companies consolidated pursuant to article 63 of Legislative decree no. 173/97. In particular:

- all financial statements items are stated at their full amount;
- minority shareholders are attributed their portion of shareholders' equity and net profit (loss) for the year;
- the book value of investments is written off against their shareholders' equity;
- any surplus in the book value of investments over shareholders' equity values is allocated as follows:
 1. if the prerequisites are met, to the specific asset to which the surplus refers;
 2. as a decrease to the consolidation reserve;
 3. to goodwill arising on consolidation, to be amortised over the following years;
- any surplus in shareholders' equity of investments over the relevant book value is allocated to the consolidation reserve;
- all intercompany transactions are eliminated;
- consolidation differences arise from the elimination of reinsurance intercompany transactions due to the general practice of deferring the effects of inwards reinsurance on the profit and loss account of the following year. These differences are considered in determining shareholders' equity and the net profit (loss) for the year.

The statutory financial statements of the individual Group companies, whether approved or in the process of being approved by the relevant shareholders, are used to draw up the consolidated financial statements. Certain items are reclassified or adjusted in order for them to be in compliance with the accounting policies adopted by the parent company.

Companies consolidated on a proportionate basis pursuant to article 70 of Legislative decree no. 173/97 are treated as follows:

- all financial statements items are stated in proportion to the holding percentage;
- minority interests in equity or in the net profit (loss) for the year are not assigned to the other reference shareholder;
- all other procedures are the same as those used for line-by-line consolidation method.

Unconsolidated investments pursuant to article 71 of Legislative decree no. 173/97 are stated using the equity method.

Any surplus in the book value of investments over the relevant shareholders' equity, not including the net profit (loss) for the year, is taken as a decrease to the reserve for differences arising from valuation of unconsolidated investments.

Any surplus in shareholders' equity, not including the net profit (loss) for the year, over the book value of investments is allocated to the same reserve.

Changes in value from one year to the next due to profits or losses are taken to the profit and loss account.

Part C of the notes includes a table listing investments stated using the equity method. 104 Group companies consolidated on a line-by-line or proportionate basis.

List of consolidated companies

Subsidiary companies consolidated using the line-by-line method

Company	Business	Ras invest. (%)	Indirect invest. (%)	Held by	Total invest. (%)
Europe					
Italy					
Riunione Adriatica di Sicurtà spa - Milan Share capital: Euro 403,336,202.40	Insurance				
Agricola San Felice spa - Milan Share capital: Euro 21,052,800	Farming	100.00			100.00
Allianz Subalpina spa - Turin Share capital: Euro 21,294,325	Insurance	97.94			97.94
Bernese Assicurazioni spa - Rome Share capital: Euro 7,252,000	Insurance		71.67 27.87	Allianz Suisse Vers. Bernese Ass. Fin.	99.59
Bernese Assicuraz. Finanziaria spa - Rome Share capital: Euro 4,000,000	Holding company		100.00	Allianz Suisse Versicherungs	100.00
Bernese Vita spa - Rome Share capital: Euro 5,180,000	Insurance		87.67 12.33	Bernese Assicurazioni Bernese Assicuraz. Finanziaria	100.00
CreditRas Assicurazioni spa - Milan Share capital: Euro 8,000,000	Insurance	50.00			50.00
CreditRas Vita spa - Milan Share capital: Euro 102,000,000	Insurance	50.00			50.00
Genialloyd spa - Milan Share capital: Euro 30,975,000	Insurance	99.99			99.99
Ge.SI. Gestione Sist. Inform. scpa - Milan Share capital: Euro 4,450,260	IT services	51.00	48.99 0.01	Allianz Subalpina Other subsidiary companies	100.00
Investitori Holding spa - Milan Share capital: Euro 1,000,000	Holding company	99,75			99,75
L'Assicuratrice Italiana Danni spa - Milan Share capital: Euro 5,200,000	Insurance	100.00			100.00
L'Assicuratrice Italiana Vita spa - Milan Share capital: Euro 5,200,000	Insurance	100.00			100.00
Prevint Gestione Servizi Previdenziali spa Milan - Share capital: Euro 850,000	Pension fund management	100.00			100.00
Ras Immobiliare srl - Milan Share capital: Euro 516,400	Real estate	100.00			100.00
RasService Gestione e Liquidazione Danni scpa - Milan - Share capital: Euro 200,000	Services	83.55	16.40 0.03 0.02	Allianz Subalpina L'Assicuratrice Italiana Danni RB Vita	100.00
Ras Tutela Giudiziaria spa - Milan Share capital: Euro 4,075,000.33	Insurance	100.00			100.00
RB Vita spa - Milan Share capital: Euro 175,000,000	Insurance	100.00			100.00

Company	Business	Ras invest. (%)	Indirect invest. (%)	Held by	Total invest. (%)
Other EU countries					
Allianz Elementar Lebensversicherungs ag Vienna - Share capital: Euro 9,084,104	Insurance		99.00	Allianz Elementar Versicherungs	99.00
Allianz Elementar Versicherungs ag - Vienna Share capital: Euro 45,935,568	Insurance		50.10	Ras International nv	50.10
Allianz Pensionskasse ag - Vienna Share capital: Euro 5,086,900	Pension fund management		74.00	Allianz Elementar Versicherungs	74.00
Amaya, Compañía de Seguros y de Reaseguros sa - Madrid - Share capital: Euro 18,030,000	Insurance		100.00	Amaya ag	100.00
Companhia de Seguros Allianz Portugal sa Lisbon - Share capital: Euro 39,545,400	Insurance	38.70	26.15	Ras International nv	64.85
Darta Saving Life Assurance ltd - Dublin Share capital: Euro 3,000,000	Insurance	100.00			100.00
Logistikwerkstatt Assistance gmbh Vienna - Share capital: Euro 35,000	Services		100.00	Allianz Elementar Versicherungs	100.00
Operring - Hof Bau und Betriebs ag Vienna - Share capital: Euro 654,056	Real estate		100.00	Allianz Elementar Versicherungs	100.00
Ras International nv - Amsterdam Share capital: Euro 342,650,000	Holding company	100.00			100.00
Risikomanagement und Softwareentwicklung gmbh - Vienna - Share capital: Euro 36,336	Insurance advice		100.00	Allianz Elementar Versicherungs	100.00
Topversicherungsservice gmbh (ex Allianz Kundenservice gmbh) - Vienna Share capital: Euro 70,000	Services		100.00	Allianz Elementar Versicherungs	100.00
Unipensao Soc.Gestora de Fundos de Pensoes Lisbon - Share capital: Euro 1,000,000	Pension fund management		81.40	Allianz Portugal	81.40
Non-EU European countries					
Alba Allgemeine Versicherungs ag Basel - Share capital: SwFr 10,000,000	Insurance		100.00	Allianz Suisse Versicherungs	100.00
Allianz Suisse Immobilien ag - Volketswil (CH) Share capital: SwFr 9,000,000	Real estate		100.00	Allianz Suisse Versicherungs	100.00
Allianz Suisse Lebensversicherungs ag Zurich - Share capital: SwFr 100,000,000	Insurance		99.99	Allianz Suisse Versicherungs	99.99
Allianz Suisse Versicherungs ag - Zurich Share capital: SwFr 100,000,000	Insurance		69.80	Ras International nv	69.80
Amaya ag - Berne Share capital: SwFr 100,000	Holding company		100.00	Allianz Suisse Versicherungs	100.00
CAP Compagnie d'Assurance de Protection Juridique sa - Zug (CH) Share capital: SwFr 3,000,000	Insurance		100.00	Allianz Suisse Versicherungs	100.00
Phénix Compagnie d'Assurances - Lausanne Share capital: SwFr 10,000,000	Insurance		100.00	Allianz Suisse Versicherungs	100.00
Phénix Compagnie d'Assurances sur la Vie Lausanne - Share capital: SwFr 20,000,000	Insurance		100.00	Allianz Suisse Versicherungs	100.00

Subsidiary companies consolidated on a proportionate basis

The total percentage held by the Ras Group is shown, rather than the pro-rata stake for investments indirectly owned by holding companies, which are in turn jointly owned by Ras and the Agf Group.

Company	Business	Ras invest. (%)	Indirect invest. (%)	Held by	Total invest. (%)
Other EU countries					
Agf Ras Holding bv - Amsterdam Share capital: Euro 236,450,544	Holding company		50.00	Ras International nv	50.00
Allianz Compañía de Seguros y Reaseguros sa Madrid - Share capital: Euro 47,379,811.01	Insurance		96.46 0.17	Agf Ras Holding Azioni proprie	96.63
Eurovida sa Compañía de Seguros y Reaseg. Madrid - Share capital: Euro 9,015,300	Insurance		51.00	Agf Ras Holding	51.00
Fénix Directo sa - Madrid Share capital: Euro 14,424,000	Insurance		98.50 1.50	AZ Comp. Seguros El Fénix Español	100.00

The voting rights assigned to Ras at the general shareholders' meetings of companies consolidated using the line-by-line method and those consolidated on a proportionate basis are equal to the total investment percentage in the above list.

Companies stated at cost and companies not included in the consolidation

The following subsidiary and associated companies have been stated at cost:

Company	% held	Reason
Ras Alternative Investments Sgr spa	100.00	dormant
Rasfin Sim spa	100.00	owned by company stated using the equity method
RB Fiduciaria spa	100.00	owned by company stated using the equity method
Allianz Invest Kapitalanlage gmbh	100.00	owned by company stated using the equity method
Darta Investment Funds plc	100.00	newco
ITB Immobilientreuhand gmbh	100.00	owned by company stated using the equity method
Nereus gmbh	100.00	dormant
Pallas gmbh	100.00	dormant
Pemse sa	100.00	immaterial
Ras Private Bank (Suisse) sa (ex Rasbank (Suisse) sa)	100.00	owned by company stated using the equity method
Société Financière du Léman sa	100.00	in liquidation/sale
Empresa de Inversiones sa	99.94	in liquidation/sale
Organizacion Goa sa	99.95	in liquidation/sale

The following companies have been excluded from proportionate-based consolidation since they are owned by Elmonda, which has been consolidated using the equity method:

Company	% held
Mondial Service Italia srl (ex Elvia Service srl)	100.00
Mondial Assistance Italia spa	100.00
Permatel srl	100.00
SIAS Società Italiana di Assicurazioni e Riassicurazioni spa	90.00
Assistance and Services Corporation of Ireland	100.00
Elvia Assistance gmbh	100.00
Elviassist - Serviços de Assistência 24 Horas lda	100.00
Elviaseg sa	100.00
Elvia Travel Insurance International nv	100.00
Fragonard Assurance sa	99.98
France Secours International Assistance sa	90.99
FS2A sa	99.98
Gestion de Télésecrétariat et de Services sa	99.98
Mondial Assistance bv	100.00
Mondial Assistance France sa	93.25
Mondial Assistance Réunion sa	99.98
Mondial Assistance United Kingdom ltd	100.00
Mondial Assistance sas	99.99
Poly Assistance & Services A.E.	51.00
Sacnas International sa	99.99
Sacnas Re	100.00
SAGE sarl	100.00
Sociedad Mundial de Asistencia sa	100.00
Société Belge d'Assistance Internationale sa	94.15
Société Belge de Services Téléphoniques sa	100.00
Société de Services Communs "SSC" sas	99.99
Société Européenne de Protection et de Services d'Assistance à Domicile sa	56.00
World Access Europe ltd	100.00
Elvia Assistance KFT ltd	100.00
Elvia Assistance sro	100.00
Elvia Reiseversicherungs - Gesellschaft ag	100.00
Elvia Assistance S.p.zoo (ex Elvia S.p.zoo)	100.00
Sat as	96.00
AS 24 (AS Nijuyon k.k).ltd	90.00
Compañia de Asistencia Sudamericana sa	99.99
ETI Australia Pty ltd	100.00
Mascareignes Services and Assistance ltd	100.00
Mercosul Assistance Argentine sa	100.00
Mercosul Assistance Participacoes ltda	99.99
Mondial Assistance Australia Holding Pty ltd	100.00
Mondial Assistance Beijing Services Co. ltd	100.00
Sociedad Corredora de Reaseguros CAS Brokers sa	99.98
Travel Care Inc.	100.00
World Access (Asia) Pte. ltd	100.00
World Access Canada Inc.	100.00
World Access Healthcare Services Inc.	100.00
World Access Incorporated	100.00
World Access Service Corporation	100.00

Balance sheet - Assets

Section 1 - Intangible assets (Item B)

Acquisition commissions to be amortised - Item B.1

This item was as follows:

(thousands of Euro)	2004	2003
Acquisition commissions to be amortised	91,360	-

Acquisition commissions to be amortised arose as follows: Italy for 61,759 thousand euro, Switzerland for 17,448 thousand euro, Ireland for 11,815 thousand euro and Spain for 338 thousand euro.

Goodwill - Item B.3

Goodwill was as follows:

(thousands of Euro)	2004	2003
Goodwil	79,6140	36,359

The item arose as follows:

- 1,023 thousand euro at Ras Immobiliare from the merger with Gaggiano and Bis;
- 30,792 thousand euro at CreditRas Vita from the merger with Casse e Assicurazioni Vita and DuerreVita
- 47,799 thousand at RB Vita from the acquisition of the BNL Life portfolio

Other intangible assets - Item B.4

Other intangible assets were as follows:

(thousands of Euro)	2004	2003
Start-up and capital costs	-	9
Share capital increase costs	83	573
Research and development costs	-	543
Advertising costs	8	2
Other intangible assets	53,487	58,754
Total	53,578	59,881

Goodwill arising on consolidation - Item B.5 **397,877 thousand euro**

Goodwill arising on consolidation related to Allianz Suisse for 221,997 thousand euro, Allianz Subalpina for 85,624 thousand euro, Phénix Compagnie d'Assurances for 6,179 thousand euro, Phénix Compagnie d'Assurances sur la Vie for 608 thousand euro and RasBank for 83,469 thousand euro.

Goodwill arising from the consolidation of the Allianz Suisse group is amortised on a straight-line basis over twenty years, taking into account the group's market share and contract duration as well as the income-generating potential of planned restructurings and re-organisations over a significant number of future years.

Similarly, goodwill relating to Allianz Subalpina after a public offer which increased the controlling interest to 97.94 per cent, is amortised over twenty years. Goodwill arising on the consolidation of the Phénix companies is amortised over twenty years, based on future profit projections. Activation of goodwill on consolidation relating to RasBank arose following the acquisition of Banca BNL Investimenti in 2004.

Section 2 - Investments (Item C)

Land and buildings - Item C.I

The breakdown of these assets by geographical area is as follows:

(thousands of Euro)	2004		2003	
Assets used for operations				
Europe				
Italy	103,305	103,305	89,527	89,527
Other EU countries				
Austria	20,073		29,950	
Spain	20,611		22,195	
Portugal	37,813	78,497	38,924	91,069
Non-EU European countries				
CH	239,908	239,908	180,896	180,896
Assets used by third parties				
Europe				
Italy	275,636	275,636	276,134	276,134
Other EU countries				
Austria	359,278		401,221	
Spain	121,931		149,605	
Portugal	40,493	521,702	42,426	593,252
Non-EU European countries				
CH	1,605,797	1,605,797	1,456,297	1,456,297
Leased assets	-	-	-	
Total		2,824,845		2,687,175

Real estate used for operations includes farming land and businesses for a total of 32,592 thousand euro. Real estate used by third parties includes buildings under construction and payments on account of 6,823 thousand euro.

Of the surplus of the carrying amounts of investments over their shareholders' equity values, a portion of 206,696 thousand euro was allocated to the buildings to which the surpluses refer.

Investments in group and other companies - Item C.II

Investments in subsidiary companies

Twenty companies that were not eligible for consolidation on a line-by-line or proportionate basis have been recognised using the equity method. Thirteen companies have been stated at cost. Current and prior-year figures are set out below.

(thousands of Euro)	2004	2003
Subsidiary companies stated using the equity method		
Borgo S.Felice srl - Siena	1,110	1,069
Gestiass srl - Torin	43	29
Investitori Sgr spa - Milano	14,065	14,263
Previndustria spa - Milano	451	451
Ras Asset Management Sgr spa - Milano	31,103	31,563
Rasbank spa - Milano	177,692	164,658
Solvat srl - Milano	1,554	1,646
Villa La Pagliaia srl - Siena	750	1,120
Allianz Investmentbank ag (AIB) - Vienna	22,869	21,189
Braun & Co. gmbh - Vienna	4,219	4,219
Ras Asset Management Lux sa - Lussemburgo ⁽¹⁾	-	2,438
Allianz Suisse Personal Financial Services ag - Zurigo	1,182	1,347
Allvor ag - Baden-Dättwil (CH)	64	68
Eurotax Garantie ag - Pfäffikon (CH) ⁽²⁾	735	-
Gesellschaft für Vorsorgeberatung - Berna	787	745
Investitori Suisse sa - Lugano ⁽³⁾	-	779
Other	1,552	1,534
Total	258,176	247,118
Other companies stated at cost	2,455	1,572
Total	260,631	248,690

⁽¹⁾ sold during 2004

⁽²⁾ reclassified in 2004 from associated company stated using the equity method to subsidiary stated using the equity method

⁽³⁾ this company went into liquidation in 2004 and was therefore reclassified from subsidiary stated using the equity method to subsidiary stated at cost.

List of investments

Company	Business	Ras invest. (%)	Indirect invest. (%)	Held by	Total invest. (%)
Europe					
Italy					
Assimediass srl - Milan Share capital: Euro 25,800	Insurance brokerage	1.00	99.00	L'Assic. Italiana Danni	100.00
Borgo S.Felice srl - Castelnuovo Berardenga (SI) Share capital: Euro 944,000	Agric. tourism	99.50	0.50	L'Assic. Italiana Danni	100.00
Gestiass srl - Turin Share capital: Euro 10,400	Insurance brokerage		100.00	Allianz Subalpina	100.00
Intermediass srl - Milan Share capital: Euro 10,300	Insurance brokerage	1.00	99.00	L'Assic. Italiana Danni	100.00
Investitori Sgr spa - Milan Share capital: Euro 1,010,000	Fund management	5.94	94.06	Investitori Holding	100.00
Previndustria spa - Milan Share capital: Euro 108,360	Pension plan management	85.71			85.71
Ras Asset Management Sgr spa - Milan Share capital: Euro 12,900,000	Fund management	100.00			100.00
RasBank spa - Milan Share capital: Euro 95,000,000	Bank	100.00			100.00
Solvat srl - Milan Share capital: Euro 1,762,000	Services	100.00			100.00
Villa La Pagliaia srl - Castelnuovo Berardenga (SI) - Share capital: Euro 1,032,000	Farming production and sale	0.50	99.50	Agricola San Felice	100.00

Company	Business	Ras invest. (%)	Indirect invest. (%)	Held by	Total invest. (%)
Other EU countries					
Allianz Elementar Werkküchenbetriebs gmbh - Vienna - Share capital: Euro 36,336	Canteen management		100.00	Allianz Elem. Vers.	100.00
Allianz FinInvest Beratungs gmbh - Vienna Share capital: Euro 60,000	Financial services		100.00	Allianz Elem. Leben	100.00
Allianz Investmentbank ag (AIB) - Vienna Share capital: Euro 4,360,370	Asset administration		66.67 33.33	Allianz Elem. Vers. Allianz Elem. Leben	100.00
Braun & Co. gmbh - Vienna Share capital: Euro 1,744,148	Hotel management for training courses		75.00	Allianz Elem. Vers.	75.00
Ras Asset Management Lux sa - Luxembourg Share capital: US\$ 2,000,000	Mutual fund management		99.99	Ras International nv	99.99
Non-EU European countries					
Allianz Asset Management ag - Zurich Share capital: SwFr 100,000	Financial services management		100.00	Allianz Suisse Vers.	100.00
Allianz Suisse Personal Financial Services ag Zurich - Share capital: SwFr 500,000	Services		100.00	Allianz Suisse Vers.	100.00
Allvor ag - Baden-Dättwil (CH) Share capital: SwFr 100,000	Stock brokerage		100.00	Allianz Suisse Vers.	100.00
Gesellschaft für Vorsorgeberatung - Berne Share capital: SwFr 500,000	Services		100.00	Allianz Suisse Leben	100.00
S.H.A. SeminarHotel ag - Unteraegeri (CH) Share capital: SwFr 100,000	Hotel management for training courses		100.00	Allianz Suisse Vers.	100.00
Eurotax Garantie ag - Pfäffikon (CH) Share capital: Fr.sv. 100.000	Services		95.00	Allianz Suisse Vers.	95.00

Affiliated companies stated using the equity method

(thousands of Euro)	2004	2003
Agf Atlantico sa - Madrid ⁽¹⁾	-	1,059
Allianz Gestion sa - Madrid	1,391	1,531
Allianz Inversiones, Sociedad de Valores sa - Madrid	2,680	2,652
Allianz Servicios Tecnicos aie - Barcellona ⁽²⁾	29	-
Elmonda ag - Zurigo	124,583	122,368
Europensiones sa - Madrid	9,424	8,537
Bawag Allianz Mitarbeitervorsorgekasse ag - Vienna	1,513	2,284
Other	3,161	2,880
Total	142,781	141,311

⁽¹⁾ sold during 2004

⁽²⁾ reclassified in 2004 from subsidiary stated at cost to subsidiary stated using the equity method

Affiliated companies stated using the equity method

Company	Business	Ras invest. (%)	Indirect invest. (%)	Held by	Total invest. (%)
Europe					
Other EU countries					
Allianz sa Agencia de Seguros - Madrid Share capital: Euro 1,000,000	Insurance brokerage		100.00	AZ Comp. Seguros	100.00
Allianz Gestion sa - Madrid Share capital: Euro 1,500,000	Asset management		100.00	AZ Comp. Seguros	100.00
Allianz Inversiones, Sociedad de Valores sa Madrid - Share capital: Euro 4,508,000	Fund management		100.00	AZ Comp. Seguros	100.00
Allianz Servicios Tecnicos aie - Bcelona Share capital: Euro 60,000	Services		197.50 2.50	AZ Comp. Seguros Fénix Directo	100.00
Bawag Allianz Mitarbeitervorsorgekasse ag Vienna - Share capital: Euro 1,500,000	Pension fund management		50.00	Allianz Elem. Vers.	50.00
Europensiones sa Entidad Gestora de Fondos de Pensiones - Madrid Share capital: Euro 15,626,000	Pension fund management		49.00	Agf Ras Holding	49.00
Informatica y Servicios Financieros sa Madrid - Share capital: Euro 60,200	Services		100.00	AZ Comp. Seguros	100.00
Non-EU European countries					
Elmonda ag - Zurich Share capital: SwFr 40,000,000	Holding company		50.00	Ras International nv	50.00

Associated companies stated using the equity method

The following minority interests – held directly by Ras or indirectly through Ras subsidiaries – of more than 20 per cent, or more than 10 per cent in the case of listed companies, are carried at the following amounts determined using the equity method.

(thousands of Euro)	2004	2003
Agrigest spa - Roma	81	80
CreditRas Previdenza Sim spa - Milano ⁽¹⁾	-	1,310
MVK Datenmanagement gmbh - Vienna	9	8
SK Versicherung ag - Vienna	1,781	1,707
Activita Care Management - Uster (CH) ⁽²⁾	67	-
Koç Allianz Hayat Ve Emeklilik as - Istanbul	12,508	10,568
Koç Allianz Sigorta as - Istanbul	25,141	18,907
Other	195	494
Total	39,782	33,074
Other companies stated at cost	2,535	2
Total	42,317	33,076

⁽¹⁾ reclassified in 2004 from associated company stated using the equity method to associated company stated at cost

⁽²⁾ included in 2004 after the Allianz Suisse interest was increased from 13.6% to 20%

Associated companies stated using the equity method

Company	Business	Ras invest. (%)	Indirect invest. (%)	Held by	Total invest. (%)
Europe Italy					
Agrigest spa - Rome Share capital: Euro 160,000	Services	50.00			50.00
Other EU countries					
MVK Datenmanagement gmbh - Vienna Share capital: Euro 35,000	Services		24.97	Topversicherungs Service	24.97
OVD Versicherungsdienst gmbh - Vienna Share capital: Euro 36,336	Insurance brokerage		40.00	Allianz Elem. Vers.	40.00
SK Versicherung ag - Vienna Share capital: Euro 3,633,500	Insurance		25.82	Allianz Elem. Vers.	25.82
Top Report Schadensbesichtigungs gmbh Vienna - Share capital: Euro 175.000	Services		20.00	Allianz Elem. Vers.	20.00
Versicherungsbüro Dr. Ignaz Fiala gmbh Vienna Share capital: Euro 72.690	Insurance brokerage		33.33	Allianz Elem. Vers.	33.33
Non-EU European countries					
Activita Care Management - Uster (CH) Share capital: Fr.sv. 300.000	Services		20.00	Allianz Suisse Vers.	20.00
Koç Allianz Hayat Ve Emeklilik as - Istanbul Share capital: TL 20,000,000,000,000	Insurance	33.00	1.00	RB Vita	34.00
Koç Allianz Sigorta as - Istanbul Share capital: TL 60,000,000,000,000	Insurance	33.75			33.75
Quality1 ag - Hombrechtikon (CH) Share capital: SwFr 100,000	Services		25.00	Allianz Suisse Vers.	25.00

Other companies stated at cost:

(thousands of Euro)	2004	2003
Ermittenti Ttitoli spa - Milan	357	256
Rete Italiana Teleinformatica Assicurativa scrl - Milan	747	747
Sofigea srl - Rome	4,739	4,739
Unicredito Italiano spa - Genoa	874,976	874,056
Banco Popular Español - Madrid	68,821	68,819
Banco BPI (ex Banco Portugues de Investimento) - Oporto	104,143	104,653
Castil Parque Sociedade Exploradora sa - Lisbon	273	273
Total	1,054,056	1,053,543

Other companies stated at cost (list of investments)

Company	Business	Ras invest. (%)	Indirect invest. (%)	Held by	Total invest. (%)
Europe					
Italy					
Emittenti Titoli spa - Milan Share capital: Euro 4,264,000	Financial	6.99			6.99
Rete Italiana Telematica Assicurativa srl Milan - Share capital: Euro 5,720,000	Services	11.15	1.70 0.18 0.09 0.02	Allianz Subalpina Bernese Assicuraz. RB Vita Bernese Vita	13.14
Sofigea srl - Rome Share capital: Euro 47,664,600	Financial	9.65	2.21 0.33	Allianz Subalpina Bernese Assicuraz.	12.19
UniCredito Italiano spa - Genoa Share capital: Euro 3,157,501,366	Bank	4.87	0.02 0.01	Allianz Subalpina RB Vita	4.90
Other EU countries					
Banco Popular Español - Madrid Share capital: Euro 108,577,058	Bank		2.21 0.94	Ras International nv AZ Comp. Seguros	3.15
Banco BPI (ex Banco Portugues de Investimento) Oporto Share capital: Euro 760,000,000	Financial holding company		8.64 0.20	Ras International nv Allianz Portugal	8.82
Castil Parque Sociedade Exploradora sa Lisbon - Share capital: Euro 5,500,000	Services		18.18	Allianz Portugal	18.18

Bonds - Item C.II - 2

720,953 thousand euro

Bonds were as follows:

Issued by Allianz ag*	529,711 thousand euro
Issued by Unicredito Italiano S.p.A.	85,212 thousand euro
Issued by Dresdner Bank**	113,031 thousand euro
Issued by Banco BPI	2,999 thousand euro

* The Allianz ag bonds are held by Riunione Adriatica di Sicurtà S.p.A. (265,328 thousand euro), Allianz Subalpina S.p.A. (49,079 thousand euro), RB Vita S.p.A. (58,133 thousand euro), Genialloyd S.p.A. (3,004 thousand euro), Allianz Seguros (154,167 thousand euro).

** The Dresdner Bank bonds are held by Allianz Seguros (61,425 thousand euro) and Allianz Elementar Leben (51,606 thousand euro).

Loans - Item C.II - 3

908,030 thousand euro

Loans amounted to 908,030 thousand euro, from 898,646 thousand euro in 2003, and were as follows:

- a loan by Allianz Suisse Leben to Allianz ag Munich, earning interest at the average rate on Swiss treasury bills plus 95 basis points (3.25 per cent for the second year). Allianz Suisse Leben received Allianz Leben Stuttgart shares for a value of 1 billion Swiss francs (648,130 thousand euro) as a guarantee for the loan, which were recorded in memorandum accounts under third-party assets;
- a loan for 400 million Swiss francs (259,252 thousand euro) granted by Allianz Suisse Versicherung to Allianz ag Munich in 2003 and earning 3.94 per cent interest was still in place;
- a loan by Allianz Suisse Versicherung to Eurotax for 1 million Swiss francs earning 4 per cent interest.

Other financial investments - Item C.III

Equity investments - Item C.III - 1 1,340,835 thousand euro

Equity investments amounted to 1,340,835 thousand euro against 1,043,106 thousand euro in 2003.

The increase arose chiefly in Italy and Switzerland.

Bonds and other fixed-income securities - Item C.III – 3

Fixed-income securities increased by 6.08 per cent. They were as follows:

(thousands of Euro)	2004	2003	Change
Fixed-income securities of domestic companies	19,195,555	18,101,017	1,094,538
Fixed-income securities of foreign companies	9,124,559	8,846,246	278,313
Convertible bonds	0	197	-197
Total	28,320,114	26,947,460	1,372,654

The increase of 1,372,654 thousand euro arose largely in Italy.

Loans - Item C.III – 4

The item was as follows:

(thousands of Euro)	2004	2003	Change
Secured loans	1,070,360	1,081,250	-10,890
Loans on life policies	129,426	132,074	-2,648
Other secured loans	1,840,421	1,943,271	-102,850
Other unsecured loans	10,764	12,243	-1,479
Total	3,050,971	3,168,838	-117,867

The decrease referred mainly to the Austrian companies.

Other financial investments - Item C.III - 7 1,898,200 thousand euro

Including:

Italy	1,602,396 thousand euro
Spain	294,881 thousand euro
Austria	-
Other	923 thousand euro

The amount of 1,602,396 thousand euro in Italy included 1,500,000 thousand euro with a counter-entry under Sundry payables and loans, attributable to the 18-month non-collateralised Securities Loan transaction (at 31 December 2003 the balance on the heading was 1,000,000 thousand euro).

Deposits with ceding companies - item C.IV 98,159 thousand euro

Relationships with unconsolidated Ras Group companies included:

Koç Allianz Hayat Ve Emeklilik	3,436 thousand euro
Koç Allianz Sigorta	1,605 thousand euro

Section 3 - Other assets (Items D - D.bis - E - F - G)

Investments benefiting life policyholders bearing the risk and investments arising from pension fund management - Item D

(thousands of Euro)	2004	2003	Change
Investments relating to unit-linked and index-linked policies	16,933,973	12,932,659	4,001,314
Investments arising from pension fund management	322,852	181,466	141,386
Total	17,256,825	13,114,125	4,142,700

The increase arose mainly in Italy.

Receivables - Item E **3,060,612 thousand euro**

Receivables relating to direct insurance business - Item E.I
1,610,715 thousand euro

Receivables due from non-consolidated Ras Group companies included 297 thousand euro due from Allianz Agencia de Seguros.

Other receivables - Item E.III

(thousands of Euro)	2004	2003	Change
Rents	10,009	12,492	-2,483
Coupons	110,937	120,700	-9,763
Tax receivables	729,737	652,512	77,225
Current accounts with non-insurance companies	10,562	8,082	2,480
Other	260,248	175,709	84,539
Total	1,121,493	969,495	151,998

The increase of 151,998 thousand euro arose mainly in Italy (203,883 thousand euro), and was offset in part by a decrease of 67,802 thousand euro in Switzerland.

Other receivables due from non-consolidated Ras Group companies included the following amounts classified under Other:

Ras Asset Management Sgr	11,499 thousand euro
RasBank	8,696 thousand euro
AIB A.G	6,530 thousand euro

Other assets - Item F

Own shares - Item F.III

In compliance with the shareholders' resolution of 2004, the parent company traded its own shares during the year. The amount of own shares held in portfolio may be allocated to stock option plans reserved for Ras directors and managers, as illustrated in the schedule attached to the report on operations. At year-end, the company held 500,000 own ordinary shares, for a total of 7,870 thousand euro.

Other assets - Item F.IV

(thousands of Euro)	2004	2003	Change
Reinsurance suspense accounts	275	28,930	-28,655
Sundry suspense accounts	86,225	71,960	14,265
Claims suspense accounts	29,234	66,832	-37,598
Sundry assets	479,664	483,859	-4,195
Total	595,398	651,581	-56,183

Accrued income and prepaid expenses - Item G

Accrued income and prepaid expenses increased by 6.48 per cent, and were as follows:

(thousands of Euro)	2004	2003	Change
Interest	448,262	428,010	20,252
Rent	380	366	14
Other	43,141	33,456	9,685
Total	491,783	461,832	29,951

There were no assets with subordination clauses.

Investments and Receivables - Residual duration

(thousands of Euro)	Residual duration 1 year	Residual duration from 1 to 5 years	Residual duration over 5 years	Total
Bonds and other fixed-income securities	1,645,388	11,163,268	15,511,458	28,320,114
Loans	173,774	2,538,204	338,993	3,050,971
Other financial investments	1,565,179	223,723	109,298	1,898,200
Receivables relating to direct insurance business *	1,355,093	56,050	20,682	1,431,825
Current account companies	133,363	16,675		150,038
Receivables relating to reinsurance business	301,759	26,645		328,404
Other receivables	1,043,260	51,572	26,661	1,121,493

* Excluding amounts to be recovered totalling 28,852 thousand euro.

No financial charges were capitalised.

Balance sheet - Liabilities and shareholders' equity

Section 4 - Shareholders' equity and subordinated liabilities (Items A - B)

Reconciliation of shareholders' equity and net profit for the year of the parent company with consolidated figures

(thousands of Euro)

Parent company
Statutory net profit for the year of companies consolidated on a line-by-line basis
Intercompany dividends
Adjustments to goodwill arising on consolidation (article 69 of Legislative decree no. 173)
Equity method
Statutory net profit for the year of companies stated using the equity method
Application of different accounting policies
Elimination of intercompany transactions
Goodwill arising on consolidation
Total

Changes in shareholders' equity

(thousands of Euro)

	Share capital	Equity reserves
At 31 December 2003	403,336	3,691,682
Allocation of 2003 net profit		
to dividends and remuneration to directors		
to reserves		54,103
Changes in capital and other reserves due to buy-back transaction		2,308
change in reserve for own shares due to buy-back transaction		
change in consolidation reserve, reserve for conversion differences and other reserves		
Net profit for 2004		
At 31 December 2004	403,336	3,748,093

Group shareholders' equity (excl. net profit for the year)	Minority interests (excl. net profit for the year)	Group net profit for the year	Net profit attributable to minority interests
4,159,298	0	607,224	0
0		546,051	83,280
415,017	952	-415,017	-952
-1,081,636	513,984	0	0
80,579	581	0	0
0	0	37,017	428
110,659	43,044	-8,401	43,588
-12,102	-15,448	-43,614	-20,004
342,693	0	-32,657	0
4,014,508	543,113	690,603	106,340

Reserve for own shares of parent company	Consolidation reserve	Reserve for differences arising from valuation of unconsolidated investments	Reserve for conversion differences	Net profit for the year	Group shareholders' equity	Minority interests	Total
10,178	-246,626	71,450	-93,541	554,342	4,390,821	581,244	4,972,065
				-402,686	-402,686	-50,471	-453,157
					54,103		54,103
					2,308		2,308
-2,308					-2,308		-2,308
	109,371	9,129	5,426	-151,656	-27,730	12,340	-15,390
				690,603	690,603	106,340	796,943
7,870	-137,255	80,579	-88,115	690,603	4,705,111	649,453	5,354,564

Net technical reserves - Item C

Non-Life technical reserves, net of reinsurance and retroceded business, amounted to 10,559,344 thousand euro, compared with 10,245,164 thousand euro at the end of 2003.

The increase of 314,180 thousand euro arose in Italy for 251,310 thousand euro and abroad for 62,870 thousand euro.

I - Non-Life business

Reserves were as follows:

(thousands of Euro)	2004	2003	Variation
Premium reserve	2,064,939	2,024,208	40,731
Claims reserve	8,134,135	7,920,304	213,831
Equalisation and other reserves	360,270	300,652	59,618
Total	10,559,344	10,245,164	314,180

Life business technical reserves, net of reinsurance and retroceded business, amounted to 27,292,322 thousand euro, compared with 25,859,236 thousand euro at the end of 2003.

The increase of 1,433,086 thousand euro arose in Italy for 1,134,019 thousand euro and abroad for 299,067 thousand euro.

II - Life business

Reserves were as follows:

(thousands of Euro)	2004	2003	Variation
Actuarial reserves	26,313,368	24,892,164	1,421,204
Reserve for amounts payable and other reserves	978,954	967,072	11,882
Total	27,292,322	25,859,236	1,433,086

Technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management - Item D

(thousands of Euro)	2004	2003	Variation
Reserves relating to unit-linked and index-linked policies	16,932,004	12,931,099	4,000,905
Reserves relating to pension fund management	322,852	181,256	141,596
Total	17,254,856	13,112,355	4,142,501

The increase of 4,142,501 thousand euro arose in Italy for 3,673,602 thousand euro and abroad for 468,899 thousand euro.

Provisions for risks and charges - Item E

Provisions for risks and charges were as follows:

(thousands of Euro)	2004	2003	Variation
Staff pension and similar obligations	197,228	160,295	36,933
Tax provisions	332,314	350,714	-18,400
Other provisions **	292,940	333,322	-40,382
Total	822,482	844,331	-21,849

** This item also includes provisions for risks and charges of 63,078 thousand euro (51,832 thousand euro in Italy and 11,246 thousand euro abroad), the provision for bad debts (40,356 thousand euro) and other provisions (189,506 thousand euro).

Section 6 - Payables and other liabilities (Items F - G - H)

Deposits from reinsurers - Item F

(thousands of Euro)	2004	2003	Variation
Deposits from reinsurers	851,276	770,830	80,446
Total	851,276	770,830	80,446

The overall increase of 80,446 thousand euro reflected an increase of 89,871 thousand euro in Italy and a decrease of 9,425 thousand abroad.

Payables and other liabilities - Item G

(thousands of Euro)	2004	2003	Variation
Payables relating to direct insurance business	758,109	878,981	-120,872
Payables relating to reinsurance business	324,667	331,29	-6,624
Payables to banks and financial institutions	86,754	117,720	-30,966
Secured debts	50	111	-61
Sundry loans and other financial payables	1,501,834	1,001,543	500,291
Staff severance indemnity	112,021	107,363	4,658
Other payables	414,444	425,735	-11,291
Other liabilities	782,214	639,210	143,004
Total	3,980,093	3,501,954	478,139

The increase of 478,139 thousand euro arose from an increase of 437,018 thousand in Italy and an increase of 41,121 thousand euro abroad.

The decrease of 120,872 thousand euro in Payables relating to direct insurance business and the decrease of 6,624 thousand euro in Payables relating to reinsurance business arose almost entirely in Switzerland.

Payables of non-consolidated Ras Group companies included an amount of 11,825 thousand euro relating to RasBank and classified under Payables relating to insurance business through agents and brokers.

The decrease of 30,966 thousand euro in Payables to banks and financial institutions arose in Italy for 21,211 thousand euro, in Switzerland for 9,678 thousand euro and in Austria for 77 thousand euro.

Payables of non-consolidated Ras Group companies included an amount of 47,871 thousand euro relating to RasBank and classified under Payables due to banks and financial institutions.

The increase of 500,291 thousand euro in Sundry loans and other financial payables arose mainly in Italy.

The decrease of 11,291 thousand euro in Other payables arose in Italy for 28,474 thousand euro and in Austria for 2,607 thousand euro, partially offset by other countries, most notably Switzerland, where the item rose by 10,319 thousand euro.

Accrued liabilities and deferred income - Item H

Accrued liabilities and deferred income were as follows:

(thousands of Euro)	2004	2003	Variation
Interest	348	518	-170
Rent	5,520	7,091	-1,571
Other	71,471	70,684	787
Total	77,339	78,293	-954

The balance on this heading amounted to 78,293 thousand euro at the end of 2003; the decrease of 954 thousand euro arose in Switzerland for 7,971 thousand euro and in Italy for 2,145 thousand euro, and was offset by the increase in the other countries, most notably Austria (6,922 thousand euro).

Payables - Residual duration

(thousands of Euro)	Residual duration 1 year"	Residual duration from 1 to 5 years	Residual duration over 5 years	Total 2004
Payables relating to reinsurance deposits	833,341	7,077	10,858	851,276
Payables relating to direct insurance business	752,151	5,958		758,109
Payables relating to reinsurance business	313,614	10,195	858	324,667
Unsecured bank debts	85,410	1,344		86,754
Secured loans	20	30		50
Other loans	76,007	1,425,827		1,501,834
Staff severance indemnity	51,571	6,063	54,387	112,021
Other payables *	383,682	30,186		413,868

* Excluding amounts to be recovered totalling 576 thousand euro.

Section 7 - Guarantees, commitments and other memorandum accounts

(thousands of Euro)		2004
I	Guarantees provided	83,651
	- Sureties	6,181
	- Collateral	77,470
II	Guarantees received	81,891
	- Sureties	4,591
	- Collateral	77,300
III	Guarantees provided by third parties in the interest of consolidated companies	105,831
IV	Commitments	224,231
V	Third party assets	920,686
VI	Pension fund assets managed on behalf of third parties	215,494
VII	Securities deposited with third parties	39,861,347
VIII	Other memorandum accounts	1,313,152
Total current year		42,806,283

Section 8 – Information on technical accounts

Gross premiums written - breakdown by line of business (8.1)

16,123,925 thousand euro

Life business gross premiums written totalled 8,834,067 thousand euro and were as follows:

(thousands of Euro)		Direct business	Indirect business	Total
I	Whole and term life insurance	2,417,660	58,213	2,475,873
II	Marriage and birth insurance		0	
III	Insurance included in points I and II linked to mutual funds	4,469,885		4,469,885
IV	Health insurance as per letter d), number 1, article 1 of EEC directive no. 79/267 of 5 March 1979	80		80
V	Capitalisation transactions as per article 40 of Legislative decree no. 174 of 17 March 1995	1,186,147		1,186,147
VI	Management transactions of investment pools set up against payment of sums related to whole or term life insurance, work termination or reduction insurance	702,082		702,082
Total life business		8,775,854	58,213	8,834,067
Total life business premiums as per 2002 financial statements		9,511,901	40,594	9,552,495
Percentage increase		-7.7	43.4	-7.5

Class III decreased by 574,478 thousand euro, Class V gross premiums written decreased by 124,134 thousand euro and related mainly to CreditRas Vita.

Non-Life business gross premiums written totalled 7,289,858 thousand euro and were as follows:

(thousands of Euro)	Direct business	Indirect Business	Total
Personal accident and health	936,665	15,078	951,743
Third-party motor liability	2,497,436	2,780	2,500,216
Other motor	1,569,598	2,923	1,572,521
Marine, aviation and transport	107,919	15,156	123,075
Fire and miscellaneous damage to property	1,094,284	98,050	1,192,334
General liability	568,333	6,085	574,418
Credit and bonds	36,310	1,438	37,748
Pecuniary loss	199,521	5,432	204,953
Legal protection	98,443	2	98,445
Assistance	34,405		34,405
Total non-life business	7,142,914	146,944	7,289,858
Total non-life business premiums as per 2002 financial statements	6,868,059	148,520	7,016,579
Percentage increase	4.0	-1.1	3.9

Gross premiums written - breakdown by geographical area (8.2)

(thousands of Euro)	Life business	Non-life business	Total 2004	Total 2003
Italy	6,780,226	3,947,947	10,728,173	11,254,593
Other EU countries				
Austria	398,058	922,130	1,320,188	1,289,279
Portugal	85,487	315,182	400,669	394,686
Spain	306,886	850,367	1,157,253	1,079,566
Ireland	204,281		204,281	186,255
Other non EU countries				
Switzerland	1,059,129	1,254,232	2,313,361	2,364,695
Total	8,834,067	7,289,858	16,123,925	16,569,074

Switzerland reported a decrease in Life premiums due to a fall in traditional products and to favourable rates, and also to a portfolio review.

Income on investments transferred to the Life business technical account (8.3)

Each company active in the Life business has stated the amount of net income on investments covering the Life business, which, in compliance with local laws, was transferred to the Life business technical account. The overall amount was 1,138,439 thousand euro, against 1,113,561 thousand euro in 2003.

Other technical income and charges, net of outwards reinsurance (8.4)

Other technical income and charges, net of outwards reinsurance, generated net income of 81,778 thousand euro, compared with 131,779 thousand euro in 2003. This arose as follows:

(thousands of Euro)	Life business	Non-life business	Total
Write-offs of premiums receivable of previous years, net of related commissions	-98	-3,719	-3,817
Write-downs of premiums receivable in arrears, net of related commissions	-2,491	-26,163	-28,654
Knock for knock agreements (CID) and UCI		206	206
Other	124,220	-10,177	114,043
Total	121,631	-39,853	81,778

Section 9 – information on non-technical accounts

Income from other investments

Income from other investments amounted to 2,101,191 thousand euro, an increase of 31.6 per cent from 2003, and arose as follows:

(thousands of Euro)	2004	2003
Mutual fund units	92,627	90,721
Bonds and other fixed-income securities	1,252,874	1,228,305
Loans	151,014	139,832
Deposits with banks	4,626	8,727
Other financial investments	600,050	129,329
Total	2,101,191	1,596,914

Write-backs of investments and gains on sale of investments

Impairment reversals on investments totalled 40,628 thousand euro in 2004, compared with 84,322 thousand euro in 2003. They consisted largely of write-backs of equity investments for 30,966 thousand euro, of which 30,573 thousand euro in Italy and 393 thousand euro abroad.

Sales of short-term investments generated gains of 316,398 thousand euro in 2004, compared with gains of 476,174 thousand euro in 2003 (-33.5 per cent). A breakdown by type of investment is set out below:

(thousands of Euro)	2004	2003
Equity investments	184,124	224,083
Bonds and fixed-income securities	119,577	172,325
Other	12,697	79,766
Total	316,398	476,174

Investment management charges and interest expense (9.3)

(thousands of Euro)	2004	2003
Taxes other than income taxes	5,043	6,695
Administrative general expenses	9,245	10,369
Charges for land and buildings	103,954	54,265
Charges for equity investments	1,919	1,285
Interest and redemption charges for bonds and fixed-income securities	24,562	131,725
Charges for issue discount	34,333	26,900
Interest expense on deposits	7,961	8,891
Depreciation/amortisation not allocated to the technical accounts	15,726	16,367
Other interest and charge	568,736	16,915
Total	771,479	273,412

Write-downs of investments and losses on sale of investments (9.4)

Impairment losses on investments amounted to 69,579 thousand euro in 2004, compared with 82,190 thousand euro in 2003, as follows:

(thousands of Euro)	2004	2003
Real estate	10,029	6,215
Equity investments	11,203	24,148
Bonds and fixed-income securities	22,266	32,975
Mutual fund units	7,464	9,842
Other investments	18,617	9,010
Total	69,579	82,190

Sales of short-term investments generated losses of 64,679 thousand euro, compared with losses of 274,905 thousand euro in 2003

(thousands of Euro)	2004	2003
Group equity investments	2	-
Equity investments	27,163	170,068
Bonds and fixed-income securities	21,269	20,425
Other investments	16,245	84,412
Total	64,679	274,905

Other income (9.5)

Other income increased by 17,872 thousand euro, from 240,641 thousand euro in 2003 to 258,513 thousand euro in 2004, as follows:

(thousands of Euro)	2004	2003
Interest on receivables relating to direct insurance business	653	1,250
Interest on other receivables relating to insurance business	974	354
Interest on tax receivables	875	820
Interest on cash and cash equivalents	11,347	13,656
Interest on other receivables and assets	7,780	7,908
Revenues and closing stock of farming businesses	13,041	13,087
Withdrawals from provisions for risks and charges	4,587	44,862
Withdrawals from other provisions	90,373	18,651
Other income	128,883	140,053
Total	258,513	240,641

Interest on financial payables and other charges (9.6)

Interest on financial payables charged to the 2004 consolidated profit and loss account amounted to 8,632 thousand euro, an improvement of 2,657 thousand euro compared with the 2003 charge:

(thousands of Euro)	2004	2003
Interest on payables to banks	5,042	7,079
Interest on other loans	2,740	1,225
Interest on other liabilities	850	2,985
Total	8,632	11,289

Other charges totalled 238,742 thousand euro, as follows:

(thousands of Euro)	2004	2003
Charges and opening stock of farming businesses	11,987	11,675
Accrual to tax provisions	0	0
Accrual to provisions for risks and charges	5,903	8,773
Accruals to other provisions	65,065	25,434
Losses on and write-downs of receivables due from parties other than policyholders	1,823	589
Amortisation of intangible assets	40,193	38,599
Amortisation of goodwill	32,657	28,285
Other taxes	5,147	4,337
Other charges	75,967	103,521
Total	238,742	221,213

Extraordinary income and charges - (9.7)

Extraordinary income amounted to 107,619 thousand euro, while extraordinary charges totalled 44,529 thousand euro. Extraordinary income arose largely from equity investments and was as follows:

(thousands of Euro)	2004	2003
Profit from the sale of		
Tangible assets and stock	76	149
Real estate	461	5,569
Investments in group companies sold to third parties	35,660	122,459
Equity investments	15	-
Bonds and other fixed-income securities	26,898	11,364
Other		
Prior year items	19,346	21,669
Other extraordinary income	25,163	1,952
Total	107,619	163,162

Extraordinary charges

(thousands of Euro)	2004	2003
Loss from the sale of		
Tangible assets and stock	69	628
Real estate	1,269	737
Investments in group companies sold to third parties	289	32,690
Equity investments	0	212
Bonds and other fixed-income securities	1,709	386
Other		
Prior year items	39,195	32,930
Other extraordinary charges	1,998	12,959
Total	44,529	80,542

Income tax for the year 9.8

Income tax for the year totalled 344,353 thousand euro, including 249,595 thousand relating to the Italian companies.



consolidated cash flow statement

f flow

Source of funds

(thousands of Euro)	2004	2003	2002
Cash flows generated by operations for the year			
Net profit for the year	690,603	554,342	910,817
Increase in net technical reserves	5,889,767	5,384,831	9,287,650
Depreciation of land, buildings and tangible assets	36,272	63,548	37,094
Increase (decrease) in provisions for risks and charges (staff severance indemnity)	-21,849	-155,173	203,651
Write-downs	69,579	82,190	762,499
Write-backs of securities	-58,382	-92,941	-67,286
Write-downs of mutual fund units	-92,516	-90,612	-93,169
(Increase) decrease in receivables and other assets, net of payables and other liabilities	137,064	1,803,925	-541,717
Net issue discounts on fixed-income securities	20,536	13,441	-1,287
Decrease in shareholders' equity following buy back transaction		-799,989	
Other changes in shareholders' equity	26,373	-42,578	-19,688
Cash flows generated by operations	6,697,447	6,720,984	10,478,564
Increase (decrease) in minority interests	68,209	22,622	178,969
Total cash flows generated	6,765,656	6,743,606	10,657,533

Application of funds

(thousands of Euro)	2004	2003	2002
Increase in net investments			
Bonds and other fixed-income securities	1,990,663	1,949,466	5,798,582
Equity investments	4,071,221	3,438,002	2,230,111
Land and buildings	195,188	71,142	-198,390
Loans and other investments	166,254	761,871	1,898,498
Total	6,423,326	6,220,481	9,728,801
Dividends distributed			
Parent company	402,686	295,287	268,318
Subsidiaries	50,471	10,583	14,625
Increase in tangible and other assets	113,802	5,019	87,660
Repurchase of own shares		709,107	87,045
Total application of funds	6,990,285	7,240,477	10,186,449
Change in cash and cash equivalents	-224,629	-496,871	471,084
Total	6,765,656	6,743,606	10,657,533

Cash and cash equivalents

(thousands of Euro)	2004	2003	2002
Opening balance (*)	832,337	1,325,649	883,627
Closing balance	607,708	828,778	1,354,711
Change in cash and cash equivalents	-224,629	-496,871	471,084

(*) Including exchange rate fluctuations for amounts in foreign currencies,

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