2003

annual report &

Consolidated financial statements

RAS COSTRUTTORI DI CERTEZZE.

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Ras is a leading Italian group in the insurance and financial markets, with approximately 5 million customers. It offers not only insurance and pension services, but also asset management and banking services.

At year end, its sales network consisted of 1,932 insurance agents, 2,389 financial advisors and, through bankinsurance agreements, 2,750 branches of partner banks. Genialloyd, the group's direct insurance company, was confirmed number one Italian leader in online sales of insurance policies.

Ras is listed on the Milan Stock Exchange. Allianz, one of the international financial and insurance giants, holds 55.51% of the Ras share capital.

Mission

Work together to create well-being and security over time, constantly striving for excellence.

Vision

Create a new way of being: a company that knows how best to manage risks, funds and services for its clientele in an integrated way.

Values

Dynamism, Care, Responsibility, Growth

Ras at a glance

Group financial highlights

		2000	2001	2002	2003
Total premiums	Gross premium income (in millions of Euro)	10,862	12,805	15,039	16,569
	- of which in Italy (in millions of Euro)	6,811	8,370	10,117	11,440[1]
Non-life	Gross premium income (in millions of Euro)	5,751	6,174	6,696	7,017
	- of which in Italy (in millions of Euro)	3,097	3,373	3,640	3,794
	Gross technical reserves (in millions of Euro)	9,517	9,990	11,285	11,389
	Net reserve ratio (%)	159.5	155.8	165.7	162.1
	Technical result (in millions of Euro)	-432	-268	-283	-68
	Net combined ratio (%)	106.8	105.6	104.7	101.1
Life	Gross premium income (in millions of Euro)	5,111	6,631	8,343	9,552
	- of which in Italy (in millions of Euro)	3,714	4,997	6,477	7,646[1]
	Gross traditional technical reserves (in millions of Euro)	20,137	21,217	26,429	26,591
	Gross unit-linked and pension fund technical reserves (in millions of Euro)	2,598	5,462	8,309	13,112
	Technical result (in millions of Euro)	216	105	118	107
	New business value (in millions of Euro)	172	90	119	162
	Life in-force value (in millions of Euro)	1,307	1,285	1,383	1,530
Personal financial services	Assets under management at 31 December (in millions of Euro)	11,032	10,525	9,502	10,838
	Assets under administration at 31 December (in millions of Euro)	769	877	1,208	2,182
	Net inflows of assets under management and administration (in millions of Euro)	1,142[2]	786	936	1,097
	New business value (in millions of Euro)	58	21	13	16
	Asset management in-force value (in millions of Euro)	330	302	224	214
Profit of ordinary business (in millions of Euro)		589	634	137	937
Net profit for the year (in millions of Euro)		383	402	911	554
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
R.O.E. (%)		9.5	9.4	19.5	12.9
Investments (in millions of Euro)		31,184	32,502	39,041	40,694
Unrealised capital gains on listed securities (in millions of Euro)		2,869	1,774	1,806	2,096
Number of insurance sector employees at 31 December		14,337	13,931	12,758	12,351

[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

main 2003 events

Capital optimisation, newcos and acquisitions

- The Ras buy back and subsequent cancellation of own shares is concluded for Euro 800 million
- Ras creates Darta Saving, an Irish life insurance company
- RasBank acquires BPVi Suisse and Commerzbank Asset Management Italia
- Ras signs a preliminary purchase agreement for Banca Bnl Investments

Social responsibility and corporate governance

- Ras signs an agreement with Anglat to offer customised insurance policies to disabled people
- Ras adopts the organisational and management model under Legislative Decree no. 231/2001, including the Code of Ethics
- The Umana Mente foundation funds nine projects in the social sector and organises a conference jointly with the Bocconi University on transparency and value creation in relationships between for-profit and not-for-profit organisations

Business plan and new insurance and financial products

- Ras launches the new life Quota Massima 2003 (unit-linked), Rassicura Plus (with minimum guaranteed returns), Cento per Cento (savings + personal accident), Ras Equity World 110, Ras Equity World 112 New (index-linked) products and the new non-life Generazione Sicurezza (third-party motor liability), Guido Io (driver personal accident) and Universo Agricoltura (for farmers) products
- RasBank launches China Dragon, Cedola Più II, Commodity, Cedola Più III, ExtraLarge (structured bonds) and Philosophy (Darta Saving unit-linked policy)
- Ras unveils its new 2004-2006 strategic plan

contents

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

(starting from 1 May 2004)

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
Ferruccio De Bortoli
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
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

Board of Directors
Chairman

Chief Executive Officer

- Group legal affairs
- Administration
- Communications and image
- Strategic planning
- Institutional relations
- Internal audit
- Human resources
- Corporate office

General Management Insurance Distribution

- Insurance agents
- Direct channel
- Customer service
- Claims
- IT

General Management Insurance Underwriting

- Life
- Non-life
- Subsidiary agencies and brokers
- Reinsurance

General Managements Finance and Investments

- Financial management
- Corporate and retail finance
- Farming and farm-tourism
- Real estate

General Management Banking and Personal Financial Services

- Financial advisors
- Banking and PFS

corporate governance

Introduction

An adequate corporate governance system, meaning a set of "good governance" rules by which a company is managed and controlled, is essential to its economic and social development and reliability in domestic and foreign markets.

Since the second half of the 1990's, Ras has shown a particular commitment to corporate governance issues. Ras has taken additional steps since 2000 to strengthen its corporate governance system, aiming to boost stakeholders' trust and satisfaction. It has adopted internal corporate governance rules that are often stricter than generally accepted rules or those recommended by the relevant supervisory authorities.

The most recent step in this direction was the overall review of its corporate governance rules in January 2004. New rules - never before seen in Italy - were introduced based on international best practices. This led to the new Ras Corporate Governance Code, specifically geared towards:
- maximising value for shareholders and other stakeholders, with customers at the top of the list;
- increasing controls over business risks;
- increasing transparency to the market.

Ras has based improvements to its corporate governance system on the following international guidelines, where such are compatible:
- the Sarbanes-Oxley Act of 30 July 2002, which to some extent became applicable to Ras, as its parent company, Allianz ag is listed on the New York Stock Exchange;
- the new British Combined Code on Corporate Governance, which the Financial Reporting Council published on 23 July 2003;
- The EU Directive on market abuse of 28 January 2003 and delegated legislation no. 306 of 31 October 2003.

In terms of Italian corporate governance models, the so called Preda Code issued by the Italian Stock Exchange's corporate governance committee for listed companies is fundamental. Ras implemented all the rules included in the Preda Code and in many areas extended and integrated them.

This report has been prepared in accordance with the Regulation Instructions for Markets Organised and Managed by the Italian Stock Exchange. Also the analyses and proposals of trade associations have been determinant to its preparation, in particular Assonime, which – with Emittenti Titoli, and on the advice of the Italian Stock Exchange – issued a specific guide for the preparation of corporate governance reports. Lastly, with respect to certain specific issues, Ras referred to the results of the Galgano Commission.

This report illustrates the development of Ras corporate governance in 2003 and early 2004. This report is also posted on www.ras.it, together with all other information on the Company's corporate governance, including the Ras Corporate Governance Code, its Articles of Association, the Rules of Procedure for Shareholders' Meetings, the financial statements and other reports, as better described in a following section.

Societal organisation

Ras societal organisation draws on the so-called traditional model, based on the following: Shareholders' Meeting, Board of Directors (advised by committees), Executive Committee, Board of Statutory Auditors, Savings Shareholders' Representative. Furthermore, Ras also relies on independent auditors engaged for three-year periods.

In line with the recommendations of the new British Combined Code on Corporate Governance, this report illustrates the rules of procedure of such bodies, taking into consideration the recent company law reform (Legislative Decree no. 6 of 17 January 2003). It also describes the activities carried out during 2003 and the first few months of 2004.

Shareholders' Meeting and shareholders

The Shareholders' Meeting is an extremely important opportunity for dialogue between the shareholders and the Board of Directors, where the shareholders obtain information on the Company, in accordance with the principle of equal information.

The ordinary and extraordinary Shareholders' Meetings are called and resolve in accordance with the law and the Company's Articles of Association. Since 2001, Ras has adopted a specific set of Rules of Procedure for Shareholders' Meetings in line with the Ras Corporate Governance Code (article 25). Article 17 of the Articles of Association states that the Chairman is responsible for ascertaining that the Shareholders' Meetings are called regularly, running the sessions and discussions and verifying the outcome of votes.

During the Shareholders' Meeting scheduled for 28 April 2004, to facilitate shareholders exercising their rights and encourage participation in meetings (as encouraged by Britain's new Combined Code on Corporate Governance), there will be a proposal to change the Ras Articles of Association and the Rules of Procedure for Shareholders' Meetings so that:
- Shareholders' Meetings be called with notices published in the Republic of Italy's Official Journal and at least two other dailies of national circulation, as well as on the Company's website. Ras has already published notices in the daily press for years;
- the term to deposit share certificates in order to participate in the Shareholders' Meetings be at least two days, rather than the current five, with the power to withdraw such certificates after the meeting has been held;
- those interested in participating in the shareholders' meetings be allowed to do so also through means of telecommunications, which the shareholders will also be able to use to actively participate;
- if the Chairman of the Board of Directors is not present, the shareholders will appoint someone to fill in for him or her by majority vote.

Shareholders' participation in Ras Shareholders' Meetings has beeen consistently significant. For instance, at the meeting held on 30 April 2003, 61 per cent of Ras share capital was represented.
Ras majority shareholder, Acif-Allianz Compagnia Italiana Finanziamenti spa, holds 55.51 per cent of the share capital. No other shareholders have investments of 2 per cent or more.

Board of Directors

Role

The Ras corporate governance system provides for a central role of the Board of Directors, which meets at least five times each year and has all powers of ordinary and extraordinary administration, as per article 1 of the Ras Corporate Governance Code.

In particular, the Board of Directors is exclusively responsible for the most significant issues, including:
- establishing company and group corporate governance rules;
- approving group strategies, performance forecasts and the societal structure;
- monitoring overall performance, especially operations with a greater impact on the profit and loss account and balance sheet and, among these, particularly irregular or unusual transactions, including those with related parties;
- assigning and revoking managemnt powers;
- allocating the individual Directors' fees out of the global Board fee as resolved by the Sharehol-

ders'Meeting and determining the remuneration of the Chairman, Chief Executive Officer and other Directors with special powers, as well as General Managers.

In compliance with the company law reform (Legislative Decree no. 6 of 17 January 2003), during the meeting of 28 April 2004, the shareholders will be asked to modify the Articles of Association by giving the Board of Directors the power to resolve on mergers of companies in which Ras owns investments of at least 90 per cent, bond issues, creating specific portfolios, setting up or eliminating branches and bringing the Articles of Association up to new regulation.

Rules of procedure

When a Board of Directors' meeting is called to resolve on important issues, the Chairman is responsible for providing Directors with information necessary to effectively participate in the meeting, reasonably in advance with respect to the meeting date (article 8 of the Ras Corporate Governance Code, also in line with the Britain's Combined Code on Corporate Governance).

The appointed bodies, and, in particular the Executive Committee and Chief Executive Officer, report their activities to the Board of Directors and Board of Statutory Auditors on a timely basis (usually when meetings are held and, in any case, at least quarterly). Reporting includes all operations with a significant impact on the balance sheet and profit and loss account carried out by the Company and its subsidiaries, especially irregular or unusual transactions, including those with related parties (articles 1, 3, 7 and 10 of the Ras Corporate Governance Code).

The new 2004 Ras Corporate Governance Code, based on Britain's Combined Code on Corporate Governance, provides that the Board be kept up-to-date on institutional investors' and other shareholders' evaluations of the Company.

The Board of Directors met six times in 2003. During the meetings, it carried out its duties, including the above activities. Reference should be made to the 2003 Directors' report of Ras spa for information on performance and, in particular, with regard to the most significant transactions and those with related parties.

The participation of Directors — and specifically independent ones — in board meetings has been consistently significant (in 2003, Director participation approximated 70 per cent) and was such as to ensure the necessary quorum. The Board of Statutory Auditors participated in all meetings, as did General Managers, in accordance with the Articles of Association, but without voting rights.

The 2004 calendar – also posted on the www.ras.it website – includes five board meetings scheduled for 30 January, 11 March, 28 April, 13 September and 9 November, in addition to any extraordinary meetings.

The Executive Committee's and Chief Executive Officer's management powers

The Board of Directors has granted general management and corporate affairs powers (within established limits) to the Executive Committee and Chief Executive Officer. Considering the central role of the Board of Directors, the powers conferred on the Executive Committee and Chief Executive Officer are limited to ordinary administration, with the exception of extraordinary circumstances in which emergency measures be required.

The Chief Executive Officer can exercise his powers solely with the joint signature of the Chairman or Deputy Chairman or one of the General Managers or one of other managers.

Chairman

In addition to leading the Shareholders' Meeting as mentioned above, the Chairman is responsible for calling the Board of Directors and the Executive Committee and coordinating and heading their meetings.

In accordance with article 8 of the Ras Corporate Governance Code, and in line with the new British Combined Code on Corporate Governance, the Chairman ensures that the independent and/or non-executive Directors are in a position to participate in the Board of Directors with respect to their roles.

Article 22 of the Ras Corporate Governance Code assigns the Chairman – in compliance with the principle of equal information – the role of shareholders' contact in the event that reference to other management bodies be considered inappropriate. This duty is in line with Britain's new Combined Code on Corporate Governance. In the event that the Chairman is not present or is unable to fulfil these duties, they are carried out by the Deputy Chairman. As recommended in the new Combined Code on Corporate Governance, the Chairman and Deputy Chairman have not been granted any management powers.

Composition

In compliance with the Articles of Association, which have established a range of 10 to 20 board members, since November 2003, the Ras Board of Directors has consisted of 19 Directors, as resolved by the Shareholders' Meeting of 30 April 2003, which appointed the Board for the three-year period from 2003 to 2005.

At the end of 2003, Director Luigi Orlando stepped down for personal reasons and, sadly, Director Alberto Falck passed away. In early 2004, Directors Mario Arcelli, Guido Maria Barilla and Angelo Marchiò (the latter with effect from the 2004 Shareholders' Meeting) also resigned for personal reasons. The Ras Board of Directors co-opted two new Directors, Salvatore Orlando and Andrea Pininfarina, and referred all further decisions to the Shareholders' Meeting.

Accordingly, at the date of the 2004 Shareholders' Meeting, the Board of Directors comprised 16 members. A list thereof, in alphabetical order, is given below, along with a brief curriculum vitae highlighting the main positions they hold in other companies. In accordance with the new British Combined Code on Corporate Governance, the list also indicates whether they are executive/non-executive or independent/non-independent Directors, as stated by the Board of Directors and explained further on.

Detlev Bremkamp born in Hamburg (Germany) on 2 March 1944
Director of Ras since 11 June 1997 and member of the Executive Committee. He is also a member of the Vorstand of Allianz ag, Deputy Chairman of Ras International nv, Chairman of Allianz Compañía de Seguros y Reaseguros sa, Elmonda Assistance and Allianz Global Risks Rückversicherungs ag, Director of Allianz Portugal sa, Assurances Generales de France, Lloyd Adriatico, Allianz Nederland Group and member of the Supervisory Boards of Asea Brown Boveri ag and Hochtief ag.
Mr. Bremkamp is a non-executive Director and, since he is on the Board of the parent company Allianz ag, non-independent.

Carlo Buora born in Milan on 24 May 1946
Director of Ras since 10 September 2002, he is Chief Executive Officer of Pirelli & C. spa, in which Ras holds a minority position in the shareholders' vote blocking agreement, and Chief Executive Officer of Telecom Italia spa, Chairman of the Board of Directors of Tim spa, Director of Olimpia spa, Pirelli & C. Real Estate, Rcs Mediagroup spa and Mediobanca spa. He is also Deputy Chairman of F.C. Internazionale spa
Mr. Buora is a non-executive and independent Director.

Vittorio Colao born in Brescia on 3 October 1961
Director of Ras since 30 April 2003, he is Chief Executive Officer of Vodafone Omnitel nv, Director

and member of the Executive Committee of Vodafone Group plc, responsible for Southern Europe, Africa and the Middle East, Chairman of AssoTelecomunicazioni and member of the Executive Committee of The Aspen Institute Italy.
Mr. Colao is a non-executive and independent Director.

Nicola Costa born in Genoa on 4 April 1940
Director of Ras since 29 June 1994, he is Chairman of the Fondazione Acquario of Genoa and Director of Costa Crociere, Costa Edutainment spa and Bioparco.
Mr. Costa is a non-executive and independent Director.

Michael Diekmann born in Bielefeld (Germany) on 23 December 1954
Deputy Chairman of the Ras Board of Directors and the Executive Committee since 30 April 2003, he has served as Chairman of Allianz ag since 29 April 2003. Within the Allianz Group, Mr. Diekmann acts as Chairman of the Supervisory Board of Allianz Lebensversicherungs ag, Allianz Versicherungs ag, Dresdner Bank ag and Allianz Dresdner Asset Management ag. He is also Chairman of Allianz of America inc. and Deputy Chairman of Assurances Generales de France. In addition, Mr. Diekmann is a member of the Supervisory Boards of Basf ag, Linde ag (on which he serves as Deputy Chairman) and Lufthansa ag.
He is a non-executive Director and, since he is on the board of the parent company Allianz ag, non-independent.

Klaus Dührkop born in Hamburg (Germany) on 9 February 1953
Director of Ras since 28 April 2000, he is a Director of Allianz Subalpina, Lloyd Adriatico, Banco Portugues de Investimento, Allianz Portugal, Allianz Life Insurance Company sa, Allianz General Insurance Company sa, Koç Allianz Sigorta as, Koç Allianz Hayat ve Emekilik as and Agf Assurance Federale.
He is a non-executive Director and, since he is on the board of the parent company Allianz ag, non-independent.

Pietro Ferrero born in Turin on 11 September 1963
Director of Ras since 28 April 2000, he is Chairman of Ferrero spa, Chief Executive Officer of Ferrero International sa and a member of the Advisory Committee of Deutsche Bank spa and the Executive Committee of The Aspen Institute Italy.
Mr. Ferrero is a non-executive and independent Director.

Mario Greco born in Naples on 16 June 1959
Chief Executive Officer of Ras since 11 June 1998 and member of the Executive Committee, Mr. Greco is also General Manager of Ras, responsible for the retail sector. Furthermore, he has roles in many Ras subsidiaries in Italy and abroad and is a Director of Unicredito Italiano spa, e.biscom spa, Ifil spa, Mediobanca spa, Pirelli & C. spa and GIM-Generale Industrie Metallurgiche spa.
Mr. Greco is an executive Director with management powers. As such, he is non-independent.

Angelo Marchiò born in Livorno on 15 October 1928
Director of Ras since 27 June 1991 and a member of the Executive Committee, after serving for many years as General Manager, Chief Executive Officer and then Chairman of Ras, Mr. Marchiò is the current chairman of Allianz Subalpina. He resigned from his offices with Ras and Allianz Subalpina with effect from the 2004 Shareholders' Meeting.
Mr. Marchiò is a non-executive and independent Director.

Francesco Micheli born in Parma on 19 October 1937
Director of Ras since 25 June 1985, he is also a Director of Interbanca and Longanesi Editore and a member of the Boards of Directors of various cultural and philanthropist organisations, such as the La Scala Philharmonic Orchestra, the Italian Chamber Orchestra, the Teatro Parenti Foundation, Vidas, the Foundation for Neuroscience, the Amici della Scala Foundation, the Mazzotta Foundation and Cerba. He is Chairman of the G. Verdi Music Conservatory of Milan and the Philharmonic Orchestra of that Conservatory.
Mr. Micheli is a non-executive and independent Director.

Salvatore Orlando born in Florence on 28 September 1957
Director of Ras since 30 January 2004, he is general partner of Orlando & C. sapa and Executive

Deputy Chairman of the Board of Directors of Smi. In addition, Mr. Orlando serves as Executive Deputy Chairman of GIM-Generale Industrie Metallurgiche spa, in which Ras holds a minority position in the shareholders' vote blocking agreement. He fills important offices in other Orlando Group companies in Italy and abroad.
Mr. Orlando is a non-executive and independent Director.

Helmut Perlet born in Planegg (Germany) on 9 April 1947
Director of Ras since 27 April 2001, he is a member of the Vorstand of Allianz ag, a Director of Lloyd Adriatico spa and Fireman's Fund Insurance Co., member of the Supervisory Board of Dresdner Bank ag and Allianz Global Risk Rückversicherungs ag. He is also a member of the Steering Committee of the Association of German insurance companies.
He is a non-executive Director and, since he is on the board of the parent company Allianz ag, non-independent.

Giampiero Pesenti born in Milan on 5 May 1931
Director of Ras since 27 June 1972, he serves as Chairman and Chief Executive Officer of Italmobiliare and Chief Executive Officer of Italcementi. He also fills many offices within the Italmobiliare Group and is a Director of Pirelli & C. spa, GIM-Generale Industrie Metallurgiche spa and Mittel spa.
Mr. Pesenti is a non-executive and independent Director.

Andrea Pininfarina born in Turin on 26 June 1957
Director of Ras since 30 January 2004, he is Chief Executive Officer of Pininfarina spa and a Director of Banca del Piemonte spa, Snia spa, Alenia Aeronautica spa and Il Sole 24 Ore spa. Since 2000, Mr. Pininfarina has served as Chairman of the Industrial Union of Turin and fills top positions within Confindustria (member of the Board and Steering Committee).
Mr. Pininfarina is a non-executive and independent Director.

Gianfelice Rocca born in Milan on 2 March 1948
Director of Ras since 21 June 1996 and a member of the Executive Committee, he serves as Chairman of Techint spa, Techosp spa and San Faustin, Deputy Chairman of Siemens Italia spa and Director of Tenaris sa, Dalmine spa, Sirti spa, Zucchi spa, Buzzi Unicem spa, Tamsa, Camfin spa and e.biscom.
Mr. Rocca is a non-executive and independent Director.

Carlo Salvatori born in Sora (FR) on 7 July 1941
Director of Ras since 30 April 2003, since 2002 he has been Chairman of Unicredito Italiano spa, of which Ras owns 4.9 per cent. Mr. Salvatori is also Deputy Chairman and member of the Executive Committee of Mediobanca spa, Deputy Chairman of Ispi, Director of Abi and member of the Management Board and General Council of Assonime. He is also Chairman of CreditRas Vita and CreditRas Assicurazioni.
Mr. Salvatori is a non-executive and independent Director.

Giuseppe Vita born in Favara (AG) on 28 April 1935
Director of Ras since 28 April 2000 and Chairman of the Ras Board of Directors and the Executive Committee since 27 April 2001, Mr. Vita is also Chairman of Ras International nv, and Chairman of the Supervisory Board of Schering ag, Hugo Boss ag and Axel Springer ag. In addition, he has been named Honorary Chairman of Deutsche Bank spa and is a member of the Supervisory Committee of Allianz Lebensversicherung ag, Medical Park ag and Vattenfall Europe, as well as a member of the Board of Directors of Techosp spa and Marzotto spa.
Mr. Vita is a non-executive and independent Director.

All Directors meet the honorability and professionalism requirements imposed by the relevant sectors in which the Group operates (insurance, banking, financial, fund management, asset brokerage). During the meeting of 28 April 2004, a proposal will be made to the shareholders to include in the Articles of Association a specific rule that explicitly provides for the appointment of only those Directors who meet the honorability and professionalism requirements set forth by the relevant regulations.

Executive and non-executive Directors

Given that the executive and non-executive Directors, as members of the Board of Directors, share the same aims and duties, the non-executive Directors bring their specific expertise to Board discussions, contributing to the decision-making process in the Company's interest. This role is in line with the new British Combined Code on Corporate Governance.

The Chief Executive Officer and General Manager Mario Greco is the only Director to qualify as executive, since the Board of Directors has given him management powers and he is responsible for management duties, as provided for by article 4 of the Ras Corporate Governance Code.

Accordingly, in 2003, the Ras Board of Directors comprised one Executive Director and 18 non-executive Directors. This is in line with the new British Combined Code on Corporate Governance.

Independent and non-independent Directors

Article 6 of the Ras Corporate Governance Code defines independent Directors as those non-executive Directors who are not, indirectly or on behalf of third parties, owners of controlling investments, or who have not entered into economic relations with the Company such as to condition their autonomy of judgement. The revision of the Ras Corporate Governance Code, which began at the start of 2004, made this requirement even stricter – even more so than the Sarbanes Oxley Act – ruling out the possibility of considering independent Directors (similarly to Britain's new Combined Code on Corporate Governance) even those who have had, in the last three years, relations with the Company such as could condition their autonomy of judgement.

In 2003, there were five non-independent Directors. They were Chief Executive Officer Mario Greco, as Executive Director, and Directors Michael Diekmann (Deputy Chairman), Detlev Bremkamp, Klaus Dührkop and Helmut Perlet, as representatives of parent company Allianz ag.

The other 14 Directors, accounting for 74 per cent of the total, were independent. This ensured that the resolutions of the Board of Directors were all passed with the determinant contribution of non-executive independent Directors, whose votes at all times represented the majority of votes cast (article 1 of the Ras Corporate Governance Code). This is also in line with the new British Combined Code on Corporate Governance.

Executive Committee

The Executive Committee has management powers which are not, under law or the Articles of Association, conferred on the Board of Directors. Moreover, the Executive Committee can exercise powers of extraordinary administration only in the event of emergencies. The Executive Committee is required to report to the Board of Directors on the activities it performs during the year under the powers conferred on it.

The members of the Executive Committee, who are appointed by the Board of Directors with a term of one year (until the Shareholders' Meeting of 28 April 2004) are as follows:

• Giuseppe Vita	Chairman
• Michael Diekmann	Deputy Chairman
• Mario Greco	Chief Executive Officer
• Detlev Bremkamp	Director
• Angelo Marchiò	Director
• Gianfelice Rocca	Director

The Executive Committee met twice in 2003. Over 90 per cent of its members attended the meetings, which were called for reasons of urgency concerning the bid in the tender for Banca Bnl Investimenti and the adoption of measures regarding personnel.

Advisory committees to the Board of Directors

Without prejudicing the principle of organisational unity of the Board of Directors or the identity of the aims and duties of individual Directors, the Board has set up, within itself, a variety of committees to advice and make proposals to it. The resolutions passed by the advisory committees are in no way binding for the Board of Directors.

The Board of Directors is informed in detail of the activities performed by the advisory committees in a timely manner. Through their Chairpersons, the committees hand documentation on their projects and resolutions to the Board.

The Board of Directors appoints the advisory committees annually.

Committee for the Nomination of Directors

The Committee for the Nomination of Directors presents its proposals to the Board of Directors in the event that the Board needs to replace one or more Directors no longer on the Board or when the Board is required to prepare Director appointment proposals for the Shareholders' Meeting. In preparing its proposals, the committee considers the offices the candidates have already held. The committee also makes proposals to the Board of Directors for the appointment of Directors to other advisory committees if the Board does not do so directly itself. The Board of Statutory Auditors attends the committee's meetings without voting rights. Furthermore, others may attend the committee's meetings should the committee deem their presence necessary and invite them.

In accordance with article 12 of the Ras Corporate Governance Code and in line with Britain's new Combined Code on Corporate Governance, the Committee for the Appointment of Directors is currently composed of a majority of non-executive Directors and a significant number of independent Directors, as follows:

- independent non-executive Directors:
  Giuseppe Vita (Chairman), Angelo Marchiò and Alberto Falck, up to his death, when he was replaced by Carlo Salvatori
- non-independent non-executive Directors:
  Michael Diekmann and Detlev Bremkamp
- non-independent executive Directors:
  Mario Greco (Chief Executive Officer)

In 2003, the committee met once, with the participation of 80 per cent of its members, to discuss the replacement of Director Alberto Falck.

Committee for the Remuneration of Directors and General Managers

The Committee for the Remuneration of Directors and General Managers presents proposals to the Board of Directors with regard to the remuneration of the Chairman, Chief Executive Officer and other Directors with special duties, and, following the Chief Executive Officer's instructions, with regard to the remuneration of the Company's General Managers. The committee also proposes any stock option plans or share allotments to the above mentioned persons. To this end, the committee may draw on the expertise of external consultants at the Company's expense. The Board of Statutory Auditors attends the committee's meetings without voting rights. Furthermore, the executive Directors and others may attend its meetings should the committee deem their presence necessary and invite them.

In accordance with article 13 of the Ras Corporate Governance Code, based on the British Combined Code on Corporate Governance, the Committee for the Remuneration of Directors and General Managers is currently entirely made up of non-executive Directors and by a majority of independent Directors, as follows:

- independent non-executive Directors:
  Giuseppe Vita (Chairman), Angelo Marchiò, Gianfelice Rocca and Alberto Falck, up to his death, when he was replaced by Vittorio Colao

• non-independent non-executive Directors:
Michael Diekmann and Detlev Bremkamp

The committee met three times in 2003, with the participation of 94 per cent of its members on average. In particular, it resolved on the management stock option plans and the remuneration of the Chief Executive Officer and the General Managers, who are assigned a variable portion linked to the Group's performance.

Tables are provided in the 2003 Directors' report of Ras spa 2003 showing the remuneration of the members of the Board of Directors and General Management and their stock options. The same tables are given below.

Internal Audit Committee

The Internal Audit Committee advises and makes proposals to the Board of Directors on internal audit issues.

In particular, it receives period reports from Group's Internal Audit and evaluates the work schedule prepared by it. It also assesses the adequacy of the accounting policies adopted and their consistency for the purposes of preparing the consolidated financial statements. In addition, it evaluates the independent auditors' engagement letter and reports to the Board on the activities it performs and the adequacy of the internal audit system. This is in line with the new British Combined Code on Corporate Governance.

The Internal Audit Committee is composed of non-executive Directors, the majority of whom are independent. Its members are required to have significant economic and/or financial and/or internal audit experience. Again, this is in line with the new British Combined Code on Corporate Governance.

The Group's Internal Audit manager participates in the committee's meetings and the Board of Statutory Auditors attends them without voting rights. Furthermore, the Chief Executive Officer and others may attend the commitee's meetings, should the committee deem their presence necessary and invite them.

In accordance with article 14 of the Ras Corporate Governance Code and in line with the Sarbanes Oxley Act and the new British Combined Code on Corporate Governance, the Internal Audit Committee is currently made up entirely of independent, non-executive Directors, as follows: Giuseppe Vita (Chairman), Pietro Ferrero, Angelo Marchiò and Alberto Falck, up to his death, when he was replaced by Gianfelice Rocca.

The committee met four times in 2003, with the participation of 73 per cent of its members on average. In particular, it approved the engagement letter of the independent auditors (Kpmg spa) for the 2003-2005 audit engagement, which was then resolved upon by the Shareholders' Meeting, following the Board of Directors' proposal. The committee also examined the period reports of Group's Internal Audit and the audit plan for 2004, assessing the adequacy of the internal audit system.

Risk Committee

Ras believes that, at a time when markets are increasingly turbulent and global and financial instruments and transaction methods are ever more sophisticated, adequate organisational structures and processes are necessary not only to protect against unforeseen events but also to take full advantage of the competition edge that arises from being able to take on higher risk in a knowledgeable and safe way.

To this end, Ras has reinforced the tools that support the Board of Directors in its decision-making with regard to risk management, setting up a specific Risk Committee in January 2004. The committee advises the Board on defining the risk management guidelines concerning those risks that entail significant capital absorption within the Ras Group.

The committee members are required to have significant economic and/or financial and/or risk management experience. This is also in line with the new British Combined Code on Corporate Governance. The Chief Risk Officer, whose role is discussed further on, participates in the committee's meetings. The Board of Statutory Auditors also attends without voting rights. Furthermore, the executive Directors and others may attend if the committee deems their presence necessary and invites them.

In accordance with article 15 of the Ras Corporate Governance Code, the Risk Assessment Committee currently comprises non-executive Directors, the majority of whom are independent, as follows:
- independent non-executive Directors:
  Giuseppe Vita (Chairman), Carlo Buora and Carlo Salvatori.
- non-independent non-executive Directors:
  Helmut Perlet

Corporate Governance Committee

The Corporate Governance Committee advises and makes proposals to the Board of Directors on corporate governance issues.

In particular, the committee proposes updates on the Ras Corporate Governance Code to the Board of Directors. The Board of Statutory Auditors attends the committee's meetings without voting rights. Furthermore, others may attend if the committee deems their presence necessary and invites them.

In accordance with article 16 of the Ras Corporate Governance Code, the Corporate Governance Committee currently consists of a majority of non-executive Directors and a significant number of independent Directors, as follows:
- independent non-executive Directors:
  Giuseppe Vita (Chairman), Angelo Marchiò and Alberto Falck, up to his death, when he was replaced by Carlo Salvatori
- non-independent non-executive Directors:
  Michael Diekmann and Detlev Bremkamp
- non-independent executive Directors:
  Mario Greco (Chief Executive Officer)

The committee met twice in 2003, with an average 90 per cent of its members attending. The committee examined internal rules on corporate governance – including transactions with related parties – and proposals to change the Articles of Association, which will be submitted to the Shareholders' Meeting of 28 April 2004.

Board of Statutory Auditors

In accordance with the law, the Board of Statutory Auditors monitors the Company's compliance with legislation and its Articles of Association, fair management practices and, in particular, the adequacy of its organisational, administrative and accounting structure and actual functioning.

The Board of Statutory Auditors is informed on a timely basis (usually when a Board of Directors' meeting is held and, however, at least on a quarterly basis) of the activities carried out by bodies with management powers (particularly the Executive Committee and Chief Executive Officer), as well as of transactions with a significant impact on the balance sheet and profit and loss account, carried out either by the parent company or its subsidiaries, especially atypical or unusual transactions, including those with related parties (article 22 of the Articles of Association and articles 1, 3, 7 and 10 of the Ras Corporate Governance Code).

In accordance with the Articles of Association, Statutory Auditors are elected through the straight ticket voting system. Proposals for candidates are to be filed with the Company's registered office at least ten days before the day on which the Shareholders' Meeting is held. They must include each candidate's curriculum vitae and a statement that legal requirements are met (article 28 of Articles of Association).

To encourage wider participation in the appointment of Statutory Auditors, the Board of Directors will propose a change in the Articles of Association to the Shareholders' Meeting of 28 April 2004. The proposal will be to reduce the current minimum shareholding threshold for presentation minority straight tickets from 3 per cent to 2 per cent. This rule would be applicable from the meeting of 28 April 2004 for the replacement of an alternate auditor who has stepped down.

The Articles of Association, in the new version that will be submitted to the approval of the Shareholders' Meeting, provides that in the event that all standing auditors have been elected by majority shareholders (as is the current situation) any alternate auditor elected by minority shareholders will replace any standing auditor once he or she ceases from office. This is in waiver of the ordinary case in which there are three standing auditors, including one elected by minority shareholders, and two alternate auditors, including one elected by minority shareholders. In this situation, the current rule is applied: alternate auditors appointed by majority shareholders take over for standing auditors appointed by majority shareholders when they cease and alternate auditors appointed by minority shareholders take over for standing auditors appointed by minority shareholders when they cease.

At the meeting of 28 April 2004, shareholders will also be asked to add to the Articles of Association the possibility of holding meetings of the Board of Statutory Auditors by means of telecommunications.

The current Statutory Auditors, with terms of office expiring when the ordinary Shareholders' Meeting to approve the financial statements at 31 December 2005 is held, are as follows:
Chairman:
- Pietro Manzonetto (since 11 June 1997)

Standing auditors:
- Giorgio Stroppiana (since 11 June 1997)
- Paolo Pascot (since 30 April 2003)

Alternate auditors:
- Michele Carpaneda (since 25 June 1995)

Savings Shareholders' Representative

In accordance with the law, the Savings Shareholders' Representative is appointed to safeguard the common interests of these shareholders and implement the resolutions of their special meeting. In compliance with the Articles of Association, the representative should be informed on a timely basis of all transactions with a significant impact on the balance sheet and profit and loss account carried out by the Company and its subsidiaries, so that the representative be adequately aware of any transactions that might have an impact on the savings share price. The current Savings Shareholders' Representative is Gianfranco Negri Clementi.

Independent Auditors

The Italian law requires that each year Independent Auditors check that the Company's accounting records are correctly kept, that each transaction and event is correctly reflected in the accounting records and that the Ras spa and Ras Group consolidated financial statements are consistent with the accounting records and procedures carried out by them. The Independent Auditors are engaged for a three-year period and the audit engagement can be renewed only twice.

The audit company engaged to audit the financial statements has been Kpmg spa since the 2000 financial statements. The second three-year engagement was approved by the Shareholders' Meeting of 30 April 2003 and will expire with the ordinary Shareholders' Meeting called to approve the 2005 statutory financial statements.

To prevent risks of inappropriate conduct, article 20 of the new Ras Corporate Governance Code, approved in 2004, provides that additional engagements conferred upon the audit firm beyond the auditing of the Ras spa and Ras Group consolidated financial statements, provided that they are permitted by legislation and regulations, are to be conferred with the prior consent of the Board of Statutory Auditors and the Internal Audit Committee is to be informed of such engagements at its first subsequent meeting. This process is also in line with the Sarbanes Oxley Act.

Furthermore, the Ras Corporate Governance Code prohibits conferring, on parties that are part of the Independent Auditors' network, engagements other than auditing that appear incompatible with the latter, as they could prejudice the independence of Independent Auditors. This provision is consistent with the Sarbanes Oxley Act and the Galgano Commission.

The shareholders are to be informed of any conferral of additional engagements beyond the audit on the Independent Auditors engaged, as well as of any conferrals of engagements to parties that are part of the Independent Auditors' network.

Corporate functions, rules and procedures

Internal audit and risk management

Also in compliance with Isvap provisions, the Ras internal audit system is a process that aims to provide reasonable security on the efficiency and effectiveness of operations, the reliability of financial statements information, compliance with laws and regulations (article 17 of the Ras Corporate Governance Code). The Board of Directors and Internal Audit Committee assess the adequacy of this system, which falls under the responsibility of the Group's Internal Audit Manager who is hierarchically independent of operating managers and reports to the Chief Executive Officer, Board of Statutory Auditors and the Internal Audit Committee (article 17 of the Ras Corporate Governance Code).

In 2003, during their regular meetings, the Internal Audit Committee and the Board of Directors were provided with precise information on the internal audit system and found it adequate.

As mentioned above, in January 2004, the Board of Directors set up a Risk Committee, which advises and makes proposals to the Board of Directors with regard to risk management issues. To this regard, the General Manager responsible for Finance and Investments was appointed Chief Risk Officer, responsible for coordinating the relevant management functions and reporting to the advisory committee on the identification of main risks that entail significant capital absorption and how to manage them.

Code of Ethics

Following the publication of the new Ras Corporate Governance Code, the Company has prepared a Code of Ethics that incorporates the regulations issued since January 2000 and the integrations necessary to update it according to Legislative Decree no. 231/2001. The Code of Ethics sets forth a series of principles with which the Company officers, employees, insurance agents, financial advisors and external consultants are all required to comply.

With respect to human resources, the Code of Ethics affirms Ras primary interest of encouraging the development of each resource's potential and his/her professional growth through respect for individuals, the prevention of discrimination, adequate training and education, the correct use of personal data and health and safety in the workplace. All personnel is required to adhere to the general principles of honesty and integrity, abide by the provisions of law and to avoid entering into conflicts of interest with the Company. Specific provisions are devoted to anti-discrimination policies and hierarchical relationships within the Company. As regards the former, unequal treatment on the basis of sex, race, language, religion, political or union affiliations, sexual orientation or disabilities is prohibited. As regards the latter, superiors are required to exercise their powers with objectivity, prudence and balance, ensuring respect for the dignity of their co-workers and their adequate professional growth. A specific committee oversees the effective implementation of this code.

As regards relationships with customers, the Code of Ethics sets forth rules and regulations with particular focus on safeguarding savers and providing transparent information on products and services. Furthermore, the Code requires that insurance agents and financial advisors uphold the Group's image and preserve its assets while ensuring adequate quality standards. Ras also has requirements for supplier vetting, providing that suppliers respect human and labour rights (e.g. do not have minors working for them) and environmental regulations. Gifts that could condition the Company's choice of a supplier are prohibited. Relationships with government bodies should be handled with transparency and professionalism and no courtesies are to be offered to such bodies which could influence them and be considered any form of corruption.

Rules for highly sensitive areas

Since January 2000, Ras has equipped itself with a series of rules of conduct for members of the Board of Directors and Board of Statutory Auditors and other administrative and controlling bodies, as well as employees and co-operators working in highly sensitive areas. These are those areas in which relationships are formed outside the scope of the Group, relating to dealings in financial instruments and/or transactions in sectors where price sensitive or confidential information could be obtained. The purpose of these rules is to prevent conduct that could damage the Company, the Group, customers and people working in such highly sensitive areas.

The rules of conduct provide for confidentiality obligations in the use of information (which the new Ras Corporate Governance Code defines in accordance with the EU Directive of 28 January 2003 on market abuse) and regulate personal dealings in financial instruments carried out by individuals operating in these sensitive areas. In particular, in accordance with the above mentioned EU Directive, specific provisions prohibiting distribution, recommendations and trading have been established, in addition to blocking periods, during which no transactions on Ras securities or derivatives may be carried out.

Internal dealing and investment rules

In 2002, Ras added specific internal dealing rules to its corporate governance system. These rules require disclosure of transactions involving Ras securities carried out by company Directors, Statutory Auditors, top management (General and Central Managers) and staff working in highly sensitive areas, as described above.

In this respect, Ras has adopted even stricter rules than those provided for by Italian Stock Exchange regulations. For example, Ras has halved the threshold set by the Italian Stock Exchange for transactions carried out by Directors, Statutory Auditors or top management involving the Company's securities over which disclosure to Stock Exchange authorities, and hence to the market, is required (from Euro 50,000 to Euro 25,000 quarterly). In addition, under Ras rules, any such transactions are to be disclosed within five trading days, rather than quarterly. Each transaction carried out by such relevant persons is posted in a timely manner on the Ras website/Corporate Website, under Corporate Governance/Internal Dealing.

Investments held directly or indirectly in Ras or its subsidiaries by Directors, Statutory Auditors and General Managers are published yearly in the Annual report and financial statements of Ras spa, as required by current regulations. The schedule of investments held in 2003 is also shown below. As mentioned above with regard to internal dealing, the Company's website gives timely information on all transactions carried out by such persons on Ras securities.

Rules for transactions with related parties

In accordance with Consob provisions and Italian Stock Exchange guidelines, in 2002, Ras established a code of conduct to be followed when approving and performing transactions of an extraordinary or non-standard nature involving:

- companies belonging to the Ras Group with the parent company or companies controlled by or associated to Ras;
- companies belonging to the Ras Group with the ultimate parent company Allianz ag or companies controlled by or associated to Allianz ag;
- Ras with its Directors, Statutory Auditors, General Managers, their close relatives or companies controlled by them.

The rules provide that the Board of Directors be duly and adequately informed of such transactions, even with regard to underlying relationships and the characteristics and conditions of the transactions, including the terms (economic as well), valuations and how they are carried out.

With respect to intragroup transactions, transactions with Allianz ag and/or its subsidiary companies which are subject to prior approval by the Board of Directors, include, inter alia:

- transactions which, either individually or cumulatively with other related transactions, exceed Euro 25 million;
- transactions of specific economic, financial, equity-related or organisational relevance;
- agreements between Ras (and/or its subsidiaries) and Allianz ag (and/or its subsidiaries) – of any nature whatsoever – such as the provision of services, consultancy, or agreements aimed to encourage the coordination and/or integration of their respective activities;
- outwards reinsurance treaties related to the risk portfolios of Ras and/or its subsidiaries, whenever the risk portfolios to be transferred to Allianz ag and/or one or more of ist subsidiaries is more than or equal to half of the total outwards reinsurance business;
- measures that Allianz ag and/or its subsidiaries take – including initiatives geared towards the Allianz ag Group – with reference to personnel or Directors of Ras or its subsidiaries.

If transactions are significant from a financial, economic, equity-related and organisational viewpoint, they should be submitted to the Board of Directors for its prior approval. In particular, also in accordance with relevant legislation, the Board of Directors' prior approval is required for transactions which may have an impact on the safeguarding of the Company's assets or on the completeness and accuracy of information, including accounting, on Ras. The market should be notified of such transactions within the terms and using the methods required by applicable provisions.

During 2003 and 2004, the Board of Directors assessed transactions with related parties on the basis of the above rules, without noting any irregularities. Reference should be made to the 2003 Annual Report of Ras spa for additional details.

In line with respective corporate autonomy, relationships with the ultimate parent company Allianz ag are handled in accordance with correct corporate governance criteria, as per the Ras Corporate Governance Code and the above. Dialogue was plentiful throughout the year to jointly examine the market context in which the Group operates and discuss business development strategies in the short and medium term.

Confidential information and investor relations

The Chief Executive Officer controls the processing and disclosure to the public and the authorities of price sensitive events, i.e. events unknown to the market, involving Ras and its subsidiaries, which could have a considerable impact on Ras share prices if made public.

Usually, disclosure to the relevant authorities is made through the Corporate Office - Compliance Department, while the Communication and Image Department and Shareholders Office respectively inform the market and shareholders. The Investor Relations Department and Shareholders Office manage relations with institutional investors and private shareholders, respectively, under the supervision of the Chief Executive Officer.

Website

In order to ensure informational consistency, and especially in the interest of small shareholders, Ras has posted the following documents on its website (www.Ras.it) in Italian and - where appropriate - in English:

1. the financial statements and mandatory interim reports, as well as documents and notices to the market in general, including information on internal dealing;
2. the Ras Corporate Governance Code, with the related annexes, the annual corporate governance report, the Articles of Association and the Rules of Procedure for the Shareholders' Meetings;
3. disclosure to shareholders on when and how they can exercise their rights, such as participation in shareholders' meetings, collection of dividends and capital transactions, etc.;
4. historical and current data on Ras, the performance of its shares on the Stock Market, the shareholding structure, etc.;
5. web communication tools, enquiries via e-mail, etc..

All customers can check their insurance and financial position with Ras on the website, which provides information on policies, claims, due dates for payment, portfolios and the performance of mutual funds.

The importance of sharing information on the web is also recognised by the Sarbanes Oxley Act, the new British Combined Code on Corporate Governance and EU Directive of 28 January 2003 on market abuse.

Remuneration of Directors, Statutory Auditors and General Managers

(in accordance with article 78 of Consob resolution no. 11971 of 14 May 1999 and Consob communication no. DIS/98098107 of 28 December 1998)

	Office		Remuneration	
Name	Position	Term of office	Fees (2)	Non-cash benefits (3)
Giuseppe Vita	Ras Chairman [1]	1.1-31.12.2003	97,900	1,411
Henning Schulte-Noelle	Ras Deputy Chairman [1]	1.1-30.04.2003	20,231	
Michael Diekmann	Ras Deputy Chairman [1]	30.4-31.12.2003		
Mario Greco	Ras CEO [1]	1.1-31.12.2003	187,368	1,411
	Ras General Manager	1.1-31.12.2003	1,109,046	5,275
	Executive duties within Group companies	1.1-31.12.2003	6,105	7,055
Mario Arcelli	Ras Director	1.1-31.12.2003	35,119	1,411
	Executive duties within Group companies	1.1-31.12.2003	51,645	3,610
Guido Maria Barilla	Ras Director	1.1-31.12.2003	35,119	1,411
Detlev Bremkamp	Ras Director [1]	1.1-31.12.2003	15,173	
Carlo Orazio Buora	Ras Director	1.1-31.12.2003	[4] 35,187	1,411
Vittorio Colao	Ras Director [1]	30.4-31.12.2003	27,378	1,411
Nicola Costa	Ras Director	1.1-31.12.2003	35,132	1,411
Klaus Dührkop	Ras Director	1.1-31.12.2003	10,115	
	Executive duties within Group companies	1.1-31.12.2003	15,313	
Alberto Falck [5]	Ras Director [1]	1.1-3.11.2003	43,291	1,411
Pietro Ferrero	Ras Director [1]	1.1-31.12.2003	46,415	1,411
Angelo Marchiò	Ras Director [1]	1.1-31.12.2003	[6] 50,868	1,411
	Executive duties within Group companies	1.1-31.12.2003	30,625	3,985
Francesco Micheli	Ras Director	1.1-31.12.2003	35,133	1,411
Luigi Orlando [7]	Ras Director	1.1-21.11.2003	31,075	1,411
Helmut Perlet	Ras Director	1.1-31.12.2003	10,115	
Giampiero Pesenti	Ras Director	1.1-31.12.2003	35,158	1,411
Gianfelice Rocca	Ras Director [1]	1.1-31.12.2003	[8] 37,493	1,411
Lucio Rondelli	Ras Director	1.1-30.4.2003	10,115	
Carlo Salvatori	Ras Director [1]	30.4-31.12.2003	27,364	1,411
	Executive duties within Group companies	1.1-31.12.2003	2,414	2,822
Alberto Santa Maria	Ras Director	1.1-30.4.2003	10,115	
Pietro Manzonetto	Chairman of Ras Board of Statutory Auditors	1.1-31.12.2003	63,121	1,411
	Audit duties within Group companies	1.1-31.12.2003	86,968	10,066
Adolf Hällmayr	Ras Standing Auditor	1.1-30.4.2003	13,767	
	Audit duties within Group companies	1.1-31.12.2003	5,976	3,427
Paolo Pascot	Ras Standing Auditor	30.4-31.12.2003	28,754	1,411
Giorgio Stroppiana	Ras Standing Auditor	1.1-31.12.2003	42,544	1,411
	Audit duties within Group companies	1.1-31.12.2003	123,581	14,821
Massimo Arrighi	Ras General Manager	1.1-31.12.2003	606,845	2,629
	Executive duties within Group companies	1.1-31.12.2003	3,984	4,233
Salvatore Militello	Ras General Manager	1.1-31.12.2003	501,371	3,230
	Executive duties within Group companies	1.1-31.12.2003	5,248	5,644
Pierluigi Riches	Ras General Manager	1.1-31.12.2003	664,364	3,241
	Executive duties within Group companies	1.1-31.12.2003	3,936	4,233
Paolo Vagnone	Ras General Manager	1.1-31.12.2003	588,111	3,380
	Executive duties within Group companies	1.1-31.12.2003	3,936	4,233

[1] Member of the Executive Committee and/or advisory committees

[2] Directors Bremkamp, Diekmann, Dührkop and Perlet, who also work for the ultimate parent company Allianz ag, were appointed during the ordinary Shareholders' Meeting of 30 April 2003. As from such date they are not owed any fees for their services, as per their request and in conformity with the above Shareholders' Meeting resolution.

[3] In particular, they include the use of a company car and third party liability insurance coverage as resolved at the Shareholders' Meeting of 29 April 2002.

[4] Paid to Pirelli & C. spa.

[5] Director Falck passed away on 3 November 2003.

[6] Excluding the deferred payment of Euro 112,466, as described in the Notes to the financial statements at 31 December 2000.

[7] Director Orlando stepped down on 21 November 2003.

[8] Paid to Techint spa.

Investments held by Directors, Statutory Auditors and General Managers

(pursuant to article 79 of Consob resolution no. 11971 of 14 May 1999)

Name	Company in which shares are held	No. of shares held at the end of the previous year	No. of shares purchased	No. of shares sold	No. of shares held at the end of the current year
Giuseppe Vita		0	0	0	0
Henning Schulte-Noelle		0	0	0	0
Michael Diekmann		0	0	0	0
Mario Greco	Ras spa (ordinary)	155	(1) 75	0	230
Mario Arcelli		0	0	0	0
Guido Maria Barilla		0	0	0	0
Detlev Bremkamp		0	0	0	0
Carlo Orazio Buora		0	0	0	0
Vittorio Colao		0	0	0	0
Nicola Costa		0	0	0	0
Klaus Dührkop		0	0	0	0
Alberto Falck		0	0	0	0
Pietro Ferrero		0	0	0	0
Angelo Marchiò		0	0	0	0
Francesco Micheli		0	0	0	0
Luigi Orlando		0	0	0	0
Helmut Perlet		0	0	0	0
Giampiero Pesenti		0	0	0	0
Gianfelice Rocca		0	0	0	0
Lucio Rondelli		0	0	0	0
Carlo Salvatori		0	0	0	0
Alberto Santa Maria		0	0	0	0
Pietro Manzonetto		0	0	0	0
Adolf Hällmayr		0	0	0	0
Paolo Pascot		0	0	0	0
Giorgio Stroppiana		0	0	0	0
Massimo Arrighi	Ras spa (ordinary)	155	(1) 75	0	230
Salvatore Militello	Ras spa (ordinary)	36,155	(1) 75	5,399	30,831
Pierluigi Riches	Ras spa (ordinary)	15,155	(1) 75	2,250	12,980
Paolo Vagnone	Ras spa (ordinary)	22,955	(1) 75	0	23,030

In compliance with Borsa Italiana spa internal dealing regulations, the schedule does not consider shares issued as part of individual portfolio management in which investors do not have the power to give investment instructions.

(1) This figure relates to the 389,074 Ras ordinary shares allocated in relation to the free allotment plan for Ras ordinary shares involving all Italian employees of Ras and its subsidiaries on 1 July 2003.

Stock options assigned to Directors and General Managers at 31 December 2003

(pursuant to Consob resolution no. 11971 of 14 May 1999)

	Options to purchase Ras ordinary shares					Free allotment of Ras ordinary shares (b)	
Name	Date of allotment of options	No. of shares available for purchase	Option exercise price per share	Option exercise conditions	Option exercise period	Date of allotment	No. of shares allotted
Mario Greco (CEO, GM)	31.1.2001	73,000	€ 15,35		1.8.2002/31.7.2007	2001	37
	30.1.2002	80,000	€ 12,93	Ras share listing more than or equal to 15,516 upon exercise (a)	1.8.2003/31.7.2008	2002	80
	31.1.2003	90,000	€ 11,51	Ras share listing more than or equal to 13,812 upon exercise (a)	1.2.2005/31.1.2010	2003	75
Massimo Arrighi (GM)	31.1.2001	36,000	€ 15,35		1.8.2002/31.7.2007	2001	37
	30.1.2002	40,000	€ 12,93	Ras share listing more than or equal to 15,516 upon exercise (a)	1.8.2003/31.7.2008	2002	80
	31.1.2003	45,000	€ 11,51	Ras share listing more than or equal to 13,812 upon exercise (a)	1.2.2005/31.1.2010	2003	75
Salvatore Militello (GM)	31.1.2001	22,000	€ 15,35		1.8.2002/31.7.2007	2001	37
	30.1.2002	25,000	€ 12,93	Ras share listing more than or equal to 15,516 upon exercise (a)	1.8.2003/31.7.2008	2002	80
	31.1.2003	27,000	€ 11,51	Ras share listing more than or equal to 13,812 upon exercise (a)	1.2.2005/31.1.2010	2003	75
Pierluigi Riches (GM)	31.1.2001	36,000	€ 15,35		1.8.2002/31.7.2007	2001	37
	30.1.2002	40,000	€ 12,93	Ras share listing more than or equal to 15,516 upon exercise (a)	1.8.2003/31.7.2008	2002	80
	31.1.2003	45,000	€ 11,51	Ras share listing more than or equal to 13,812 upon exercise (a)	1.2.2005/31.1.2010	2003	75
Paolo Vagnone (GM))	31.1.2001	29,000	€ 15,35		1.8.2002/31.7.2007	2001	37
	30.1.2002	40,000	€ 12,93	Ras share listing more than or equal to 15,516 upon exercise (a)	1.8.2003/31.7.2008	2002	80
	31.1.2003	45,000	€ 11,51	Ras share listing more than or equal to 13,812 upon exercise (a)	1.2.2005/31.1.2010	2003	75

(a) The exercise of the option is subject to the condition that the share price exceeds the option exercise price by at least 20 per cent.

(b) Shares allocated through free allotment plans for Ras ordinary shares involving all Italian employees of the Ras Group.

NOTE: The following purchase options were allotted in January 2004. Their exercise is subject to the condition that 2004 Ras ordinary share performance exceeds the stock exchange index of the Italian insurance sector for the same period and that the share price exceeds the option exercise price by 20 per cent. These options may be exercised from 1 February 2006 to 31 January 2011 at a price of Euro 14.32:
Greco 100,000; Arrighi 50,000; Militello 27,000; Riches 50,000; Vagnone 50,000.

Corporate governance summary tables

(in Assonime format)

Board of Directors and Executive Committee in 2003

Board of Directors and Executive Committee						
Office	Members*	Executive	Non-executive	Independent	Executive committee**	No. of offices held in other companies***
Chairman	Giuseppe Vita		X	X	X	3
Chief Executive Officer	Mario Greco	X			X	5
Director (until 30.4.03)	Henning Schulte-Noelle		X		X	
Director (since 30.4.03)	Michael Diekmann		X		X	5
Director	Mario Arcelli		X	X		2
Director	Guido Maria Barilla		X	X		
Director	Detlev Bremkamp		X		X	4
Director	Carlo Buora		X	X		6
Director (since 30.4.03)	Vittorio Colao		X	X		
Director	Nicola Costa		X	X		
Director	Klaus Dührkop		X			1
Director (until 3.11.03)	Alberto Falck		X	X	X(1)	6
Director	Pietro Ferrero		X	X		
Director	Angelo Marchiò		X	X	X	
Director	Francesco Micheli		X	X		
Director	Luigi Orlando		X	X		3
Director	Helmut Perlet		X			1
Director	Giampiero Pesenti		X	X		5
Director	Gianfelice Rocca		X	X	X(1)	5
Director (until 30.4.03)	Lucio Rondelli		X	X		
Director (since 30.4.03)	Carlo Salvatori		X	X		2
Director (until 30.4.03)	Alberto Santa Maria		X	X		

Number of meetings held in 2003 and Directors' participation

Board of Directors	6 meetings	Participation	67%
Executive Committee	2 meetings	Participation	92%

NOTES

* The Shareholders' Meeting of 30 April 2003 appointed the Directors by majority vote.

** If a member of the Board of Directors also serves on the Executive Committee, this column is marked with an "X".

*** This column shows the number of offices held by the Director in the Board of Directors or Board of statutory auditors of other companies listed on Italian or foreign regulated markets, other financial, insurance, banking or large-sized companies. The corporate governance report provides full information on the other offices held.

(1) The Board of Directors appointed Gianfelice Rocca to the Executive Committee on 14 November 2003. He replaced Alberto Falck, who had passed away.

Advisory Committees to the Board of Directors

Advisory Committees to the Board of Directors

Office	Members	Executives	Non-executive	Independent	Internal Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Chairman	Giuseppe Vita		X	X	X	X	X	X
Chief Executive Officer	Mario Greco	X					X	X
Director (until 30.4.03)	Henning Schulte-Noelle		X			X	X	X
Director (since 30.4.03)	Michael Diekmann		X			X	X	X
Director	Detlev Bremkamp		X			X	X	X
Director (until 3.11.03)	Alberto Falck		X	X	X	X	X	X
Director	Pietro Ferrero		X	X	X			
Director	Angelo Marchiò		X	X	X	X	X	X

The Ras Internal Audit Committee is entirely made up of independent, non-executive Directors, whereas the Preda Code only recommends a majority of independent Directors. The entire Board of Statutory Auditors and the Ras Group Internal Audit Manager participate in meetings. The Internal Audit Committee met four times during 2003, with 73% of its members attending.

The Committee for Remuneration of Directors and General Managers is entirely made up of non-executive Directors, most of whom are independent, whereas the Preda Code only recommends a majority of non-executive Directors The Remuneration Committee met three times during 2003, with 94% of its members attending.

The Committee for the Nomination of Directors is mostly made up of non-executive Directors, most of whom are independent, whereas the Preda Code only requires a mere majority of non-executive Directors. The Committee for the Nomination of Directors met once during 2003, with 80% of its members attending.

The Preda Code does not require a Corporate Governance Committee. The Ras Corporate Governance Committee is mostly made up of non-executive Directors, most of whom are independent. The Corporate Governance Committee met twice during 2003, with 90% of its members attending.

In 2004, the Risk Committee was set up, although it is not required by the Preda Code. It plays an advisory role in defining guidelines for risk management with regard to risks that could absorb significant capital within the Ras Group. The Risk Committee is entirely made up of non-executive Directors, most of whom are independent. They all have significant economic and/or financial and/or risk management experience (current members are Vita, Buora, Perlet and Salvatori). The entire Board of Statutory Auditors and the Chief Risk Officer participate in the Risk Committee's meetings.

The new Ras Corporate Governance Code adopted in 2004 provides for the participation of the Board of Statutory Auditors in all advisory committee meetings.

Board of Statutory Auditors

Office	Members *	No. of offices held in other companies**
Chairman	Pietro Manzonetto	2
Standing Auditor (until 30.4.03)	Adolf Hällmayr	
Standing Auditor	Giorgio Stroppiana	
Standing Auditor (since 30.4.03)	Paolo Pascot	
Alternate Auditor	Michele Carpaneda	1
Alternate Auditor	Franco Dalla Sega	1

No. of meetings held in 2003: 11 Participation of auditors: 82%

Quorum required to present minority tickets for the appointment of one or more Standing Auditors (pursuant to article 148 of the Consolidated Finance Act): 3%.

There will be a proposal at the Shareholders' Meeting of 28 April 2004 to change the company Articles of Association by reducing this limit to 2%. The appointment of a minority Statutory Auditor will be proposed.

NOTES

* Since only one ticket was lodged, the Shareholders' Meeting of 30 April 2003 appointed Statutory Auditors by majority vote.

** This column shows the number of offices held by the relevant Statutory Auditor in the Board of Directors or Board of Statutory Auditors of other companies listed on Italian regulated markets.

Other Provisions of the Corporate Governance Code

	Yes	No	Summary of reasons for waivers of the provisions of the Code
System of management powers and transactions with related parties			
Has the Board of Directors conferred management powers defining:			
a) their limits	X		
b) how they should be exercised	X		
c) the reporting frequency?	X		
Has the Board of Directors retained the power to examine and approve transactions with a significant impact on the financial position and results for the year (including transaction with related parties)?	X		
Has the Board of Directors defined guidelines and criteria for identifying significant transactions?	X		
Are the guidelines and criteria mentioned above described in the report?	X		
Has the Board of Directors set out specific procedures for examining and approving transactions with related parties?	X		
Are the procedures for approving transactions with related parties described in the report?	X		
Procedures of the most recent appointment of Directors and Statutory Auditors			
Were the nominations for the appointment of Directors filed at least ten days in advance?		X	The company makes every effort to announce shareholders' nominations, and related information, to the market, with suitable advance notice before the date of the Shareholders' Meeting called to appoint the Directors. In 2004, the company made ad hoc announcements with suitable advance notice on the nomination of candidates for the offices of Director and Statutory Auditor to be submitted at the Shareholders' Meeting of 28 April 2004.
Were the nominations of candidates for the office of Director accompanied by thorough information?	X		
Were the nominations of candidates for the office of Director accompanied by the statements of independence?	X		
Were the nominations for the appointment of Statutory Auditors filed at least ten days in advance?	X		
Were the nominations of candidates for the office of Statutory Auditor accompanied by thorough information?	X		
Shareholders' Meetings			
Has the company approved Rules of Procedure for the Shareholders' Meetings?	X		
Are the Rules of Procedure attached to the report (or is information given on where they can be found/downloaded)?	X		
Internal Audit			
Has the company appointed an Internal Audit manager?	X		
Is the above independent of any departmental managers?	X		
Organisational unit responsible for internal audit (pursuant to article 9.3 of the Code)	Group Internal Audit		
Investor Relations			
Has the company appointed an Investor Relations manager?	X		
Organisational unit and contact information (address/telephone/fax/e-mail) of the Investor Relations manager	Investors Relations – Deborah Pellati – Ras, Corso Italia 23 – 20122 Milan Phone 02.7216.3052 – Fax 02.7216.4742 – e-mail: deborah.pellati@rasnet.it		

interview with the chief executive officer

view

Mario Greco, 44, CEO of Ras since March 2000, joined the Company in 1995 as Head of the Claims Division. He was appointed General Manager in 1996 and CEO in 1998. In this interview, Greco talks about the 2001-2003 three-year business plan that came to a close at the end of the year and takes a look at the results achieved and at the company's new market position.

Ras launched its three-year plan in February 2001 and was the first Italian insurance company to do so...

Yes, it was a widely applauded decision in the financial world. Following our example, in subsequent years, also our competitors decided to come out with their own plans. Preparing a medium-term plan and going public with it gives a company a well targeted strategic view for operations. It means everyone involved has a commitment to doing his or her best to see that the targets set are reached, no matter what his or her position in the company is. A business plan makes the company's decisions easier to understand and predict, also for outsiders looking in.

Moreover, market conditions during the three-year time frame were not what you would call comfortable. What sort of influence did outside events have on the business plan?

Whenever you draw up a plan, you always leave room for some surprises. However, when we disclosed the targets of our plan, we could never in our wildest dreams have imagined all that would happen in the three years from 2001 to 2003: the attacks on the World Trade Center and other terrorist actions that followed, the war in Iraq, the corporate scandals in the Usa and then in Italy... Nonetheless, the plan blew the wind in our sails and enabled us to stay on course in such a harsh climate. We never let our targets out of our sight, even if, in some cases, we achieved them by using a different mix of tools and by taking advantage of the opportunities that a weaker market can afford. Imagine that when we were drawing up the business plan, we forecast an average income from investments of 5 per cent...

Let's talk numbers: did Ras achieve all of the targets in the 2001-2003 plan?

Business development, page 37

Most targets and especially the most important ones. In many cases, we didn't just meet our targets – we beat them. For instance, we recorded total premium income of Euro 16,569 million, whereas we had aimed for Euro 13,981 million. Life premiums totalled Euro 9,552 million, significantly higher than the targeted Euro 7,440 million, and premiums from non-life business totalled Euro 7,017 million, compared to our goal of Euro 6,540 million. This means that 58 per cent of premiums were from life business, against the 53 per cent we had aimed for. Also in life business, we set out to achieve a market share of 9 per cent, but the most recent estimates show our share at 11.8 per cent. New life business in Italy has soared to Euro 5,893 million, while our original target was Euro 3,924 million. An extremely important achievement for us in non-life business was the drop in combined ratio to 101.1% – with a ratio as low as 99.5% in Italy – when we had forecast 103%. Last but not least, we are satisfied with a ROE of 12.9%, in line with expectations.

Moving beyond the numbers, what were the strategic goals of the 2001-2003 business plan?

There were two. The first was to reposition Ras, which at the time was an insurance company primarily focussed on non-life business. We wanted to shift our focus to being a player in various business areas. Also, we sought to improve returns on invested capital, increase the profitability of business lines and optimise the capital structure.

How did you plan to reposition Ras?

We wanted to gain a strong presence in personal financial services with RasBank and increase our market share in life insurance leveraging our strategy on a mix of distribution channels (agents, financial advisors and banks). We also aimed at reforming the non-life business portfolio to boost profitability. Our positioning at the end of the plan is ideal for future development. We are ready to make the most of a potential market recovery, using our achievements and the competitive edge we have been able to earn by staying a few steps ahead of others.

If you were to take a snapshot of the Group at the end of the three years, what would it look like?

It would be a completely different picture. On one side we would see Ras, insurance leader, and on the other, with similar standing, RasBank, a significan player in asset management and administration. Compared to non-life insurance business, the importance of life business and financial services has grown significantly for the Group. We draw on several integrated distribution channels - agents and financial advisors obviously, but also bankinsurance and direct sales. In addition, our sales force has an increasingly diversified range of products to offer. The simple fact that agent and financial advisor inflows are generated 15% by financial services and 35% by life insurance premiums, and the remaining portion by non-life premiums, is proof enough. This new positioning has been successful on financial markets. We rank higher now in both the Mib 30 and the DJ Euro Stoxx 600 Insurance indexes in terms of market capitalisation.

Ras Share, page 67

Besides its multi-channel distribution and multi-business offer, what are the other distinctive features of Ras?

First of all, our broad base of retail customers, numbering roughly 4.5 million. Also our high product quality and positive reputation on the market. Awareness of the Ras brand has grown considerably in the last three years. Ras also boasts significant expertise in innovation, not only in terms of products, but also in terms of marketing and customer segmentation tools in addition to active capital management. Don't let us forget that in the three years of the plan, Ras carried out a number of significant risk capital transactions. It sold part of its real estate assets for Euro 1,700 million and repurchased own shares, which it subsequently cancelled for a counter value of Euro 800 million. In addition to growing dividends. On the whole, from 2000 to 2003, we distributed some Euro 2 billion to shareholders. This, without counting the appreciation of the Ras share. So, I would say Ras distinctive features are its dynamism and financial strength, its generosity with shareholders and its social responsibility.

Capital management, page 63

Ras Share, page 67

Social responsibility, page 75

In short, presenting the plan was a positive experience.

It certainly was. Our achievements in the three years up to 2003 have given us a solid foundation for continued growth in the forthcoming three years, as announced in the new business plan which we unveiled in October 2003.

Future strategic lines, page 71

ias/ifrs adoption

Regulatory framework

Regulation no. 1606/2002 of 19 July 2002 of the European Council and Parliament concerning the adoption of international accounting standards (referred to as IAS-International Accounting Standards or IFRS-International Financial Reporting Standards), paved the way for the adoption of standard accounting policies for the financial statements of companies in the EU. The regulatory process leading to IAS/IFRS adoption in Italy began with 2004 Community Law no. 306 of 31 October 2003, which, in article 25, implemented the above EU regulation. This law was followed by many other EU measures, including the European Commission's Regulation no. 1725/2003 of 29 September 2003, which approved the first body of international standards (except for IAS 32 and 39, governing financial instruments and related disclosures) and domestic provisions, including Legislative Decree no. 394 of 30 December 2003, implementing EU Directive no. 2001/65 (which in turn modified EU Directives nos. 78/660, 83/349 and 86/635), with regard to measurement criteria for statutory and consolidated accounts of several types of companies, as well as of banks and other financial institutions. Given the significant impact of the issue at hand, and in a regulatory context such as this, the government and supervisory authorities, especially the Bank of Italy and Consob, have demonstrated heightened interest, as have concerned parties, trade associations and professional groups. Moreover, as is widely known, the regulatory framework is still being drawn up in many areas, also with respect to the entities required to adopt IAS/IFRS, the scope of application, the body of standards to be adopted, deadlines and regulations to be aligned and related issues, such as company law and tax reform and standards applicable to the financial statements of certain types of companies. In particular, the insurance sector is expected to see a gradual introduction of the new accounting standards in two stages. The first stage should begin in 2005 with the adoption of IAS/IFRS for consolidated financial statements. The second, which the most well-informed believe will begin in 2007, will entail the definitive adoption of IAS/IFRS for statutory financial statements as well. These deadlines are especially appropriate, given that to date, there are no standards that specifically govern the technical items of insurance companies or any regulatory measures that consistently redefine the financial statements structure of insurance companies.

Main effects

It is still too early to provide a detailed analysis of the effects of the new accounting principles, given the incomplete regulatory framework. One can only reasonably predict that most of the impact will be on financial assets and, when the related standard is issued, on insurance-related technical liabilities. Significant changes are foreseen in this respect, on the one hand with regard to the presentation of unrealised gains/losses on securities and in the recognition; on the other hand, changes are expected in the presentation of technical reserves. In turn, these effects will have repercussions on the profit and loss account and shareholders' equity items. Analyses and estimates are currently under way with regard to such repercussions.

Ras IAS Project

Ras has responded to the IAS/IFRS issue without delay. In particular, given the requirements of reporting to the parent company, Allianz ag, which has requested financial statements adjusted for alignment with IAS since 1998, Ras has dealt with IAS-related issues for many years, both structurally in terms of the chart of accounts and general layout of IAS-compliant reports, and in operations in terms of the measurement/recognition criteria and how individual items and/or sections of items work. Furthermore, a permanent IAS/IFRS project coordination group has been operating since 2002. Its duties are to monitor regulations underway, analyse the main difficulties arising from the new standards, participate in work groups set up at trade associations such as Ania and Abi and prepare internal documentation that discusses and explains specific topics. Activities related to this project are expected to increase in 2004, in step with developments in the regulatory framework and application and interpretative best practices. Such activities will be performed in concert with the controlling and audit bodies.

business development

International macro-economic scenario

Although the first half of 2003 unfolded under the shadow of uncertainties following the armed conflict in Iraq, the second half of the year began showing signs of economic recovery. Not only was this seen in the Usa, where estimated GDP growth reached roughly 3 per cent year on year, but the European economy began to pick up as well, as did the Japanese, though at a less decisive pace. Expansion was strong in Asian countries, while Latin America's economy remained weak. However, the USA economic turnaround was closely linked to steady consumer spending and the investment cycle could be slow to pick up. After a technical recession in the first half of the year, the Italian economy began to show signs of recovery especially in the third half of 2003, which led to GDP growth of 0.4 per cent. This was in line with the Euroland average and considerably higher than the German and French figures of -0.1 per cent and +0.2 per cent, respectively. Demand abroad and strong consumer spending bolstered Italy's GDP growth, while revived exports and the slowdown in imports — which did not undergo the impact of the Euro's strengthening as much as expected — kept the contribution of foreign trade positive in the fourth quarter as well. On the other hand, investments in production activities slipped again.

The exchange rate of the euro to the dollar progressively improved on the foreign currency market, rising to approximately 1.30. One of the reasons for this trend was the positive difference in short-term interest rates which was maintained. The euro also showed its strength against the yen, although to a lesser extent, but performed less steadily against the British pound and Swiss franc.

Almost all equity markets in industrialised countries ended the year with another increase in prices, consolidating the positive results of the previous months. Wall Street recorded positive returns of 26 per cent in 2003, while listings in the EU rose more than 16 per cent.

Domestic market

Thanks also to the positive performance of markets, in 2003 the wealth of Italian families, estimated at Euro 2,645 billion, grew at a rate of 6 per cent. However, investment portfolios still assumed "defensive" compositions, although financial, rather than real estate, investments increased. At year end, investors' confidence took a blow following a series of financial scandals that cast shadows on the Italian banking system and current corporate governance systems.

The insurance market recorded significant premium income, although growth was slower than in 2002.

In the third-party motor liability line of business, the technical improvements recorded in 2002 were confirmed and, together with specific initiatives, such as the Understanding between Government, Ania and consumers' organisations, generated an overall freezing of tariff increases. In terms of premium income, given the substantial qualitative and quantitative stability of currently circulating vehicles, the effects of the initiative arose during the second half of the year. In 2003, premium income is expected to grow 6.3 per cent, to Euro 17.7 billion. Looking forward, changes to the Highway Code could have an impact as well, particularly thanks to the introduction of point-based driving licences.

During the year, the market showed varied dynamics in other non-life lines of business. Major Customers sector tariffs (with turnover of more than Euro 500/1,000 million) raised again in 2003 with a very careful underwriting policy, although the first signs of slowdown began at the end of the year. The situation for other segments and general liability was the reverse: at year end tariffs had just begun to rise and are expected to continue their growth in 2004. Overall, growth in premium income of these lines of business (excluding personal accident and health) outperformed the motor lines of business. However, 2003 confirmed the scarce awareness of group and individual personal accident and health policies.

Life business grew at steady rates during the year, but without matching the previous year. Estimated 2003 growth is 15.1 per cent, for total premiums of Euro 63.7 billion. This weaker growth rate is especially evident in the individual policy segment, where — contrasting with the still strong development (estimated at 17.5 per cent) of traditional products, especially those with single premiums — unit- and index-linked products recorded reduced growth (estimated at 8.5 per cent). In particular, the drop in unit-linked policies was not totally offset by the positive trend in index-linked policies. On the other hand, the expansion of group policies was more significant than in 2002, especially in single premium capitalisation policies which were expected to reach Euro 4.9 billion at the end of 2003. The pension fund segment did not show any signs of recovery before year end, partly due to the lack of regulations to this regard. In terms of distribution, the bank channel performed strongly, with expected growth of 15 per cent, as did the traditional channels: agents, brokers and company direct offices, with estimated growth of over 18 per cent. Conversely, the networks of financial advisors are expected to record a decrease of roughly 7 per cent. This phenomenon is probably due to a significant reduction in the reconversion to insurance products which took place in 2002. Premium income recorded by post offices was once again above the average of the sector.

During 2003, single premiums increased considerably over the previous year (estimated growth of more than 22 per cent) while recurring and annual premiums decreased slightly, due to the current portfolio (still under the influence of the maturities phenomenon) and especially new business. However, the differences between distribution channels are wide. The bank and financial advisor channels have almost exclusively concentrated premium income from new business in single premium policies while the traditional channel, partially running against average market trends, recorded growth in the first years of premiums as much in recurring premium policies as in traditional annual premium policies.

After three years of slowdown, the Italian managed assets market turned around, with assets under management totalling, at 2003 year end, Euro 774 billion (+9 per cent over the end of the previous year), due also to the effect of the improvement in financial markets. In particular, assets under management in mutual funds reached Euro 513 billion, with an impact of the bond segment of 46.4 per cent, followed by equities (22.2 per cent) and liquidity (21 per cent). Inflows sped up significantly in 2003, with a gradual recovery of investor confidence in products with more equity content. Interest also recovered in funds of funds and volumes still up as concerns flexible funds. Furthermore, performance all around was generally positive. Year on year, equity funds investing in emerging countries grew 22.3 per cent and those that focus investments in Italy rose 14 per cent. Balanced funds grew 4.1 per cent on average and bonds grew 1.9 per cent. Individual portfolio management services positively contributed to the overall market expansion with respect to the securities segment, reaching Euro 261 billion at the end of 2003. This growth was especially led by institutional investors' demand. Individual portfolio management services in funds benefited from the increase in prices, but performed weakly in terms of new inflows. 2003 saw a further concentration of financial advisor networks towards an increasingly lower number of market leaders.

Ras Group non-life business

Non-life consolidated premium income increased by 4.8 per cent to Euro 7,017 million from Euro 6,696 million in 2002. The technical performance led to a Group combined ratio of 101.1 per cent, net of reinsurance, compared to 104.7 per cent in the previous year. This, along with the steady reserve ratio at 162.1 per cent (2002: 165.5 per cent), demonstrates the Group's excellent technical improvement in 2003.

In Italy, the Group ranks third in non-life business with an estimated market share of 11 per cent. Premiums totalled Euro 3,794 million, up 4.2 per cent. For the first time in several years, the overall combined ratio was under 100 per cent, down to 99.5 per cent from 103.3 per cent in 2002. The reserve ratio increased from 157.9 per cent in 2002 to 158.7 per cent in 2003.

In particular, premiums from the motor lines of business (third-party motor liability and motor vehicle hulls) rose 5.3 per cent to Euro 2,362 million. Growth in this important sector was supported by a more careful risk underwriting policy which led to a constant decrease in the third party liability claims rate (2003: 7.6 per cent; 2002: 8.1 per cent). This generated an improvement in the combined ratio of the motor lines of business (third-party motor liability and motor vehicle hulls) to 97.2 per cent in 2003 from 101.7 per cent in the previous year. Genialloyd, the Group company which sells insurance policies exclusively over the phone and on-line, performed strongly, with growth of 53.7 per cent. This company's 2003 premium income totalled Euro 170 million for 369 thousand policies, mainly in the motor lines of business. 39 per cent of these policies were underwritten on-line. Genialloyd is one of Italy's very few success stories among Internet start-ups. After breaking even in 2002, it closed 2003 with a net profit of Euro 3.4 million.

The performance of the non-motor lines of business was generally good from a technical viewpoint. However, it varied according to the type of customers, as follows:

- in the Personal sector, which is usually highly profitable, premium income totalled Euro 3,022 million, up 5 per cent. New business focused on multi-cover policies, including the new Full Casa (for home), Attiva (for artisans) and Orario Continuato (for shop owners).
- the Small and Medium-sized Business sector was also profitable, recording a turnover of up to Euro 5 million. Premium income amounted to Euro 166 million, up 6 per cent. Projects began during the year to additionally segment customers and develop increasingly targeted offers;
- premiums from Corporate, Major Accounts and Public Bodies totalled Euro 575 million, up 1 per cent. In the general third party liability line, which is the least profitable of this sector, in 2003 Ras continued the portfolio restructuring process begun in 2001. It particularly involved general liability co-insurance handled by third parties and implied a revision of 89 per cent of such contracts and 84 per cent of contracts with public bodies and hospitals. This led to a 46 per cent decrease in the number of claims reported in the year, with a 30 per cent decrease in the related amounts, as compared to the year in which the reform began, i.e. 2001. Overall, the projects led to a drop in the combined ratio for the entire general liability segment from 155.2 per cent in 2002 to 127.3 per cent in 2003.

In Austria, where the Group is the market leader with an estimated market share of more than 12 per cent, premium income rose 6.1 per cent to Euro 902 million. The ordinary technical result improved in line with the business plan, with a combined ratio of 105.5 per cent (2002: 108.4 per cent) without considering accruals to the equalisation reserves for Euro 14 million. The improvement in the overall quality of the portfolio was possible mainly due to the restructuring of the motor lines of business begun at the end of 2000.

The Group is present in Switzerland through Allianz Suisse. This new insurance company, set up in 2002 as a result of the merger of two existing companies, ranks fourth in non-life business, with an estimated market share of roughly 8.4 per cent. At the end of 2003, premiums written totalled Euro 1,204 million, down 1.6 per cent due to the effect of exchange rates (eliminating such effect, premium income would have grown by 5.8 per cent). The combined ratio improved from 108.2 per cent in 2002 to 105.9 per cent in 2003.

In Spain, the Ras Group, via Agf-Ras Holding (held jointly with equal stakes by Ras and Agf), is the second palyer in non-life business, with an estimated market share approximating 7 per cent. Both premiums and technical result performed well, with premium volumes at Euro 812 million, up 12.8 per cent and an improved combined ratio of 96.2 per cent, compared to 98.3 per cent in the previous year.

Ras Group life business

Ras Group life business grew significantly again in 2003, with premium income up 14.5 per cent to Euro 9,553 million, reaching 58 per cent of total Group premiums. This greater percentage is mostly due to expansion in Italy.

Premiums relating to policies distributed in Italy, where the Ras Group is the second market leader in life business, with an estimated market share ranging from 11.6 per cent to 11.8 per cent, rose by 18.1 per cent, reaching Euro 7,646 million. All distribution channels contributed to this growth.

Premium income through agencies — with 1,932 agents, 3,500 sub-agents and 2,700 life insurance experts — totalled Euro 1,523 million, up 9.7 per cent on the previous year. Premium income from new business in the individual policy sector rose 11 per cent to Euro 420 million from Euro 379 million in 2002. All premium types recorded growth: annual and recurring premiums rose 6 per cent to Euro 109 million and single premiums jumped 13 per cent to Euro 311 million. In particular, the fourth quarter saw business pick up 21 per cent on the same period of the previous year to Euro 153 million (annual and recurring premiums up 22 per cent to Euro 50 million; single premiums up 21 per cent to Euro 103 million). This growth was partly due to the launch of new products in the fourth quarter: Cento per Cento, a recurring premium policy that combines asset savings and protection with personal risk coverage, and Rassicura Plus, a traditional, single premium product with minimum guaranteed returns at maturity, without annual consolidation of results.

Premium income from the financial advisors channel, at year end comprising 2,389 RasBank advisors, 762 of which working in insurance agencies, totalled Euro 553 million, up 20 per cent on the previous year. Premium income from new business in the individual policy rocketed 124 per cent to Euro 252 million from Euro 112 million in 2002. Growth was seen in both annual and recurring premium products (Euro 37 million, +8 per cent) and single premium products (Euro 215 million, +175 per cent). In particular, business in the fourth quarter of the year peaked to Euro 189 million, up 555 per cent on the same period of 2002. In this period, annual and recurring premium products rose 45 per cent to Euro 19 million, while single premium ones rose 978 per cent to Euro 170 million. This growth was due to the launch of a new group of products developed by Darta Saving, an Irish Life assurance company set up by Ras in January 2003. The network welcomed these new products, which were added to the portfolio of RB Vita products traditionally distributed by RasBank, and made up for 87 per cent of new business in the last quarter of the year. In particular, in September, Philosophy was launched, a single premium multi-manager policy (i.e. which invests in third party funds) based on the total return concept, but without minimum guaranteed results. Through RasBank financial advisors, in few months, the Irish company recorded premiums of Euro 186 million. Its strong points are internal efficiency and flexibility in the creation of products, enabling it to rapidly adapt its offer to the changing needs of customers.

During the year, other important projects led to the rapid development of business through the agent and financial advisor networks. In particular:
• the organised agency model was expanded and new financial advisors added;
• new incentive systems linked to business quality were created;
• customer segmentation techniques were developed further for targeted marketing purposes.

Adequate asset-liability matching policies are used for the financial management of traditional life policy guarantees. On average, 2002 profits were maintained, also thanks to the above innovative new products.

Premium income from the bankinsurance channel, mainly made up of Unicredito Italiano Group branches which alone recorded Euro 5,320 million, grew 20.4 per cent to Euro 5,570 million. New business reached Euro 5,221 million, up 22 per cent on the previous year. In particular, the increase in recurring premium policies for the first year was significant, up 140 per cent on 2002 to Euro 346 million. Single premium products totalled Euro 4,875 million, up 18 per cent. The most successful products were Unibonus 2003, a recurring premium product giving policyholders the chance to make additional payments in the first year (Euro 335 million), Unidiamond, a single premium product without guaranteed capital (Euro 2,010 million) and Unismart, a single premium product with guaranteed capital (Euro 1,933 million). The overall product margin remained substantially steady in comparison with 2002.

	2001	2002	2003	Change	4Q2002	4Q2003	Change
Insurance agents							
Annual premiums	75	103	109	6%	41	50	22%
Single premiums	194	276	311	13%	85	103	21%
Total	**269**	**379**	**420**	**11%**	**126**	**153**	**21%**
Financial advisors							
Annual premiums	30	34	37	8%	13	19	45%
Single premiums	47	78	215	175%	16	170	978%
Total	**77**	**112**	**252**	**124%**	**29**	**189**	**555%**
Agents and financial advisors							
Annual premiums	105	136	146	7%	54	69	27%
Single premiums	241	356	526	48%	101	273	171%
Total	**346**	**492**	**672**	**37%**	**155**	**342**	**121%**
Bankinsurance							
Annual premiums	98	144	346	140%	33	30	-10%
Single premiums	3,027	4,124	4,875	18%	934	1,038	11%
Total	**3,125**	**4,268**	**5,221**	**22%**	**967**	**1,068**	**10%**
Total							
Annual premiums	203	280	492	76%	87	99	14%
Single premiums	3,267	4,479	5,401	21%	1,035	1,311	27%
Group total	**3,470**	**4,759**	**5,893**	**24%**	**1,122**	**1,410**	**26%**

New direct business premiums
Italy (millions of Euro)

In Austria, where the Ras Group ranks seventh in life business, with an estimated market share of roughly 6 per cent, premium income rose 4.9 per cent to a total of Euro 387 million. Operations in this country focused on offering traditional products using traditional distribution channels.

In Switzerland, where the subsidiary Allianz Suisse Lebensversicherungs ranks sixth in life business, with an estimated market share of 5 per cent, premium income totalled Euro 1,161 million, down 1.4 per cent, due to the adverse Euro/Swiss franc exchange rate (at constant rates, premium income would have grown 5.8 per cent). In detail, premiums from individual policies grew 2 per cent to Euro 420 million, while premiums from group policies fell 4 per cent to Euro 741 million. As far as the latter are concerned, legislation governing guaranteed returns has changed from a flat rate of 4 per cent to one index-linked to market rates. Accordingly, the guaranteed rate was 3.25 per cent in 2003 and will be 2.75 per cent in 2004. This change, coupled with efforts to contain guaranteed returns on the individual policy portfolio, is expected to generate positive financial margins in 2004.

In Spain, the Ras Group, via Agf-Ras Holding (held jointly with equal stakes by Ras and Agf), ranks eighth in life business, with an estimated market share of roughly 3.5 per cent. In 2003, premiums rose 9.8 per cent on the previous year to Euro 268 million. In detail, Allianz Seguros y Reaseguros recorded life premiums for Euro 231 million, showing growth of 9 per cent, while Eurovida, the joint venture with Banco Popular Español, saw 12.1 per cent growth in premiums, to Euro 37 million.

Ras Group personal financial services

At year end, RasBank financial advisors numbered 2,389, up 11 per cent on 2002, including the 762 advisors working with insurance agencies. This increase was also due to the acquisition in September 2003 of CAMI (Commerzbank Asset Management Italia), a network of 200 advisors and assets under management of Euro 730 million. The integration of CAMI was completed in a few months and 96 per cent of its advisors were retained to join the resulting network, with growing assets. In 2003, RasBank also acquired BPVi Suisse (now RasBank Suisse) to complete its range of private products for high net worth individuals. At 2003 year end, RasBank had the third largest financial advisor network in Italy with assets under management for Euro 15.1 billion.

In December 2003, RasBank signed a preliminary agreement to acquire Banca Bnl Investimenti, with its network of 1,000 financial advisors and Euro 4.1 billion in assets under management. The transaction, which is subject to the approval of the Bank of Italy and Anti-trust Authority, should be finalised by the end of the first half of 2004. The acquisition will further strengthen RasBank's position, bringing its sales force to 3,400 financial advisors and its assets under management to more than Euro 19.2 billion.

During the year, RasBank recorded net inflows at levels never before reached: Euro 1,233 million, up 37 per cent on 2002, also including new life business (as discussed in detail under Ras Group life business). Growth during the fourth quarter was even stronger, with inflows soaring 151 per cent on the same period of the previous year, to Euro 464 million.

Specifically, new life business sold through financial advisors rose 124 per cent to Euro 252 million. Total inflows for assets under management, excluding intercompany transactions increased 2 per cent to Euro 357 million. The performance of these two segments, particularly strong in the fourth quarter, was also due to RasBank's new approach, which includes offering multi-manager solutions (i.e. products that also invest in third party funds) and the total return concept. One example is Philosophy, a product that aims to offer total positive returns to customers in line with their goals. Multi-manager products generated Euro 201 million in the fourth quarter alone. Growth in products related to assets under administration was also significant — partly due to the issue of structured bonds — with total inflows of Euro 624 million (up 42 per cent on 2002). Finally, the number of current accounts grew as well, up 29 per cent to 133,400 at year end. 2003 saw the launch of Conto Vedo, a current account that automatically alters its terms depending on the customers' overall investment position with the Group. In addition to total return solutions, Ras offer of individual potfolio management solutions grew to include the new lines of RasBank Suisse, which should strengthen the Group's offering to high net worth individuals. RasBank customers totalled 363,000 thousand at year end.

In the field of private banking services, Investitori Sgr, set up in July 2001, counted 10 private bankers at year end and recorded inflows of Euro 131 million.

At year end, assets under management and administration of retail customers alone, through RasBank financial advisors and Investitori sgr private bankers, amounted to Euro 15,132 million, up 18 per cent on the previous year.

RasBank financial advisors and Investitori sgr private bankers: net inflows of assets under management and administration and new life business- retail customers (millions of Euro)

	2002	2003	Change	4Q2002	4Q2003	Change
Net inflows from assets under management	497	473	-5%	32	224	596%
Net inflows from assets under administration	439	624	42%	155	109	-30%
Total	936	1,097	17%	187	333	78%
New life business - including: Darta Saving	112	252 186	124%	29	189 164	552%
Total	**1,048**	**1,349**	**29%**	**216**	**522**	**231%**
Double-counting (life and non-life reserves)	146	116	-21%	31	58	87%
Total, net of double-counting	**902**	**1,233**	**37%**	**185**	**464**	**151%**

RasBank financial advisors and Investitori sgr private bankers: assets under management and administration, retail customers (millions of Euro)

	2002	2003	Change
Assets under management	9,502	10,838	14%
Assets under administration	1,208	2,182	81%
Total	**10,710**	**13,019**	**22%**
Life reserves	2,901	3,084	6%
Total	**13,611**	**16,103**	**18%**
Double-counting	812	971	20%
Total, net of double-counting	**12,799**	**15,132**	**18%**

Customer service and cross-selling activities

The Group achieved significant results in 2003 also through cross-selling activities targeting 4.5 million retail policyholders and aimed at comprehensively meeting all customers' needs. These activities confirm Ras strategy of focusing on service in the last three years. Considerable investments in refining customer analysis and segmentation models, indispensable for developing cross-selling activities, have given Ras a significant edge on its traditional competitors. Its approach to cross-selling has been highly integrated, running from brand enhancement (emphasising the Ras-RasBank identity), distinctive positioning as "builders of certainties" (the claim that goes with the new logo), to an opportune marketing strategy and significant product innovation characterising the second half of the year.

In 2003, cross-selling activities led to another increase in the number of customers who decided to use a wider range of Ras services. At 31 December 2003, of the 2.3 million non-motor only policyholders, 982,000 also held life policies and/or asset management/banking products (2000: 770,000). In particular, 769,000 of these held life policies and 327,000 had asset management/ banking products.

Total assets relating to these 982,000 customers (including agent and financial advisor life reserves as well as assets under management/administration) exceed Euro 21 billion at year end, in addition to the non-life portfolio that these customers feed yearly.

economic-financial performance

Ras Group results

The consolidated profit and loss account for the year ended 31 December 2003 shows a net profit of Euro 554 million, against Euro 911 million in 2002. The extremely positive net profit of the previous year included the income from the sale of Proprietà Immobiliari, the company in which the Group's real estate leased to third parties was held. In 2003, ROE (return on equity) reached 12.9 per cent, up on the 9.5 per cent of 2000 when the first Ras business plan was launched. This improvement was due on the one hand to the profit of ordinary business of Euro 937 million in 2003 (2002: Euro 137 million; 2000: Euro 634 million) and on the other to capital optimisation actions that led to the buy back transaction in 2003, described in more detail in the chapter on Capital management.

Reclassified profit and loss account (millions of Euro)

	2003	2002
Premium income from life business	9,552	8,343
Premium income from non-life business	7,017	6,696
Total premium income	**16,569**	**15,039**
Outwards reinsurance	-807	-770
Net retained premiums	**15,762**	**14,269**
Change in premium reserves	-117	-108
Claims, maturities, annuities and surrenders	-9,303	-7,771
Change in claims and actuarial reserves	-5,822	-4,806
Commissions, acquisition costs and other administrative costs	-2,206	-2,108
Other technical income and charges	149	107
Income transferred to the technical account	1,576	252
Technical operating result	**39**	**-165**
Other ordinary income and expense	-34	16
Ordinary income from investments, net of income transferred to the technical account	634	810
Net profit from the sale of short-term investments	253	151
Write-backs and write-downs of investments	45	-675
Profit of ordinary business	**937**	**137**
Net profit from the sale of long-term investments	29	1,094
Other extraordinary items	-23	-2
Pre-tax profit	**943**	**1,229**
Income taxes	-340	-375
Consolidated net profit for the year	**603**	**854**
(-) Net profit / (+) loss attributable to minority interests	-49	57
Group net profit	**554**	**911**

The reclassified profit and loss account for comparative purposes includes the following:

a) at 31 December 2003:

- reclassification of Euro 18 million, related to the recovery of taxes following the Consap settlement, which led to the settlement of relationships related to former compulsory cessions, to "Other technical income and charges";
- reclassification of the capital gain of Euro 76 million from the sale of options on investment securities from "Net profit from the sale of long-term investments" to "Net profit from the sale of short-term investments";
- reclassification of Euro 43 million, relating to the release of the provisions for securities fluctuations of the Swiss companies, from "Other income" to "Write-backs and write-downs of investments";
- reclassification of Euro 24 million from "Net profit from the sale of short-term investments" of foreign companies to "Income transferred to the technical account".

b) at 31 December 2002:
- reclassification of Euro 31 million related to the release of the provisions for securities fluctuations of the Swiss companies to "Write-backs and write-downs of investments";
- reclassification of the costs incurred for the sale of Proprietà Immobiliari spa (Euro 9 million) from "Other income and charges" to "Net profit from the sale of long-term investments";
- reclassification of the accrual to the provision for risk of life business relating to policies issued before and during World War II (Euro 20 million) from "Other income and charges" to "Other extraordinary items".

Consolidated gross premiums increased by 10.2 per cent from Euro 15,039 million to Euro 16,569 million. The premium retention ratio was 95.1 per cent against 94.9 per cent in 2002. Life business premiums amounted to Euro 9,552 million, up 14.5 per cent on the Euro 8,343 million of 2002. Italian companies contributed to this result in particular. Non-life business premiums totalled Euro 7,017 million, up 4.8 per cent on the Euro 6,696 million of 2002. All countries in which the Group operates contributed to this result, especially Italy.

Premiums (millions of Euro)

	Life		Non-life		Total	
Countries	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Italy	7,461	6,477	3,794	3,640	11,255	10,117
Austria	387	369	902	850	1,289	1,219
Portugal	89	74	305	263	394	337
Spain	268	245	812	720	1,080	965
Switzerland	1,161	1,178	1,204	1,223	2,365	2,401
Ireland	186	0	-	-	186	0
Total	**9,552**	**8,343**	**7,017**	**6,696**	**16,569**	**15,039**

The technical operating result amounted to Euro 39 million, showing an improvement on the negative Euro 165 million of 2002. In detail, Euro 107 million related to life business (2002: Euro 118 million) and a negative Euro 68 million related to non-life business (2002: Euro -283 million). The operating result, before write-backs and write-downs resulting from market fluctuations, totalled Euro 892 million, up 9.9 per cent on 2002. Net of profit on the sale of assets, the result reached Euro 639 million, compared to Euro 661 million. Net technical reserves amounted to Euro 49,217 million, up Euro 5,385 million on the Euro 43,832 million of 2002. Consolidated shareholders' equity attributable to the Group was Euro 4,391 million at year end, down on 2002, mainly as a result of the buy back transaction described in the 2003 Annual Report of Ras spa and the 2003 half year report, as well as in this report's Capital management chapter.

Non-life business

Profitability of non-life business improved considerably in all countries, thanks to the significant portfolio restructuring policies described in the chapter on Business development. The combined ratio improved to 101.1 per cent from 104.7 per cent. Also showing improvement, the net technical result of non-life business amounted to a negative Euro 68 million, clearly recovering from the negative Euro 283 million of 2002.

The improvement in the technical result, as can be seen in the following table, involved companies in all countries in which the Group operates and was coupled by an increase in the technical reserves. In particular, in Italy, the technical result rose from a negative Euro 110 million to Euro 18 million, with a Euro 201 million increase in the technical reserves. The technical result in Switzerland rose from a negative Euro 102 million to a negative Euro 66 million, and in Austria from a negative Euro 76 million to a negative Euro 56 million.

Technical reserves and technical result - non-life business (millions of Euro)

Country	Net technical reserves		Net technical result	
	2003	2002	2003	2002
Italy	5,527	5,326	18	-110
Austria	946	924	-56	-76
Portugal	344	344	11	-5
Spain	780	680	25	10
Switzerland	2,648	2,763	-66	-102
Total	**10,245**	**10,037**	**-68**	**-283**

The total cost of claims in non-life business increased by Euro 165 million to Euro 4,437 million, from Euro 4,272 million in the previous year. Acquisition costs remained fairly constant at Euro 1,168 million (2002: Euro 1,123 million), general expenses were in line with 2002 at Euro 358 million.

Life business

The technical result of life business amounted to Euro 107 million (2002: Euro 118 million). Technical reserves related to unit and index-linked policies increased considerably (+57.8 per cent), mainly in Italy. Improvements were seen in the technical results of Austria, Portugal and Spain, while they decreased in Italy and Switzerland. As in previous years, commissions relating to long-term policies were fully expensed during the year.

Net technical reserves and technical result - life business (millions of Euro)

Country	Net technical reserves		Reserves relating to investments benefiting policyholders bearing the risk		Net technical result	
	2003	2002	2003	2002	2003	2002
Italy	14,319	13,269	12,586	8,091	89	98
Austria	2,442	2,399	132	91	12	9
Portugal	336	319	0	0	13	11
Spain	1,866	1,719	53	54	27	17
Switzerland	6,895	7,780	157	73	-35	-17
Ireland	1	-	185	-	1	-
Total	**25,859**	**25,486**	**13,113**	**8,309**	**107**	**118**

Technical payments of life business totalled Euro 4,866 million, up 39.1 per cent on the Euro 3,499 million of 2002. Acquisition costs amounted to Euro 533 million, also up on the previous year, from Euro 485 million. Total acquisition costs and general expenses amounted to Euro 680 million, with an increase of 8.5 per cent on the Euro 627 million of 2002.

Income transferred to the technical account amounted to Euro 1,576 million (including Euro 24 million reclassified as "Income transferred to the technical account"), compared to Euro 252 million in 2002 and is as follows:

- financial income on traditional products (Euro 1,137 million against Euro 997 million in 2002);
- losses on contracts with investments benefiting policyholders bearing the risk and arising from fund management (a negative Euro 439 million against a loss of Euro 745 million in 2002).

Finance

Investments totalled Euro 40,731 million at year end, up 4.3 per cent on the Euro 39,041 million of 2002. The main lines of the investment policy in the securities market involved an increase in investments in bonds and a reduction in investments in trading equities. In particular, in Italy, investments in trading equities and equity funds reached 4.5 per cent (2002: 4.4 per cent) while in Switzerland they decreased to 1.5 per cent (2002: 8.4 per cent).

Investments (millions of Euro)

	2003	Mix %	2002	Mix %
Land and buildings	2,687	6.6%	2.785	7.1%
Other financial investments:				
Equity investments	1,043	2.6%	1,793	4.6%
Mutual fund units	2,285	5.6%	2,339	6.0%
Bonds and other fixed-income securities	26,947	66.2%	26,092	66.8%
Loans	3,169	7.8%	2,857	7.3%
Other	1,884	4.6%	994	2.5%
Total	**38,015**	**93.3%**	**36,860**	**94.4%**
Investments in group companies:				
Equity investments	1,476	3.6%	1,398	3.6%
Bonds and other fixed-income securities	341	0.8%	93	0.2%
Loans	899	2.2%	690	1.8%
Total	**2,716**	**6.7%**	**2,181**	**5.6%**
Total	**40,731**	**100.0%**	**39,041**	**100.0%**

The item "Investments in Group companies" includes strategic investments, like those in UniCredit, Banco Portugues do Investimento, Banco Popular Español and other companies consolidated using the equity method, mostly comprising companies in the financial service sector and companies stated at cost.

Ordinary income from investments, net of related charges, amounted to Euro 1,748 million (2002: Euro 1,807 million). Overall ordinary income, which was not penalised as in 2002 by significant write-downs, improved, also thanks to the increase in net profit from the sale of short-term investments. Additional details on transactions with related parties are given in Section 17, Part B of the Notes to the 2003 financial statements of Ras spa.

Income from investments (millions of Euro)

	2003	2002	Change
Income from real estate operations	97	130	-33
Other financial investments:			
Equity investments	225	258	-33
Fixed-income securities	1,065	1,184	-119
Loans	146	126	20
Other	173	84	89
Share of net profit of companies held	42	25	17
Total	**1,748**	**1,807**	**-59**
Write-downs	45	-675	720
Net profit from the sale of short-term investments	253	151	102
Total	**2,046**	**1,283**	**763**

Net profits/losses of companies held include those of companies consolidated using the equity method. Net profit from the sale of short-term investments amounted to Euro 253 million, up on the Euro 151 million of 2002.

Net profit on the sale of short-term investments (millions of Euro)

	2003	2002	Variazione
Fixed-income securities	152	211	-59
Equity investments	49	-60	109
Total	**201**	**151**	**50**
Reclassification for comparative purposes (°)	52	0	52
Total	**253**	**151**	**102**

(°) Reference should be made to the notes to the profit and loss account for additional information or reclassifications.

Write-downs in the equity segment totalled 45 million against Euro 675 million in 2002.

Write-downs (millions of Euro)

	2003	2002	Change
Capital gains/(losses) on fixed-income securities	-21	-58	37
Capital gains/(losses) on equities, mutual funds and other	23	-648	671
Total	**2**	**-706**	**708**
Reclassification for comparative purposes (°)	43	31	12
Total	**45**	**-675**	**720**

(°) Reference should be made to the notes to the profit and loss account for additional information or reclassifications.

Total unrealised capital gains on listed securities reached Euro 2,096 million against Euro 1,806 million in 2002. Those on bonds increased to Euro 1,077 million from Euro 1,016 million in the previous year. Unrealised capital gains on trading equities and mutual funds totalled Euro 1,019 million (2002: Euro 790 million).

Unrealised capital gains (milions of Euro)

	2003	2002	Change %
Equity investments	141	122	15.6%
Mutual fund units	158	65	143.1%
Bonds and fixed-income securities	1,077	1,016	6.0%
Other shares of group companies	720	603	19.4%
Total	**2,096**	**1,806**	**16.1%**

Personal financial services

First and foremost, this sector was characterised by the acquisitions of the year, detailed in chapter Extraordinary corporate and capital restructuring transactions. In 2003, the strategy of this sector was geared towards growth in size, while specific attention was devoted to improving the product mix and containing operating costs. The 2003 consolidated profit and loss account partially reflects the effects of these strategies.

The merger of CAMI-Commerzbank Asset Management Italia into RasBank and that of Commerzbank Sgr into Ras Asset Management Sgr, which will develop significant synergies beginning in 2004, have led to charges with an effect on the results for the year. The increase in assets under management and administration, due to both the increase in net inflows and the bullish performance of financial markets, was partially offset by the trend in the bond segment. Gross profit of asst management amounted to Euro 114.8 million, substantially in line with 2002. In particular, underwriting, management, withdrawal and performance commissions totalled Euro 165.1 million, against Euro 166.8 million in 2002. Performance commissions totalled Euro 13.2 million, while total commission expense to the network amounted to Euro 67.3 million, in line with the previous year. Gross profit for banking reached Euro 42.7 million, up 11 per cent as compared to 38.4 million in the previous year. Trading charges increased from Euro 24.3 million to Euro 26.6 million while general expenses decreased from Euro 137.7 million to Euro 114.9 million, following intensive outsourcing of RasBank's IT and back-office activities.

Litigation

The lawsuits described herein mainly relate to the parent company. There are no current lawsuits to report involving other Group companies.

Anti-trust

Following the Council of State's confirmation of the Anti-trust Authority's measure against 17 insurance companies, including Ras, and the solicitation of consumer organisations, from June 2002, an increasingly large number of policyholders have begun requesting reimbursement for a portion of premiums before Justices of the Peace. The grounds for such requests include compensation for damage, unjust enrichment, recovery of undue payments, etc., as the policyholders believe they paid third party motor liability premiums which were approximately 20 per cent higher than they should have been from 1995 to 2000, the years of the alleged misconduct subject to the Anti-trust Authority's measure. This is following the incorrect assumption that insurance companies created a cartel to agree on higher third-party motor liability tariffs. The phenomenon continues to concern above all the Italian regions of Campania and Calabria, and especially the Salerno and Catanzaro provinces. At 8 March 2004, Ras had received 6,199 summons and, at the same date, had lost 1,456 cases and won 209. Law no. 63 of 7 April 2003 which modified Legislative Decree no. 18 of 8 February 2003 (Emergency measures on equity-based rulings), reduced the scale of this situation. Such law stated that the cases had to be decided according to law rather than equity, meaning that the judges have to ascertain damage (a premium increase) as the specific effect of the alleged exchange of information. Following the application of this principle, Ras has both won and lost cases, although the latter continue to outnumber the former.

Tax inspection

Following receipt of a notice of assessment received from the Trieste tax authorities in early 2003 and relating to 1996, Ras appealed on 27 June 2003 before the Trieste Provincial Tax Commission. The last hearing was held on 18 November 2003. The Commission's sentence was favourable to the Company. It lodged on 16 December 2003. At this time, it is uncertain whether the tax authorities will appeal or not. Finally, on 18 December 2003, Ras received a notice of assessment from the Trieste tax authorities for 1997 and 1998. The disputed amounts are significant, but the Company's conduct is believed to have been correct. Accordingly, Ras intends to appeal. Nevertheless, it has prudently recorded accruals to the provisions for legal defence fees and any contingent liabilities.

Tax amnesty

During 2003, Ras benefited from the tax amnesty under Law no. 289 of 27 December 2002. It integrated and settled direct taxes of previous years from 1997 to 2001 and automatically settled all indirect taxes of previous years from 1998 to 2001. Decree Law no. 269/2003 (converted into Law no. 326 of 24 November 2003) extended the terms of the tax amnesty of both types of settlement to 2002 as well. Ras intends to take advantage of this extension in 2004, before the deadline.

Compulsory cessions

As reported in the 2003 half year report, Ras and Consap reached a settlement agreement on 6 June 2003, definitively resolving their dispute on the January 1994 abolition of compulsory cessions in the life insurance sector. The agreement, which stands for the entire Ras Group, provides that Consap pay Ras Euro 159.5 million. The effect of the agreement on Ras has been a gain of Euro 3.6 million. Ras collected the amount agreed on 4 July 2003. Accordingly, at 31 December 2003, its financial statements did not include any items relating to former compulsory cessions.

Third party motor liability tariff freeze

On 25 February 2003, the European Court of Justice accepted the appeal lodged by the European Commission against Italy for freezing third party motor liability tariffs under Legislative Decree no. 70/2000, converted into Law no. 137/2000. The European Court of Justice maintained that Italy was non-compliant with EU directives on insurance under which member states are not allowed to impose conditions upon insurance companies or to fix prices.

Policies issued before and during World War II

The International Commission on Holocaust Era Insurance Claims (ICHEIC) continued its work regarding requests for settlement of policies issued before and during World War II. Since October 2002, it has worked in collaboration with the German Foundation and GDV (association of German insurance companies). The claims filing deadline was 31 December 2003, leading to a peak in the number of claims filed (ICHEIC announced it had approximately 13,000 awaiting processing and forwarding to the insurance companies concerned). At the beginning of 2004, ICHEIC had assigned 57,269 requests for damages to insurance companies. At 28 February 2004 Ras had received 39,948 requests and examined 38,233, approving 554 requests for a total of US $ 6,215,064.64. To date, applicants have accepted offers in relation to 463 requests, for US $ 5,216,382.03. After May 2003, following the October 2002 agreement between the German Foundation, ICHEIC and GDV, the latter makes the payments on behalf of the German companies, including Ras, as part of the Allianz Group, using the funds provided by the German Foundation, in accordance with ICHEIC. To date, Allianz ag has contributed to the German Foundation in its own and its group name and will charge Ras in turn. ICHEIC is currently completing the definition of another audit stage, which is provided for in the 2002 agreement mentioned above. The purpose of the audit stage is to ascertain that the German companies have continuously complied with the rules ICHEIC has made for the processing and approval of claims. This means that in the near future, Price WaterhouseCoopers auditors will visit Ras to examine a sample of roughly 350 cases. Moreover, on the basis of the audit compliance statement obtained, approvals and denials of claims by Ras have been definitive for a year now and thus vulnerable to appeals before the independent bodies set by ICHEIC and the German Foundation. At year end, 184 appeals had been brought against Ras denials. Of those, 49 had already been decided (in 25 cases the Company's first level decision was confirmed, while in the other cases, the ruling was in favour of the claimants, leading to the formulation of an offer of payment on the basis of mere biased allegations and purely circumstantial evidence). With regard to US litigation, the legal peace ensured by the German Foundation's agreement still stands, for which Ras has no pending litigation at this time. Ras has considered these contingent liabilities in its provisions.

Transactions with related parties

Ras is directly controlled by Acif (Allianz Compagnia Italiana Finanziamenti) spa of Milan, a financial holding company in turn controlled by Allianz ag, based in Munich and listed on the New York Stock Exchange. Allianz ag heads one of the leading insurance and asset management groups in the world. At 31 December 2003, Allianz ag indirectly controlled Ras, with approximately 55.51 per cent of its share capital. Ras transactions with the Allianz Group related to reinsurance activities carried out on an arm's length basis in accordance with Consob resolution no. 11971 of 14 May 1999 and subsequent modifications. Receivables and payables at 31 December 2003 due from and to the parent companies Allianz ag and Acif are set out in the section in the Notes to the financial statements (Part B - Section 15). Similarly, Ras has certain real estate lease contracts in place with individuals who are related parties. These contracts provide for the special terms offered to current and retired Ras employees.

Extraordinary corporate and capital restructuring transactions

In 2003, the Group carried out the following extraordinary transactions, with an effect on its corporate and equity structure:

- In January 2003, Darta Saving Life Assurance Co. was set up with registered offices in Dublin. This company's share capital amounts to Euro 3 million. In April 2003, Darta Saving began selling unit-linked insurance policies in Italy, through RasBank financial advisors;
- in February 2003, implementing the shareholders' resolution of 28 October 2002, Ras decreased its share capital from Euro 437,769,748.80 to Euro 403,102,758 by cancelling 57,778,318 own shares (49,483,389 ordinary shares and 8,294,929 savings shares) that it already held or had bought back as part of the transaction concluded in January 2003. The buy back transaction is described in detail in the chapter Capital management;
- in September 2003, RasBank's acquisition of the Commerzbank Asset Management Italia (CAMI) Group was finalised. Through this transaction, RasBank acquired a network of over 200 financial advisors and a fund management company with approximately Euro 670 million in assets under management and administration. The acquisition price amounted to Euro 7 million. The bank and the fund management company were merged into RasBank and Ras Asset Management Sgr, respectively, on 31 December 2003, but with retrospective effect for accounting and tax purposes from 1 January 2003;
- in December 2003, RasBank acquired BPVi Suisse sa, with registered offices in Lugano. The acquisition price amounted to Euro 11.3 million. Subsequently, BPVi Suisse was renamed RasBank Suisse. The company operates via a branch in Lugano;
- in December 2003, Ras signed a preliminary agreement to acquire Banca Bnl Investimenti. The transaction is subject to the approval of the Bank of Italy and Anti-trust Authority. The agreement relates to the acquisition of the entire company, comprising a network of 1,000 financial advisors, with customers' assets under management and administration and life reserves totalling approximately Euro 4.1 billion. The agreed acquisition price is Euro 100 million.

group Companies

Insurance

In 2003, the aggregated premium income of the Ras Group totalled Euro 16,666 million, up 10 per cent on the Euro 15,149 million of 2002. Italian companies contributed Euro 11,343 million, with growth of 11.1 per cent, while foreign companies contributed Euro 5,323 million, with growth of 7.8 per cent.

Italy

The parent company, Ras spa recorded premium income of Euro 4,249 million, up 4.1 per cent, while other Italian companies totalled Euro 7,094 million, up 15.7 per cent. The overall domestic consolidated technical result of life business dropped from Euro 98 million to Euro 89 million, while the technical result of non-life business improved from a negative Euro 110 million to Euro 18 million.

Allianz Subalpina, Turin

Premium income increased 7.7 per cent to Euro 984.2 million from Euro 913.8 million in 2002. Premiums from non-life business rose 2 per cent, coming in at Euro 640.6 million. The motor lines of business recorded premiums of Euro 431.1 million, accounting for 67.3 per cent of total non-life business and up 1 per cent on the previous year. Premiums from non-motor lines of business amounted to Euro 209.6 million, up 4 per cent. Life business premiums rose 20.3 per cent to Euro 343.6 million. The technical result and income from financial transactions also performed well, thanks in particular to sundry adjustments following stronger market trends. In 2003, extraordinary capital gains were realised for Euro 30.6 million. Of that amount, Euro 23.2 million related to the sale of G.I. Azs, the company set up following the real estate spin-off of 2002. Allianz Subalpina, which operates with 322 agencies, reported a net profit for the year of Euro 55.5 million, up on the Euro 27.5 million for 2002.

CreditRas Vita, Milan

This bankinsurance company, owned on a 50-50 basis with UniCredito Italiano, recorded premiums of Euro 5,320 million, an increase of 21.6 per cent on the Euro 4,376 million of 2002. This growth was boosted by intensive sales network activities and product portfolio streamlining and integration projects, as well as by the partial recovery of financial markets. The first to benefit from the recovery, class III products, and particularly unit-linked products, rose 46 per cent on 2002, reaching 83.5 per cent of total premiums compared to 69.5 per cent in the previous year. At year end, total class D investments amounted to Euro 11,278 million, up Euro 4,185 million on 2002. Technical reserves increased 42.4 per cent to Euro 14,883 million from Euro 10,454 million at the end of 2002. The net profit for the year amount to Euro 4.9 million (2002: Euro 18.2 million).

CreditRas Assicurazioni, Milan

This bankinsurance company, owned on a 50-50 basis with UniCredito Italiano and operating in non-life business, achieved premiums of Euro 45.4 million, up 49.8 per cent on the Euro 30.3 million of 2002. The net profit for the year amounted to Euro 0.7 million (2002: Euro 1.5 million).

RB Vita, Milan

The company operates through RasBank's financial advisors. Premium income decreased 20.4 per cent to Euro 367.3 million from Euro 461 million in 2002. This decrease is mainly due to lower inflows from single premium products, despite the outstanding results of new annual premium products in 2003. The net profit for the year amounted to Euro 18.4 million, compared to Euro 1.6 million on 2002, thanks to improved financial income and provisions to gross technical reserves.

Genialloyd, Milan

This direct sales company distributes its products over the phone and on-line. In 2003, it recorded premiums of approximately Euro 170 million, an increase of 53.7 per cent on the previous year. Premium income from the Internet distribution channel accounted for 39 per cent of the total, growing 59.3 per cent on 2002 to Euro 66.8 million, confirming Genialloyd as Italian leader in the sale of insurance policies on-line. The net profit for the year amounted to Euro 3.5 million (2002: Euro 0.6 million).

Ras Tutela Giudiziaria, Milan

In 2003, this company, which operates in the legal protection and pecuniary losses lines of business, increased its premium income to Euro 31.1 million from Euro 27.4 million in 2002. The net profit for the year remained more or less stable at Euro 1.7 million, compared to Euro 2.2 million in 2002.

L'Assicuratrice Italiana Danni, Milan

This company underwrote premiums for Euro 0.4 million. The net profit for the year was consistent with that for 2002, substantially at the breakeven point.

L'Assicuratrice Italiana Vita, Milan

Premiums of this company amounted to Euro 65.5 million against Euro 116.6 million in 2002. The net profit for the year amounted to Euro 2 million, up on the net loss of Euro 1.3 million for 2002, also thanks to the increase in income from financial transactions.

Bernese Vita, Rome

This company underwrote premiums of Euro 23.7 million (2002: Euro 16.8 million). The net profit for the year amounted to Euro 3.5 million, up on the net loss of Euro 0.3 million for 2002.

Bernese Assicurazioni, Rome

Premiums of this company increased to Euro 86.3 million from Euro 77.5 million in 2002. It showed a net loss for the year of Euro 1.8 million, after breaking even in the previous year.

Foreign operations

Combined gross premiums from foreign insurance subsidiaries grew 7.8 per cent to Euro 5,323 million, including Euro 2,092 million from life business (up 12.1 per cent) and Euro 3,231 million from non-life business (up 5.2 per cent). With respect to the Swiss insurance companies only, considering the 6.8 per cent depreciation of the Swiss franc against the Euro, overall growth was 6.5 per cent in real terms. In detail, premium income of Ras Group companies amounted to Euro 2,369 million in Switzerland, Euro 1,293 million in Austria, Euro 1,080 million in Spain, Euro 394 million in Portugal and Euro 187 million in Ireland.

Switzerland

As the Mondial Assistance Group has been consolidated using the equity method since 2002, in 2003, the Swiss insurance companies recorded premium income of SwFr 3,690.8 million (Euro 2,369.1 million), with an increase of 5.3 per cent on 2002. The growth was more significant in life business, which rose 5.8 per cent to SwFr 1,809.1 million (Euro 1,161.2 million). Premiums from non-life business, up 4.8 per cent, totalled SwFr 1,881.7 million (Euro 1,207.9 million). On a like-for-like basis, i.e. excluding Phénix and Phénix Vie from consolidation, as they joined the Group at the start of 2003, total premium income increased 2.9 per cent, with a rise of 3.2 per cent in life-business and 2.7 per cent in non-life business.

Alba Allgemeine Versicherung, Basel

This company operates in non-life business. In 2003, it recorded premium income of SwFr 105.8 million (Euro 67.9 million), up 4.4 per cent on 2002. Premiums were mainly concentrated in the motor lines of business, making up for 55 per cent of the total. The technical result, net of reinsurance, was a negative SwFr 10.6 million (Euro -6.8 million). Ordinary income from financial transactions grew, as did both realised and unrealised capital gains thereon. The net profit for the year amounted to SwFr 4 million (Euro 2.6 million), up on the net profit of SwFr 1.5 million for 2002.

Allianz Suisse Lebensversicherung, Zurich

This company recorded premium income from life business of SwFr 1,766.1 million (Euro 1,133.6 million), up 3.2 per cent on 2002. Single premium products made up for 51.3 per cent of these (2002: 48.1 per cent). The technical result decreased from a negative SwFr 25 million to a negative SwFr 90 million (Euro -57.8 million). The claims rate worsened following the spin-off of the pension fund business and the cancellation of various coinsurance contracts, along with an increase in the reserve for permanent disablement against the growing uncertainty of this line of business. Ordinary income from financial transactions was in line with 2002 and the turnaround of financial markets led to net realised capital gains of SwFr 89.7 million (Euro 57.6 million), against a negative SwFr 95.8 million in 2002. The net profit for the year rose from SwFr 0.5 million to SwFr 21.2 million (Euro 13.6 million).

Allianz Suisse Versicherung, Zurich

Premium income from non-life business rose 2.5 per cent on 2002 to SwFr 1,698.8 million (Euro 1,090.4 million). Non-life business accounted for 38.4 per cent of total premiums, compared to 36.5 per cent in the previous year. The technical performance was boosted by the drop in the year-relevant claims rate, stabilised costs and positive trends in the supplementary technical reserves, other than the premium and claims reserves. The technical result, net of reinsurance, rose from a negative SwFr 139.7 million to a negative SwFr 89.4 million (Euro -57.4 million). Income from investments decreased 10.4 per cent, mainly owing to lower income from bonds and other fixed-income securities. On the other hand, income from financial transactions benefited from an improvement in realised and unrealised net capital gains, rising from SwFr 4.6 million to SwFr 85.9 million (Euro 55.1 million). The net profit for the year amounted to SwFr 100.4 million (Euro 64.5 million), up on the net loss of SwFr 172.1 million of 2002.

CAP Compagnie d'Assurance de Protection Juridique, Zug

Premiums increased 3.1 per cent on 2002, to SwFr 38.1 million (Euro 24.5 million). The net technical result remained steady, rising just slightly from SwFr 0.6 million to SwFr 0.7 million (Euro 0.5 million). Net income from financial transactions was in line with the previous year, while realised and unrealised net capital gains increased. The net profit for the year amounted to SwFr 2.5 million (Euro 1.6 million), up on the SwFr 0.6 million of 2002.

Phénix Compagnie d'Assurances sur la Vie, Lausanne

This company operates in life business. It joined the Group on 3 January 2003 through Allianz Suisse Versicherung of Zurich, which acquired its entire share capital from Agf International of Paris. Premiums from direct business totalled SwFr 43 million (Euro 27.6 million), including single premiums which accounted for 33.8 per cent. The net technical result was a positive SwFr 2.8 million (Euro 1.8 million). The net profit for the year amounted to SwFr 2.8 million (Euro 1.8 million).

Phénix Compagnie d'Assurances, Lausanne

This company operates in non-life business. It also joined the Group on 3 January 2003, as it is wholly owned by Phénix Compagnie d'Assurances sur la Vie. Premium income totalled SwFr 39 million (Euro 25 million) in 2003. Motor lines of business accounted for 26.8 per cent of total direct business. The net technical result was a negative SwFr 0.5 million (Euro -0.3 million). The net profit for the year amounted to SwFr 0.7 million (Euro 0.5 million).

Austria

Total premiums from Austrian companies reached Euro 1,293.4 million, with an increase of 5.8 per cent on Euro 1,223 million recorded in the previous year. This growth was more significant in non-life business (up 6.2 per cent) than in life business (up 4.7 per cent).

Allianz Elementar Versicherung, Vienna

Gross premiums written in non-life business increased 6.2 per cent to Euro 906.4 million. Premiums from direct business grew 5.9 per cent from Euro 829.7 million to Euro 878.7 million, with the motor lines of business accounting for 44.1 per cent of the total. The gross technical result improved from a negative Euro 46 million to a negative 38.1 million. following a drop in the claims rate, which led to a decrease in the loss ratio from 82.7 per cent to 75 per cent. Net income from investments rose 7.9 per cent, mainly as a result of proceeds from real estate assets and mutual fund units. Positive trends in financial markets reduced write-downs from Euro 65.5 million to Euro 3.1 million, while net capital gains realised on the sale of long-term investments decreased from Euro 42 million to Euro 9.5 million. The net profit for the year increased to Euro 30 million (2002: Euro 1 million).

Allianz Elementar Lebensversicherung, Vienna

Premium income from life business remained substantially in line with 2002, at Euro 350.5 million. Direct insurance premiums were up 0.2 per cent to Euro 349.7 million, 24.2 per cent of which relating to single premiums. Despite the increase in the claims rate, the technical result improved from Euro 8.1 million to Euro 10.4 million, also thanks to increased interest transferred to the technical account and a positive change in reserves. Net income from financial transactions decreased by 6.4 per cent, mainly following reduced income on loans, while the recovery of financial markets reduced write-downs of investments from Euro 114.1 million to Euro 15 million. Net capital gains from the sale of short-term investments dropped to Euro 9.8 million from Euro 80.5 million in 2002. The company broke even at year end.

Spain

The Spanish companies recorded a total premium income of Euro 1,080.3 million, up 12.1 per cent, including non-life business of Euro 812.7 million (up 12.9 per cent) and life business of Euro 267.6

million (up 10.2 per cent). Allianz Seguros y Reaseguros, Eurovida and Fénix Directo particularly contributed to the growth in both sectors.

Allianz Seguros y Reaseguros, Madrid

The company wrote premiums for Euro 2,106.9 million, up 12.2 per cent on the Euro 1,878 million of 2002. In particular, non-life business totalled Euro 1,642.9 million, an increase of 13 per cent on Euro 1,453.3 million in 2002. Motor lines of business saw a rise in premiums of 13 per cent, from Euro 972 million to Euro 1,098.8 million, making up for 67.5 per cent of the portfolio. The net technical result amounted to Euro 51.5 million (2002: Euro 21.8 million), due to the containment of the claims rate and acquisition and administration costs. Life insurance premiums rose 9.3 per cent to Euro 464 million on the Euro 424.7 million of 2002). In particular, non-pension products were up 18.9 per cent from Euro 220.9 million to Euro 262.7 million, while unit-linked policies rose 4.9 per cent, from Euro 94.7 million to Euro 99.3 million. On the other hand, pension funds decreased 6.5 per cent from Euro 109.1 million to Euro 102.0 million. The reduction in overall costs and provisions to the technical reserves, which were less than in 2002, led to an improved life business net technical result from Euro 22.8 million to Euro 38.3 million, despite the increase in technical payments. The total technical result, including life business, reached Euro 89.8 million (2002: Euro 44.6 million). After absorbing unrealised capital losses in 2002, income from financial transactions improved. The net profit for the year amounted to Euro 124.4 million (2002: Euro 79.8 million).

Fénix Directo, Madrid

Fénix Directo sells motor insurance products over the phone and recorded premiums of Euro 38.5 million, up 6.4 per cent on the Euro 36.2 million of 2002. The net technical result amounted to Euro 0.6 million (2002: Euro -1.3 million). Income from financial transactions improved on the previous year, when there were significant write-downs of investments. The net profit for the year was Euro 3.5 million (2002: net loss of 1.5 million).

Eurovida, Madrid

Total premium income rose 14.1 per cent from Euro 127.3 million to Euro 145.2 million, especially due to pension funds, where premiums increased from Euro 10.6 million to Euro 41.7 million. Premiums of unit-linked policies dropped 81.6 per cent from Euro 17.4 million to Euro 3.2 million, while those of traditional products grew 1 per cent from Euro 99.3 million to Euro 100.3 million. Overall costs as a percentage of net premiums decreased from 7.8 per cent to 7.1 per cent and the claims rate dropped from Euro 82.8 million to Euro 81.2 million. Income from financial transactions totalled Euro 25.8 million (2002: Euro 18.5 million). The net profit for the year came to Euro 17.0 million (2002: Euro 12.7 million).

Portugal

Allianz Portugal, Companhia de Seguros, Lisbon

Premiums totalled Euro 393.9 million, an increase of 17.4 per cent on the Euro 335.4 million of 2002. They comprised non-life insurance premiums of Euro 304.2 million (2002: Euro 261.8 million) and life insurance premiums of Euro 89.7 millions (2002: Euro 73.6 millions). In particular, in non-life business, the claims rate improved and costs as a percentage of premiums decreased. The latter fell 1.4 per cent, mainly due to the containment of administration costs. The gross technical result was a positive Euro 26.3 million, up on the Euro 17.9 million of 2002. Overall, the net return on investments was in line with the previous year while income from financial transactions improved considerably, rising from Euro 9.4 million in 2002 to Euro 36.9 million in 2003. The net profit for the year amounted to Euro 13.1 million (2002: net loss of Euro 3.8 million).

Ireland

Darta Saving Life Assurance, Dublin

Set up on 16 January 2003, this company is specialised in the sale of single premium unit-linked life insurance policies. It recorded premiums of Euro 186.3 million in 2003, with a positive technical result of Euro 0.7 million. The net profit for the year amounted to Euro 0.7 million.

Financial services

Ras Asset Management Sgr, Milan

During 2003, total assets under management of this company increased from Euro 23.8 billion to Euro 26.3 billion, partly due to the recovery of equity markets that began in the third quarter. The most growth was seen in the insurance portfolio segments, including open pension funds and individual portfolio management. Furthermore, the Company was awarded three new mandates. Commerzbank Sgr was also acquired and merged into Ras Asset Management, contributing approximately Euro 280 million assets under management, including individual portfolio managemnt services and a fund of funds. The net profit for the year grew more than 40 per cent to Euro 10.3 million, following the increase in commission income and the lesser rise in costs and charges, mainly due to the above extraordinary transaction.

RasBank, Milan

During the year, the Company obtained the authorisation to set up the RasBank Group, formed by Rasfin Sim, RB Fiduciaria, R.It. Servizi per l'Information Technology and RasBank (Suisse). On 8 September 2003, it acquired Commerzbank Asset Management Italia, which was merged into RasBank on 31 December 2003, thereby increasing the number of financial advisors to 2,390 at year end, against 2,164 at the end of 2002. On 18 December 2003, BPVi (Suisse) Bank was fully acquired and renamed RasBank (Suisse). RasBank had six bank branches and 51 financial shops operating in Italy at year end. Net inflows from assets under management totaled Euro 265 million, while new life business rose to Euro 263 million. Total inflows from customers reached Euro 2,029 million. The bank placed bonds of Euro 384 million to satisfy customer demand in the market, still unsure of what the future holds. During the year, the bank outsourced most of its IT services to a consortium outside the Ras Group in which it owns an investment. The net loss for the year amounted to Euro 26.6 million, against a substantial breakeven in 2002. This net loss is mainly due to the merger of Commerzbank Asset Management Italia.

Rasfin Sim, Milan

2003 was the first year in which this company operated exclusively in the Capital Market, Corporate Finance and Advisory Sectors and provided consultancy services with regard to the private equity Raspep fund of funds. In the primary market, Rasfin participated in four equity placements, for a total counter value of placed equities of roughly Euro 3 million (2002: eight placements for Euro 26 million). It also participated in five capital increases, serving as lead manager in one, for a total underwritten amount of Euro 41 million (2002: six transactions for Euro 43 million). It organised three private bond placements and one finance bill plan for a total of Euro 105 million (2002: four transactions for Euro 280 million). Furthermore, it participated in a bond underwriting syndicate organised by third parties for Euro 15 million (2002: three transaction for Euro 46 million). On the public offers front, the Company participated in 16 deals, in addition to one where it was responsible for collecting the relative proxies from shareholders, raising a total of Euro 517 million (2002: seven deals for Euro 112 million). Finally, it also acquired new corporate finance mandates. The net profit for the year amounted to Euro 0.4 million, a figure that is not comparable with 2002, since the business activities were different.

Financial holding companies

Ras International nv - Amsterdam

The company's authorised share capital amounted to Euro 453,781,000 at year end, including Euro 342,650,000 subscribed and paid-up. Shareholders' equity at 31 December 2003 was Euro 2,394 million, down on the Euro 2,427 million of 2002 year end. There were no significant changes in the investment portfolio during the year.

Agf Ras Holding BV, Amsterdam

The company's authorised share capital amounted to Euro 500 million. The subscribed and paid-up share capital totalled Euro 236,450,544 at year end, held on a 50/50 basis by Ras International nv and various Agf Group companies. The company controls the Spanish operations of both the Ras and the Agf Groups. In particular, it holds 96.46 per cent of the share capital of Allianz Seguros y Reaseguros, 51 per cent of Eurovida and 49 per cent of Europensiones.

Affiliated and associated companies

Koç Allianz Hayat ve Emeklilik, Istanbul

Gross premiums written reached Euro 117.5 million, with a nominal increase of 35.3 per cent on the previous year (the annual Turkish inflation rate was 18.4 per cent at year end). The net profit for the year amounted to Euro 18 million.

Koç Allianz Sigorta, Istanbul

This company recorded gross premiums of Euro 174.7 million, with a nominal increase of 19.2 per cent on 2002. The net profit for the year amounted to Euro 16 million.

SK Versicherung, Vienna

This company operates in the motor lines of business and underwrote premiums of Euro 16.1 million, up 22 per cent on 2002. It closed the year with a substantial breakeven, as in the previous year.

Post balance sheet events

On 25 March 2004, the Ras acquisition of Banca Bnl Investimenti was finalised, after it had received authorisation from the Bank of Italy and the Antitrust Authority. Banca Bnl Investimenti will join RasBank, bringing the Ras Group network up to approximately 3,400 financial advisors, and making it the third largest Italian network in terms of number of financial advisors and assets under management and administration (more than Euro 19 billion).

Capital management

Since 2000, one of Ras objectives has been increasing value for shareholders also by optimising capital allocation and rationalising the Group capital structure. To this end, and to assess strategic opportunities more effectively, during 2001 Ras developed its own risk capital model and implemented a capital management plan aimed at reducing absorption of capital by business activities and at using excess capital more efficiently.

Model adopted and allocation by line of business

The Ras model links the concepts of capital and risk. The capital is intended as financial resources taken as a whole which enable the Company to cover unexpected losses or changes in profitability. This vision revolutionises the concept of margin set aside to protect the policyholders' interest, which is the solvency margin required by law. Ras created this model in collaboration with Alef - Laboratorio di economia finanziaria. The model is based on an asset/liability management logic and takes into consideration the impact of the various financial and actuarial risk sources on assets and liabilities. Risk capital is calculated as the value at risk over one year, in line with an established level of confidence of 99.93 per cent. The calculation method, based on the general principle of prudence, also considers the links between the various risk sources (benefit of diversification) as well as those between the various Group business lines (benefit of aggregation). The required capital is allocated by line of business as follows.

Capital allocation (millions of Euro)

	2003	2002	CAGR
Non-life	2,395	2,570	-0.4%
Life	887	985	-24.1%
Personal financial services	104	104	-9.9%
Total	**3,385**	**3,659**	**-8.9%**

The significant change from 2002 to 2003 is the result of actions implemented by Ras in the last few years, geared towards progressively reducing the capital absorbed by its business. The end aim is to combine the Company's growth with an efficient use of capital, in order to increase value for shareholders while achieving the same results.

The above results were mainly driven by the following:

- in non-life business, the containment of the overall exposure to catastrophic risks, through traditional reinsurance, the restructuring of certain non-performing general third party liability portfolios, which presented a risk level (and hence, absorption of capital) not in line with the business' expected profitability. The results were also achieved thanks to tighter tariff control, especially in the retail segment;
- in life business:
- an asset management policy in line with the characteristics of liabilities, by matching the duration of technical commitments and the duration of investments, especially in the case of segregated fund-related products, and maintaining low exposure to equities. Such exposure, for instance, was around 5.3 per cent as regards the Vitariv segregated fund in 2003 (2002: 5.4 per cent);
- a continuous monitoring of the credit risk within the bond portfolio, by drawing on an investment policy that does not overweight the corporate component. A low percentage (1 per cent of the total) of speculative-grade securities clearly demonstrates good credit quality;
- the launch of the new range of life insurance products with low capital absorption thanks to the specific structure of their financial guarantees.

At the same time the volatility of returns on investments was reduced in both non-life business and strategic investments. The impact of the equity portfolio was mitigated by both divesting and using hedging financial instruments which, with the current market situation, enabled Ras to protect the

Group's most strategic investments at almost no cost. Additional details on such transactions are given in Section 17, Part B of the Notes to the 2003 financial statements of Ras spa.

The actions carried out during the last few years have allowed Ras to compensate for the financial market volatility while protecting the Company's capital and profitability.

In view of increasingly efficient capital management, two projects are underway:
- value-based-management: from 2004, Group managers will be assessed on the basis of performance indicators linked to capital absorption. The capital management model enables capital to be allocated to the individual business units and lines of business, making it possible to measure the value created or lost with respect to the amount of capital absorbed by the Group and its various areas of operations;
- Risk Committee: this advisory committee to the Board of Directors was set up in January 2004. For further details, reference should be made to chapter Corporate governance.

Management of excess capital

Management of excess capital required a parallel progressive action plan. When the risk capital was assessed for the first time, excess capital was almost entirely invested in fixed assets, with low liquidity. Accordingly, the first step was to change part of such fixed assets into liquidity.

Accordingly, the subsidiary Proprietà Immobiliari, in which Ras had concentrated its non-instrumental real estate leased to third parties, was sold. The sale was carried out with the assistance of qualified independent advisors during 2002 through a tender procedure commenced with the utmost transparency in October 2001, aimed at gaining an understanding of market trends. The Board of Directors decided that it was profitable for Ras to sell Proprietà Immobiliari and, considering the advisors' opinion, resolved to conclude a sales agreement with Aida srl, as its Euro 1.7 billion offer was the most attractive. Capital gains of Euro 874 million, net of taxes, arose from the transaction. The 19 per cent tax rate was extremely favourable.

Ras used part of the liquidity arising from the sale to repurchase own shares through a Public Offer carried out between 9 December 2002 and 10 January 2003 for a consideration of Euro 14 per share, for a total value of Euro 709.1 million.

On 17 February 2003, implementing the shareholders' resolution of 28 October 2002 and after the legally-required lapse of time, Ras decreased its excess capital also by cancelling 57,778,318 own shares, worth roughly Euro 800 million, including 49,483,389 ordinary shares and 8,294,929 savings shares for a nominal value of Euro 34,666,990.80. Of the shares cancelled, 42,676,389 ordinary shares and 7,973,929 savings shares had been repurchased through the Public Offer. At the Offer inception date, Ras already held the remaining cancelled shares (6,807,000 ordinary shares and 321,000 savings shares). Following the transaction, Ras share capital amounted to Euro 403,102,758, split into 670,497,920 ordinary shares and 1,340,010 savings shares, each with a nominal value of Euro 0.60.

As confirmed by leading credit rating agencies, Ras financial soundness remained at a high level despite the Euro 800 million decrease in its share capital (see chapter Ras share, under Credit ratings).

In accordance with the 2001-2003 business plan, the Ras Group financed its expansion into personal financial services in 2003 with the acquisition of BPVi Suisse, Commerzbank Asset Management Italia and, at year end, by signing a preliminary agreement to acquire the Banca Bnl Investimenti.

Despite these transactions, the Group's financial soundness is strong enough to enable it to finance additional investments in its core business and pursue a dividend policy in line with the growth forecast in the 2004-2006 business plan, all with efficient capital allocation.

ras Share

Share performance and total return on investment

In 2003, the Ras ordinary share price grew 16.4 per cent, outperforming the Italian Mibtel general index (13.9 per cent) and the Mibtel insurance sector index (15.4 per cent). The Ras ordinary share price at 30 December 2003 was Euro 13.50. Taking into account dividends and the buy back transaction, which together totalled Euro 1.1 billion distributed to shareholders, and assuming reinvestment in Ras shares, the total return on Ras ordinary shares in 2003 would be 20.4 per cent, 3 points higher than the Mibtel general index calculated using the same parameters (17.4 per cent).

Considering a longer timespan, from the beginning of 2000 to the end of 2003, Ras ordinary shares rose 62.2 per cent, compared to the -31.2 per cent recorded by Mibtel and the -51.1 per cent recorded by the European DJ Euro Stoxx 600 Insurance index. Over the same period, considering the share performance and assuming that dividends distributed over time and the price paid for the buy back transaction were reinvested in Ras, the overall return on investments in Ras ordinary shares would be 75.96 per cent. Overall, considering the dividends of 2000, 2001, 2002 and 2003 and the buy back transaction, shareholders received approximately Euro 2 billion.

Market capitalisation

Following the performance described above, Ras market capitalisation grew from Euro 6 billion in early 2000 to Euro 9.1 billion at the end of 2003, rising from the twentieth to the eleventh place on the Mib 30 index. This growth can be even more appreciated if one considers that, over the same time, Ras distributed Euro 1.6 billion to shareholders, including Euro 1.2 billion to minority shareholders. At the European level, Ras ranked seventh at year end on the DJ Euro Stoxx 600 Insurance index (1999 year end: tenth).

DJ Euro Stoxx 600 Insurance

	Market capitalisation and position at 31 December 2003 (millions of Euro)		Market capitalisation and position at 31 December 1999 (millions of Euro)	
Allianz ag	38,406	1	81,626	1
Ing Groep	37,997	2	56,943	3
Axa	29,973	3	48,924	4
Generali	26,796	4	33,649	6
Muenchener Rueck	22,080	5	44,154	5
Aegon	17,764	6	57,319	2
Ras	**9,070**	**7**	**6,022**	**10**
Agf	7,992	8	9,928	7
Alleanza	7,346	9	9,493	9
Cnp Assurances	5,633	10	4,997	11
Sampo Leonia Oyj/Sampo	4,552	11	2,101	14
Mediolanum	4,535	12	9,915	8
Irish Life & Permanent plc	3,436	13	2,765	13
Amb Generali Holding ag	3,268	14	3,737	12
Hannover Rueckvers ag	2,693	15	1,283	16
Fondiaria (Sai spa)	2,498	16	1,729	15
Mapfre (Corporacion)	2,039	17	988	17
Unipol	1,431	18	914	18
Cattolica Assicurazioni	1,383	19	-	-

Performance of earnings per share

During the last three years, earnings per Ras ordinary share rose 55.6 per cent, from Euro 0.53 in 2000 to Euro 0.82 in 2003, with average annual compound growth of 15.9 per cent. In the same period, earnings per share of the European DJ Euro Stoxx 600 Insurance index fell 25 per cent, with average annual compound growth of -9 per cent. In the last three years, the growth differential between earnings per Ras ordinary share and that of the European insurance sector was 24.9 points per year.

Performance of dividend per share

From 2000 to 2003, the dividend per Ras ordinary share rose 93.5 per cent. The 2000 dividend (distributed in 2001) amounted to Euro 0.31, while the 2003 dividend (to be distributed in 2004) amounts to Euro 0.60, resulting in an average annual compound growth of 24.6 per cent. In the same period, the average dividend per share of the European DJ Euro Stoxx 600 Insurance index decreased at an average annual compound rate of 2.7 per cent.

Specifically, growth picked up in 2003, with a spurt of 36.4 per cent. This is related to capital optimisation actions taken and described in detail in chapter Capital management. The 2003 dividend entails a dividend yield of 5.2 per cent on the opening 2003 price, compared to the Mib 30 average of 3.7 per cent. From 2000 to date, the pay-out on the consolidated net profit rose from 59 per cent to 73 per cent.

The 2003 dividend per Ras savings share amounts to Euro 0.62.

Number of shares

Total outstanding shares at 2003 year end amounted to 670,886,994 ordinary shares and 1,340,010 savings shares. Savings and ordinary shares were reduced to 8,294,929 and 49,483,389, respectively, following their cancellation after buy back, on 17 February 2003. At the end of 2003, own shares amounted to 793,220, for a purchase counter value of Euro 10.2 million.

Other ratios

During 2003, the volatility of the share was much lower than that of the Mib 30 index, with a beta ratio (Ras share price sensitivity to fluctuations in the Mib 30 index) of 0.96.

Credit ratings

Leading credit rating agencies specialised in the insurance-financial sector, namely Standard & Poor's, AM Best and Moody's have been tracking Ras for the last few years. Such ratings are part of the assessment process of the entire Allianz Group, to which Ras belongs, and are performed through the following steps:
- analysis of the annual and interim figures of the Company, with particular reference to profitability, efficiency and financial soundness indicators;
- annual meetings with top management to discuss the Company's results, objectives and expectations for the future, both in the short and medium to long term;
- regular monitoring of the Company's market, competitors and development.

The information gathered during the above steps is summarised in a report which includes the Company's rating and reasons therefor. This report, together with those of the other main companies of the Allianz Group, forms the basis for the overall Group rating.

Once again, in 2003, Ras was assigned ratings which placed it among the soundest companies in the Italian market, in recognition of its significant capitalisation for risk-based capital coverage, strong market position, improvements achieved in recent 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: Aa2 (Under review for downgrade), negative outlook.

future Strategic lines

A multi-channel distribution model with highly integrated product and service platforms; a significant position in a number of business lines; an efficient organisational structure geared towards innovation: this competitive edge was achieved due to measures taken as part of the 2001-2003 business plan, which Ras can count on as it continues on its path to growth in terms of both profitability and volumes also in 2004-2006, as stated in the new business plan approved by the Board of Directors on 6 October 2003.

A key element of the new plan is the additional reinforcement of the distribution model through significant investments in the insurance agent and financial advisor networks. Furthermore, Ras plans to considerably boost the contribution of personal financial services and life business in the Group's results. Lastly, its determinant experience up to 2001 in managing and restructuring risk capital will be put to use in further capital optimisation projects aimed at increasing returns on invested capital.

Growth targets for 2004-2006

The growth targets Ras has set for 2006 are: increase consolidated net profit with ROE of 16.5 per cent (2003: 12.9 per cent), RORAC of 17.5 per cent (2003: 15.6 per cent) and specific focus on increasing profit from ordinary business (ROEV to 13.7 per cent).

In detail by line of business, the non-life premium income target for 2006 is over Euro 8 billion, with a combined ratio under 100 per cent, thanks to actions already begun in the last three years to improve the quality of customer portfolio. Ras aims to achieve Euro 11 billion in life premiums, with sharp growth in new business, by focusing on distribution channels, customers and products with higher margins. Finally, its personal financial services target is to boost gross profit to over Euro 120 million, through an increase in assets under management. This increase will be possible thanks to investments of nearly Euro 300 million to strengthen the network, upgrade agencies and devote constant attention to customer service.

Personal financial services

More specifically, Ras foresees a significant expansion in personal financial services offered through the RasBank network. This vision places true added value for customers within the consulting activities of the Group's financial advisors, consulting that is separate from the need to promote specific products in the Ras portfolio. Moreover, personal financial services will constitute a highly profitable sector for Ras in terms of invested capital. To this end, Ras aims to become a market landmark and is already now placed among market leaders (third largest network for assets under management).

Ras growth drivers will be:
- investments in recruiting, boosting the number of financial advisors to 3,600 by 2006. This achievement is just over the horizon, thanks to the acquisition of Banca Bnl Investimenti (subject to the necessary authorisations, which are expected in early 2004). The transaction is detailed in chapter Economic-financial performance, under Extraordinary transactions. The network of roughly 1,000 Bnl Investimenti financial advisors will bring the RasBank network to a total 3,400 advisors (compared to 2,400 at the end of 2003);
- further development in the service model, with the extension of wealth planning to all financial advisors, including those working in insurance agencies. This approach entails integrated management of customers' needs (pension/protection/savings /investment) so as to enable them to maintain the same lifestyle in the long-term. Wealth planning offers various solutions over time depending on changes in the customers' needs or market conditions, through dynamic management.

These actions should lead to an increase in the profitability of the sector, with customers shifting towards higher-consulting content services, which typically boast higher margins.

Life business

As mentioned above, Ras foresees strong growth in new business value, despite a conservative scenario in which the Company expects pressure on margins, at least as regards high investment content products, without considering the possibility of pension reform.

Ras plans to take the following measures to increase this line of business:

- strengthening of distribution capabilities, as mentioned above in the section on personal financial services, with regard to the financial advisor channel. As far as agents are concerned, the "organised agency" model which today is applied to 25 per cent of insurance agencies, will be extended to cover another 30 per cent (for a total of approximately 550 agencies). The Ras organised agency, the only truly integrated model in Italy, is a sophisticated structure in which non-life personal line insurance specialists, life insurance experts and financial advisors work together under the coordination of a team manager. This model gives customers a global approach, thanks to a close-knit team of professionals ready to offer personalised services. Insurance agencies with high potential will be assigned 300 new financial advisors as well as 2,000 new life insurance experts;
- redesign of the product portfolio to support the new wealth planning approach explained above. The re-definition of the new group of products began at the end of 2003 (see chapter Business development, under Ras Group life business - agents and financial advisors) and will continue through 2004;
- training of the sales network on the new service approach and targeted marketing actions, which will make the most of customer segmentation techniques;
- continuous increase in market visibility, thanks to significant investments in advertising campaigns.

Non-life business

As already mentioned, with regard to non-life business, Ras forecasts further improvement in the combined ratio on the 101.1 per cent recorded in 2003, capable of ensuring a positive technical result. Ras plans to use a segment differentiated approach as leverage, focusing growth on Personal and Small and Medium-sized Business segments. In detail:

- focus will be placed on the quality of the motor portfolio, also thanks to procedures developed in recent years. Genialloyd, the Group's direct over-the-phone and on-line sales company, will significantly boost growth;
- in non-motor, Personal and Small and Medium-sized Business segments, product innovation and targeted marketing actions will generated returns in terms of customer coverage upgrade;
- the general liability line of business will, on the one hand, see the fruits of portfolio restructuring activities underway since 2001 and, on the other, the continued performance of targeted projects of this type.

Capital optimisation

Pursing the path paved and tested in the previous three years, Ras plans to manage its risk capital actively, with the goal of maximising value for shareholders and reducing unprofitable excess accumulations. The analysis conducted for each line of business showed that the Group's expansion will match as much with overall risk profile control as it will with the choice of suitable asset allocations in line with the profitability targets of the business plan. Accordingly, Ras has set the objective of increasing RORAC for each line of business to increase value to the utmost through the use of excess capital to finance its expansion. Considering the Group's financial and equity structure, the use of excess capital will enable it to significantly increase dividends without keeping it from taking advantage of any opportunities that should arise on the market.

Social responsibility

This chapter gives a summary of the more comprehensive and soon to be published 2003 social report, in which Ras relationships with its various stakeholders will be examined. The discussion here is limited to two of the Company's fundamental stakeholders, human resources and the community, and makes reference to Ras business in Italy.

Human resources

Aware of the particular importance of human resources for a services company, Ras has implemented a personnel policy geared towards matching market needs and company productivity with the expectations of each individual.

In managing human resources, Ras refers, in addition to the law and collective bargaining agreements (the two most widely applied are those for the insurance and banking sectors), to article 2 of its Code of Ethics. Among other things, this specific rule mentions the principles of the International Labour Organisation (ILO) and the Universal Declaration of Human Rights. It provides that it is the Company's primary interest to encourage the development of personnel by showing respect for the dignity of individuals, preventing any kind of discrimination and abuse, providing adequate training, defining rules and responsibilities, requiring supervisors to use their powers with prudence and balance, rewarding innovation, providing clear and transparent internal communications on company policies and strategies, creating safe and healthy workplaces and using personal information in a correct and confidential manner.

Ras Human Resources deals with the management and development of personnel of all of the Group's Italian companies, exclusively using internal tools and expertise.

Personnel

Human resources broken down by company

Company	Women 2002	Women 2003	Man 2002	Man 2003	Total 2002	Total 2003	Total Chan. %
Ras (includes janitors and farmers)	926	955	1,193	1,180	2,119	2,135	0.75
Investitori Sgr	5	5	7	8	12	13	8.33
Ras Asset Management Sgr	94	94	102	97	196	191	-2.55
RasBank	306	293	230	226	536	519	-3.17
Rasfin Sim	5	5	6	5	11	10	-9.09
R.It.	14	10	88	75	102	85	-16.67
Allianz Subalpina	143	147	191	188	334	335	0.3
CreditRas Vita	15	17	3	9	18	26	44.44
Ge.S.I.	106	102	284	282	390	384	-1.54
Gi. Azs.	3	-	6	-	9	-	-
Genialloyd	225	288	114	142	339	430	26.84
Prevint	12	13	8	7	20	20	0
Ras Immobiliare (including janitors)	3	3	2	3	5	6	20
Ras Tutela Giudiziaria	29	32	23	24	52	56	7.69
RasService	539	590	627	645	1,166	1,235	5.92
RB Vita	0	0	1	0	1	0	-100
Agricola San Felice	15	15	39	42	54	57	5.56
Az. Agricola Perolla	4	-	6	-	10	-	-
Hotel Borgo San Felice	3	4	3	3	6	7	16.67
Villa La Pagliaia	2	2	0	0	2	2	0
Group* total - Italy	**2,449**	**2,575**	**2,933**	**2,936**	**5,382**	**5,511**	**2.4**

*Italian companies controlled by other Italian companies

The Italian Group personnel grew 2.4 per cent at 2003 year end, reaching 5,511 people, compared to 5,382 at 31 December 2002. The most significant growth (in both percentage and absolute terms) was seen in Genialloyd (which, at 31 December 2003, numbered 430 people, 26.84 per cent more than at the end of 2002) and RasService (up 6 per cent to 1,235 people). Turnover (i.e. ratio of resignations during 2003 to total human resources at year end) remained low (1.2 per cent) for Ras spa, although the Group's turnover was somewhat higher (2.5 per cent).

This phenomenon has obvious repercussions on personnel seniority. The Group's average seniority was 12 years, but varied from one company to the other: Ras spa personnel stay with the Company for 16 years, RasBank 7 and Genialloyd 2. It is to be noted, however, that RasBank was set up in 1990 and Genialloyd has only been active since 1997. Considering the companies with the largest numbers of personnel, Genialloyd employs the youngest, with an average age of 30. The Group's average is around 40 years of age, with an average of 42 at Ras spa and 36 at RasBank. The age of personnel working in non-core businesses (farming) is higher than the average.

With regard to the professional level of personnel, out of a total of 5,511 employees at 31 December 2003 (5,382 at 2002 year end), 205 were managers (2002: 207), 749 supervisors (2002: 746), 4,508 clerks or sales staff (2002: 4,360) and 49 janitors or blue collars (the former at Ras spa and Ras Immobiliare and the latter in the farming companies and estates) compared to 59 in 2002.

Non-discrimination and equal opportunities

The Italian law prohibits discrimination based on race, sex, political or religious beliefs and affiliations with unions. Such prohibition is taken up by article 2 of the Ras Code of Ethics which extends non-discrimination rules to encompass sexual orientation and disabilities.

To ensure men and women enjoy equal opportunities, the Ras spa supplementary bargaining agreement has set up a joint commission between the company and trade unions.

Compared to 2002, the Italian Group's 2003 figures show an increase in women employees, from 45.5 per cent of the workforce at 31 December 2002 to 46.7 per cent at the end of 2003. Indeed, at 31 December 2003, the Italian Group numbered 2,575 women, an increase of 126 compared to the previous year, and 2,936 men, an increase of three.

With regard to women in management positions, at the end of 2003, women supervisors and managers made up 6 per cent of all female employees, compared to the men's 27 per cent. However, 2003 witnessed a change for the better: at year end, the percentage of women in supervisor or manager roles out of the total rose from 14.9 per cent to 16.3 per cent. In absolute terms, the improvement can be seen in the fact that the number of women managers rose from 24 to 28, while the number of women supervisors increased from 118 to 128. Conversely, the number of men managers decreased from 183 to 177, while men supervisors dropped from 628 to 621. In 2003, three women managers and seven men managers were promoted.

Despite the lack of legislation to this regard, the Ras spa supplementary collective bargaining agreement expresses a company/trade union joint position on the specific discriminatory phenomenon known as "mobbing".

Ras asks its suppliers to adhere to the same non-discrimination principles that the insurance company applies. Since the end of 2002, it has been implementing a gradual review of the general contractual terms with suppliers vetted by the Purchase Department, adding a clause that provides for contract termination in the event of discriminatory policies or suppliers' violations of workers' rights.

Recruitment and internship

Recruitment of new employees in the core business lines focuses on university graduates with degrees in Economics, Law, Engineering, Statistics, Mathematics and Information Technology, but it also targets high school graduates with high potential. Ras relies not only on the curricula vitae sent to www.Ras.it (where job openings are published) or other Group sites, but also on targeted initiatives to recruit new people.

In 2003, it carried out 25 such initiatives throughout Italy, namely:
• 12 job meetings were held in Milan (Bocconi, Bicocca and Politecnico universities), Piacenza (Catholic university), Rome (La Sapienza and Luiss universities), Naples (Federico II university) and the universities of Bologna, Genoa, Padua, Pisa and Bari. A job meeting was also held at the Parco Nord technical high school in Milan;
• seven Ras presentations (two at the Catholic University of Milan and La Sapienza university of Rome, one at the Bocconi University of Milan, the Catholic University of Brescia and Luiss university in Rome);
• 5 in-house days for about 180 university graduates and 120 high school graduates from Milan who had the chance of working in groups at the Ras Headquarters on real business cases with people who have actually handled such issues.

University and high school graduates are recruited through an individual interview aimed at getting to know the candidate, followed by psychological and behavioural tests. Candidates who get through this stage are then subject to professional potential assessment. In 2003, the Ras Group received nearly 32,000 curricula vitae, held roughly 2,500 interviews and 46 assessment sessions regarding candidates for companies under the insurance collective bargaining agreement only.

During 2003, Ras also gave 70 students, university and high school graduates internship opportunities at Group companies, thus introducing them to the working world. After completing their work experience, twenty five young people were hired.

Training

In 2003, Ras investment in training internal resources amounted to 15,700 employee-days. Within Human Resources, the Ras Training Centre (RTC) handles training activities for the entire Italian Group, with courses structured per professional family (i.e. homogeneous professional groups). During 2003, the course catalogue, which is available to all on the Intranet, offered 93 courses, of which 47 technical, 35 behavioural and 11 institutional. In addition to this common training base, the RTC provides ad hoc projects for specific management areas or companies and supervises the highly specialised courses directly organised by the various companies according to their particular needs. In addition to the on-line course catalogue directed to all, the RTC edits a specific one for managers.

With respect to foreign language classes, in addition to traditional courses, self-learning activities continued during the year through the use of CD-ROMs, while e-learning on the Intranet involved newly hired employees and those who handle personal data and anti-money laundering information on a daily basis.

Again in 2003, all Italian companies continued their common aim of attracting, keeping and developing the best human resources, by registering them for a Master's degree. In January 2004, 12 people concluded their Master's degree in Net Business Administration (a two-year on-line course designed by the Poliedra-Polytechnic of Milan and Sfera-Enel Group). They had been selected on the basis of their potential. Another 12 people who registered in 2002 will conclude their two-year course at the end of 2004.

In partnership with Poliedra and Sfera, a new on-line Insurance and Financial Master's degree course was also developed, sponsored by Ras. The course will see the first Ras Group participants in 2004.

Assessment and performance management

Ras evaluates its human resources using a performance assessment system called "Performance Management", which, since 2002, has involved all employees regardless of their roles. The system is based on the achievement of targets formalised at the beginning of the year and the maintaining of conducts set in advance. Its objectives include improving individual performance as a lever in achieving company results, orienting personal behaviour towards the common corporate values, encouraging improvement in superior/subordinate relationships by focussing on clear communication of expectations and by sharing merit-based criteria and performance valuation on individual results, managing all training and personal management measures consistently in view of enhancing and developing individuals. Furthermore, human resource generalists meet periodically with the people they have been assigned to evaluate their motivation, satisfaction and expectations (984 meetings of this type were held in 2003).

Assessment sessions are provided for those employees whose performance meets with positive evaluations, in order to dig out their professional potential. On average, one session is held per month, in which there are eight participants, who are called to discuss company and business issues generally not related to the areas in which they work. A total of 12 such assessment sessions were held in 2003 for resources already at the Company.

Since supervisors are an important link in the Company's hierarchy, those who will go on to fill such positions should have a general familiarity with all business aspects of the Group, regardless of the area in which they work. Accordingly, since 2003 candidates for supervisor positions (only insurance sector personnel were involved in 2003) undergo a test of their basic knowledge of the business, in order to certify their professionalism. In the event of weaknesses, the personnel are either trained or have interviews with personnel or managers of the areas in which their knowledge is lacking or do short work experience in such areas. At the end of the process, the person acquires the knowledge needed for the promotion, while appointment thereto depends on the availability of a position and comparison with all other people suited to filling it.

Management by Objectives (MBO) is a tool that financially awards people based on the achievement of specific quality objectives (e.g. productivity, efficiency, customer service, development of human resources and innovation). First-level MBO relates to around 50 managers. Second level MBO (which involved 900 people in 2003) relates to their co-workers, who have received positive performance evaluation and have thus helped their superiors achieve their objectives. In addition to this system, there are other forms of economic incentives for specific sectors (e.g. Claims and Sales). Overall, in 2003, these incentives and MBO schemes regarded 47 per cent of personnel.

Human resources management increasingly relies on creating professional paths that move among the various lines of business. To encourage mobility, some jobs began to be posted on the Intranet in October 2003, in a timely and transparent manner, covering job openings throughout the entire Group. Just as quickly, those of the same level who meet the pre-requisites can apply for the jobs posted.

Involvement and dialogue

In 2001, as a preliminary step in the development of a corporate identity, for the first time Ras launched a corporate climate survey, involving all Italian Group employees. The results were published in the Ras magazine and analysed in meetings with Group managers and supervisors. In light of the findings, the Group decided to start a series of activities in 2002 to encourage increased employee participation and in-depth involvement in corporate life. This programme continued in 2003.

The "Listening Project" is part of this programme. The project was aimed at assessing the level of satisfaction with services offered by Human Resources. Conducted by an external consulting firm to guarantee that answers remain confidential, the survey involved 200 people (representative of the entire company population) selected because they had taken at least one training course and had received a performance assessment. The findings were positive with regard to assessment sessions, although the need to shorten the time it takes to receive results was expressed. With regard to Performance Management, the project participants recognised that such a tool effectively rewards those who achieve objectives and guides development in a personalised way. Meetings between heads and subordinates to discuss results were seen as particularly strong points. With regard to training, the quality of teachers and courses was appreciated, while the need to create closer correlations between training and actual operations came up.

Also in view of promoting increased employee participation, the new Intranet has included a highly interactive suggestion box. Anyone can make a suggestion to improve the efficiency of processes, submit ideas for products and services and recommend ways to improve life at Ras. All suggestions receive feedback. Since the suggestion box opened on 1 June 2003, and until year end, approximately 220 suggestions have been received. All have been analysed and followed up with actual actions, such as sorted waste collection and a wider offer of snacks and beverages in the automatic vending machines on each floor. The box also received approximately 50 notices that various services were out of order, which were then promptly taken care of.

Furthermore, programmes for employees' children continued in 2003 with the aim of knocking down the walls that traditionally separate work and family life and often reduce the former to a burdensome requirement without any link to the latter. Playing on the children's pride for their parents' profession and on the parents' sense of belonging, on Ras second "Open House" Day, approximately 200 children visited the offices of Milan, Turin and Rome to see where their parents work. The day comprised a guided tour, with breaks for entertainment and recreation. Lastly, ad hoc events were organised always for employees' children, also thanks to Ras sponsorship links with associations and organisations: an evening at Milan's Auditorium where children were introduced to classical music; a meeting with the AC Milan soccer team, followed by a football tournament for employees' children, which culminated in a final against the AC Milan junior team; tickets for the premiere of a popular animated cartoon film.

Employee benefits

National and company level collective bargaining agreements offer all employees insurance and pension benefits. In certain cases, the cost is fully incurred by the Company. In other cases, the cost is split between the Company and employees or, being particularly favourable, entirely covered by the employee. Obviously, in the last two cases, employees may chose to take advantage of such benefits or not.

With regard to the insurance sector (and most of the banking sector), these benefits include life insurance policies or investments of advanced staff severance indemnities, hospital and medical insurance, personal injury insurance, motor insurance, home insurance and pension funds. Employees may take out all other policies normally available to the public at special conditions excluding commissions and charges. Clerks are entitled to non-insurance benefits such as the possibility of competing for the rental of Ras-owned flats and for scholarships to be awarded to their children; of accessing mortgage loans to finance the purchase of their first home and loans to buy cars for business use.

Other benefits enjoyed by employees are offered outside the scope of collective bargaining agreements. These include assistance in filling out tax return form 730, discounts on yearly Milanese public transport passes and products with exclusive conditions developed ad hoc for employees, such as Mutuo Unico (a mortgage loan) and the Ras Unico current account.

Day-care center

One of the most important employee initiatives is the "Bimbingioco" day-care centre, which opened in 2002. It one of the few of its kind in Italy. The centre is just a few steps away from the Ras headquarters in central Milan. It spans 400 square metres and takes up to about 50 children aged one to three (there were 25 in 2003). The caregivers are all university-educated in pedagogy or child psychology and are highly qualified. In 2003, the caregiver/child ratio was higher than the market average, with one for every five children. The centre offers three different time brackets from 8 am to 6 pm and the cost is lower than the average for similar structures in Milan. Ras has borne the cost of renovating the centre, according to innovative criteria which consider pedagogy and architecture specially developed for children. Openings are made available to non-Ras families.

Social and recreation activities

Ras encourages socialising between human resources outside the office as well. This is because it believes that professional relationships thrive on strong interpersonal relationships and a familiar and relaxed general atmosphere. It offers places for employees to socialise, including canteens and coffe break points that are well equipped and cared for. In addition, the traditional award ceremony for personnel who have been with Ras for 25, 35 and 40 years (2003: 107 people) ended with a three-day cruise to Barcelona.

Ras intercompany club

Founded in 1927, the Ras club is open to all Group personnel. Its mission is to help forge and strengthen relationships between people, offering various leisure time activities, services and advantages. The clubhouse is located next to the Milan headquarters and members generally meet after office hours, but also early in the morning and during lunch. It has a snackbar which serves as an alternative to the canteen, and also offers a gym, a billiard room and a library.

The club is subsidised by the Company (Euro 184,350 in 2003) and supported by employees who join, by paying membership yearly fees of approximately Euro 25, which is deducted directly from their salaries in monthly instalments (in 2003, membership fees amounted to around Euro 65,000). Family members may also join (kids for free) as well as retired employees. At the end of 2003, there were approximately 3,550 Ras club members.

The club organises various activities, from sports events and competitions to cultural trips, shows, travel and courses. It also plans summer camp on a daily basis for members' children off from school in June and July. In addition, it enters into agreements to offer its members products or services at discounted prices (it has agreements with roughly 80 points of sale). The club's quarterly newsletter is distributed internally.

Trade unions

In companies with the insurance sector collective bargaining agreement, seven trade unions have set up relevant representative offices. Relationships with these unions are continuous and primarily handled with an informational and discussion-based approach to the various labour-related issues. About half of employees under insurance sector agreements are members of the unions.

In 2003, negotiations were characterised, as usually, by intense talks with modest conflict, thanks to close and transparent dialogue. Among other things, agreements were applied with regard to supplementary pensions, commissions for Genialloyd call centre employees, allowances for employees who perform volunteer work, the extension of health insurance policies to family members who do not live under the same roof, widespread share plans and variable productivity awards.

With respect to the banking and financial sector, four union representative offices operate within RasBank and Ras Asset Management Sgr. Roughly 37 per cent of RasBank and Ras Asset Management Sgr employees are members of the unions. Relationships with the unions are handled in way similar to that for the insurance companies. In particular, in 2003, a dispute arose in relation to the acquisition and subsequent merger of Commerzbank Asset Management Italia into RasBank. The dispute was concluded with an agreement that allowed to manage the merger with the workers' consent.

Health and safety in the workplace

Ras Group companies in Italy scrupulously abide by legislation on safety and health in the workplace (arising specifically from Law no. 626/94), regulating activities such as evacuating the buildings, specific training for emergency fire protection squads and medical check-ups.

In addition to legislation, the supplementary company-level collective bargaining agreements for both insurance and financial companies provide for a series of free preventative medical exams for employees. Furthermore, benefits, as already mentioned, include privileged personal injury and medical insurance policies.

Besides complying with requirements set out by legislation and collective bargaining agreements, Ras is committed to improving the quality and hygiene of its working environments, through temperature, humidity and air ventilation checks, disinfecting and cleaning hardware and telephones, sample tests on food prepared in the canteens and on products sold in automatic vending machines, as well as checks on office cleaning. In addition, infirmaries staffed by medical or paramedical personnel during office hours or more limited periods exist at the Ras headquarters in Milan, Rome and Trieste and the Ge.S.I. offices. These structures and the related staff are available to employees in the event that employees should feel unwell, or for other services, even free of any charge.

There were 110 injuries in the workplace in 2003 (equal to two injuries for every 100 employees), compared to 126 in 2002 (equal to 2.3 injuries every 100 employees). In most cases, the injuries occurred while employees made their way from home to the office or vice versa. In 2003, Ras was not charged for violating any anti-injury regulations.

Internal communications

Effective internal communications as open as possible are essential to forging relationships with people and involving them in the pursuit of company results.

Corporate Portal

The new Intranet was launched in June 2003, as an important professional support tool while, at the time, serving as a top service content space and common cross-cutting area for the entire Group. The extreme personalisation of the network, made possible thanks to the technology used, gives users access to information and services based on their line of business and the position they fill in the Company. The Intranet is easy to navigate given its new structure and modern look, organised in a more logical way. The portal encourages participation through the suggestion box, mentioned above, and surveys on topics related to work and other general interest issues, which are then reviewed and developed in "La Rassegna", the Company magazine. The Corporate Portal offers everyone a press review and a bulletin board to post classifieds.

The primary purpose of the portal is to be of service to users. It has done so through various personalised on-line initiatives. These included giving users the chance to check their future pension position (Sicurplus) and accordingly increase contributions or start contributions to the company pension fund in order to benefit most from tax cuts or directly elect proxies to the pension fund. The portal is also used to sell Group farming businesses' products and quote motor insurance policies. Clearly, on-line procedures have also enabled the Company to cut down on paperwork and streamline/automate processes. Since June 2003, when the portal was launched, to January 2004, average daily hits by internal resources and insurance agencies grew from 5,000 to 9,000, also due to the progressive activation of new users (from 10,171, including 6,071 internal ones, to 15,606, including 6,837 internal ones). Over time, the number of pages viewed rose as well, from 168,000 in June 2003 to 518,000 in January 2004, which shows the portal increasingly proved itself a useful source of information.

Company magazine

La Rassegna is the Ras magazine addressed to all Italian Group employees, with a circulation of 5,500 and bimonthly issues. In 2003, the graphics and its contents were revised. This 24-page colour magazine is distributed to employees' desks and on stands in pass-by areas. "La Rassegna" gives information on organisational units and functions, especially those that are lesser known. It lets the people working on projects or performing specific duties speak on their own behalf.

Manager and supervisor meetings

In addition to the above media, which reach a large public but are not so interactive, manager and supervisor meetings are another important internal communications vehicle with more room for discussion. The meeting format has been redesigned, allowing more time for dialogue with the entire top management team. The new formula has made it possible to expand the vision of various groups towards aspects and business areas for which they are not necessarily responsible. Two half-day meetings were held in 2003 with all Group managers (ca. 200) and as many (broken down in 12 gatherings) with all Group supervisors (ca. 800).

Interdepartmental committees and work groups

In organising work, Ras focuses on the principles of openness and transparency with forms of interdepartmental involvement. Work groups set up on specific topics, such as the protection of personal data and the Internet site, often consist of employees whose roles and levels within the Company differ widely.

Furthermore, committees have been set up to safeguard the strategic coherence of decisions taken in various parts of the Group. Such commitees are centred around business performance as a whole (technical committee, value planning committee) or on specific areas, such as life business, claims, sales and information technology. The committees meet for discussion, with the individual managers sharing proposals and making decisions, aligning their choices and coordinating their actions.

Rewards and recognition

According to a research conducted in 2002 by Deloitte Business Consulting and published in 2003, Ras was the best performer in the insurance sector for its human resources management system. According to the study, in 2002, Ras had the highest productivity index in terms of premium income against number of employees (Euro 1.885 million against the average Euro 1.353 million recorded by other traditional insurance companies) and the best ratio of remuneration to premium income (1.48 compared to the 2.46 of other insurance companies).

In 2002, Ras was also given the "best company practice" award by the Milan Province for the flexibility tools it had adopted and, in particular, for its day-care centre.

Community

Ras is aware of the duty of a Group of its size and importance to efficiently contribute to improving the society in which Group companies operate.

Umana Mente, a foundation to support social solidarity

In 2001, Ras set up the Umana Mente Foundation to select, support and fund non-profit social solidarity projects. Although the foundation is an integral part of the Group, it manages and conducts activities autonomously. Each year it publishes a separate report, which it also posts on-line, at www.umana-mente.it.

Umana Mente was established as a partnership foundation, to encourage new partners outside Ras to join over time.

Its mission is to offer troubled people the chance for a better life. To this end, it collaborates with non-profit organisations, focusing on significant projects with high social impact. It steers clear of wide, umbrella-type funding, as its aim is to build, step after step, a genuine partnership relation during the implementation and successive verification of the project.

Umana Mente focuses on specific areas, such as hereditary mental disorders and troubled minors, to fully understand the difficulties of those it helps and to gain comprehensive expertise that will not only enable Umana Mente to fund programmes, but will also enable it to become a credible partner for non-profit organisations, public bodies and enterprises over time. The foundation undertakes to identify projects that can be repeated in other contexts and that overcome the fragmented nature of services by networking various organisations.

Ras is the founding partner of Umana Mente and, in addition to the operating structures it renders available (offices, support structures, etc.), its contribution lies in a yearly endowment within the limits of tax deductibility, not to exceed 2 per cent of the declared income and anyway under Euro 4.5-5 million (originally Lit. 9-10 billion). In 2002, the first year of operation, and again in 2003, Ras contributed ca. Euro 3.6 million to the foundation.

In 2003, the foundation's goal was to continue operating in the fields it had chosen in 2002 and expand its activities throughout Italy by funding projects re-utilising the models that had already proven effective.

Umana Mente selects organisations on the basis of their credibility and availability to collaborate in a transparent manner. Its aim is a continuous exchange of knowledge and constant monitoring of the project. Once the formal request for funding has been made, the project is analysed by an assessment team, which examines the clarity of its objectives, its financial sustainability (also using mathematical models) and the validity of the rehabilitative techniques proposed.

Once the project is approved and the relevant content is formalised in a contract, the monitoring phase begins. This consists of continuously evaluating the partial results achieved, in financial and qualitative/quantitative terms. The purpose of the monitoring activities is to accurately note any weaknesses or difficulties. To optimise this activity, Umana Mente has decided to entrust it to a different team from the one that handles the selection and project assessment processes.

Initiatives

The foundation works with non-profit organisations scattered throughout most of Italy. They include associations, cooperatives, consortia and other foundations operating in the fields of troubled minors and hereditary mental disorders. In 2003 alone, the foundation contacted 134 organisations and assessed 68 projects. Six of these were approved, with funding going to 14 organisations. There are more organisations than projects because some of the projects imply the networking of more than one organisation.

Troubled minors

In 2003, Umana Mente continued working in the field of abuse minors through projects concerning negligence, psychological and physical abuse and sexual abuse. Patently mistreated and abused minors were cared for, as well as youths, showing more or less profound troubles, such as self-inflicted injury, eating disorders, criminal behaviour and dropping-out of schools.

The foundation favours projects that take a global stance from an educational, psychological and clinical-therapeutic standpoint. Accordingly, it gives priority to funding live-in communities, ready response centres, semi-boarding schools and second level centres (psychotherapy, preliminary diagnosis), as well as projects that propose innovative assistance.

Projects underway in 2003 (with the related beneficiaries and objectives) are the following:
- "Ti Ama" (La Strada Association and Asilo Mariuccia): support the establishment of a day centre that offers psychological support to abused minors in Milan.
- "Rete Sestante" (Farsi Prossimo Consortium and Cooperative, La Grande Casa Cooperative, San Martino Cooperative and Ceas): fund the setting up of four counselling centres on troubled and abused minors in Milan and the surrounding area.

Euro 2,300,510 was earmarked for these two projects in 2002

- "Formare per accogliere e crescere insieme" (Casa del Giovane Cooperative): in a community care frame, intervene on abused minors and the entire community, at Vendrogno (Lecco).
- "Famiglie all'opera" (Cometa Association): increase daytime and overnight stays in a family-type community, by enhancing the services offered and improving their quality, in Como.

Euro 419,570 was earmarked for these two projects in 2003.

Hereditary mental disorders

In the field of hereditary mental disorders, Umana Mente focuses mainly on funding cognitive, social and relational rehabilitation. Umana Mente sees rehabilitation as the global process by which people, through recovery, maintain and develop their residual abilities. The aim is to give them the chance to acquire the most possible autonomy through relational and social activities. In this direction, Umana Mente favours projects that provide for broad-based rehabilitation processes, also including residential rehabilitation stages and intervention on families.

The following projects were completed in 2003:
- "Cascina Rossago" (Genitori per l'Autismo Foundation): contribute to the creation of a highly intensive rehabilitation residential centre for autistic adults at Pontenizza (Pavia).
- "Move" (La Nostra Famiglia Association): promote Move - Mobility Opportunities Via Education through meetings, seminars and workshops in Lombardy.
- "Villa Santa Maria", (Sse Cooperative): create a caring centre for children with serious disabilities (autism and mental retardation) at Tavernerio (Como).
- "Gabbiano 2000" (Il Gabbiano Association): fund part of the Gabbiano 2000 project to create a day centre open to people with medium to serious hereditary mental disabilities in Milan.

Euro 572,933 was earmarked for these projects in 2002.

Projects underway in 2003 are the following:
- "Gabbiano 2000": supplementary funding of the above project.
- "Cascina Rossago": supplementary funding of the above project.
- "Superability" (Istituto La Sacra Famiglia Foundation): experiment in rehabilitation through occupational therapy for disabled adults at Cesano Boscone (Milan).
- "Centro di riferimento per le disabilità neuromotorie infantili" (Ariel Foundation): building an Italian centre for infantile neuro-motor disabilities at Fizzonasco di Pieve Emanuele (Milan).
- "Polo per l'età adulta" (AIDP, Rome section): support the starting up of an innovative project to help people with the Down syndrome develop interpersonal skills and the ability to perform day-to-day activities, in Rome.
- "Polinrete CGM-FIS" (FIS and CGM networks): integrate the two second-level networks by proposing an innovative model for the provision of daytime services to disabled persons in Lombardy.
- "CAA e Ambiente di Vita" (Benedetta D'Intino Centre): fund testing of the Augmentative and Alternative Communication's clinical practice for children with Angelman's syndrome (pathology that retards psycho-physical development and leads to difficulties in communication and motor skills) in Milan.
- "Laboratorio sociale" (Capodarco Community of Rome): fund occupational therapy projects for disabled adults in Rome.

Euro 2,788,314 was earmarked for these projects in 2003.

"Transparency and value creation in relationships between for-profit and not-for-profit organisations" conference

Umana Mente aims to spread a culture of social solidarity by promoting discussion on non-profit organisations. One example of this was the "Transparency and value creation in relationships between for-profit and not-for-profit organisations" conference organised by the foundation and held on 5 June 2003 at the Bocconi University of Milan, in collaboration with that university's Cergas (Centre for Research on Healthcare Management). Not only did the conference give Umana Mente and Cergas the opportunity to present the activities of the foundation and other non-profit organisations, but it also provided the chance to announce a study on the measurement of returns on social investments, using ad hoc ratios. In particular, the study focused on the added value produced by social investments, which positively affects such intangible assets as brand development, employee motivation, image and reputation. The findings of an Astra Demoskopea research on the funding of non-profit organisations by small and middle-sized enterprises in Northern Italy were also presented during the conference.

2003 report award to the Umana Mente foundation

Umana Mente's commitment to disclosure and transparency was recognised during the year when it was given the "2003 annual report award", promoted and managed by Ferpi (Italian Public Relations Federation). The foundation was awarded in the non-profit organisation report category for its 2002 mission report, "for having rigorously and comprehensively interpreted the value of communication and transparency in administrative conduct, for having adopted principles of good governance and having used an innovative operating model." Ferpi also explained that "the foundation also provided complete information on its financial position and results for the year and the preparation of the social report was always consistent with the very nature of Umana Mente, genuinely involving the most important stakeholders. Finally, the communication tools used to disclose information related to the report were particularly effective".

Milan, 11 March 2004

The Board of Directors
(signed on the original)

consolidated balance sheet and profit

ance

and loss account

31 December 2003

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	0				
	2. Other acquisition costs			4	0				
	3. Goodwill			5	36,359				
	4. Other intangible assets			6	59,881				
	5. Goodwill arising on consolidation			7	342,692			8	438,932
C.	**Investments**								
	I - Land and buildings					9	2,687,175		
	II - Investments in group and other companies								
	1. Equity investments:								
	a) parent companies	10	0						
	b) subsidiary companies	11	248,690						
	c) affiliated companies	12	141,311						
	d) associated companies	13	33,076						
	e) other	14	1,053,543	15	1,476,620				
	2. Bonds			16	340,979				
	3. Loans			17	898,646	18	2,716,245		
	III - Other financial investments								
	1. Equity investments			19	1,043,106				
	2. Mutual fund units			20	2,284,999				
	3. Bonds and other fixed-income securities			21	26,947,460				
	4. Loans			22	3,168,838				
	5. Shares of investment pools			23	0				
	6. Deposits with banks			24	501,921				
	7. Other financial investments			25	1,234,789	26	35,181,113		
	IV - Deposits with ceding companies					27	146,623	28	40,731,156
D.	**Investments benefiting life policyholders investments arising bearing the risk and from pension fund management**							29	13,114,125
	to be carried forward								54,284,213

						101	0
		102	0				
		103	0				
		104	0				
		105	40,904				
		106	78,391				
		107	363,436			108	482,731
				109	2,785,545		
110	0						
111	281,983						
112	133,567						
113	22,230						
114	960,643	115	1,398,423				
		116	93,097				
		117	690,020	118	2,181,540		
		119	1,792,833				
		120	2,339,568				
		121	26,092,076				
		122	2,856,762				
		123	0				
		124	314,697				
		125	517,542	126	33,913,478		
				127	160,831	128	39,041,394
						129	8,309,443
		to be carried forward					47,833,568

31 December 2003

		brought forward						54,284,213
D bis.	Reinsurers' share of technical reserves							
	I - Non-life business							
	1. Premium reserve	30	168,755					
	2. Claims reserve	31	974,912					
	3. Other	32	155	33	1,143,822			
	II - Life business							
	1. Actuarial reserves	34	701,403					
	2. Reserve for amounts payable	35	29,822					
	3. Other	36	450					
	4. Technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management	37	0	38	731,675	39	1,875,497	
E.	**Receivables**							
	I - Receivables relating to direct insurance business			40	1,735,081			
	II - Receivables relating to reinsurance business			41	373,270			
	III - Other receivables			42	969,495	43	3,077,846	
F.	**Other assets**							
	I - Tangible assets and stock			44	114,800			
	II - Cash and cash equivalents			45	828,778			
	III - Own shares			46	10,178			
	IV - Other assets			47	651,581	48	1,605,337	
G.	**Accrued income and prepaid expenses**					49	461,832	
	Total assets					50	61,304,725	

brought forward						47,833,568
	130	156,734				
	131	1,091,239				
	132	0	133	1,247,973		
	134	861,476				
	135	80,358				
	136	787				
	137	29	138	942,650	139	2,190,623
			140	1,561,569		
			141	586,566		
			142	985,757	143	3,133,892
			144	127,875		
			145	1,354,711		
			146	100,460		
			147	645,976	148	2,229,022
					149	405,068
					150	55,792,173

31 December 2003

A.	**Shareholders' equity**						
	I - Group shareholders' equity						
	1. Subscribed share capital or equivalent fund	51	403,336				
	2. Equity reserves	52	3,691,682				
	3. Consolidation reserve	53	-246,626				
	4. Reserve for differences arising from valuation of unconsolidated investments	54	71,450				
	5. Reserve for conversion differences	55	-93,541				
	6. Reserve for own shares and shares of parent company	56	10,178				
	7. Net profit (loss) for the year	57	554,342	58	4,390,821		
	II - Minority interests						
	1. Capital and reserves attributable to minority interests	59	532,428				
	2. Net profit (loss) for the year attributable to minority interests	60	48,816	61	581,244	62	4,972,065
B.	**Subordinated liabilities**					63	45,000
C.	**Technical reserves**						
	I - Non-life business						
	1. Premium reserve	64	2,192,963				
	2. Claims reserve	65	8,895,216				
	3. Equalisation reserve	66	62,349				
	4. Other	67	238,458	68	11,388,986		
	II - Life business						
	1. Actuarial reserves	69	25,593,567				
	2. Reserve for amounts payable	70	431,314				
	3. Other	71	566,030	72	26,590,911	73	37,979,897
D.	**Technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management**					74	13,112,355
E.	**Provisions for risks and charges**						
	1. Staff pension and similar obligations			75	160,295		
	2. Tax provisions			76	350,714		
	3. Consolidation provision for future risks and charges			77	0		
	4. Other provisions			78	333,322	79	844,331
	to be carried forward						**56,953,648**

151	437,770				
152	3,603,121				
153	-76,314				
154	56,467				
155	-57,898				
156	100,460				
157	910,817	158	4,974,423		
159	615,743				
160	-57,121	161	558,622	162	5,533,045
				163	0
164	2,075,419				
165	8,905,998				
166	49,388				
167	254,625	168	11,285,430		
169	25,415,263				
170	406,063				
171	607,081	172	26,428,407	173	37,713,837
				174	8,308,710
		175	171,503		
		176	514,083		
		177	0		
		178	313,918	179	999,504

to be carried forward 52,555,096

31 December 2003

	brought forward				56,953,648
F.	**Deposits from reinsurers**			80	770,830
G.	**Payables and other liabilities**				
	I - Payables relating to direct insurance business	81	878,981		
	II - Payables relating to reinsurance business	82	331,291		
	III - Bond issues	83	0		
	IV - Payables to banks and financial institutions	84	117,720		
	V - Secured debts	85	111		
	VI - Sundry loans and other financial payables	86	1,001,543		
	VII - Staff severance indemnity	87	107,363		
	VIII - Other payables	88	425,735		
	IX - Other liabilities	89	639,210	90	3,501,954
H.	**Accrued liabilities and deferred income**			91	78,293
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			92	61,304,725

31 December 2003

I - Guarantees provided	93	72,577
II - Guarantees received	94	4,262
III - Guarantees provided by third parties in the interest of consolidated companies	95	62,584
IV - Commitments	96	141,323
V - Third party assets	97	916,234
VI - Pension fund assets managed on behalf of third parties	98	67,769
VII - Securities deposited with third parties	99	35,408,439
VIII - Other memorandum accounts	100	426,614

31 December 2002

brought forward				52,555,096
			180	867,088
	181	582,636		
	182	290,908		
	183	0		
	184	42,115		
	185	612		
	186	72,624		
	187	108,203		
	188	443,538		
	189	759,936	190	2,300,572
			191	69,417
			192	55,792,173

31 December 2002

193	64,092
194	5,065
195	67,625
196	2,749,670
197	689,142
198	36,522
199	29,414,614
200	94,180

31 December 2003

I. Non-life business technical account

1. Premiums, net of outwards reinsurance						
a) Gross premiums accounted for			1	7,016,579		
b) (-) Outwards reinsurance premiums			2	695,035		
c) Change in gross premium reserve			3	129,290		
d) Change in reinsurer premium reserve			4	12,156	5	6,204,410
2. Other technical income, net of outwards reinsurance					7	11,125
3. Charges relating to claims, net of recoveries and outwards reinsurance						
a) Amounts paid						
aa) Gross amount	8	4,850,984				
bb) (-) Reinsurers' share	9	390,370				
cc) Change in recoveries, net of a reinsurers' share	10	-23,791	11	4,436,823		
b) Change in claims reserve						
aa) Gross amount	12	163,608				
bb) (-) Reinsurers' share	13	-67,290	14	230,898	15	4,667,721
4. Change in other technical reserves, net of outwards reinsurance					16	-24,094
5. Reversals and profit participation, net of outwards reinsurance					17	45,783
6. Operating costs						
a) Acquisition commissions			18	813,440		
b) Other acquisition costs			19	352,436		
c) Change in commissions and other acquisition costs to be amortised			20	0		
d) Premium collection commissions			21	119,505		
e) Other administrative costs			22	358,097		
f) (-) Commissions and profit participation received from reinsurers			23	117,647	24	1,525,831
7. Other technical charges, net of outwards reinsurance					25	54,789
8. Change in equalisation reserves					26	13,567
9. Result of non-life business technical account (item III.1)					27	-68,062

		111	6,696,130		
		112	635,281		
		113	-130,712		
		114	22,382	115	5,952,519
				117	7,507
118	4,775,872				
119	449,738				
120	-54,632	121	4,271,502		
122	336,074				
123	-61,770	124	397,844	125	4,669,346
				126	11,037
				127	29,281
		128	747,099		
		129	369,582		
		130	0		
		131	116,962		
		132	358,232		
		133	110,685	134	1,481,190
				135	56,426
				136	-4,753
				137	-282,501

31 December 2003

II. Life business technical account

1. Premiums, net of outwards reinsurance						
a) Gross premiums accounted for			28	9,552,495		
b) (-) Outwards reinsurance premiums			29	111,863	30	9,440,632
2. (+) Income from investments transferred from the non-technical account (item III.5)					40	1,113,561
3. Income and unrealised capital gains relating to investments benefiting policyholders bearing the risk and investments arising from pension fund management					41	648,926
4. Other technical income, net of outwards reinsurance					42	220,315
5. Charges relating to claims, net of outwards reinsurance						
a) Amounts paid						
aa) Gross amount	43	4,983,808				
bb) (-) Reinsurers' share	44	194,730	45	4,789,078		
b) Change in reserve for amounts payable						
aa) Gross amount	46	28,336				
bb) (-) Reinsurers' share	47	-49,242	48	77,578	49	4,866,656
6. Change in actuarial reserves and other technical reserves, net of outwards reinsurance						
a) Actuarial reserves						
aa) Gross amount	50	552,952				
bb) (-) Reinsurers' share	51	-122,094	52	675,046		
b) Other technical reserves						
aa) Gross amount	56	-30,185				
bb) (-) Reinsurers' share	57	20	58	-30,205		
c) Technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management						
aa) Gross amount	59	4,813,035				
bb) (-) Reinsurers' share	60	0	61	4,813,035	62	5,457,876
7. Reversals and profit participation, net of outwards reinsurance					63	97,978
8. Operating costs:						
a) Acquisition commissions			64	422,542		
b) Other acquisition costs			65	80,381		
c) Change in commissions and other acquisition costs to be amortised			66	0		
d) Premium collection commissions			67	41,334		
e) Other administrative costs			68	148,270		
f) (-) Commissions and profit participation received from reinsurers			69	11,983	70	680,544
9. Capital and financial charges and unrealised capital losses relating to to investments benefiting policyholders bearing the risk and investments arising from pension fund management					75	210,203
10. Other technical charges, net of outwards reinsurance					76	44,872
11. Result of life business technical account (Item III.2)					78	65,305

		138	8,342,821		
		139	135,200	140	8,207,621
				150	996,719
				151	360,934
				152	200,651
153	3,668,312				
154	172,284	155	3,496,028		
156	13,356				
157	10,044	158	3,312	159	3,499,340
160	2,180,768				
161	-72,916	162	2,253,684		
166	3,414				
167	1	168	3,413		
169	2,039,666				
170	-7,264	171	2,046,930	172	4,304,027
				173	68,591
		174	356,692		
		175	66,365		
		176	0		
		177	78,523		
		178	141,175		
		179	16,015	180	626,740
				185	1,105,328
				186	43,899
				188	118,000

31 December 2003

III. Non-technical account

1. Result of non-life business technical account (item I. 9)					79	-68,062
2. Result of life business technical account (item II.11)					80	65,305
3. Income from investments						
a) Income from equity investments						
aa) Share of year's results of investments stated using the equity method	81	41,864				
bb) Other	82	226,343	83	268,207		
b) Income from other investments						
aa) Land and buildings	84	155,931				
bb) Other	85	1,596,914	86	1,752,845		
c) Write-backs of investments			87	84,322		
d) Profit on sale of investments			88	476,174	89	2,581,548
4. Capital and financial charges						
a) Investment management charges and interest payable			90	273,412		
b) Write-downs of investments			91	82,190		
c) Loss on sale of investments			92	274,905	93	630,507
5. (-) Income from investments transferred to the life business technical account (Item II.2)					94	1,113,561
6. Other income					95	240,641
7. Other charges						
a) Interest on financial payables			96	11,289		
b) Sundry charges			97	221,213	98	232,502
8. Profit (loss) of ordinary business					99	842,862
9. Extraordinary income					100	163,162
10. Extraordinary charges					101	80,542
11. Net extraordinary income/(charges)					102	82,620
12. Result before taxes					103	925,482
13. Income taxes for the year					104	322,324
14. Consolidated net profit (loss) for the year					105	603,158
15. Net profit (loss) for the year attributable to minority interests					106	48,816
16. Net profit (loss) for the year attributable to the Group					107	554,342

				189	-282,501
				190	118,000
191	24,655				
192	259,430	193	284,085		
194	169,744				
195	1,476,539	196	1,646,283		
		197	56,698		
		198	634,472	199	2,621,538
		200	123,974		
		201	762,500		
		202	483,055	203	1,369,529
				204	996,719
				205	339,004
		206	15,437		
		207	306,593	208	322,030
				209	107,763
				210	1,179,742
				211	58,602
				212	1,121,140
				213	1,228,903
				214	375,207
				215	853,696
				216	-57,121
				217	910,817

notes 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 proportional 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.

Consolidation area

Ras and its subsidiaries number 137, including 38 consolidated on a line-by-line basis, five on a proportional basis, 27 using the equity method, 16 stated at cost and 51 belonging to the Elmonda Group.

Group companies consolidated on a line-by-line or proportional basis

	2003	2002	Change
Insurance companies	28	25	3
Holding/financial holding companies	6	8	-2
Real estate, farming and other	9	10	-1
Total	43	43	0

In accordance with article 63 of Legislative decree no. 173/97, the 43 subsidiaries active in the insurance business or related areas (holding, real estate and farming companies) are consolidated using the line-by-line or proportional method).
Subsidiaries operating in other sectors are stated using the equity method. Of the 43 companies consolidated on a line-by-line or proportional basis, 18 are based in Italy and 25 abroad.
A breakdown by business area is shown in table.
Changes in the year in companies consolidated on a line-by-line basis or with the proportional method were as follows:

a) insurance companies:

inclusions:
- acquisition of Phénix Compagnie d'Assurances sur la Vie (Lausanne) and Phénix Compagnie d'Assurances (Lausanne);
- inclusion of the newco Darta Saving Life Assurance ltd (Dublin).

b) holding companies:

exclusions:
- exclusion of Sabesac Investimentos S/C ltda (Sao Paolo) stated at cost since it is being liquidated;
- exclusion of Providentia Vermögensverwaltungs-Betriebs gmbh (Vienna), which merged into Opernring-Hof Bau- und Betriebs ag (Vienna).

c) real estate and other companies:

inclusions:
- inclusion of Logistikwerkstatt Assistance gmbh (Vienna) and Allianz Risiko Service gmbh (Vienna), previously stated using the equity method.

exclusions:
- exclusion of G.I.AZS srl (Turin), which was sold in March;
- exclusion of Inmobiliaria Inverfenix (Madrid) absorbed by Allianz Compañia de Seguros y Reaseguros (Madrid) during the second quarter of 2003;
- exclusion of Azienda Agricola Perolla srl (Milan) merged into Borgo S.Felice srl (Castelnuovo Berardenga -Siena) in December 2003.

Although CreditRas Assicurazioni and CreditRas Vita are 50% owned by Ras, they have been consolidated on a line-by-line basis as a result of shareholders' agreements.

Part B - Valuation criteria

Section 1 - Presentation of the valuation criteria

Intangible assets

Intangible assets consist of long term costs, which are amortised over their useful life from the year in which they were incurred.

Land and buildings

Tangible assets are stated at purchase or construction cost, net of depreciation, except for assets revalued for monetary adjustment or as required by law, and assets stated at market value as determined by assessments performed for extraordinary transactions, e.g. mergers and changes to the legal structure of foreign permanent establishments; positive balances arising from revaluations are taken to the equity reserves.
They are stated at an overall value lower than market value.

Investments

Investments are divided into three categories:
• investments in unconsolidated subsidiary companies stated using the equity method. These are companies not engaged in insurance or related activities;
• investments in affiliated and associated companies stated using the equity method;
• other investments:

a) long-term investments in other companies, the book value of which is written down to reflect any permanent impairment in market value;
b) other investments, which are stated at the lower of book or market value, or, for unlisted investments, on the basis of the relevant shareholders' equity as per the latest financial statements.

Annual adjustments to the value of each investment in subsidiary and associated companies arising from the application of the equity method are taken to the profit and loss account, for the portion relating to profits or losses.
Investments in subsidiary and associated companies are listed in Part C of these notes, with details on their registered office, share capital, directly or indirectly held percentage and business activities.

Bonds

Trading fixed-income bonds are stated at the lower of cost (mainly calculated using the average cost method) or market value. They are written down to reflect any permanent impairment in value. Cost includes any issue discounts accrued at year end.
Fixed-income bonds held for investment are stated at cost (mainly calculated using the average cost method). Cost includes any trading discounts accrued at year end.

Equities and mutual fund units

Trading equities, own shares and mutual fund units are stated at the lower of cost or market value.
Equities and mutual fund units held for investment are stated at cost, written down to reflect any permanent impairment in value.

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

This class of assets is subdivided into two categories. The first includes investments forming part of the assets of unit-linked policies as well as the mutual fund units linked to life policies. The second consists of investments pertaining to open pension funds.
At year end, investments included in both classes were mainly made up of cash, mutual fund units and listed fixed-income securities. Securities are stated at market value on the last trading day of the year. Any difference over their book value is taken to the profit and loss account.

Receivables

They are stated at their estimated realisation value, by writing down their nominal value where necessary.

Tangible assets and stock

Operating assets are stated at cost and depreciated at rates that reflect the estimated useful life of each asset. They are depreciated in line with the expected useful life of each category of asset.

Accrued income and prepaid expenses, accrued liabilities and deferred income

They are calculated on an accruals basis.

Premiums and related charges

Premiums are recorded on an accruals basis, net of any write-offs, by charging the premium reserve. Acquisition costs are recorded using the same method.
Acquisition commissions on long-term life insurance policies are charged to the profit and loss account when incurred, except for foreign countries where local law permits commissions to be deferred through zillimerisation of actuarial reserves.

Technical reserves

Technical reserves of the life business include actuarial reserves, premiums carried forward, profits allocated to policyholders and all other pertinent technical reserves. They are calculated using appropriate actuarial assumptions. Technical reserves where the investment risk is borne by policyholders and reserves relating to pension fund management are calculated using appropriate actuarial assumptions, considering the value of the mutual fund units to which the benefits are linked.
The premium reserve of the non-life business includes accruals for unexpired risks at year end and is composed of the reserve for unearned premiums and the reserve for unexpired risks. The reserve for unearned premiums is mainly calculated on a pro rata temporis basis. For certain lines of business, depending on the degree of risk, extremely prudent criteria are adopted. The reserve for unexpired risks covers impending risks after the balance sheet date, specifically all compensation and expenses arising from insurance contracts agreed prior to year end, insofar as the amount exceeds the reserve for unearned premiums and premiums due given the earned and unearned portions of the contracts. The claims reserves, which are commitments in respect of reported or unreported claims which have not yet been settled or paid, are calculated (usually on an analytical basis) by considering objective factors known at the time of valuation and historical trends. Criteria adopted comply with relevant supervisory regulations applicable to private insurance companies in the various countries. Equalisation reserves include all sums provided for in accordance with current legislation, in order to equalise future fluctuations in the claims rate and to cover special risks.
Pursuant to paragraph 3 of article 72 of Legislative decree no. 173/97, the technical reserves of the individual consolidated companies are calculated in accordance with legislation ruling in the relevant country.

Provisions for risks and charges

Provision for staff pension and similar obligations

For the countries that so require, all staff pension-related entitlements and similar obligations are provided for.

Tax provision

The tax provision covers the estimated tax liabilities for the year and deferred tax liabilities.

Other provisions

They cover complex relationships with third parties or the risk of exceptional events relating to the insurance business. As indicated in the statutory financial statements of the parent company, also in these consolidated financial statements the opening balances of the individual companies, arising from the conversion at current exchange rates of assets and liabilities denominated in currencies other than the reporting currency, are allocated to a specific provision for exchange rate fluctuations.

Income taxes for the year

Income taxes, including those on approved dividends, are charged to the profit and loss account. Deferred taxes on retained earnings are recorded if the earnings are expected to be used in such a way that would be taxable and if the tax treaties between Italian and the relevant foreign country do not provide for the elimination of dual tax on dividends. This item also includes deferred tax liabilities calculated by each company in accordance with relevant legislation.

Adjustments to valuation criteria

Adjustments are made to the financial statements of a number of consolidated companies in order for them to comply with the accounting policies of the parent company.

Specifically, such adjustments regard:
- commissions relating to long-term policies, which have been capitalized and which have been fully taken to the profit and loss account of the parent company in the year in which they were incurred;
- write-off of the net profit (loss) for the year allocated or charged to the equity reserves where made prior to the approval by the relevant shareholders;
- reinstatement of the historical cost of assets sold within the Group;
- other transfers to the equity reserves;
- reinstatement of the book value of investments (not benefiting life policyholders) stated at market value, in accordance with the parent company's accounting policies;
- elimination of unrealised exchange rate gains;
- write-off of depreciation of operating buildings used by third parties.
- deferred tax assets and liabilities.

Adjustments made to the financial statements of certain consolidated companies in order for them to comply with the parent company's accounting policies

The following adjustments have an impact on the financial statements of consolidated companies:

(thousand of Euro)	Net profit (loss) for the year	Shareholders' equity
Previous years' adjustment	–	97,440
Current year adjustment	10,823	6,867
Total	**10,823**	**104,307**

Financial statements items expressed in currency other than the reporting currency are converted using year-end exchange rates.

In accordance with Legislative decree no. 213/98, the main exchange rates applied in 2003 and 2002 are listed in the following table:

	2003	2002
US dollar	1.2630	1.0487
Swiss franc	1.5579	1.4524

Exchange rates adopted for principal currency

Exchange rate gains and losses arising from the conversion of the shareholders' equity of consolidated companies are taken to the "Reserve for conversion differences" as disclosed in Part C of these notes.

Exchange rate gains and losses arising from the conversion of the shareholders' equity of companies stated using the equity method are taken to the"Reserve for differences arising from valuation of unconsolidated investments ."

Section 2 - Fiscally-driven adjustments and provisions

Any fiscally-driven adjustments made to the statutory balance sheet assets of consolidated companies are eliminated, as indicated in Section 1. There are no fiscally-driven provisions.

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.	**99.54**
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		83.92 12.33 3.75	Allianz Suisse Vers. Bernese Ass. Fin. Bernese Assicuraz.	**100.00**
CreditRas Assicurazioni spa - Milan Share capital: Euro 5,200,000	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	100.00			**100.00**
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 10,920,000	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'Assic.Ital.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 114,400,000	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 Elem. Vers.	**99.00**
Allianz Elementar Versicherungs ag - Vienna Share capital: Euro 45,935,568	Insurance		50.10	Ras International nv	**50.10**
Allianz Kundenservice gmbh - Vienna Share capital: Euro 70,000	Services		100.00	Allianz Elem. Vers.	**100.00**
Allianz Pensionskasse ag - Vienna Share capital: Euro 5,086,900	Pension fund management		74.00	Allianz Elem. Vers.	**74.00**
Amaya, Compañia 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 Elem. Vers.	**100.00**
Opernring - Hof Bau und Betriebs ag Vienna - Share capital: Euro 654,056	Real estate		100.00	Allianz Elem. Vers.	**100.00**
Ras International nv - Amsterdam Share capital: Euro 342,650,000	Holding company	100.00			**100.00**
Risikomanagement und Softwareentwicklung gmbh (formerly Allianz Risiko Service gmbh) Vienna - Share capital: Euro 36,336	Insurance advice		100.00	Allianz Elem. Vers.	**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	Phénix Vie	**100.00**
Phénix Compagnie d'Assurances sur la Vie Lausanne - Share capital: SwFr 35,000,000	Insurance		100.00	Allianz Suisse Versicherungs	**100.00**

Subsidiary companies consolidated on a proportional 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 Compañia de Seguros y Reaseguros sa Madrid - Share capital: Euro 47,379,811.01	Insurance		96.46 0.16	Agf Ras Holding Azioni proprie	**96.62**
El Fénix Español sa - Madrid Share capital: Euro 192,000	Holding company		99.99	AZ Comp. Seguros	**99.99**
Eurovida sa Compañia 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		98.00 2.00	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 proportional 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
R.I.T. - Servizi per l'Information Technology 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
Allianz Servicios Tecnicos, A.I.E.	**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 Hellas sa	**99.99**	in liquidation/sale
Top Report Schadensbesichtigungs gmbh	**100.00**	dormant
RasBank (Suisse) sa	**100.00**	owned by company stated using the equity method
Empresa de Inversiones sa	**99.94**	in liquidation
Organizacion Goa sa	**99.95**	in liquidation
Sabesac Investimentos S/C ltda	**100.00**	in liquidation

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

Company	% held
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
Elucydée sa	100.00
Elvia Assistance gmbh	100.00
Elviassist - Serviços de Assistencia 24 Horas lda	100.00
Elviaseg sa	100.00
Elvia Travel Insurance International nv	100.00
France Sécours International Assistance sa	90.99
Gestion de Télésecurité et de Service sa	99.98
Mondial Assistance bv	100.00
Mondial Assistance Deutschland gmbh (ex Mondial Assistance Germany gmbh)	100.00
Mondial Assistance France sa	93.25
Mondial Assistance Holding Deutschland ag (ex Mondial Assistance Holding Germany ag)	50.00
Mondial Assistance Réunion sa (ex Bourbon Services et Assistance sa)	99.98
Mondial Assistance United Kingdom ltd	100.00
Mondial Assistance sas	99.99
Mondial Service Deutschland gmbh (ex Mondial Service Germany gmbh)	100.00
Poly Assistance & Services A.E.	51.00
Sacnas Dévéloppement sa	99.99
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 Téléfoniques sa	100.00
Société de Services Communs “SSC” sas	100.00
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 Reisenversicherungs - Gesellschaft ag	100.00
Elvia S.p.zoo	100.00
Sat as	96.00
AS 24 (AS Nijuyon k.k) ltd	90.00
Compañía de Asistencia Sudamericana sa	99.99
ETI Australia Pty ltd	100.00
Mascareignes Services and Assistance ltd	60.00
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 Health Care Services Inc.	100.00
World Access Incorporated Inc.	100.00
World Access Service Corporation	100.00

Balance sheet - Assets

Section 1 - Intangible assets (Item B)

Goodwill - Item B.3

They are made up as follows:

(thousands of Euro)	2003	2002
Goodwill	36,359	40,904

This item may be analysed as follows:

- Euro 1,168 thousand relates to Ras Immobiliare and arose from the merger with Gaggiano and Bis;
- Euro 35,191 thousand relates to CreditRas Vita and arose from the merger with Casse e Assicurazioni Vita and DuerreVita.

Other intangible assets - Item B.4

They are made up as follows:

(thousands of Euro)	2003	2002
Start-up and capital costs	9	157
Share capital increase costs	573	1,244
Research and development costs	543	1,167
Advertising costs	2	3
Other intangible assets	58,754	75,820
Total	**59,881**	**78,391**

Goodwill arising on consolidation - Item B.5 — Euro 342,692 thousand

Goodwill arising on consolidation relates to Allianz Suisse (Euro 244,196 thousand), Allianz Subalpina (Euro 91,332 thousand), Phénix Compagnie d'Assurances (Euro 6,522 thousand) and Phénix Compagnie d'Assurances sur la Vie (Euro 642 thousand).

Goodwill arising from the consolidation of Allianz Suisse 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 the restructuring and rationalisation plans which have already been implemented and will produce benefits over a significant number of future years.

Similarly, goodwill arising on the consolidation of Allianz Subalpina, recorded following the conclusion of a public offer which increased the controlling interest to 97.94%, is amortised over 20 years.

Goodwill arising on the consolidation of the Phénix companies was recorded during the year. It is amortised over twenty years, in line with forecasts of the companies' future profits.

Section 2 - Investments (Item C)

Land and buildings - Item C.I

They may be broken down by geographical area as follows:

(thousands of Euro)		2003		2002
Assets used for operations				
Europe				
Italy	89,527	**89,527**	92,609	**92,609**
Other EU countries				
Austria	29,950		31,380	
Spain	22,195		17,187	
Portugal	38,924	**91,069**	40,725	**89,292**
Non-EU European countries				
CH	180,896	**180,896**	186,494	**186,494**

Assets used by third parties				
(thousands of Euro)		2003		2002
Europe				
Italy	276,134	**276,134**	334,573	**334,573**
Other EU countries				
Austria	401,221		419,164	
Spain	149,605		174,274	
Portugal	42,426	**593,252**	43,253	**636,691**
Non-EU European countries				
CH	1,456,297	**1,456,297**	1,445,886	**1,445,886**
Leased assets	-	-	-	-
Total		**2,687,175**		**2,785,545**

Real estate used for operations includes farming land and businesses totalling Euro 29,986 thousand. Real estate used by third parties includes buildings under construction and payments on account of Euro 6,537 thousand. Part of the surplus (Euro 206,897 thousand) in the book value of investments over shareholders' equity values was allocated to the relevant buildings. The decrease with respect to 31 December 2002 was mainly in the following countries: Italy, following the sale of G.I.AZS of Turin; Switzerland, due to the change in the Swiss franc/Euro exchange rate, partly offset by the acquisition of new real estate by Allianz Suisse Leben and the consolidation of the Phénix companies.

Investments in group and other companies - Item C.II

Investments in subsidiary companies

Twenty-two companies that were not eligible for consolidation on a line-by-line or proportional basis were stated using the equity method while fourteen were stated at cost. Current and prior year figures are as follows.

Investment valuation

(thousands of Euro)	2003	2002
Subsidiary companies stated using the equity method:		
Borgo S.Felice srl - Siena	1,069	1,330
Gestiass srl - Turin	29	32
Investitori Sgr spa - Milan	14,263	14,689
Previndustria spa - Milan (1)	451	
Ras Asset Management Sgr spa - Milan (2)	31,563	24,252
RasBank spa - Milan (2)	164,658	159,967
Solvet srl (formerly Finmatic srl) - Milan (3)	1,646	
Villa La Pagliaia srl - Siena	1,120	1,242
Allianz Investmentbank ag (AIB) - Vienna	21,189	21,098
Braun & Co. gmbh - Vienna	4,219	4,219
Logistikwerkstatt Assistance gmbh - Vienna (4)	-	24,915
Ras Asset Management Lux sa - Luxembourg	2,438	2,865
Allianz Suisse Personal Financial Services ag - Zurich	1,347	1,015
Allvor ag (formerly Elfitas ag) - Dättwil (CH)	68	75
Gesellschaft für Vorsorgeberatung - Berne	745	377
Investitori Suisse sa - Lugano	779	1,012
Risikomanagement und Softwareentwicklung gmbh (formerly Allianz Risiko Service gmbh) - Vienna (4)	-	15,042
Other	1,534	1,271
Total	**247,118**	**273,401**
Other companies stated at cost:	**1,572**	**8,582**
Total	**248,690**	**281,983**

Companies stated at cost and the reasons therefor are detailed in Part A.
(1) Reclassified from an associated company stated using the equity method to a subsidiary company stated using the equity method in 2003.
(2) Set up CAMI and CAMI sgr in October 2003.
(3) Reclassified from an associated company stated at cost to a subsidiary company stated using the equity method in 2003.
(4) Consolidated on a line-by-line basis in 2003.

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
Solvet srl (formerly Finmatic 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
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 (formerly Allianz Finanzinvest 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 (foremrly Elfitas ag) - 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
Investitori Suisse sa - Lugano Share capital: SwFr 500,000	Stock brokerage		100.00	Investitori Holding	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
Société Financière du Léman sa - Lausanne Share capital: SwFr 500,000	Financial services management		80.00 20.00	Ras International nv Allianz Suisse Vers.	100.00

Affiliated companies stated using the equity method

Investment valuation

(thousands of Euro)	2003	2002
Agf Atlantico sa - Madrid	1,059	1,304
Allianz Gestion sa - Madrid	1,531	1,969
Allianz Inversiones, Sociedad de Valores sa - Madrid	2,652	2,414
Elmonda ag - Zurich	122,368	117,103
Europensiones sa - Madrid	8,537	8,372
Bawag Allianz Mitarbeitervorsorgekasse ag - Vienna	2,284	2,284
Other	2,880	121
Total	**141,311**	**133,567**

List of investments

Company	Business	Ras invest. (%)	Indirect invest. (%)	Held by:	Total invest. (%)
Europe **Other EU countries**					
Agf Atlantico Entidad Gestora de Fondos de Pensiones sa - Madrid Share capital: Euro 1,800,000	Pension fund management		50.00	AZ Comp. Seguros	50.00
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
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

Investments in associated companies stated using the equity method

The following minority interests, held directly or indirectly via Ras subsidiaries, representing more than 20%, or 10% in the case of listed companies, were stated using the equity method.

Investment valuation

(thousands of Euro)	2003	2002
Agrigest spa - Rome	80	80
CreditRas Previdenza Sim spa - Milan	1,310	1,406
MVK Datenmanagement gmbh - Vienna (1)	8	-
SK Versicherung ag - Vienna	1,707	1,571
Koç Allianz. Hayat Ve Emeklilik as (formerly Koç Allianz. Hayat Sigorta as) Istanbul	10,568	5,946
Koç Allianz Sigorta as - Istanbul	18,907	10,747
Other	494	646
Total	**33,074**	**20,396**
Other companies stated at cost (2)	2	1,834
Total	**33,076**	**22,230**

(1) This company was a subsidiary company stated at cost in 2002.
(2) The change is related to the sale of the Wiener Allianz Leasing companies.

List of investments

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**
CreditRas Previdenza Sim spa - Milan Share capital: Euro 2,600,000	Stock brokerage	50.00			**50.00**
Other EU countries					
MVK Datenmanagement gmbh - Vienna Share capital: Euro 35,000	Services		24.97	AZ Kunderservice	**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**
Versicherungbüro Dr. Ignaz Fiala gmbh Vienna - Share capital: Euro 72,673	Insurance brokerage		33.33	Allianz Elem. Vers.	**33.33**
Non-EU European countries					
Eurotax Garantie - Freienbach (CH) Share capital: SwFr 100,000	Services		48.50	Allianz Suisse Vers.	**48.50**
Koç Allianz Hayat Ve Emeklilik as (ex Koç Allianz Hayat Sigorta as) - Istanbul Share capital: TL 10,000,000,000,000	Insurance	33.00	1.00	RB Vita	**34.00**
Koç Allianz Sigorta as - Istanbul Share capital: TL 30,000,000,000,000	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:

Investment valuation

(thousands of Euro)	2003	2002
Emittenti Titoli spa - Milan	256	256
Rete Italiana Teleinformatica Assicurativa scrl - Milan	747	747
Sofigea srl - Rome	4,739	4,739
Unicredito Italiano spa - Genoa	874,056	781,993
Banco Popular Español - Madrid	68,819	68,819
Banco Portugues de Investimento - Porto	104,653	103,816
Castil Parque Sociedade Exploradora sa - Lisbon	273	273
Total	**1,053,543**	**960,643**

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	5.00			5.00
Rete Italiana Teleinformatica Assicurativa scrl - Milan Quota 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 Quota 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 3,158,168,076	Bank	4.89	0.02 0.01	Allianz Subalpina RB Vita	4.92
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 Portugues de Investimento (BPI SGPS) - Porto Share capital: Euro 760,000,000	Financial holding company		8.64 0.20	Ras International nv Allianz Portugal	8.84
Castil Parque Sociedade Exploradora sa Lisbon - Share capital: Euro 55,000	Services		18.18	Allianz Portugal	18.18

Bonds - Item C.II - 2 — Euro 340,979 thousand

They may be broken down as follows:

Allianz ag bonds*	Euro 249,801 thousand
Unicredito Italiano spa bonds	Euro 88,192 thousand
Banco Portugues de Investimento bonds	Euro 2,986 thousand

* Allianz ag bonds are held by Riunione Adriatica di Sicurtà spa (Euro 193,885 thousand), Allianz Subalpina spa (Euro 32,976 thousand), RB Vita spa (Euro 19,935 thousand) and Genialloyd spa (Euro 3,005 thousand).

Loans - Item C.II - 3 — Euro 898,646 thousand

Loans amounted to Euro 898,646 thousand (2002: Euro 690,020 thousand).
The loan that Allianz Suisse Leben granted to Allianz ag Munich is still in place. The loan earns interest based on the average interest rate on Swiss treasury bills plus 95 basis points (3.25% for the second year). Allianz Suisse Leben received a number of shares of Allianz Leben Stuttgart worth SwFr 1 billion (Euro 641,890 thousand) as a guarantee for the loan. The shares were recorded in the memorandum accounts under third party assets.
Allianz Suisse Versicherung granted a loan to Allianz ag Munich for SwFr 400 million (Euro 256,756 thousand). The loan earns interest at a rate of 3.94%.
The loan that Ras granted to Solvet (formerly Finmatic) for Euro 1,505 thousand was settled.

Other financial investments - Item C.III

Equity investments - Item C.III - 1 — Euro 1,043,106 thousand

Equity investments amount to Euro 1,043,106 thousand (2002: Euro 1,792,833 thousand). This decrease mainly related to Swiss investments.

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

Fixed-income securities grew 3.17%. They may be broken down as follows:

(thousands of Euro)	2003	2002	Change
Fixed-income securities of domestic companies	18,101,017	17,060,277	1,040,740
Fixed-income securities of foreign companies	8,846,246	8,953,504	-107,258
Convertible bonds	197	78,295	-78,098
Total	**26,947,460**	**26,092,076**	**855,384**

The decrease in convertible bonds was seen in Italy and Austria.

Loans - Item C.III - 4

They are made up as follows:

(thousands of Euro)	2003	2002	Change
Secured loans	1,081,250	1,132,021	-50,771
Loans on life policies	132,074	144,062	-11,988
Other secured loans	1,943,271	1,571,113	372,158
Other unsecured loans	12,243	9,566	2,677
Total	**3,168,838**	**2,856,762**	**312,076**

The increase mainly related to Swiss companies.

Other financial investments - Item C.III - 7 — Euro 1,234,789 thousand

Including:

Italy	Euro 1,000,060 thousand
Spain	Euro 221,015 thousand
Austria	Euro 13,438 thousand
Other	Euro 276 thousand

Deposits with ceding companies - Item C.IV — Euro 146,623 thousand

Relationships with unconsolidated Group companies include:

Koç Allianz Hayat Ve Emeklilik — Euro 4,547 thousand

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)	2003	2002	Change
Investments relating to unit-linked and index-linked policies	12,932,659	8,180,789	4,751,870
Investments arising from pension fund management	181,466	128,654	52,812
Total	**13,114,125**	**8,309,443**	**4,804,682**

The increase was mainly recorded in Italy.

Receivables - Item E — Euro 3,077,846 thousand

Receivables relating to direct insurance business - Item E.I — Euro 1,735,081 thousand

Receivables from unconsolidated Group companies include Euro 756 thousand due from Allianz Agencia de Seguros.

Other receivables - Item E.III

(thousands of Euro)	2003	2002	Change
Rents	12,492	13,347	-855
Coupons	120,700	140,159	-19,459
Tax receivables	652,512	646,488	6,024
Current accounts with non-insurance companies	8,082	4,566	3,516
Other	175,709	181,197	-5,488
Total	**969,495**	**985,757**	**-16,262**

The decrease of Euro 16,262 thousand was mainly recorded in Switzerland (Euro 50,805 thousand), and was partially offset by an increase of Euro 26,874 thousand in Italy and an increase of Euro 15,259 thousand in Spain.
The item "Other" includes the following receivables due from unconsolidated Group companies:

Ras Asset Management Sgr	Euro 1,694 thousand
RasBank	Euro 1,548 thousand

Other assets - Item F

Own shares - Item F.III

In compliance with the shareholders' resolution of 30 April 2003, the company traded its own shares during the year. The amount of own shares in portfolio may be allocated to stock option plans reserved for Directors and Managers of Ras, as detailed in the table attached to the directors' report. At year end, the parent company held 220 own savings shares in portfolio, for a total of Euro 3 thousand, and 793 thousand own ordinary shares, for a total of Euro 10,175 thousand.

Other assets - Item F.IV

(thousands of Euro)	2003	2002	Change
Reinsurance suspense accounts	28,930	25,811	3,119
Sundry suspense accounts	71,960	115,220	-43,260
Claims suspense accounts	66,832	41,084	25,748
Sundry assets	483,859	463,861	19,998
Total	**651,581**	**645,976**	**5,605**

Accrued income and prepaid expenses - Item G

Accrued income and prepaid expenses rose 14.01%. They are made up as follows:

(thousands of Euro)	2003	2002	Change
Interest	428,010	387,150	40,860
Rent	366	435	-69
Other	33,456	17,483	15,973
Total	**461,832**	**405,068**	**56,764**

There are 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	1,284,652	8,830,487	16,832,321	26,947,460
Loans	78,442	2,612,721	477,675	3,168,838
Other financial investments	24,557	1,004,476	205,756	1,234,789
Receivables relating to direct insurance business *	1,372,120	50,121	25,986	1,448,227
Current account companies	244,085	17,471		261,556
Receivables relating to reinsurance business	346,236	27,034		373,270
Other receivables	822,236	72,869	74,390	969,495

* Excluding "amounts to be recovered" totalling Euro 25,298 thousand.

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)	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
Parent company	4,105,197	0	456,787	0
Statutory net profit for the year of companies consolidated on a line-by-line basis	0	0	332,476	51,393
Intercompany dividends	218,822	252	-218,822	-252
Adjustments to goodwill arising on consolidation (article 69 of Legislative decree no. 173)	-1,014,462	505,986	0	0
Equity method	71,450	788	0	0
Statutory net profit for the year of companies stated using the equity method	0	0	41,418	446
Application of different accounting policies	104,307	55,243	10,823	-7,018
Elimination of intercompany transactions	-19,812	-29,841	-40,055	4,247
Goodwill arising on consolidation	370,977	0	-28,285	0
Total	**3,836,479**	**532,428**	**554,342**	**48,816**

Changes in shareholders' equity

(thousands of Euro)	Share capital	Equity reserves	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
At 31 December 2002	437,770	3,603,121	100,460	-76,314	56,467	-57,898	910,817	4,974,423	558,622	5,533,045
Allocation of 2002 net profit:										
to dividends and remuneration to directors							-295,377	-295,377	-10,583	-305,960
to reserves		763,834						763,834		763,834
Changes in capital and other reserves due to buy-back transaction	-34,434	-675,273						-709,707		-709,707
Change in reserve for own shares due to buy-back transaction			-90,282					-90,282		-90,282
Change in consolidation reserve, reserve for conversion differences and other reserves				-170,312	14,983	-35,643	-615,440	-806,412	-15,611	-822,023
Net profit for 2003							554,342	554,342	48,816	603,158
At 31 December 2003	**403,336**	**3,691,682**	**10,178**	**-246,626**	**71,450**	**-93,514**	**554,342**	**4,390,821**	**581,244**	**4,972,065**

Section 5 - Technical reserves and other provisions (Items C - D - E)

Net technical reserves - Item C

Non-life business technical reserves, net of reinsurance and retroceded business, amounted to Euro 10,245,164 thousand, compared to Euro 10,037,457 thousand in 2002.
The increase of Euro 207,707 thousand relates to Italy for Euro 200,763 thousand and abroad for Euro 6,944 thousand.

I - Non-life business

Reserves are made up as follows:

(thousands of Euro)	2003	2001	Change
Premium reserve	2,024,208	1,918,685	105,523
Claims reserve	7,920,304	7,814,759	105,545
Equalisation and other reserves	300,652	304,013	-3,361
Total	**10,245,164**	**10,037,457**	**207,707**

Life business technical reserves, net of reinsurance and retroceded business, amounted to Euro 25,859,236 thousand compared to Euro 25,485,786 thousand in 2002.
The increase of Euro 373,450 thousand relates to Italy for Euro 1,049,721 thousand, and is partially offset by a decrease of Euro 676,271 thousand abroad mainly due to the effect of changes in the SwFr/Euro exhange rate.

II - Life business

Reserves are made up as follows:

(thousands of Euro)	2003	2002	Change
Actuarial reserves	24,892,164	24,553,787	338,377
Reserve for amounts payable and other reserves	967,072	931,999	35,073
Total	**25,859,236**	**25,485,786**	**373,450**

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

(thousands of Euro)	2003	2002	Change
Reserves relating to unit-linked and index-linked policies	12,931,099	8,180,026	4,751,073
Reserves relating to pension fund management	181,256	128,655	52,601
Total	**13,112,355**	**8,308,681**	**4,803,674**

The increase of Euro 4,803,674 thousand relates to Italy for Euro 4,494,713 thousand and abroad for Euro 308,961 thousand.

Provisions for risks and charges - Item E

They are made up as follows:

(thousands of Euro)	2003	2002	Change
Staff pension and similar obligations	160,295	171,503	-11,208
Tax provisions	350,714	514,083	-163,369
Other provisions *	333,322	313,918	19,404
Total	**844,331**	**999,504**	**-155,173**

* This item also includes provisions for risks and charges of Euro 62,253 thousand (of which Euro 50,652 thousand in Italy and Euro 11,601 thousand abroad), the provision for bad debts (Euro 41,487 thousand) and other provisions (Euro 155,569 thousand) .
It also includes a provision for exchange rate fluctuations arising from the valuation at current exchange rates of the balance sheet items calculated by each Group company. This provision amounts to Euro 74,013 thousand, related to Italian insurance companies for Euro 19,093 thousand and Swiss insurance companies for Euro 54,920 thousand.

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

Deposits from reinsurers - Item F

(thousands of Euro)	2003	2002	Change
Deposits from reinsurers	770,830	867,088	-96,258
Total	**770,830**	**867,088**	**-96,258**

The overall decrease of Euro 96,258 thousand arose from a decrease in Italy of Euro 104,254 thousand and an increase abroad of Euro 7,996 thousand.

Payables and other liabilities - Item G

(thousands of Euro)	2003	2002	Change
Payables relating to direct insurance business	878,981	582,636	296,345
Payables relating to reinsurance business	331,291	290,908	40,383
Payables to banks and financial institutions	117,720	42,115	75,605
Secured debts	111	612	-501
Sundry loans and other financial payables	1,001,543	72,624	928,919
Staff severance indemnity	107,363	108,203	-840
Other payables	425,735	443,538	-17,803
Other liabilities	639,210	759,936	-120,726
Total	**3,501,954**	**2,300,572**	**1,201,382**

The increase of Euro 1,201,382 thousand arose from an increase in Italy of Euro 953,497 thousand and an increase abroad of Euro 247,885 thousand.
The increase of Euro 296,345 thousand in payables relating to direct insurance business and the increase of Euro 40,383 thousand in payables relating to reinsurance business were almost entirely due to Swiss companies.
Unconsolidated Group companies contributed to payables relating to insurance business through agents and brokers, and in particular RasBank, with Euro 10,035 thousand.
The increase in payables to banks and financial institutions of Euro 75,605 thousand relates to the increase of Euro 106,566 thousand in Italy, which was partially offset by the reduction in Switzerland of Euro 30,961 thousand.

Unconsolidated Group companies contributed to payables to banks and financial institutions, and in particular RasBank, with Euro 105,607 thousand.
The Euro 928,919 thousand increase in sundry loans and other financial payables mainly related to Italy.
The decrease in other payables of Euro 17,803 thousand related to Italy for Euro 31,057 thousand and Switzerland for Euro 15,877 thousand, partially offset by other countries, and specifically Spain, where the item rose by Euro 26,592 thousand.
The decrease of Euro 120,726 thousand in other liabilities was generally seen in all countries.

Accrued liabilities and deferred income - Item H

Accrued liabilities and deferred income are made up as follows:

(thousands of Euro)	2003	2002	Change
Interest	518	91	427
Rent	7,091	7,125	-34
Other	70,684	62,201	8,483
Total	**78,293**	**69,417**	**8,876**

This item amounted to Euro 69,417 thousand in 2002. The increase of Euro 8,876 thousand includes an increase of Euro 5,770 thousand abroad and Euro 3,106 thousand in Italy.

Payables - Residual duration

(thousands of Euro)	Residual duration 1 year	Residual duration from 1 to 5 years	Residual duration over 5 years	Total
Payables relating to reinsurance deposits	483,492	277,821	9,517	770,830
Payables relating to direct insurance business	872,405	6,576	-	878,981
Payables relating to reinsurance business	309,345	21,295	651	331,291
Unsecured bank debts	117,720	-	-	117,720
Secured loans	63	48	-	111
Other loans	1,202	1,000,341	-	1,001,543
Staff severance indemnity	58,728	5,390	43,245	107,363
Other payables*	**425,042**	**436**	**7**	**425,485**

* Excluding "amounts to be recovered" totalling Euro 250 thousand.

Section 7 - Guarantees, commitments and other memorandum accounts

	(thousands of Euro)		2003
I	Guarantees provided		72,577
	- Sureties	6,965	
	- Collateral	65,612	
II	Guarantees received		4,262
	- Sureties	4,262	
	- Collateral		
III	Guarantees provided by third parties in the interest of consolidated companies		62,584
IV	Commitments		141,323
V	Third party assets		916,234
VI	Pension fund assets managed on behalf of third parties		67,769
VII	Securities deposited with third parties		35,408,439
VIII	Other memorandum accounts		426,614
Total current year			**37,099,802**

Section 8 - Information on technical accounts

Gross premiums accounted for - breakdown by line of business (8.1) Euro 16,569,074 thousand

Gross premiums accounted for relating to the life business totalled Euro 9,552,495 thousand. They may be broken down as follows:

	(thousands of Euro)	Direct business	Indirect business	Total
I	Whole and term life insurance	2,359,247	40,594	2,399,841
II	Marriage and birth insurance	-	-	0
III	Insurance included in points I and II linked to mutual funds	5,044,363	-	5,044,363
IV	Health insurance as per letter d), number 1, article 1 of EEC directive no. 79/267 of 5 March 1979	9,421	-	9,421
V	Capitalisation transactions as per article 40 of Legislative decree no. 174 of 17 March 1995	1,310,281	-	1,310,281
VI	Management transactions of investment pools set up against payment of sums related to whole or term life insurance, work termination or reduction insurance	788,589	-	788,589
	Total life business	**9,511,901**	**40,594**	**9,552,495**
Total life business premiums as per 2002 financial statements		8,294,047	48,774	8,342,821
Percentage increase		14.7	-16.8	14.5

Gross premiums accounted for relating to Class III increased by Euro 1,399,278 thousand, while those relating to Class V of CreditRas Vita fell by Euro 393,538 thousand.
Furthermore, the newco Darta Saving contributed gross premiums of Euro 186,255 thousand relating to Class III.

Gross premiums accounted for relating to the non-life business totalled 7,016,579 thousand. They may be broken down as follows:

(thousands of Euro)	Direct business	Indirect business	Total
Personal accident and health	935,046	17,126	952,172
Third-party motor liability	2,727,885	3,216	2,731,101
Other motor	1,157,587	706	1,158,293
Marine, aviation and transport	112,583	13,767	126,350
Fire and miscellaneous damage to property	1,060,400	101,109	1,161,509
General liability	525,869	4,804	530,673
Credit and bonds	31,053	789	31,842
Pecuniary loss	193,986	7,000	200,986
Legal protection	94,657	3	94,660
Assistance	28,993	-	28,993
Total non-life business	**6,868,059**	**148,520**	**7,016,579**
Total non-life business premiums as per 2002 financial statements	6,563,971	132,159	6,696,130
Percentage increase	4.6	12.4	4.8

Gross premiums accounted for - breakdown by geographical area (8.2)

(thousands of Euro)	Life business	Non-life business	2003 total	2002 total
Italy	7,460,632	3,793,961	11,254,593	10,117,003
Other EU countries:				
Austria	387,052	902,227	1,289,279	1,219,706
Portugal	89,744	304,942	394,686	337,222
Spain	267,577	811,989	1,079,566	964,064
Ireland	186,255	-	186,255	-
Other non EU countries:				
Switzerland	1,161,235	1,203,460	2,364,695	2,400,956
Total	**9,552,495**	**7,016,579**	**16,569,074**	**15,038,951**

The decrease in gross premiums accounted for relating to Switzerland is due to the strengthening of the Euro over the Swiss franc (+7.3%). Calculated in local currency, 2003 premiums would have increased 5.6%.

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 accordance with local legislation, has been transferred to the life business technical account. The overall amount increased to Euro 1,113,561 thousand against Euro 996,719 thousand in 2002.

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

The balance of this caption is a net income of Euro 131,779 thousand (2002: Euro 107,833 thousand). It is made up as follows:

(thousands of Euro)	Life business	Non-life business	Total
Write-offs of premiums receivable of previous years, net of related commissions	-368	-2,594	-2,962
Write-downs of premiums receivable in arrears, net of related commissions	-1,542	-26,621	-28,163
Knock for knock agreements (CID) and UCI	-	-307	-307
Other	177,353	-14,142	163,211
Total	**175,443**	**-43,664**	**131,779**

Section 9 - Information on the non-technical account

Income from other investments - (9.1)

Income from other investments rose 8.1% to Euro 1,596,914 thousand and may be analysed as follows:
Income from:

(thousands of Euro)	2003	2002
Mutual fund units	90,721	93,367
Bonds and other fixed-income securities	1,228,305	1,225,160
Loans	139,832	118,519
Deposits with banks	8,727	11,133
Other financial investments	129,329	28,360
Total	**1,596,914**	**1,476,539**

Income from other financial investments includes interest from swap transactions performed by Ras (Euro 75,967 thousand), Subalpina (Euro 20,975 thousand) and Genialloyd (Euro 7,859 thousand).

Write-backs of investments and profit on sale of investments - (9.2)

Write-backs of investments rose from Euro 56,698 thousand in 2002 to Euro 84,322 thousand in 2003. They mainly related to revaluations of equity investments of Euro 37,525 thousand, split between Italy (Euro 34,434 thousand) and abroad (Euro 3,091 thousand).
Profit on the sale of short-term investments fell 24.6% to Euro 476,174 thousand from Euro 634,472 thousand in 2002. The table below provides a breakdown of this item by type of investment:

Profit on sale of:

(thousands of Euro)	2003	2002
Equity investments	224,083	218,465
Bonds and fixed-income securities	172,325	256,292
Other	79,766	159,715
Total	**476,174**	**634,472**

Investment management charges and interest payable - (9.3)

(thousands of Euro)	2003	2002
Taxes other than income taxes	6,695	1,257
Administrative general expenses	10,369	10,314
Charges for land and buildings	54,265	36,456
Charges for equity investments	1,285	1,829
Interest and redemption charges for bonds and fixed-income securities	131,725	26,491
Charges for issue discounts	26,900	13,742
Interest expense on deposits	8,891	8,319
Depreciation/amortisation not allocated to the technical accounts	16,367	14,031
Other interest and charges	16,915	11,535
Total	**273,412**	**123,974**

Interest and redemption charges for bonds and fixed-income securities include interest from swap transactions performed by Ras (Euro 73,057 thousand), Subalpina (Euro 20,123 thousand) and Genialloyd (Euro 7,558 thousand).

Charges for issue discounts mainly comprise Euro 11,866 thousand in relation to Ras and Euro 10,351 thousand in relation to CreditRas Vita.

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

Write-downs of investments increased from Euro 762,500 thousand in 2002 to Euro 82,190 thousand in 2003. They may be analysed as follows:

Write-downs of:

(thousands of Euro)	2003	2002
Real estate	6,215	11,590
Equity investments	24,148	417,312
Bonds and fixed-income securities	32,975	77,353
Mutual fund units	9,842	256,244
Other investments	9,010	1
Total	**82,190**	**762,500**

The 2003 loss on the sale of short-term investments totalled Euro 274,905 thousand (2002: loss of Euro 483,055 thousand).

Loss on the sale of:

(thousands of Euro)	2003	2002
Group equity investments	-	-
Equity investments	170,068	360,264
Bonds and fixed-income securities	20,425	45,218
Other investments	84,412	77,573
Total	**274,905**	**483,055**

Other income - (9.5)

Other income decreased by Euro 98,363 thousand from Euro 339,004 thousand in 2002 to Euro 240,641 thousand in 2003. It is made up as follows:

(thousands of Euro)	2003	2002
Interest on receivables relating to direct insurance business	1,250	148
Interest on other receivables relating to insurance business	354	7,509
Interest on tax receivables	820	674
Interest on cash and cash equivalents	13,656	26,445
Interest on other receivables and assets	7,908	11,535
Revenues and closing stock of farming businesses	13,087	14,096
Withdrawals from provisions for risks and charges	44,862	2,005
Withdrawals from other provisions	18,651	85,102
Other income	140,053	191,490
Total	**240,641**	**339,004**

In 2003, the item "withdrawals from other provisions" included Euro 33,560 thousand withdrawn by Ras. Of that amount, Euro 27,650 thousand was used to settle the Consap dispute.

Interest on financial payables and other charges - (9.6)

Interest on financial payables charged to the 2003 profit and loss account decreased by Euro 11,289 thousand to Euro 4,148 thousand:

(thousands of Euro)	2003	2002
Interest on payables to banks	7,079	4,015
Interest on other loans	1,225	1,876
Interest on other liabilities	2,985	9,546
Total	**11,289**	**15,437**

Other charges totalled Euro 221,213 thousand, as follows:

(thousands of Euro)	2003	2002
Charges and opening stock of farming businesses	11,675	10,780
Accrual to tax provisions	0	1,809
Accrual to provisions for risks and charges	8,773	44,196
Accruals to other provisions	25,434	29,817
Losses on and write-downs of receivables due from parties other than policyholders	589	170
Amortisation of intangible assets	38,599	40,830
Amortisation of goodwill	28,285	28,353
Other taxes	4,337	5,486
Other charges	103,521	145,152
Total	**221,213**	**306,593**

Extraordinary income and charges - (9.7)

Extraordinary income and charges amounted to Euro 163,162 thousand and Euro 80,542 thousand, respectively. Extraordinary income mainly relates to equity investments and includes the following:

Income:

(thousands of Euro)	2003	2002
Profit from the sale of:		
Tangible assets and stock	149	285
Real estate	5,569	9,910
Investments in Group companies sold to third parties	122,459	1,099,244
Equity investments	-	-
Bonds and other fixed-income securities	11,364	4,014
Other:		
Prior year items	21,669	65,622
Other extraordinary income	1,952	667
Total	**163,162**	**1,179,742**

During the year, a capital gain of Euro 108,830 thousand was realised on the sale of Unicredito securities options and a capital gain of Euro 10,505 thousand was realised on the sale of the investment in G.I.AZS.

Charges:

(thousands of Euro)	2003	2002
Loss from the sale of:		
Tangible assets and stock	628	107
Real estate	737	1,158
Investments in Group companies sold to third parties	32,690	61
Equity investments	212	-
Bonds and other fixed-income securities	386	9,414
Other:		
Prior year items	32,930	26,708
Other extraordinary charges	12,959	21,154
Total	**80,542**	**58,602**

Extraordinary charges are mainly due to the capital losses from the sale of Unicredito securities options for Euro 32,418 thousand.

Income taxes for the year - (9.8)

Income taxes for the year totalled Euro 322,324 thousand, including Euro 252,104 thousand relating to the Italian insurance companies.

Part D - Other information

Number of employees

The number of employees of the consolidated companies decreased by 421 from 31 December 2002. This fall is mainly due to a change in the labour contracts of Allianz Suisse Versicherungs employees in the sales force. The average number of employees may be broken down by category as follows:

	2003	2002	difference
Managers	228	273	-45
Supervisors and clerks	11,472	11,871	-399
Other	532	509	23
Total	**12,232**	**12,653**	**-421**

Remuneration of directors and statutory auditors

Remuneration to directors and statutory auditors of Ras, in respect of duties performed for the other consolidated companies as well, amounted to Euro 4,503.5 thousand, gross, for members of the board of directors and Euro 397.3 thousand for statutory auditors.

Group solvency margin

In accordance with Legislative decree no. 239 of 17 April 2001 and ISVAP circular no. 456/D. of 6 November 1991, which implements EEC directive no. 98/78, Ras calculated the Group's adjusted solvency margin using the consolidated financial statements method.

(thousands of Euro)	2003	2002
Minimum correct solvency margin to be set up	2,388,210	2,303,402
Total adjusted solvency margin components	3,950,606	4,465,219
Surplus (deficit)	1,562,396	2,161,817

consolidated cash flow statement

Source of funds

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

Application of funds

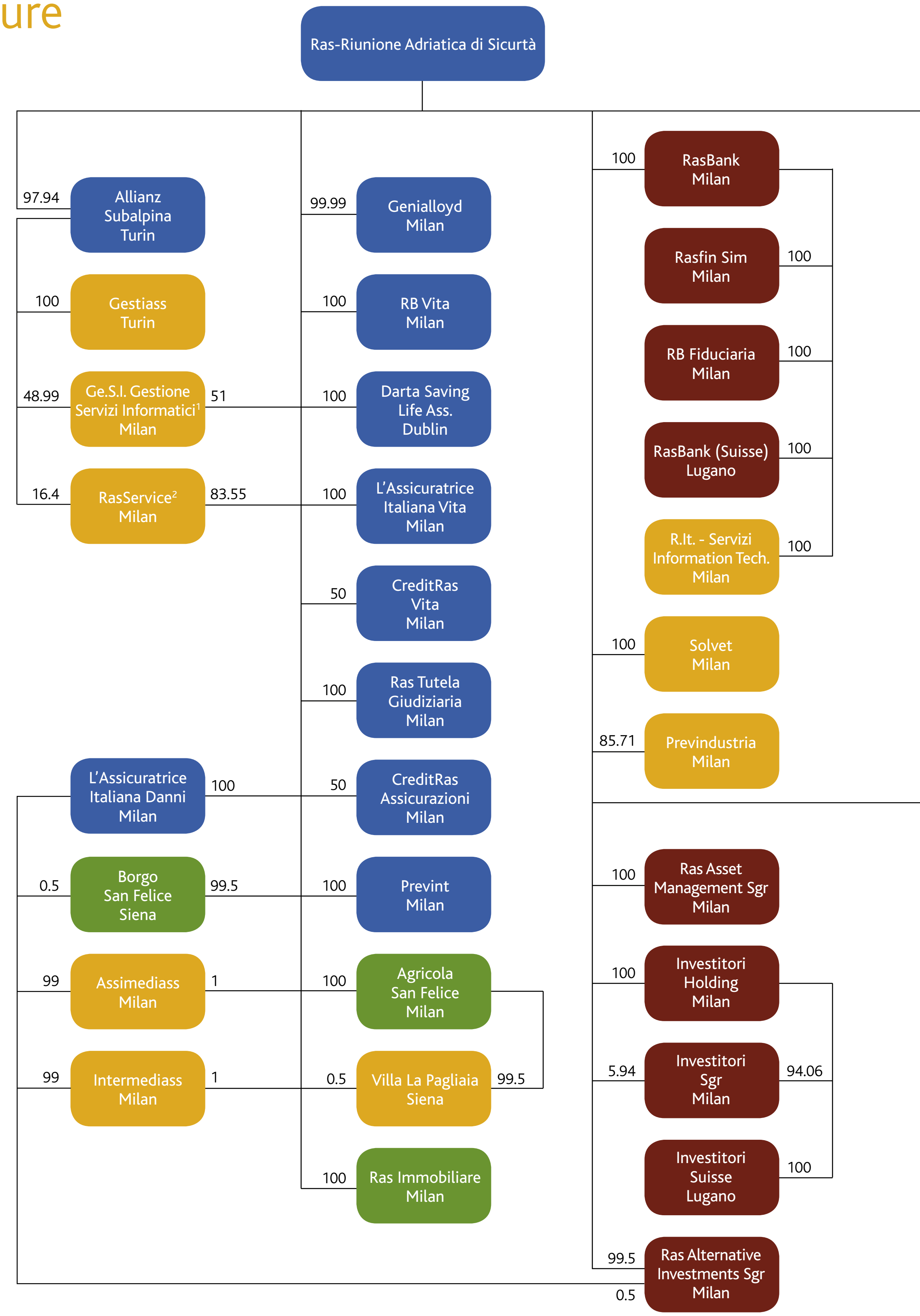
(thousands of Euro)	2003	2002
Increase in net investments:		
• Bonds and other fixed-income securities	1,949,466	5,798,582
• Equity investments	3,438,002	2,230,111
• Land and buildings	71,142	-198,390
• Loans and other investments	761,871	1,898,498
Total	**6,220,481**	**9,728,801**
Dividends distributed:		
• Parent company	295,287	268,318
• Subsidiaries	10,583	14,625
Increase in tangible and other assets	5,019	87,660
Repurchase of own shares	709,107	87,045
Total application of funds	**7,240,477**	**10,186,449**
Change in cash and cash equivalents	-496,871	471,084
	6,743,606	**10,657,533**

Cash and cash equivalents

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

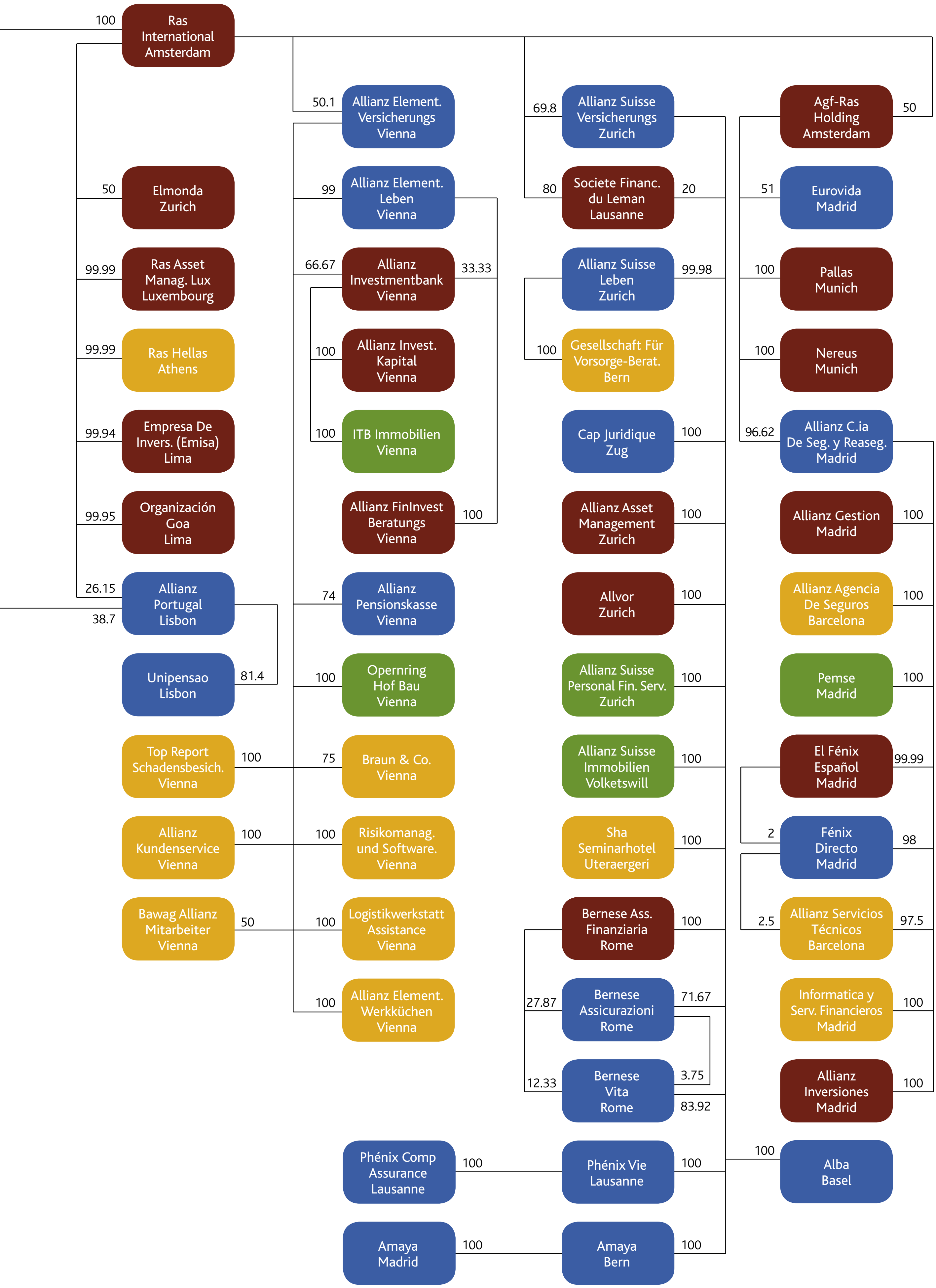
* Including exchange rate fluctuations for amounts in foreign currencies

group structure



[1] The residual 0.01% is held by wholly-owned companies.
[2] L'Assicuratrice Italiana Danni and RB Vita each holds a 0.3% stake in the company.

insurance pension funds | financial trusts | real estate farming | services other


100 Ras International Amsterdam
50 Elmonda Zurich
99.99 Ras Asset Manag. Lux Luxembourg
99.99 Ras Hellas Athens
99.94 Empresa De Invers. (Emisa) Lima
99.95 Organización Goa Lima
26.15 38.7 Allianz Portugal Lisbon
Unipensao Lisbon 81.4
Top Report Schadensbesich. Vienna 100
Allianz Kundenservice Vienna 100
Bawag Allianz Mitarbeiter Vienna 50
50.1 Allianz Element. Versicherungs Vienna
99 Allianz Element. Leben Vienna
66.67 Allianz Investmentbank Vienna 33.33
100 Allianz Invest. Kapital Vienna
100 ITB Immobilien Vienna
Allianz FinInvest Beratungs Vienna 100
74 Allianz Pensionskasse Vienna
100 Opernring Hof Bau Vienna
75 Braun & Co. Vienna
100 Risikomanag. und Software. Vienna
100 Logistikwerkstatt Assistance Vienna
100 Allianz Element. Werkküchen Vienna
Phénix Comp Assurance Lausanne 100
Amaya Madrid 100
69.8 Allianz Suisse Versicherungs Zurich
80 Societe Financ. du Leman Lausanne 20
Allianz Suisse Leben Zurich 99.98
100 Gesellschaft Für Vorsorge-Berat. Bern
Cap Juridique Zug 100
Allianz Asset Management Zurich 100
Allvor Zurich 100
Allianz Suisse Personal Fin. Serv. Zurich 100
Allianz Suisse Immobilien Volketswill 100
Sha Seminarhotel Uteraergeri 100
Bernese Ass. Finanziaria Rome 100
27.87 Bernese Assicurazioni Rome 71.67
12.33 Bernese Vita Rome 3.75 83.92
Phénix Vie Lausanne 100
Amaya Bern 100
Agf-Ras Holding Amsterdam 50
51 Eurovida Madrid
100 Pallas Munich
100 Nereus Munich
96.62 Allianz C.ia De Seg. y Reaseg. Madrid
Allianz Gestion Madrid 100
Allianz Agencia De Seguros Barcelona 100
Pemse Madrid 100
El Fénix Español Madrid 99.99
2 Fénix Directo Madrid 98
2.5 Allianz Servicios Técnicos Barcelona 97.5
Informatica y Serv. Financieros Madrid 100
Allianz Inversiones Madrid 100
100 Alba Basel

independent auditors' report

Revisione e organizzazione contabile

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with article 156 of legislative decree no. 58 of 24 February 1998 and article 75 of legislative decree no. 173/97

To the shareholders of
RIUNIONE ADRIATICA DI SICURTA' S.p.A.

1 We have audited the consolidated financial statements of the RIUNIONE ADRIATICA DI SICURTA' Group as at and for the year ended 31 December 2003. These financial statements are the responsibility of the management of RIUNIONE ADRIATICA DI SICURTA' S.p.A.. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The responsibility for the audit of the financial statements of certain subsidiary and associated companies, representing approximately 31% and 39% of consolidated assets and consolidated gross premiums, respectively, rests with other auditors.

Reference should be made to the report dated 10 April 2003 for our opinion on the prior year figures which are presented for comparative purposes as required by law.

3 In our opinion, the consolidated financial statements of the RIUNIONE ADRIATICA DI SICURTA' Group as at and for the year ended 31 December 2003 comply with the Italian regulations governing their preparation; therefore they are clearly stated and give a true and fair view of the financial position and results of the group.

Milan, 8 April 2003

KPMG S.p.A.

(Signed on the original)

Piero Bianco
Director of Audit

embedded V alue

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 is used by a number of European insurance groups to provide supplementary information to that shown in their published accounts.

Retail asset management business shares many common features with life insurance business, resembling unit-linked business in many ways. Although less often disclosed, 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 life insurance business, which is particularly important if part of the profit streams associated with 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. 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. 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, Ras has decided to disclose the embedded value and embedded value earnings of its most significant insurance businesses and of the retail asset management business distributed in Italy. These values have been determined with the assistance of the firm of management consultants and actuaries Tillinghast - Towers Perrin.

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 single risk discount rate 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. The calculation of embedded values requires the use of numerous assumptions with respect to future business, operating, and economic conditions, and other factors, many of which are beyond the control of the Ras Group. Although the assumptions used represent estimates which Ras and Tillinghast - Towers Perrin 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 regarding as a representation by the Ras Group, Tillinghast - Towers Perrin, 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 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 solely in respect of life and retail asset management business under consideration.

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

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 per cent 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.

Embedded value of life and Italian asset management business

The Ras Group has calculated embedded values in respect of its most significant life insurance businesses and Italian retail asset management business. The following table shows these values as at 31 December 2001, 2002 and 2003.

Embedded value of life insurance and Italian asset management businesses (in millions of Euro)

31 December	2001	2002	2003
Consolidated net assets (life insurance and Italian asset management)	1,394	1,496	1,444
Adjustments to consolidated net assets	493	352	301
Adjusted net assets of life and Italian asset management businesses	**1,887**	**1,848**	**1,745**
Value of in-force life insurance business			
- Italian business	925	1,071	1,126
- Foreign business	360	312	404
Value of in-force retail Italian asset management business	302	224	215
Value of in-force business	**1,587**	**1,607**	**1,745**
Embedded value of life insurance and Italian asset management	**3,474**	**3,455**	**3,490**

The values shown above are net of minority interests, taxes and cost of capital. The consolidated net assets include for the Italian life business Ras, Allianz Subalpina, Assicuratrice Italiana Vita, CreditRas Vita, Darta Saving and RB Vita; for the foreign business include Allianz Suisse, Allianz Portugal, Allianz Elementar Leben, Allianz Seguros y Reaseguros and Eurovida; for asset management include Ras Asset Management, Ras Asset Management Lux, Rasbank (including the assets of Commerzbank Asset Management Italia), R.It., Rasfin Sim, RB Fiduciaria, RB Suisse, Investitori Sgr, Investitori Suisse, and Investitori Holding.

The consolidated net assets of life insurance and asset management businesses as shown above take account of the following major adjustments from the published life insurance balance sheet of Ras spa: (i) the exclusion of businesses not considered, primarily property casualty companies; (ii) consolidation adjustments to restate life insurance and asset management subsidiaries on a consolidated net asset basis; (iii) the inclusion of the share of life insurance businesses held in the non-life balance sheet of Ras spa.

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

The values of the in-force life insurance and retail asset management 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 7 per cent as at 31 December 2003 and 2002 and 7.75 per cent as at 31 December 2001, and the discount rates for other territories are set on an economically consistent basis. The value of in-force life insurance business is shown after the cost of holding solvency capital.

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 2003 has been calculated using discount rates respectively 0.5 per cent higher and lower than the central rate. Moreover, to judge the impact of changes in the economic scenario, the embedded value at 31 December 2003 of the Ras Group has been calculated using interest rates respectively 0.5 per cent higher and lower than the central rate, with unchanged discount rate. The results are shown in the table below:

Sensitivities of embedded value as at 31 December 2003 (in millions of Euro)

	+0,5%	Central rate	-0.5%
Sensitivity of embedded value to the discount rate			
Embedded value	**3,409**	**3,490**	**3,574**
Change in	-2.3%		+2.4%
Sensitivity of embedded value to the interest rate			
Embedded value	**3,690**	**3,490**	**3,226**
Change in	+5.7%		-7.6%

Embedded value earnings of life and Italian asset management business

The embedded value earnings of life insurance and Italian retail asset management business of the Ras Group is 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 share of the group's consolidated after-tax profits associated with the businesses in question, as shown in the following table.

Embedded value earnings in millions of Euro

	2001	2002	2003
Change in value of in-force life insurance and asset management business	(50)	20	138
Change in value of adjustments to consolidated net assets	60	(141)	(51)
Share of consolidated after-tax profits	144	259	198
Embedded value earnings	**154**	**138**	**285**
equivalent to			
Change in embedded value	228	(19)	35
Purchases and sales of consolidated net assets	(5)	57	-
Other capital movements	**(69)**	**100**	**250**

The breakdown of 2003 embedded value earnings between Italian and foreign life insurance and retail asset management is as follows:

Embedded value earnings 2003 by line of business (in millions of Euro)

	Italian life	Foreign life	Retail asset mgt
Change in value of in-force life insurance and asset management business	55	92	(9)
Change in value of adjustments to consolidated net assets	(57)	6	-
Share of consolidated after-tax profits	150	30	18
Embedded value earnings	**148**	**128**	**9**

Embedded value earnings can be divided into three major components:

1. The impact of purchases, sales and mergers of life insurance or asset management businesses;

2. Value added before new business comprising (i) expected profits, based on the assumptions underlying the opening embedded value; (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, 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 for a total of Euro 1,273 million in 2002 and Euro 1,765 million in 2003.

These components are shown in the following table for 2003 with 2001 and 2002 for comparison.

Components of embedded value earnings (in millions of Euro)

	2001	2002	2003
Impact of purchases, sales and mergers	**3**	**(17)**	**-**
Value added before new business			
- Expected profits	207	210	192
- Exchange rate variances	15	4	(28)
- Experience variances	(65)	(142)	29
- Changes in future operating assumptions	(15)	21	(56)
- Changes in economic assumptions	(125)	(43)	(61)
- Changes in taxation assumptions	23	(27)	33
Total value added before new business	**40**	**23**	**108**
Value added by new business	**111**	**132**	**177**
Embedded value earnings	**154**	**138**	**285**

A description follows of the significant factors affecting the embedded value earnings in 2003.

Expected profits, based on the start-year assumptions amounted to Euro 192 million. Exchange rate variances relate to the appreciation 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 Euro 29 million in aggregate. Positive variances from investments accounted for Euro 17 million; these were the result of negative variations in asset composition for Euro 16 million in the retail asset management business, and positive investment performance for Euro 29 million in the foreign life companies, and Euro 4 million in the Italian companies. There were positive tax variances in the Italian and foreign life companies for a total of Euro 38 million. Of the remainder, negative variances of Euro 23 million are principally associated with the continued investments in the banking business and the integration of the recently acquired and merged Commerzbank Asset Management Italia.

Operating assumption changes reduced earnings by Euro 56 million, and are principally the result of changes in expected future lapse and expense experience. The changes to economic assumptions reduced earnings by Euro 61 million due to the reduction in future investment returns for the Italian business, partially compensated by the combined effect on the Swiss life business of an increase in projected investment returns and the risk discount rate. The reduction in taxation rates in Italy and a reduction in expected tax payments for the Swiss business had a positive impact on earnings of Euro 33 million.

The value added by new business in the year determined initially at the point of sale, and then accumulated at the risk discount rate to the end of the year, contributed Euro 177 million to embedded value earnings.

Value added by new business (in millions of Euro)

	2001	2002	2003
Life insurance – Italian business			
- Agents	52	65	72
- Financial Advisors	8	19	37
- Banks	27	32	35
Life insurance – Foreign business	3	3	17
Retail Asset Management	21	13	16
Total value added by new business	**111**	**132**	**177**

To judge the impact of using alternative discount rates, the value added by new business in 2003 has been calculated using discount rates respectively 0.5 per cent higher and lower than the central rate. Moreover, to judge the impact of changes in the economic scenario, the value added of new business has been calculated using interest rates respectively 0.5 per cent higher and lower than the central rate, with unchanged discount rate. The results are shown in the table below:

Sensitivities of value added by new business in 2003 (in millions of Euro)

	+0.5%	Central rate	-0.5%
Sensitivity of value added by new business to the discount rate	164	177	191
Change in %	-7.1%		+7.8%
Sensitivity of embedded value added by new business to the interest rate	197	177	155
Change in %	+11.1%		-12.5%

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 - Towers Perrin, has sought to employ appropriate assumptions, in a consistent fashion, for all its lines of business. Following common practice in embedded value reporting, assumptions have been set in a deterministic fashion which does not therefore reflect the consequences of the natural volatility of certain experience assumptions, particularly those for investment returns.

The principal assumptions and bases are given below:

- A risk discount rate for Italian business of 7 per cent was used as at 31 December 2003 (7 per cent in 2002 and 7.75 per cent in 2001). Risk discount rates for other territories were set on an economically consistent basis at the same level as last year except for Switzerland where the risk discount rate was increased from 5.0 per cent to 6.25 per cent.
- The gross market rate of investment return on benchmark Italian 10-year government bonds was 4.5 per cent for the 2003 valuation (5.2 per cent and 4.5 per cent for 2001 and 2002 respectively); the gross investment return for equities was 7 per cent for the 2003 valuation (7 per cent for 2002 and 7.75 per cent for 2001); and equivalent benchmarks were used for other territories.
- The rate of return on assets backing life technical reserves was determined using economically consistent parameters, based on the average asset mix. For the Italian segregated funds, the average projected yield was 4.50 per cent for the 2003 valuation (4.80 per cent for 2001 and 2002). The impact of the emergence of unrealised gains is considered in part within the value of in-force business and in part as an adjustment to the net asset value. The rates of return, before charges, on unit-linked life insurance, mutual funds and retail asset management portfolios were determined in accordance with the average asset composition of each fund, with average yields for the 2003 valuation of 4.5 per cent, 4.9 per cent and 4.7 per cent respectively.
- Projected profits in Italy have been subject to a tax charge (allowing for the aggregate impact of Ires and Irap) for the 2003 valuation at 38.25 per cent, and for the 2001 and 2002 valuation at 40 per cent. The taxes payable in advance on reserves and the associated loss of interest, as a result of the Italian tax legislation on reserves, have been projected. Projected profits in foreign subsidiaries have been taxed at normal local rates. To determine consolidated results, account

has been taken of taxes on profits remitted to Italy.

- 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.
- General and administrative expenses associated with 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 inflation at 2.5 per cent (3 per cent for the 2002 and 2001 valuations).
- 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.
- 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.
- All infra-group arrangements in force on 31 December 2003 are assumed to remain unchanged.
- 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.
- The value of in-force life insurance business is shown after the impact of reinsurance outside the Ras Group.
- The cost of solvency capital for life insurance business has been determined on the basis of 100 per cent of the EU minimum requirement assuming that assets backing solvency capital earn an appropriate after-tax investment return. The average difference between the after-tax amount earned on assets and the risk discount rate is approximately 3.6 per cent. The cost of solvency capital on this basis which has been allowed for in the value of in-force life business is Euro 249 million in 2003 and in the value added by new life business in 2003 is Euro 32 million.

External advice

Tillinghast - Towers Perrin, management consultants and actuaries, advised the Ras Group on the methodology and assumptions used, and on 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 and consistent with recent industry practice; 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 rate and allowance for the cost of solvency capital are typical of those adopted for embedded value reporting; 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.

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Milan, 10 March 2004

Egregio dottor Greco,

DISCLOSURE OF EMBEDDED VALUE INFORMATION

Tillinghast – Towers Perrin, management consultants and actuaries, has provided advice to the RAS Group regarding the methodology to be used, the derivation of the assumptions and the determination of the embedded values as at 31 December 2003, of the 2003 embedded value earnings and value added by new life business written in 2003, for the group's most significant life insurance businesses, and for the retail asset management business distributed in Italy.

EMBEDDED VALUE

The group has calculated values in respect of its consolidated life insurance business, including the value projected to emerge in the group's asset management companies which is directly associated with life insurance in Italy, and in respect of the retail asset management business distributed in Italy. The results are given in Table 1 below:

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TABLE 1

Embedded Values as at 31 December 2002 and 2003 (€ millions)

31 December	2002	2003
Central risk discount rate	**7.00%**	**7.00%**
Consolidated net assets	1,496	1,444
Adjustments to consolidated net assets	352	301
Value of in-force business	1,607	1,745
Embedded Value	3,455	3,490

EMBEDDED VALUE EARNINGS IN 2003

The embedded value earnings of the life insurance and Italian retail asset management business of the RAS group is 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 share of the group's consolidated after tax profits associated with the businesses in question. Table 2 shows the derivation of embedded value earnings in 2003.

TABLE 2

Embedded Value Earnings in 2003 (€ millions)

	2003
Change in value of in-force life insurance and asset management business	138
Change in value of adjustments to consolidated net assets	(51)
Share of consolidated after-tax profits	198
Embedded value earnings	**285**

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VALUE OF 2003 NEW BUSINESS

The value added by new business in the year was € 177 million, 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 for a total of € 1,765 million.

EXTERNAL OPINION

Tillinghast has reviewed the methodology and assumptions used by the group and has reviewed the resulting values, without, however, undertaking detailed checks of all the calculations. On the basis of the data made available, Tillinghast considers that the methodology, together with the approximations used in the calculation of values for the foreign life business, are reasonable and consistent with recent industry practice; that the operating assumptions used are reasonable in the context of the group's recent experience and expected future operating environment; and that the economic assumptions, risk discount rate and allowance for the cost of solvency capital are typical of those adopted for embedded value reporting. Tillinghast considers that in aggregate the embedded values and the embedded value earnings, including the value added by new business, are reasonable.

* * * * *

In accordance with the provisions of our engagement letter, we hereby agree to the references to Tillinghast – Towers Perrin and our work contained in the analyst presentation and disclosure document attached to this letter.

Yours sincerely

Andrew Milton

Andrew Milton	Geoffrey Jones
Fellow of the Institute of Actuaries	Fellow of the Institute of Actuaries

glossary

Administered assets
total sum in current accounts and securities trading accounts administered by a company.

Aggregated premiums
total of premiums accounted for in the financial statements by companies of a group.

Annual premium
total premium that needs to be paid in on a regular basis at the beginning of each insurance period (generally every year) throughout the expected payment period (at most, the duration of the underlying policy).

Bankinsurance (or **Bancassurance)**
entire group of relationships existing between banks and insurance companies, the purpose of which is to sell insurance products primarily life insurance products via bank branches.

Claims reserve
amount allocated by an insurance company to cover the amounts that it expects to pay in the future in respect of claims that have already arisen but have yet to be settled.

Combined ratio
percent ratio of claims and other relvant charges over relevant premiums

Claims rate
number and/or amount of claims reported in a given year.

Consolidated premiums
total premiums accounted for in the financial statements of companies of a group, net of items eliminated as a result of intergroup transactions.

Gross premiums
total amount of premiums due from a policyholder, plus taxes.

Gross premium income
total premiums from all policyholders.

Group policy
policy agreed by a contracting party (employer) in the interest of several insured persons (company employees or individuals engaged in a profession). Generally speaking, there is therefore a third party in between the insurance company and the insured person, which manages compliance with the agreement and performs some of the administrative duties involved.

Index-linked policy
life policy whose benefit is linked to the performance of an underlying index. In case the result is negative, the invested or a minimum capital, or even a minimum return, may be guaranteed.

Individual policy
policy agreed between two parties, namely the contracting party (who may be the insured person, but not necessarily so) and an insurance company.

Managed assets (or **Assets under management)**
assets that, at a given date, a company manages on behalf of a third party, which is normally made up of mutual funds, individual portfolio management assets, funds of funds and similar products.

Multimanager
term used to describe a fund of funds or an individual portfolio management plan which diversifies investment on funds of several managers.

Net premium income
total premiums from all policyholders, net of premiums returned.

Premiums from direct business
premiums underwritten by an insurance company, net of those arising from the inward reinsurance business that it may have with other companies.

Premiums from indirect business
premiums arising from inward reinsurance business.

Premiums underwritten
premiums relating to policies taken out during both the current year and previous years, net of premiums annulled due to the cancellation of policies and premiums that are known to be irrecoverable.

Private Banking
asset management services for affluent clients. Apart from individual portfolio management services, it may include advice on alternative investments (e. g. real estate, art works, precious metals) and on tax and inheritance issues.

Rating
Brief assessment of a companie's ability to cover its financial obligations. It is provided by independent companies such as Moody's and Standard & Poor's and has a significant impact on market rates.

Recurrent premium
amount of premium to be paid in accordance with a predefined plan or outside of any such plan. It can normally be considered as a series of lump sum premiums of variable amount that are paid in periodically and on a voluntary basis, i.e. without the obligation typical of annual premiums.

Reserve ratio
ratio of technical reserves to premium income.

Reserves for current risks
amount to be allocated to cover risks of an insurance company at the end of the year, in order to provide for commitments (indemnities) arising from policies taken out before such date.

Roe (Return on equity)
per cent ratio of net profit over capital

Roev (Return on embedded value of life and asset management business)
per cent ratio of net profit over life and asset management embedded value

Rorac (Return on risk adjusted capital)
per cent ratio of net profit per line of business over risk capital

Single premium
premium paid in as a lump sum when a policy is taken out.

Technical result
specification of the profitability of one or more business lines being considered. This figures is obtained by subtracting costs (i.e. claim payments) from the revenues typically generated by insurance (i.e. premiums).

Unit-linked policy
life policy whose benefit is linked to the performance of the units of an investment fund within or outside of the insurance company, in line with the risk profile of the policy itself.

This Annual Report is available, in Pdf format, at www.ras.it, under "Corporate website"

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