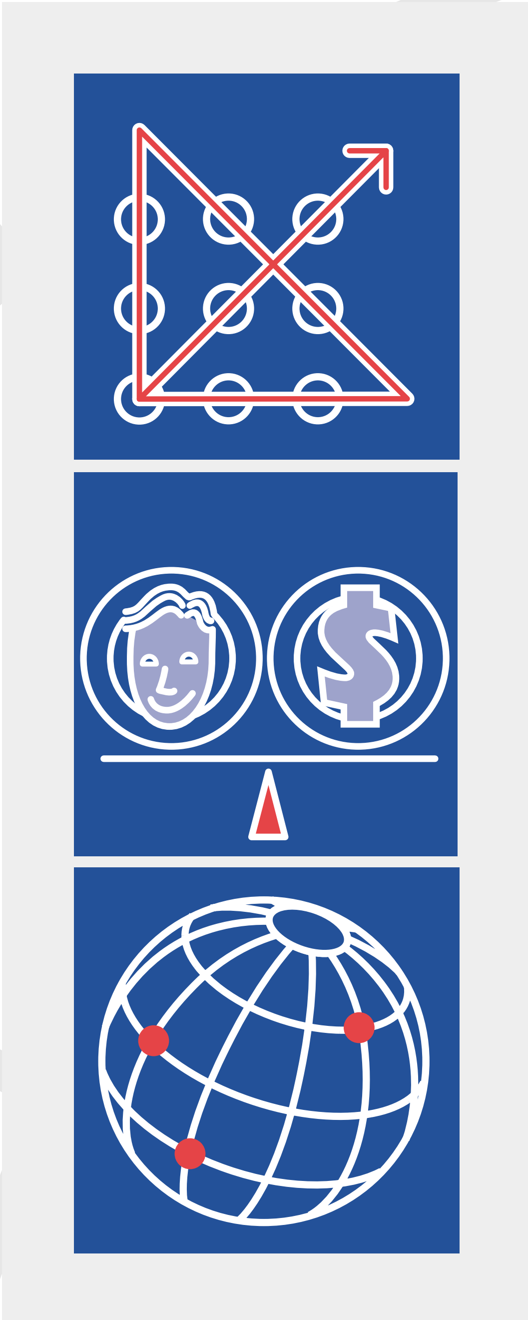
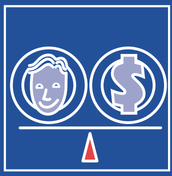
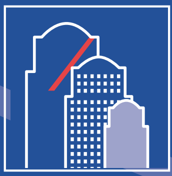
Annual Report

1998




AXAGRAMS

AXAGRAMS are a visual alphabet designed to familiarize everyone in the Group with the AXA management style.
AXAGRAMS are pictograms.
Like road signs, they express ideas graphically. Through repetition, they rapidly become familiar and meaningful.
They also allow us to get around linguistic barriers, becoming a universal language specific to AXA.
This is a major advantage for an international group.

Group mission statement

AXA is squarely focused on one business: insurance and related financial services, particularly asset management. To attain its goal of setting the standard worldwide in the industry, the Group has defined strategic orientations and practices seven shared values.

Strategic axes

To be professional ***in our business.***

To listen carefully to customers, ***without whom there would be no business.***

To generate the profits ***needed to fund development, satisfy shareholders, and motivate employees and business partners.***

To motivate and involve employees and distributors. ***They are the key to success in a business based on services.***

To be resolutely international, ***to both reflect and respond to the increasingly international profile of customers, businesses and competitors, as well as to spread risks among different economies.***

To be powerful ***in every one of our markets, in order to have the necessary clout.***

To "think global, act local", ***which means:***

- ***Being decentralized,** so as to reconcile size and effective action. Everything is decentralized but (the principle of "everything but"):*
  - *planning, capital structure, and management of acquisitions,*
  - *information systems policy, including reporting,*
  - *executive career management,*
  - *human resources policy,*
  - *use of the AXA trademark and the corporate image.*

- *Developing synergies* ***and international mobility.***

Shared values

Loyalty ***to all our partners.***

Team spirit, ***which fosters high performance, both individually and collectively.***

Pride ***in our profession, which enables people to take risks and drives today's economy.***

The ambition ***to be among those who "get things done" in the general interest.***

The imagination ***to anticipate changes in the world around us.***

The pragmatism ***to grasp situations as they are and react positively and effectively.***

Commitment ***to being at the service of those who make the company a success: customers, shareholders, employees.***

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

☐ *REGISTRATION STATEMENT PURSUANT TO SECTION 12 (B) OR (G)*
OF THE SECURITIES EXCHANGE ACT OF 1934

or

☒ ***ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (D)***
OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 31, 1998

or

☐ *TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D)*
OF THE SECURITIES EXCHANGE ACT OF 1934
for the transition period from to

Commission File number: 1-14410

AXA

(Exact name of Registrant as specified in its charter)

N / A	***The Republic of France***
(Translation of Registrant's name into English)	***(Jurisdiction of incorporation or organization)***

9, Place Vendôme - 75001 Paris - France
(Address of registrant's principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	***Name of each exchange on which registered:***
Ordinary shares	*New York Stock Exchange*
American Depositary Shares (as evidenced by American Depositary Receipts), each representing one-half of an Ordinary Share	*New York Stock Exchange*

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31 1998 was: 344,086,003 Ordinary Shares of FF60 nominal value, including 9,647,308 American Depositary Shares (as evidenced by American Depositary Receipts), each representing one-half of one Ordinary Share.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ *No* ☐

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ☐ *Item 18* ☒

Table of contents

Item 1: Description of business[1]

Overview

The Company is the holding company for AXA, an international group of insurance and related financial services companies. AXA's insurance operations include activities in life insurance, property and casualty insurance and reinsurance. The insurance operations are diverse geographically, with activities principally in Western Europe, North America and the Asia/Pacific region and to a lesser extent, in Africa and South America. AXA is the second largest insurance group in the world based on worldwide revenue in 1997 and the largest French insurance group based on worldwide gross premiums in 1997. AXA is the largest insurance group in the world based on assets under management at December 31, 1997. In addition to insurance and asset management, AXA is engaged in investment banking, securities trading, brokerage, real estate and other financial services activities principally in the United States, as well as in Europe and the Asia/Pacific region.

(1) As used herein the "Company" refers to AXA, a French société anonyme (a form of limited liability company), "AXA" refers to the Company and its subsidiaries directly or indirectly held, the "Mutuelles AXA" refers to four French mutual insurance companies that, acting as a group, owned 23.9% of the Company's issued Shares representing 37.6% of the voting rights as of December 31, 1998, "Shares" refers to the Company's ordinary shares of € 9.15 (FF 60) each, "ADS" refers to the Company's American Depository Shares each of which represents the right to receive one-half of a Share, and "ADR" means the Company's American Depository Receipts each of which represents one ADS. A glossary of certain insurance and related terms used in this report if included herein immediately following Item 19 (Financial Statements).

Item 1

AXA Group Simplified Organization Chart as at December 31, 1998

Consolidated companies

Insurance

America

UNITED STATES

EQUITABLE LIFE ASSURANCE
58% **100%**

CANADA

AXA ASSURANCES
100% **100%**

AXA INSURANCE
100% **100%**

Africa

MOROCCO

AXA AL AMANE ASSURANCES
61% **67%**

Europe

GERMANY

AXA COLONIA
73% **100%**

NORDSTERN
73% **100%**

SICHER DIREKT
87% **100%**

AUSTRIA

NORDSTERN COLONIA
73% **100%**

BELGIUM

ROYALE BELGE
99% **99%**

AXA BELGIUM
99% **100%**

SPAIN

AXA AURORA
70% **100%**

DIRECT SEGUROS
50% **71%**

FRANCE

AXA ASSURANCES
100% **100%**

AXA COURTAGE
100% **100%**

AXA COLLECTIVES
100% **100%**

AXA CONSEIL
100% **100%**

DIRECT ASSURANCE
100% **100%**

AXIVA
100% **100%**

THEMA VIE
100% **100%**

NSM VIE
40% **40%**

ITALY

AXA ASSICURAZIONI
100% **100%**

LUXEMBOURG

AXA LUXEMBOURG
99% **100%**

PANEUROLIFE*
78% **90%**

NETHERLANDS

AXA NEDERLAND
99% **100%**

PORTUGAL

AXA SEGUROS
95% **95%**

UNITED KINGDOM

AXA SUN LIFE
72% **100%**

AXA INSURANCE
72% **100%**

SWITZERLAND

AXA ASSURANCES
100% **100%**

Asia/Pacific

AUSTRALIA / NEW ZEALAND

NATIONAL MUTUAL LIFE ASSOCIATION OF AUSTRALASIA
48% **100%**

NATIONAL MUTUAL HEALTH INSURANCE
48% **100%**

AUSTRALIAN CASUALTY & LIFE
48% **100%**

KOREA

DONGBU AXA
50% **50%**

HONG KONG

AXA INSURANCE
100% **100%**

AXA CHINA REGION**
33% **74%**

JAPAN

AXA LIFE JAPAN
100% **100%**

AXA NON-LIFE JAPAN
100% **100%**

SINGAPORE

AXA INSURANCE
100% **100%**

* Sold at the beginning of 1999.
** New corporate name of National Mutual Asia.

Financial Services

Global risks

AXA GLOBAL RISKS
98% **100%**

AXA GLOBAL RISKS UK
99% **100%**

AXA GLOBAL RISKS USA
98% **100%**

Assistance services

AXA ASSISTANCE
100% **100%**

Reinsurance

BELGIUM

ROYALE BELGE RE
99% **100%**

UNITED STATES

AXA REINSURANCE
100% **100%**

AXA RE LIFE
100% **100%**

AXA SPACE
80% **80%**

FRANCE

AXA REASSURANCE
100% **100%**

AXA RE FINANCE
79% **79%**

SPS RE
70% **70%**

MONACO

CGRM
100% **100%**

UNITED KINGDOM

AXA REINSURANCE
100% **100%**

SINGAPORE

AXA REINSURANCE ASIA
100% **100%**

Asset Management

ALLIANCE CAPITAL MANAGEMENT
34% **58%**

AXA INVESTMENT MANAGERS
100% **100%**

AXA SUN LIFE ASSET MANAGEMENT
80% **100%**

NATIONAL MUTUAL FUNDS MANAGEMENT
48% **100%**

Other Financial Services

GERMANY

COLONIA BAUSPARKASSE
71% **98%**

BELGIUM

BANQUE IPPA
99% **100%**

ANHYP
97% **99%**

UNITED STATES

DONALDSON LUFKIN & JENRETTE
43% **72%**

FRANCE

COMPAGNIE FINANCIÈRE DE PARIS
97% **97%**

AXA BANQUE
96% **99%**

AXA CRÉDIT
63% **65%**

AXA IMMOBILIER
100% **100%**

The percentage on the left represents the economic interest and the percentage on the right represents the percentage of control.

Item 1

History

AXA traces its origins to several French regional mutual insurance companies, Les Mutuelles Unies, which in 1982 took control of Groupe Drouot. Les Mutuelles Unies began operating under the AXA name in 1984 and took control of Groupe Présence, a French stock insurance company, in 1986. In 1988, AXA transferred its insurance businesses to Compagnie du Midi, in exchange for a substantial equity interest and, in December 1990, the name of Compagnie du Midi was changed to AXA.

In 1990 and 1991, the French insurance operations of AXA were reorganized and, as a part of this reorganization, Les Mutuelles Unies and the other mutual companies associated with the Company became the Mutuelles AXA.

Following the reorganization of its French insurance operations described above, AXA began a series of acquisitions and investments to expand and diversify geographically its operations. In 1992, AXA acquired a controlling equity interest in The Equitable Companies Incorporated (the "Equitable Holding Company") upon the demutualization of its subsidiary The Equitable Life Assurance Society of the United States ("Equitable Life") and, in 1995, AXA acquired a controlling equity interest in National Mutual Holdings upon the demutualization of its subsidiary National Mutual Life Association of Australasia ("National Mutual Life"). In addition to these major acquisitions, AXA also made a number of smaller acquisitions and investments in Western Europe, North America, and the Asia/Pacific region between 1991 and 1996. See "Significant Acquisitions and Investments".

In 1997, AXA acquired UAP, a French holding company for a group of insurance and financial services companies in a public exchange offer. This acquisition significantly increased the size of AXA most notably in Western Europe.

In early 1999, the Company reached an agreement with the Guardian Royal Exchange ("GRE") Board of Directors whereby the latter will support SLPH's public offer to acquire GRE. This acquisition will allow AXA to significantly increase its presence in Germany and in the United Kingdom. As of May 7, 1999, the offer has been declared unconditional and AXA through its subsidiary Sun Life & Provincial Holding held valid acceptances for 92.03% of the share capital of GRE. See Item 9, Events Subsequent to December 31, 1998 and Note 23-1 to the Consolidated Financial Statements for further discussion.

Significant 1998 Events

Market Conditions

After experiencing high volatility due to the financial crisis that shook the Asian markets, the Russian economic crisis and fears of a systemic financial crisis with the collapse of certain hedge funds, the stock markets gained 20.3%[1] worldwide and the government bond market gained 15.3% in 1998[2]. Market growth throughout 1998 was affected by high equity price volatility, and in the third quarter global stock markets lost the gains posted in the first six months before recovering in the last quarter of 1998 to above previous levels.

By lowering their key borrowing rates, the central banks played an important role in the return to growth for stock markets in the last quarter. When the American Federal Reserve Board lowered its key rates by 25 basis points, other central banks followed suit. In addition, the introduction of the euro helped harmonize the rates offered by the central banks in participating countries. This series of drops in key interest rates restored investor confidence in financial markets, and appears to have averted a global financial crisis.

The strongest currency of the year was the Japanese yen, which rose markedly in the fourth quarter. Overall, it appreciated by 13.1% versus the US dollar in 1998. Euro member states made modest gains against the US dollar of approximately 7%. The sterling pound evolved in line with the US dollar.

Despite volatility in the financial markets, AXA's life insurance companies managed to generate capital gains in 1998. At the same time, interest rates continued to drop in AXA's primary markets. Although this will lead to lower future yields, there is no reason to call into question the ability of the life insurance companies to meet their contractual obligations with respect to guaranteed interest rates on life insurance policies. The life insurance companies have focused on developing sales of separate account contracts, and implemented additional hedging strategies, further limiting their interest rate risk. Moreover, the life insurance companies have active asset liability matching policies encompassing interest rates, maturity and liquidity needs.

The German, US, British and Spanish life insurance markets experienced moderate growth in 1998 of less than 10%[3]. The French market was adversely affected by changes in the tax laws surrounding saving contracts leading to a decline in gross premiums of approximately 13%. On the other hand, in Belgium, the life insurance market progressed by approximately 15% to 25% as it was announced that guaranteed rates would be lowered in the future. Similar growth was also noted in the Netherlands while growth in Italy and Portugal was in the range of 25% to 50%.

The areas of the Asia/Pacific region where AXA operates were marked by increases in gross life insurance premiums of 20% to 25% despite the crisis in South Korea. Increases were limited in Hong Kong to approximately 5% to 10% and 1% in Japan. In Australia, single premium products continued to grow by approximately 20%, while periodic premium products declined by approximately 20%.

In property and casualty insurance, the European markets in which AXA operates experienced intensified rate pressure in the automobile line, with the exception of the United Kingdom, where rates are currently trending upward. Price competition is particularly

(1) The performance percentages given for stocks are based on US $ data (source : Datastream except FT / S & P and IFC for equity securities).
(2) The performance percentages given for government bonds are based on US $ data (source : Datastream except FT / S & P and IFC and JP Morgan except Datastream – Sweden for government bonds).
(3) The market data provided in this document are the best estimates currently available. Definitive data on market trends are generally published by each country's regulatory authorities nine to 12 months after year end.

intense in Germany, where gross premiums declined by 6% to 10%. The automobile claims ratio in Europe is stable overall, characterized by a decrease in property damage claims and an increase in casualty claims linked to higher average costs. In third-party liability, the European market recorded higher claims settlements, which resulted in the strengthening of claims reserves. In these markets, particularly in Germany, France and Italy, third-party liability insurance is under increasing regulatory scrutiny which, combined with the increase in insurance benefits, has led to higher overall settlement levels. Finally, the European markets did not experience any significant weather-related events or major fire claims.

The Asian property and casualty market was affected by the economic crisis that shook the region. In all countries in which AXA operates, average claims costs rose sharply (from 15% to 40%) and claims frequency increased slightly. At the same time, gross premiums declined as a result of excess capacity, which in turn led to downward pressure on prices and a reduction in insurance in-force.

Excess capacity in the large risks market also continued to push premiums down, a trend that was exacerbated by the absence of disasters and by an improvement in risks brought about by prevention efforts.

In reinsurance, where no major claims occurred in 1997, premium rates remained oriented sharply downward in every segment of the market. Several relatively large claims occurred in 1998 (freezing rainstorms in Canada in January, the Swissair crash in September and Hurricane Georges, which struck Puerto Rico and Florida in October). Given its geographic location, Hurricane Mitch, which devastated Central America, had no impact on the world reinsurance market. The rise in claims is not expected to lead to a major turnaround in the market in 1999.

The People of AXA

The financial results of the company and the quality of service given to policyholders are essentially due to the quality of the people who work for the company. In this effort, each subsidiary must have a human resources the policy that motivates its people. AXA also has its role to play and has developed three programs: the “SCOPE” survey to measure employee opinion, AXA University to train the Company's managers and the Leaders Conventions to provide employees with a clear sense of direction and instill adherence to Group values.

The worldwide SCOPE employee opinion survey was conducted in April 1998 in 146 Group companies. Some 71,000 employees working for these companies were given the opportunity to respond to approximately 100 questions on Group strategy, their own company, internal processes and management communications. Given that the survey was carried out at a time when many companies were in the process of restructuring, the 60% response rate was highly satisfactory. More than a traditional polling device, SCOPE is a management tool. After the results were communicated to managers and employees in each subsidiary of the group, detailed action plans were drawn up to address the weaknesses revealed by the survey.

The 1998 results show that AXA has a very positive image in the eyes of both management and employees, that the importance of profit and customer service is widely understood, and that employees are in general highly motivated. While communication could be improved, it is regarded as both effective and accurate by employees. The major challenges are to improve organizational efficiency and clarify human resource policies (training, compensation, career development).

Established in 1986, AXA University was designed to promote Group principles and values through training for managers in all Group member companies. By bringing together AXA managers from around the world, it plays a key role in enhancing cohesion. Three training programs are currently offered through AXA University:

The AXA MANAGER program is co-led by a professional instructor and a senior manager instructor who work with a group of 20 Group managers from around the world. For one week, they learn the AXA Management Style through a series of business situation group role plays. At the end of 1998, 7,665 managers had already completed the program, and 249 senior managers had led one or more sessions.

The TELEMAQUE program was designed to turn high-potential managers into tomorrow's leaders. The program seeks to develop both intellectual and personal capacities in participants, who complete a consulting assignment in one of the Group's companies. Two classes of 20 to 30 managers have been selected to date.

The new COLUMBUS program currently being launched was designed to foster change management skills and initiative. Participants conduct a change project that is in line with the strategic orientations that have been set by their company. The first four pilot sessions were held in 1998.

The LEADERS CONVENTIONS began in May 1997 and were completed in March 1999. In total, 83,200 Group employees have participated in one of 55 conventions, whose aim is to show AXA employees their company's role in AXA's global strategy and aims, to communicate the AXA and company mission statements and to understand how the company is adapting to local market requirements. This enables employees to make the connection between their daily work, their company's strategy orientations and the AXA mission.

The AXA trademark in 1998

The AXA trademark was created in 1984 with the objective of setting the international standard in the insurance and asset management industries. The name AXA was chosen for several reasons: it is simple, easy to pronounce in every language, at the top of the list alphabetically, and has no particular meaning in any one language. The Group's goal is to establish the AXA trademark in every country in which it operates by the end of 1999. Effective January 1, 1999, AXA is the Company's corporate name.

To increase trademark awareness worldwide, the Group invested in 1998 FF 400 million in an international corporate advertising campaign bolstered by local campaigns. Awareness of the AXA name is measured on an annual basis to ensure the effectiveness of such investments.

Acquisitions and Investments

Since 1991, AXA has made a number of acquisitions, entered into joint ventures and made direct investments in the three major world insurance markets, including the following:

Amount Invested

(French francs in billions)	1991	1992	1993	1994	1995	1996	1997	1998
Equitable (United States)	5.9		2.1				0.2	
DLJ (United States)								1.8
North America - Other				0.6				
National Mutual (Australia, New Zealand and Hong Kong)					4.1			
Asia/Pacific – Other [1]		0.2		0.2	1.0		0.4	0.1
UAP [2] (France)							36.9	
Royale Belge and ANHYP (Belgium)								22.4
Europe – Other [3]		0.7	1.0	1.6	2.5			0.3
Direct Marketing Insurance (France, Germany, Spain, Japan)			0.1	0.1	0.2	0.4	0.3	0.6
TOTAL	**5.9**	**0.9**	**3.2**	**2.5**	**7.8**	**0.4**	**37.8**	**25.2**

(1) Includes investments made in the following entities: Sime AXA with Sime Darby (Malaysia); life insurance operations in Japan; a property casualty insurance company operating in Singapore and Hong Kong; a majority stake in an Indonesian insurance company; and a 50% stake in the Korean insurance company Dongbu.
(2) The acquisition of UAP was accomplished through a stock exchange and thus required no cash.
(3) Includes investments made in insurance or reinsurance companies in France, Spain, Belgium and Portugal.

Significant Acquisitions and Investments

Following is a description of the more significant investments AXA has made in recent years. Management continues to consider opportunities to increase the size or geographic diversity of each of AXA's operating business segments. Management would consider acquiring or making a strategic investment in a company engaged in insurance or closely related financial services activities if management believes that such acquisition of strategic investment would improve AXA's profitability.

Equitable. *In 1991, AXA invested $ 1.0 billion (FF 5.9 billion) in Equitable Life, then a mutual life insurance company, in anticipation of Equitable Life's demutualization. In 1992, pursuant to a plan of demutualization through which Equitable Life became a stock life insurance company and a wholly owned subsidiary of the Equitable Holding Company, AXA exchanged a part of its initial investment for 49% of the Equitable Holding Company's common stock.*

As of December 31, 1998, AXA has an ownership interest of approximately 58.5% of the common stock of the Equitable Holding Company. For additional informa-

tion about Equitable, please see its Annual Report on Form 10-K for the year ended December 31, 1998.

National Mutual. *In September 1995, AXA invested A$ 1.08 billion (FF 4.05 billion) for a controlling equity interest of approximately 51% of the common stock of National Mutual Holdings ("NMH"), which acquired National Mutual Life and its subsidiaries in connection with National Mutual Life's demutualization.*

Compagnie UAP. *In 1997, AXA acquired 91.37% of the outstanding shares of UAP in a public exchange offer. This investment was financed through the issuance of 111.1 million shares, 2.057 bonds redeemable in Shares and 128 million certificates of guaranteed value ("Certificates") for the outstanding UAP shares. AXA issued 11.58 million shares when Compagnie UAP was merged into AXA.*

Royale Belge. *In 1998, AXA acquired 51.1% of the outstanding shares of Royale Belge which increased its ownership interest to 98.7% at December 31, 1998. The purchase price of FF 18.9 billion was notably financed through the issuance of 9,556,915 new ordinary shares with a market value of approximately FF 6.4 billion and the issuance of certificates of guaranteed value.*

Other Acquisitions and Investments

Europe

AXA Aurora. *In 1992, AXA and BBV formed AXA Aurora by combining AXA's interest in its Spanish insurance subsidiary, AXA Seguros, with BBV's interest in its insurance subsidiaries, Aurora Polar and Aurora Vida. In 1998, AXA contributed its interests in UAP Iberica to AXA Aurora increasing AXA's percentage ownership in the venture to 70%.*

Victoire Belgium. *In September 1994, AXA Belgium acquired Victoire Belgium, a Belgian property and casualty insurance and life insurance company, for FF 1,030 million.*

AXA Seguros Portugal. *In 1998, in connection with a public tender offer, AXA increased its ownership in AXA Seguros Portugal from 42.6% to 95.6% with an additional FF 301 million investment.*

AXA Réassurance. *In 1994 and 1993, AXA Réassurance strengthened its financial structure, underwriting capacities and solvency ratio through capital increases of FF 580 million and FF 1.0 billion, respectively, fully subscribed by the Company and two of its French subsidiaries.*

Abeille Ré. *In August 1995, AXA acquired Abeille Ré, a Paris based reinsurance company for FF 2,516 million.*

Direct marketing operations. *AXA commenced direct sales of automobile insurance in France in 1992, in Germany in 1995, and in Spain in 1997. In 1998, AXA continued to invest in these operations and, in addition, invested FF 116 million in its Japanese subsidiary.*

ANHYP. *In 1998, Royale Belge acquired 98.8% of the outstanding shares of ANHYP in a public offer for FF 3,553 million.*

North America

Boréal Assurance. *In December 1994, AXA completed the acquisition of Boréal Assurances Inc., a Montreal based property and casualty insurer ("Boréal"), for FF 630 million.*

AXA Space. *In January 1992, AXA Réassurance acquired AXA Space (formerly Intec), a US company specialized in underwriting and managing space and satellite reinsurance pools.*

Donaldson, Lufkin & Jenrette (DLJ). *In 1998, AXA, Equitable Holding Company and Equitable Life invested approximately FF 1.8 billion in DLJ.*

Through this transaction, along with Equitable's stock repurchase program (discussed in Item 9, "Significant 1998 Events"), AXA increased ownership to 42.8% from 41.4% at December 31, 1998 and 1997, respectively.

Asia/Pacific Area

AXA Holdings and Sime AXA. *In 1992 and 1997, AXA invested FF 219 million and FF 228 million, respectively, to acquire 100% of AXA Sime Investment Holdings, now AXA Holdings, and 30% of Sime AXA to establish a presence in Singapore, Hong Kong and Malaysia.*

AXA Life (Singapore). *In early 1995, the Company acquired AXA Life Singapore (formerly Wing On Life Assurance Company) for FF 468 million. AXA Life Singapore is registered in Hong Kong and operates principally in Singapore.*

Dongbu AXA. *In early 1995, AXA entered into a joint venture agreement with the Korean conglomerate Dongbu, pursuant to which AXA paid FF 142 million for a 50% interest in a company engaged in the life insurance business in South Korea.*

AXA Life (Japan). *In 1995, AXA commenced life insurance operations in Japan where it has invested a total of FF 887 million as of December 31, 1998.*

Divestitures

In order to pursue its strategy focused on the insurance and financial services industries, AXA has sold certain non-strategic interests. AXA still holds certain non-strategic investments acquired in connection with the UAP acquisition that could be sold.

North America

Equitable Real Estate. *In 1997, Equitable sold Equitable Real Estate, its wholly owned real estate management subsidiary for U.S. $ 400 million.*

France

CIPM. *In 1997, AXA sold a portion of its interest in Compagnie des Immeubles de la Plaine Monceau (CIPM) to SIMCO, a real estate company owned 36% by AXA. Subsequently, CIPM was merged into SIMCO. As a result of these transactions, AXA reduced its direct exposure to real estate by approximately FF 6 billion.*

Foncière Vendôme and UIF. *In 1998, AXA sold Foncière Vendôme and its 34.7% stake in UIF (Union Immobilière de France) for FF 2.3 billion.*

Other Real Estate Transactions. *In total, real estate in the amount of FF 2.6 billion and FF 4.9 billion was sold in 1998 and 1997, respectively.*

Ireland

New Ireland Holdings. *In 1997, Sun Life & Provincial Holdings (SLPH), owned 72% by AXA, sold its life and property and casualty operations in Ireland.*

Germany

AXA Leben. *In 1998, the UK Life Insurance Group sold its interests in AXA Leben, a branch of AXA Equity and Law for FF 440 million.*

Segment information

AXA has five operating business segments, Life Insurance, Property and Casualty Insurance, Reinsurance, Asset Management and Other Financial Services, and a Holding Company Segment, which consists of non-operating holding companies, including the Company. For additional information on the Company's business segments see Items 8 and 9 of this Annual Report and Note 21 of the Notes to Consolidated Financial Statements included in Item 18 of this Annual Report.

The acquisition of UAP has significantly impacted each operating business segment and the Holding Company Segment. To facilitate comparisons of 1998 and 1997 with 1996, gross premiums are presented on a pro forma basis for the year ended December 31, 1996 as if AXA and UAP were combined for the full year 1996.

For reporting and analysis, AXA's assistance business was combined with the AXA Global Risks Group in 1997 to form a new reporting group named "Transnational Property and Casualty Insurance Group". Previously, such businesses were included in the French Property and Casualty Insurance Group. The legal entities have not been merged, but for reporting purposes the operating results have been combined in this new subsegment to present AXA's cross-border insurance activity. Prior years' amounts have been restated for consistency.

In order to more closely align its segmentation with the basis used by management to evaluate group performance and to allocate resources to groups, AXA restructured its Financial Services Segment in 1998. Previously, the Financial Services Segment was comprised of the US Financial Services Group and the International Financial Services Group. Since asset management has become increasingly important to AXA both from a strategic and profitability perspective, AXA created the Asset Management Segment along with the Other Financial Services Segment. The prior year group amounts have been restated for consistency.

As a result of AXA's acquisition of the Royale Belge minority interests in 1998, (see Item 9, "Significant 1998 Events" for further discussion) AXA significantly increased its participation in the insurance operations in Belgium and consequently created the "Belgian Life Insurance Group" in 1998. Previously, such business was included in the Other Life Insurance Group. Prior years' amounts have been restated for consistency.

Life Insurance

AXA's Life Insurance Segment offers a range of life insurance products primarily in France, the United States, the United Kingdom, Australia, Germany and Belgium, as well as in certain other countries in Western Europe, North America and the Asia/Pacific region. These products include both retirement products and life and health products for individuals and groups, with an emphasis on investment linked and other savings-oriented products.

AXA's life insurance gross premiums for each of its major geographic markets:

Life Insurance Segment - Gross Premiums by Market

(in FF millions except percentages) Years ended December 31,	1998		1997	1996[1] Pro forma	1996
France	29.4%	62,624	64,539	61,274	20,743
United States	28.3%	60,221	51,629	37,966	37,966
United Kingdom	15.9%	33,714	30,509	24,782	9,384
Asia / Pacific	9.2%	19,515	21,856	20,478	20,478
Germany	7.7%	16,373	17,003	16,439	1,151
Belgium	2.8%	6,045	5,560	5,040	933
Other[2]	6.7%	14,342	14,571	15,009	4,395
TOTAL	**100.0%**	**212,834**	**205,667**	**180,988**	**95,050**

(1) To assist in the comparison with 1997, the 1996 pro forma gross premiums include amounts for the UAP subsidiaries for the full year ended December 31, 1996.
(2) Includes operations in Europe (other than in France, Belgium, United Kingdom and Germany), Canada and Morocco.

FRENCH LIFE INSURANCE GROUP

In connection with the acquisition of UAP, AXA reorganized its French life insurance operations in 1998 by dedicating entities to particular distribution channels: AXA Assurances Vie for agents; AXA Collectives, Théma Vie and Axiva for brokers and AXA Conseil Vie, for specialized networks. However, all group life insurance business, regardless of the distribution channel used, is held by AXA Collectives. Each group tailors its products, internal organization and strategy to its principal means of distribution. In order to achieve this reorganization, numerous insurance portfolios, primarily those of the former UAP entities, were transferred within the French Life Insurance Group.

The French Life Insurance Group offers a variety of individual and group products throughout France and in 1997 the French Life Insurance Group was the second largest insurer in the French life insurance market measured on the basis of gross premiums.

For a discussion of certain relationships between the French Life Insurance Group and the Mutuelles AXA, including those with respect to distribution, see Item 4 of this Annual Report "Control of Registrant – Relationships with the Mutuelles AXA".

Market. *The French life insurance market, measured on the basis of gross premiums in 1997, is the third largest life insurance market in the world and accounted for 7.6% of life insurance gross premiums written worldwide.*

Between 1991 and 1995, the French life insurance market measured by gross premiums grew at a compound annual rate of 17.2%, then slowed to 10.2% in 1996 and 8.0% in 1997. Management believes this slowdown was attributable to uncertainties with respect to continued favorable tax treatment of life insurance and to more intense competition from other financial products. Under the new tax legislation, the contractholder is taxed upon savings contract distributions based on the appreciation of such contract. Previously, such amounts were untaxed.

Products. *The French Life Insurance Group offers individual retirement, individual life, individual health and group products. In connection with the UAP acquisition, AXA has reviewed its AXA and UAP products in order to develop a unified life insurance product line.*

AXA's products are offered both through its general account and in its separate accounts. AXA's strategy is to focus on assurance à capital variable ("ACAV") separate account products and increase ACAV products as a percentage of new business. Such products provide AXA with predictable income streams as the investment risk is borne by the policyholder. For the year ended December 31, 1998, ACAV products represented 24.8% of gross premiums compared to 17.4% and 9.2% for the same period in 1997 and 1996, based on gross premiums.

French Life Insurance Group Products

Years ended December 31, (in FF millions except percentages)	Gross Premiums					Actuarial Reserves
	1998		1997	1996[1] Pro forma	1996	As of December 31, 1998
Individual retirement products:						
Individual pension products						
– General account	36.9%	23,090	29,398	31,798	11,089	268,890
– ACAV separate accounts[2]	21.0%	13,178	9,828	4,290	3,308	54,044
– ACAVI separate accounts[3]	0.1%	51	61	165	162	2,289
Individual endowment products						
– General account	3.2%	1,968	1,904	2,264	220	22,225
– ACAV separate accounts[2]	0.1%	54	69	130	52	793
– ACAVI separate accounts[3]	0.1%	56	91	142	44	1,336
Individual life products	2.9%	1,838	1,084	1,021	545	1,759
Individual health products	0.1%	80	575	575	575	14
Group products						
Group retirement products						
– General account	4.3%	2,703	3,341	2,802	1,056	46,705
– ACAV separate accounts[2]	3.5%	2,191	1,246	993	186	9,694
– ACAVI separate accounts[3]	0.0%	0	29	–	–	0
Group life and health products	27.8%	17,415	16,913	17,094	3,506	37,129
TOTAL	**100.00%**	**62,624**	**64,539**	**61,274**	**20,743**	**444,878**

(1) To assist in the comparison with 1998 and 1997, the 1996 pro forma gross premiums include amounts for the UAP subsidiaries for the full year ended December 31, 1996.
(2) ACAV (assurance à capital variable) contracts are separate account products invested in equity or debt securities (other than securities of real estate companies) or mutual funds.
(3) ACAVI (assurance à capital variable immobilier) contracts are separate account products invested in real estate companies or real estate partnerships.

Distribution. AXA distributes its life insurance products in France through entities dedicated to a particular distribution channel: exclusive general agents, brokers and specialized networks. To a lesser extent, AXA also distributes its products through direct marketing and partnerships with retail organizations and bank networks.

In 1998, gross premiums were generated as follows: 13.9% by general agents, 37.0% by brokers, 38.3% by specialized networks and 10.8% by other networks.

US Life Insurance Group

AXA's life insurance activities in the United States are conducted through Equitable Life and its insurance subsidiary and are referred to as the US Life Insurance Group. The US Life Insurance Group offers a variety of life insurance and annuity products, mutual funds and other investment products as well as association plans. Equitable Life has been among the largest life insurance companies in the US for more than 100 years and at December 31, 1997 is the fourth largest insurance company in the US based on total assets.

Equitable Life is a subsidiary of The Equitable Companies Incorporated, which is a publicly-traded company subject to the reporting requirements of the Securities Exchange Act of 1934 (the 1934 Act). For additional information about the Equitable Companies Incorporated please see its annual report on Form 10-K for the year ended December 31, 1998.

Market. The US life insurance market, measured on the basis of gross premiums in 1996, is the second largest in the world and accounted for 23.9% of life insurance gross premiums written worldwide.

The US life insurance market, as indicated in demographic studies, will be impacted by significant growth in the number of new retirees anticipated over the next 15 years. In addition, management believes the trend among US employers away from the defined benefit pension plans (under which the employer makes the investment decisions) toward employee-directed, defined contribution retirement and savings plans (which allow employees to choose from a variety of investment options) will continue. The targeted customers of the US Life Insurance Group include middle and upper income individuals (such as professionals and owners of small businesses), employees of tax exempt organizations, and existing customers.

Products. The US Life Insurance Group offers a portfolio of products designed to meet the life insurance, asset accumulation, retirement funding and estate planning needs of its customers throughout their financial life-cycles, including individual variable life insurance products and individual variable annuity products which offer a general account and multiple separate account investment options. In 1997, funds managed by unaffiliated investment managers were added to the investment options through a new mutual fund known as EQ Advisors Trust. The growth of separate account assets is a strategic objective of Equitable. Over the past five years, separate account balances for individual variable life and variable annuities increased from $ 6.4 billion at December 31, 1993 to $ 33.05 billion at December 31, 1998.

The US Life Insurance Group's Income Manager series of retirement products are annuities designed to provide for both the accumulation and distribution of retirement assets. In addition to a choice of variable funds, these products offer 10 market value adjusted fixed rate options which provide a guaranteed interest rate to a fixed maturity date and a market value adjustment for withdrawals or transfers prior to such date. Income Manager accumulation products offer a guaranteed minimum income benefit which, subject to certain restrictions and limitations, provides a guaranteed minimum life annuity regardless of investment performance. These distribution products offer the guarantee of a lifetime income similar to traditional immediate annuities, while giving the annuitant access to cash values during the early years following retirement.

Gross premiums and actuarial reserves for the various products offered by the US Life Insurance Group before deduction of reinsurance ceded:

US Life Insurance Group Products

Years ended December 31, (in FF millions except percentages)	Gross Premiums				Actuarial Reserves As of December 31, 1998	
	1998		1997	1996	General Account	Separate Accounts
Individual retirement:						
– Single and flexible premiums	46.3%	27,888	19,738	11,601	50,748	101,909
– Recurring premiums	12.9%	7,788	7,523	5,908	24,977	30,584
Individual life:						
– Variable and interest-sensitive	16.3%	9,845	9,589	7,751	33,571	50,441
– Traditional	7.9%	4,755	4,982	4,541	50,087	–
– Reinsurance assumed	2.1%	1,241	1,252	1,076	1,416	–
Individual health :	1.7%	1,021	1,113	987	7,075	–
Other products:						
– Institutional separate accounts	7.7%	4,627	4,657	3,546	–	51,579
– Group pension products[1]	3.6%	2,177	1,970	1,862	24,440	1,206
– Other	1.5%	879	805	694	6,612	6,177
TOTAL	**100.0%**	**60,221**	**51,629**	**37,966**	**198,926**	**241,896**

(1) Actuarial reserves for group pension products include reserves of FF 5,719.5 million primarily for non-participating wind-up annuities which have not been sold since 1991 by the US Life Insurance Group.

Distribution. The US Life Insurance Group's products are distributed through a career agency force of over 7,400 professionals organized into 19 regions containing approximately 75 agencies across the United States which are owned and managed by the US Life Insurance Group and which provide agents with training, marketing and sales support. As of December 31, 1998, nearly all of these agents were licensed to sell variable insurance and annuity products as well as certain investment products, including mutual funds.

During 1996, the US Life Insurance Group created its own wholesale distribution company, Equitable Distributors, Inc. ("EDI"), to offer the Income Manager series of products to securities firms, other broker-dealers and banks. In 1998, this distribution channel accounted for 33% of individual new business gross premiums while agents accounted for 67% of individual new business premiums in 1998.

UK Life Insurance Group

Prior to January 1, 1998, the UK Life Insurance Group, through Sun Life and Provincial Holdings (SLPH), offered life and pension products in the United Kingdom through its subsidiaries AXA Equity and Law Life Assurance Society Plc ("AEL"), Sun Life Assurance Society Plc ("Sun Life Assurance"), Sun Life Pensions Management Limited and Sun Life Unit Assurance Limited. Effective January 1, 1998, most new business of the UK Life Insurance Group is written through a new life insurance company, AXA Sun Life plc ("AXA Sun Life").

In 1997 and 1998, AXA reorganized its insurance activities in the UK. Sales teams were integrated and the insurance products of each company were examined in order to develop a unified product line. Further, the life insurance operations were consolidated in order to enhance communication and reduce overhead costs.

In February 1999, AXA announced its intention to acquire GRE (see Item 9, "Events Subsequent to December 31, 1998", for further discussion). If approved, this acquisition would allow AXA to significantly increase its presence in the UK health insurance market and, to a lesser extent, its presence in life insurance.

Market. The UK life insurance market, measured on the basis of gross premiums in 1996, is the fourth largest in the world and accounted for 7% of life insurance gross premiums written worldwide.

Brokers, referred to as Independent Financial Advisors ("IFAs"), are the largest channel of distribution for the sale of life insurance products in the United Kingdom, accounting for 58.9% of annualized new business premiums in 1998, while direct sales forces (which consist of individuals directly managed by the insurers, together with exclusive agencies) accounted for 39.1% and direct marketing for 2%.

Since 1994, the Financial Services Authority, the regulator of the UK financial services industry, has been requiring insurers to review all past business sold through their representatives (exclusive agencies or direct sales force) involving transfers from employer-sponsored pension plans into personal pension products offered by the insurer or surrenders out of the employer-sponsored pension plan. An insurer must provide compensation when it is determined that an individual was inappropriately advised to transfer pension funds or surrender out of the employer-sponsored pension plan by a representative of the insurer. Although UK insurers, including those within the UK Life Insurance Group, have established provisions for future review and compensation costs, it is not yet possible to definitively assess the cost to the UK insurance industry or the UK Life Insurance Group companies of such review and compensation.

Products. The UK Life Insurance Group's individual retirement products include personal pensions, pensions for the executive and directors markets, and immediate and deferred annuities. The group retirement products offered include principally separate accounts and with-profits contracts. The individual life products include regular premium life, such as traditional whole life and mortgage endowment, single premium investment products and other products, such as critical illness and permanent health insurance products. The Group also offers a range of off-shore single and regular premium investment products.

With-profits contracts are participating individual retirement products and individual life products offered by many life insurance companies in the United Kingdom including those in the UK Life Insurance Group.

Dividends, referred to as bonuses, paid on or credited to with-profits contracts are recommended by the company's actuary and approved by its board of directors. There are two types of bonuses, regular bonuses and terminal bonuses. The bonuses are payable only at maturity or death for most types of with-profits business. The amount and rate of bonuses are not fixed *until credited, in the case of regular bonuses, or until paid, in the case of terminal bonuses.*

Regular bonuses are designed to provide a return to the contractholder through a periodic increase in benefits. These bonuses are credited to the contractholder at regular intervals which vary from product to product. Historically, they have represented a partial return of investment income. Once credited, regular bonuses are guaranteed to be paid at maturity, death or as otherwise specified in the policy.

Terminal bonuses are designed to provide contractholders with their share of total investment performance (including investment income and realized and unrealized investment gains or losses) and other company experience (including expenses, mortality experience and income taxes). For longer-term contracts held to maturity, terminal bonuses have historically represented a significant portion (often exceeding 50%) of the total amount paid at maturity. For a contract surrendered prior to maturity, a terminal bonus may be paid in an amount which is determined in the exercise of management's judgment. Terminal bonuses are not guaranteed in advance of payment.

In addition to investment performance and company experience, the level of regular and terminal bonuses paid reflects management's judgment. Management, in the exercise of its judgment, considers the overall financial and competitive position of the company, profits on the company's other business, fairness among holders of contracts with different terms and maturity dates and its objective of meeting contractholders' reasonable expectations. The latter two considerations call for minimizing sharp fluctuations in the level of bonus payments to contractholders from year to year and may result in greater fluctuations in reported earnings from year to year than would be the case if bonuses were based solely on investment performance. Minimizing fluctuations in the level of bonus payments is an integral characteristic of a UK with-profits contract from the contractholder's perspective.

As a result of the considerations discussed in the preceding paragraph and competitive factors, AEL and Sun Life Assurance have, in recent years, paid benefits on most maturing with-profits contracts which have been significantly in excess of the investment performance that management has notionally attributed to such contracts for the purpose of monitoring the business. The liabilities established for with-profits contractholder benefits are accrued currently and reflect (in addition to investment performance and company experience) management's current judgment as to the impact of the considerations discussed in the preceding paragraph on future benefit payments, including management's current expectations as to the extent to which future terminal bonuses will continue to exceed notionally attributed investment performance. Management believes that, due to their strong solvency position, the companies' ability to pay future benefits in excess of notional investment performance and fulfill the reasonable expectations for bonuses of remaining contractholders has not been impaired.

In accordance with AEL's current Articles of Association and Sun Life Assurance's Laws and Regulations, transfers of amounts to shareholders' funds (which hold amounts available for distribution to shareholders) from their respective long-term insurance business funds may not exceed one-ninth of the current value of the bonuses credited to with-profits contracts and other participating policies. AXA Sun Life was formed with two underlying funds, a "with-profits" fund with a statute similar to the existing statutes in AEL and Sun Life Assurance with respect to transfers of amounts to shareholders and a "non-profits" fund which is available 100% to the shareholders. Separate account products of AXA Sun Life are written through the non-profits fund.

Most regular premium with-profits contracts have specified maturity dates, typically from 10 to 25 years, with a majority of the contracts being in that range. Single premium with-profits investment contracts do not have specified maturity dates. Both of these types of contracts may be surrendered prior to maturity and for certain products account balances may be transferred into a separate account at any time. The amount paid on surrender or transfer is not guaranteed and may be subject to reduction (referred to as a market value adjustment) to reflect investment performance. Unamortized acquisition expenses, administrative expenses, mortality experience and income taxes are also taken into account in determining the amount payable on surrender.

UK Life Insurance Group Products

Years ended December 31, (in FF millions except percentages)	Gross Premiums						Actuarial Reserves
	1998		1997	1996[1] Pro forma	1996		As of December 31, 1998
Individual retirement products:							
Pension products:							
– Separate account products	26.4%	8,905	8,180	6,164	1,237		63,376
– With-profits contracts	13.6%	4,587	6,660	4,193	1,569		63,820
– Immediate and deferred annuities	8.8%	2,968	708	1,007	240		33,456
Individual life products:							
Regular premium life products:							
– Separate account products	5.5%	1,848	1,722	1,630	953		11,443
– Other contracts including with-profits contracts	7.5%	2,531	2,310	2,148	1,239		29,091
– Traditional products	–	–	646	501	–		–
Single premium investment products:							
– Separate account products	22.9%	7,702	5,748	4,865	1,596		72,086
– Other contracts including with-profits contracts	11.5%	3,886	3,028	2,610	2,056		35,321
– Other	2.0%	691	213	249	230		1,365
Group life and retirement products:							
General account products	1.8%	596	1,238	595	226		18,580
Separate account products	–	–	56	820	38		–
TOTAL	**100.0%**	**33,714**	**30,509**	**24,782**	**9,384**		**328,538**

(1) To assist in the comparison with 1998 and 1997, the 1996 pro forma gross premiums include amounts for SLPH's life insurance subsidiaries for the full year ended December 31, 1996.

Distribution. The UK Life Insurance Group distributes its products in the United Kingdom through IFAs, exclusive agencies, a direct sales force and direct marketing. In 1998, IFAs accounted for 75.2% of the UK Life Insurance Group's gross premiums, exclusive agencies 21.2%, and direct marketing 3.6%.

ASIA/PACIFIC LIFE INSURANCE GROUP

AXA's life insurance activities in the Asia/Pacific region are conducted primarily through National Mutual Holdings and are referred to as the Asia/Pacific Life Insurance Group. AXA acquired a controlling interest in National Mutual Holdings in September 1995 and, through its life insurance subsidiaries, offers a full range of insurance products, primarily in Australia, New Zealand and Hong Kong. National Mutual is also responsible for the management of AXA's life insurance businesses in Singapore, South Korea and Japan.

National Mutual is the third largest life insurer in Australia (based on annual gross premiums in 1997), the third largest life insurer in New Zealand (based on annual gross premiums and contributions to trusts in 1997) and the second largest life insurer in Hong Kong (based on gross premiums in 1997).

Asia/Pacific Life Insurance Group Products - Gross Premiums by Market

Years ended December 31, (except percentages in FF millions)	Gross Premiums				Actuarial Reserves As of December 31, 1998
	1998		1997	1996	
	%	FF millions			
National Mutual[1]:					
Australia and New Zealand	69.1%	13,485	16,990	16,044	49,129
Hong Kong[2]	24.0%	4,692	3,845	3,266	12,168
	93.1%	**18,177**	**20,835**	**19,310**	**61,297**
Other Asia[3]:	6.9%	1,338	1,021	1,168	3,024
TOTAL	**100.0%**	**19,515**	**21,856**	**20,478**	**64,321**

(1) Gross premiums are for National Mutual's fiscal years ended September 30.
(2) Includes gross premiums from National Mutual's Life insurance operations in Macau.
(3) Includes gross premiums from Japan, Singapore and South Korea for the fiscal year ended December 31.

NATIONAL MUTUAL

AUSTRALIA AND NEW ZEALAND / HONG KONG

Market

The Australian life insurance market is the eleventh largest in the world measured on the basis of gross premiums in 1997. Individual retirement products, group retirement products and individual life products represented 49.3%, 37.4% and 13.4%, respectively, of Australia's life insurance annual gross premiums in force for the twelve months ended September 30, 1997.

The New Zealand life insurance market is structured in a similar manner to the Australian life insurance market.

Traditional participating individual life insurance products are the predominant life insurance products offered in Hong Kong, in a life insurance market where gross premiums grew at a compound annual rate of 21.4% between January 1, 1993 and December 31, 1997. Legislation was passed in Hong Kong providing for mandatory pension funds to be created through regulations to be issued by the Hong Kong administration. The regulations would require companies to establish pension funds on behalf of their employees by 2000.

Products. The individual retirement and group retirement products offered by National Mutual in Australia and New Zealand are primarily savings-oriented products that provide for lump sum payments at retirement or death prior to retirement. National Mutual also offers immediate annuities, term life insurance, disability insurance and health insurance products on an individual and group basis. National Mutual also provides supplemental health insurance to cover all or part of an insured's health costs which are not covered under the Australian or New Zealand national health plans. In Hong Kong and Macau, National Mutual principally offers traditional participating individual life products and group life insurance, as well as individual and group retirement and health products.

National Mutual Products

Years ended December 31, (in FF millions except percentages)	Gross Premiums[1] 1998		1997	1996	Actuarial Reserves As of December 31, 1998[2]
Individual retirement products:					
– Separate account products	7.5%	1,363	1,988	1,938	10,603
– Investment account contracts	2.8%	507	923	1,184	6,638
– Participating contracts	0.1%	23	26	27	1,475
– Immediate annuities and other	3.0%	549	846	672	2,522
Individual life products:					
– Separate account products	2.7%	487	867	1,132	1,614
– Investment account contracts	0.9%	161	292	316	3,807
– Participating contracts	17.1%	3,101	2,931	2,405	17,117
– Term life, disability and other insurance contracts	10.3%	1,880	1,742	1,998	1,716
Health insurance contracts	15.0%	2,728	2,842	2,644	531
Group products:					
– Separate account products	14.1%	2,561	3,018	2,417	5,446
– Investment account contracts	21.4%	3,897	4,656	4,376	9,215
– Term life insurance contracts and other	5.1%	920	704	201	613
TOTAL	**100.0%**	**18,177**	**20,835**	**19,310**	**61,297**

(1) Gross premiums are for National Mutual's fiscal years ended September 30.
(2) National Mutuals' actuarial reserves are as of September 30, 1998, the end of National Mutuals' 1998 fiscal year, and are included in AXA's consolidated balance sheet as of December 31, 1998.

Distribution. National Mutual's agent force in Australia and New Zealand is primarily comprised of career agents. While not an integral part of its sales force, National Mutual has expanded its distribution channels to include salaried agents, brokers, financial advisers, banks and direct marketing. For the twelve months ended September 30, 1998, approximately 88.8% of National Mutual's regular premiums and 64.2% of its single premiums in Australia and New Zealand were generated by its career agent sales force.

In Hong Kong, Macau and Taiwan, National Mutual distributes its life insurance products through agents, which produced most of of National Mutual's new individual life gross premiums for the year ended September 30, 1998.

Other Asian Operations

AXA sells life products in Singapore through AXA Life and in South Korea through Dongbu AXA Life. Dongbu AXA Life, a joint venture with the Korean conglomerate Dongbu, sells primarily protection and endowment products to individuals.

In Japan, the largest life insurance market in the world, AXA commenced life insurance operations in 1995 and sells traditional non-participating life and medical insurance products. As of December 31, 1998, AXA had invested JPY 18 billion (FF 887 million) in this operation and currently anticipates investing an additional JPY 19 billion (FF 926 million) through the end of 2003.

In China, AXA has applied for a life insurance license, which is currently under review by the Chinese Insurance Regulatory Commission.

German Life Insurance Group

The life insurance activities in Germany are conducted primarily through AXA Colonia and its subsidiaries, Colonia Lebensversicherung AG, Deutsche Arzteversicherung AG and Nordstern Lebensversicherung AG. Life insurance activities were also conducted in Germany through AXA Leben which was sold in 1998. The German Life Insurance Group offers all major life insurance products with an emphasis on individual endowment and annuity. In addition, through Colonia Krankenversicherung AG, AXA Colonia sells private health insurance products.

AXA Colonia, in addition to its activities in Germany, also distributes its products through its subsidiaries in Austria and Hungary.

Market. The German life insurance market, measured on the basis of gross premiums in 1997, is the sixth largest life insurance market in the world and accounted for 3.8% of the life insurance gross premiums worldwide.

The life insurance market in Germany grew at an annual compound rate of 10.5% for the years 1991 through 1995 as measured by gross premiums. This rapid growth in gross premiums, largely due to the reunification of Germany, has slowed over the last few years. The German market growth declined in 1996 and 1997 and amounted to approximately 4% in 1998. This decline in gross premium growth is strongly influenced by high unemployment and slow economic growth.

The principal life insurance product in the German life insurance market has historically been long-term individual participating endowment insurance, which provides a death benefit and simultaneously accumulates a cash surrender value. Based on 1997 total gross premiums, such endowment policies accounted for 65.1% of the German life insurance market. However, the popularity of endowment policies has declined over the last few years and in 1997 accounted for only 41.1% of new business while annuity products have increased in popularity.

Products. The individual life and retirement products offered by the German Life Insurance Group are primarily endowment products with a specified death benefit and annuity insurance. The German Life Insurance Group's product line generally resembles the German market, with a stronger emphasis on individual business, leading to a higher proportion of endowment-type products than the market. In addition, disability and health insurance products are provided.

German Life Insurance Group Products

Years ended December 31, (except percentages in FF millions)	Gross Premiums 1998		1997	1996[1] Pro forma	Actuarial Reserves As of December 31, 1998
Individual retirement:					
– Immediate annuities and other	15.2%	2,486	2,460	2,264	17,914
Individual life:					
– Endowment products	55.8%	9,129	9,028	8,668	86,701
– Separate accounts	0.7%	122	64	34	155
– Other	3.3%	547	481	628	3,540
Individual health products	18.0%	2,945	2,703	2,364	5,988
Group products	7.0%	1,144	970	780	12,740
AXA Leben	–	–	1,297	1,150	–
Colonia Life Canada	–	–	–	551	–
TOTAL	**100.0%**	**16,373**	**17,003**	**16,439**	**127,038**

(1) To assist in the comparison with 1998 and 1997, gross premiums for 1996 include amounts for the UAP subsidiaries for the full year ended December 31, 1996.

Distribution. *The majority of sales (53% as measured based on annualized new business in 1998) is sold by AXA Colonia's exclusive agent network and AXA Colonia's subsidiary. Deutsche Artzeversicherung AG. The second most important method of distribution is the broker network (30% based on new business premiums) followed by bank distribution networks which accounted for approximately 5% and other networks (12%).*

BELGIAN LIFE INSURANCE GROUP

AXA's life insurance operations in Belgium are managed through Royale Belge and AXA Belgium which, when combined, rank third in the Belgium life insurance market with a 13.7% share of the market based on 1997 gross premiums. In 1998, AXA acquired essentially all of the minority interests of Royale Belge. As part of the transaction, AXA is in the process of merging the operations of AXA Belgium and Royale Belge. Their principal life insurance products include group life, traditional life, endowment and retirement products with a number of the savings-oriented products directly linked to the returns of segregated investment funds.

Market. *The Belgian life insurance market, measured on the basis of gross premiums in 1997, is the seventeenth largest life insurance market in the world. Individual life insurance has experienced rapid growth in recent years partly as a result of the growth in separate account-type products, which have increased from FF 0.7 billion in 1996 to FF 4.1 billion in 1997. Group life insurance accounts for only a small portion of the life insurance market due to governmental regulations which leave little room for the development of group retirement and savings-type products.*

Products. *The principal products sold by the Belgian Life Insurance Group are traditional life insurance products and retirement savings-type contracts whereby the investment risk and reward is borne by the insurer. Recently, group life insurance has developed as companies are increasing their insurance of risks associated with their employees' health and disability.*

Distribution. *The products are distributed principally through brokers to both individuals and businesses. Royale Belge has a program whereby brokers can become delegated agents of its bank, Banque Ippa, and thus also distribute bank products. Likewise, the bank agents also sell life insurance products. In October 1998, Royale Belge acquired ANHYP, another Belgian-based bank, whose network of independent agents will augment this distribution strategy. AXA believes this strategy will produce economies of scale and certain synergies that will benefit both the insurance and banking operations in Belgium. Other distribution channels include a network of exclusive salaried agents and cooperative agreements with certain large Belgian banks.*

In 1998, gross premiums were generated as follows: 64.1% by brokers, 18.7% by bank distribution networks, 11.9% by independent agents and 5.3% by other channels.

Belgium Life Insurance Group Products

Years ended December 31, (in FF millions except percentages)	1998		1997	1996 Pro forma1	1996	Actuarial Reserves As of December 31, 1998
Individual retirement products:						
– General account	19.6%	1,187	1,206	1,020	452	5,380
– Separate accounts	2.9%	176	29	19	–	277
Individual life products	41.8%	2,525	2,249	2,143	426	22,576
Individual health products	–	–	14	31	–	–
Group products	35.7%	2,157	2,062	1,827	55	22,342
TOTAL	**100.0%**	**6,045**	**5,560**	**5,040**	**933**	**50,575**

Gross Premiums: columns 1998, 1997, 1996 Pro forma1, 1996.

(1) To assist in the comparison with 1998 and 1997, the 1996 pro forma gross premiums include amounts for the UAP subsidiaries for the full year ended December 31, 1996.

Other Life Insurance Group

AXA also offers life insurance products in other Western European countries and in Canada and Morocco (the business operations in such other countries are collectively referred to herein as the ''Other Life Insurance Group").

Netherlands. AXA operates in the Netherlands through AXA Leven and UAP Nieuw Rotterdam Leven, offering a range of life and retirement products including investment products and unit trusts with an emphasis on individual life insurance. Since 1995, AXA Leven has improved its position in these markets with a generation of "Universal Life" products which have unit-linked investment. In addition, through UAP Nieuw Rotterdam Zorg, AXA is a significant player in the Netherlands health insurance market, which is in the process of being privatized.

AXA distributes its products principally through independent financial intermediaries and several different distribution channels including general agents, salaried sales force and bank networks. AXA's operations in the Netherlands rank seventh among life insurance companies with a 4.4% market share based on 1997 gross premiums.

As part of the Benelux restructuring (see further discussion in Item 9, "Significant 1998 Events") the operations of UAP Nieuw Rotterdam has been merged with AXA Leven in 1998.

Luxembourg. In Luxembourg, AXA operated through AXA Luxembourg, Royale Belge Luxembourg and PanEuroLife. In September 1998, AXA Luxembourg and Royale Belge Luxembourg merged under the name AXA Luxembourg. In early 1999, PanEuroLife was sold by AXA. In 1997, AXA Luxembourg and Royale Belge Luxembourg (excluding PanEuroLife) were the largest life insurance group in Luxembourg based on gross premiums. AXA Luxembourg sells interest sensitive and variable retirement products in the domestic and cross-border markets.

Italy. *The companies in Italy were restructured in 1996, 1997 and 1998 in order to achieve greater efficiencies. Such restructurings resulted in all AXA and UAP companies being merged into the subsidiary AXA Assicurazioni. AXA Assicurazioni sells a complete range of individual and group life insurance primarily through agents as well as financial advisors.*

In addition, AXA holds a participation, along with the I.C.C.R.I. (Instituto Centrale delle Casse di Risparmo Italiano), in Eurovita, a life insurance company that distributes its products through certain savings institutions.

Spain. *In Spain, AXA Aurora Vida, AXA's joint venture with BBV, and UAP Iberica sells life insurance and retirement products to both individuals and businesses. The products are distributed through a variety of networks including agents, brokers and a direct sales force and the bank networks of Banco del Comercio (a BBV subsidiary) and BNP. AXA merged all of its Spanish operations into AXA Aurora in early 1998 and increased its ownership in AXA Aurora to 70%.*

Other. *In addition to the foregoing, AXA has operations:*

- *in Portugal, where AXA Seguros sells traditional life insurance products principally through non-exclusive agents;*
- *in Switzerland, where AXA Assurance distributes individual life insurance products through a network of independent general agents;*
- *in Canada, where AXA Canada operates as a niche player, selling traditional non-participating life and health insurance products through brokers; and*
- *in Morocco, where AXA Al Amane sells principally group retirement products through brokers.*

In addition, AXA has unconsolidated interests in other countries (notably in Turkey and certain countries in South America and Africa).

Competition

General. *The principal competitive factors affecting the Life Insurance Segment's business are (i) price, (ii) financial strength and claims-paying ratings, (iii) size and strength of agency force, (iv) range of product lines and product quality, (v) quality of service, (vi) investment management performance, and (vii) with respect to participating contracts, historical levels of bonuses.*

France. *The French life insurance industry is concentrated among a few large companies that use financial institution distribution networks or traditional insurance company distribution channels. In 1997, the gross premiums of the ten largest insurance companies accounted for more than 70% of total life insurance gross premiums.*

United States. *Ratings are an important factor in establishing the competitive position of insurance companies in the United States. As of December 31, 1998, the financial strength or claims-paying ability ratings of Equitable Life were AA- from S&P (fourth highest of 22 ratings), Aa3 from Moody's Investors Service (fourth highest of 21 ratings), A from A.M. Best Company, Inc. (third highest of 16 ratings), AA from Fitch Investors Service, L.P. (third highest of 18 ratings) and AA from Duff & Phelps Credit Rating Co. (fourth highest of 18 ratings).*

United Kingdom. *The UK life insurance industry is highly fragmented, with a large number of competitors diversified by distribution channel, ownership and product range. The top ten companies, which include the UK Life Insurance Group, accounted for 50% of annualized new business premiums in the UK life insurance market in 1998. The two major factors influencing new business written by IFAs is product pricing and investment performance of separate accounts.*

Asia/Pacific. *National Mutual, along with other traditional life insurers, in recent years has encountered strong competition in Australia and New Zealand from banks, mutual funds and other distribution channels. Traditional life insurers such as National Mutual have continued to dominate the regular premium product market but this market has been declining while the single premium market has been growing.*

Competition in Hong Kong and the other Asian markets in which AXA operates is predominately related to distribution and, in particular, to the size and composition of the agency force.

Germany. *The German life and health insurance market is marked by predatory competition particularly as an increasing number of publications on ratings and rankings is making the market more transparent to the customer. Product pricing and profit sharing benefits are among the more significant elements affecting new business.*

Belgium. *The cross-over of life insurance and bank operations has become prevalent in Belgium and competition between insurance companies has proliferated into competition among financial services companies. As a result, insurance companies are competing with other financial services companies to find new non-traditional distribution networks in order to stay competitive.*

Surrenders and Withdrawals

For most retirement and life products, first-year costs are higher than those in the years after policy issue due to first-year commissions and the costs of underwriting and issuing a contract. Consequently, persistency is important to profitability. The vast majority of individual retirement products and individual life products issued by AXA can be surrendered for a cash surrender value. Most of the individual life and retirement products issued by AXA have front-end charges (or subscription fees), which are assessed at the issue of a contract, or surrender charges (charges assessed in the case of early surrender), which are generally intended to offset a portion of the acquisition costs.

In 1998 and 1997, amounts paid on surrender of the French Life Insurance Group life insurance and retirement contracts, were 5.6% and 5.2% of average actuarial reserves. In 1996 and 1995, before the UAP acquisition, amounts paid on surrender were 4.2% and 4.6%, respectively, of average actuarial reserves in such years.

In 1998, 1997, and 1996, amounts paid on surrender of the US Life Insurance Group's individual life contracts were 6.4%, 4.1% and, 4.4%, respectively, of average actuarial reserves over such years for such contracts that had cash surrender values. Amounts paid on surrender of the US Life Insurance Group's individual retirement contracts in such years were 8.9%, 9.8% and, 10.3%, respectively, of average actuarial reserves over such years for such contracts that had cash surrender values.

In 1998, 1997 and, 1996, amounts paid on surrender of National Mutual Life's individual retirement and individual life insurance contracts were 7.4%, 8.3% and, 9.0%, respectively, of average actuarial reserves over such years for such contracts that had cash surrender values.

In 1998 and 1997, amounts paid on surrender of the UK Life Insurance Group's (based on the combined operations of Sun Life Assurance and AEL) individual life and retirement contracts was 7.2% and 5.7% of actuarial reserves at the beginning of such years for those policies that had cash surrender values. In both 1996 and 1995, the amounts paid on surrender of AEL's individual life and retirement contracts were 3.4% calculated on the same basis.

The amounts paid on surrender of AXA Colonia's life insurance contracts in 1998 and 1997 amounted to 1.3% and 1.8% of the average actuarial reserves for the year.

The amounts paid on surrender of the Belgium Life Insurance Group's contracts in 1998 amounted to 5.7% of the average actuarial reserves for the year.

Property and Casualty Insurance

AXA's Property and Casualty Insurance Segment offers a range of property and casualty insurance products in France, Germany, Belgium and to a lesser extent in other countries. Such products are offered through traditional distribution channels and direct marketing insurance subsidiaries. In addition, the property and casualty segment includes AXA's cross-border insurance business which is combined in the Transnational Property and Casualty Insurance Group. AXA's property and casualty insurance products include automobile, homeowners and commercial property insurance, as well as transportation, general liability and construction insurance.

In 1998, AXA reclassified the financial results of its direct marketing insurance subsidiaries from the Transnational Property and Casualty Insurance Group to the respective countries in which those subsidiairies reside. Prior year group amounts have been reclassified for consistency. The segment-level financial results of the Property and Casualty Insurance Segment were unaffected by this reclassification.

The following table summarizes key figures of the Property and Casualty Insurance Segment for the periods and as of the dates indicated. The gross premiums and the claims reserves are as of December 31 of the relevant year, and before reduction for reinsurance ceded. The claims reserves exclude catastrophe equalization reserves while the claims and combined ratios include the change in this reserve.

Property and Casualty Insurance Segment

(in FF millions except percentages) Years ended December 31,	1998		1997	1996[1]
By Group:				
France:				
gross premiums	31.5%	27,412	27,740	11,261
claims ratio[2]		77.4%	77.4%	74.6%
combined ratio[2]		104.7%	104.7%	102.2%
claims reserves	28.6%	43,789	39,645	14,761
Germany:				
gross premiums	20.0%	17,411	18,457	67
claims ratio[2]		76.4%	75.9%	–
combined ratio[2]		106.7%	105.1%	–
claims reserves	17.2%	26,419	26,102	37
Belgium:				
gross premiums	9.9%	8,591	8,574	2,565
claims ratio[2]		86.3%	88.9%	78.6%
combined ratio[2, 3]		117.7%	118.9%	112.6%
claims reserves	17.9%	27,380	26,389	7,658
Other countries:				
gross premiums	28.2%	24,576	24,521	9,729
claims ratio[2]		78.3%	76.9%	73.1%
combined ratio[2]		110.7%	108.0%	104.9%
claims reserves	20.2%	30,884	30,353	8,061
Transnational Activity:				
gross premiums	10.4%	9,120	12,743	4,088
claims ratio[2]		98.7%	87.4%	94.7%
combined ratio[2]		126.2%	113.8%	123.1%
claims reserves	16.1%	24,686	26,413	9,701
TOTALS				
Gross premiums[1]	**100.0%**	**87,110**	**92,035**	**27,710**
Claims ratio[2]		**80.3%**	**79.1%**	**76.9%**
Combined ratio[2]		**110.0%**	**107.2%**	**107.9%**
Claims reserves	**100.0%**	**153,158**	**148,902**	**40,218**

(1) To assist in the comparison with 1998 and, 1997, the 1996 pro forma gross premiums including amounts for the UAP subsidiaries for the full year ended December 31, 1996 are: France FF 28,110 million, Germany FF 18,937 million, Belgium FF 8,645 million, Other Countries FF 24,697 million, Transnational Activity FF 13,361 million and total FF 93,750 million.
(2) See "Glossary" for a description of the method by which claims and combined ratios are calculated.
(3) Excludes exceptional charges recorded in 1998.

French Property and Casualty Insurance Group

After the acquisition of UAP, AXA reorganized its French property and casualty operations in 1997 by distribution channel: AXA Assurance IARD for agents, AXA Courtage IARD for brokers and AXA Conseil for specialized networks. Each group tailors its products, internal organization and strategy to its principal means of distributions. The portfolio transfers related to this restructuring were effective January 1, 1997.

AXA also sells automobile insurance through direct selling in France via Direct Assurance IARD, which sells its products principally to individuals by direct mailings and advertising campaigns. In 1998, the gross premiums of Direct Assurance IARD amounted to FF 598 million.

For a discussion of certain relationships between the French Property and Casualty Insurance Group and the Mutuelles AXA, including those with respect to distribution, see Item 4 of this Annual Report "Control of Registrant – Relationships with the Mutuelles AXA."

Market. *The French Property and Casualty insurance market grew steadily from 1992 to 1996 with gross premiums increasing at a compound annual rate of over 5.2%. In 1996, this growth slowed to 2.5%. In 1997, the market declined by 0.6% mainly as a result of declining demand and increased competition and premium rate reductions.*

Automobile insurance accounted for the largest share of the French property and casualty insurance market in 1997 (46.5% of gross premiums), while property insurance represented approximately 30.4% of gross premiums.

Products. *The French Property and Casualty Insurance Group markets a full range of products including principally automobile insurance, property insurance and general liability insurance. In connection with the restructuring after the UAP acquisition, AXA reviewed the AXA and UAP products in order to develop a unified product line for each distribution channel.*

AXA was the largest automobile insurer in France with a 12.9% market share, the largest homeowners insurer in France with a market share of 16% and the largest commercial property insurer in France with a market share of 19.9%, in each case based on 1997 gross premiums..

Distribution. *In 1998, gross premiums were generated as follows: 68.8% by general agents, 22.2% by brokers, 2.2% direct marketing and 5.4% by specialized networks.*

Reinsurance. *The French Property and Casualty Insurance Group utilizes proportional and non-proportional reinsurance primarily to limit its maximum exposure to catastrophic events, environmental pollution risks and certain other risks. The French Property and Casualty Insurance Group ceded FF 754 million (less than 2.75%) of its gross premiums to reinsurers in 1998.*

Competition. *The property and casualty insurance industry in France is highly competitive, with more than 400 companies. Competition is primarily based on price, but is also based on scope of distribution system, quality of service and name recognition.*

German Property and Casualty Insurance Group

The German Property and Casualty Insurance Group conducts its activities in Germany through AXA Colonia's principal subsidiaries: Colonia Versicherung AG ("Colonia") and Nordstern Allgemeine Versicherungs AG ("Nordstern"). This group is segmented by type of customer, offering a wide range of products to its private, commercial and industrial customers.

AXA Colonia, in addition to activities in Germany, distributes its products primarily in Austria and Hungary.

The German Property and Casualty Group Insurance Group also sells automobile insurance through direct selling. In 1998, the gross premiums of AXA Tellit Direkt Versicherung amounted to FF 395 million.

In January 1999, AXA announced its intention to acquire GRE (see Item 9, Events Subsequent to December 31, 1998, for further discussion). If approved, this acquisition would allow AXA to greatly reinforce its position in the German property and casualty market.

Market. German property and casualty insurance market gross premiums increased at a compound annual rate of over 7.6% from 1991 to 1995, were flat in 1996 and declined by 1.4% in 1997 and 1.9% in 1998. Severe price competition and the diminishing benefits of Germany's reunification, combined with a lack of economic growth, contributed to this premium decline.

The largest share of the German property and casualty insurance market in 1997 was automobile insurance, which accounted for 41.7% of gross premiums. Second to automobile insurance was general liability insurance, which accounted for 12% of gross premiums.

Products. The German Property and Casualty Group sells a broad spectrum of insurance products including automobile, homeowners, property and liability insurance, and on the basis of its gross premiums, AXA Colonia is one of the world's leading insurers of art works.

AXA Colonia is the eighth largest automobile insurer in Germany with a 3.8% market share, the third largest liability insurer in Germany with a 7.7% market share and the fifth largest homeowner insurer in Germany with 4.6% of the market, in all cases based on gross premiums in 1998. Further, in each line of industrial and commercial business, AXA Colonia is ranked between second and fifth in Germany based on gross premiums.

Distribution. AXA Colonia primarily distributes its property and casualty products in Germany through exclusive agents and brokers which accounted for 59.4 % and 37.3%, respectively, of 1998 gross premiums.

Reinsurance. The German Property and Casualty Insurance Group utilizes reinsurance mainly to limit its maximum risk to major claims in the case of catastrophic events or certain other large risks. The group decreased its use of proportional reinsurance in 1998. In 1998, FF 2,493 million (14.3%) of gross premiums was ceded to reinsurers.

Competition. The German property and casualty insurance market has been characterized for several years by deregulation and increased competition, leading to rate-cutting and a demand for price transparency, especially in automobile insurance. In addition, competitive market conditions have led to a dramatic reduction in premium rates in industrial risk insurance lines.

Belgian Property and Casualty Insurance Group

AXA's property and casualty insurance activities in Belgium are conducted through Royale Belge, which was acquired in conjunction with the UAP acquisition, and AXA Belgium, which together represent the Belgian Property and Casualty Insurance Group. In 1998, AXA acquired nearly all of the minority interests of Royale Belge. As part of the transaction, AXA is in the process of merging the operations of AXA Belgium and Royale Belge. The Belgian Property and Casualty Insurance Group was the largest property and casualty insurer in Belgium with a market share of 19.7% based on 1997 gross premiums.

Market. After several difficult years, the Belgian property and casualty insurance market have made a modest recovery since 1996. In 1998 there was an increase in claims in automobile and workers' compensation insurance. The combined ratios, which have been high, showed some improvement in 1998 despite the increase in claims experience, reflecting efforts made by companies, including AXA companies, to manage their claims, distribution and operations costs. For the years ended December 31, 1998, 1997 and 1996, the Belgium property and casualty insurance market grew 2.3%, 0.1%, and 2%, respectively, based on gross premiums.

Products. The Belgian Property and Casualty Insurance Group's products include automobile insurance, workers' compensation, fire, general liability insurance, transportation and legal expense insurance. Multi-risk products for individuals and small and medium-size businesses are also sold.

The Belgian Property and Casualty Insurance Group is the largest automobile insurer, with a 20.1% share of the market and the second largest fire insurer with a 18.5% share of the market in Belgium, based on 1997 gross premiums.

Distribution. The Belgian Property and Casualty Insurance Group offers its products through independent brokers, exclusive agents and to a lesser extent, through banking networks and its agreement with La Poste. The largest channel of distribution for the Belgian Property and Casualty Insurance Group products is independent brokers, who wrote approximately 70% of gross premiums in 1997.

Reinsurance. The Belgian Property and Casualty Insurance Group uses reinsurance in order to limit its exposure, in particular, to catastrophic events. For the year ended December 31, 1998, FF 452 million (approximately 5.6%) of gross premiums were ceded to reinsurers.

Competition. The Belgian market is fragmented, with more than 200 companies in property and casualty insurance. However, approximately 80% of gross premiums is written by only 17 companies.

Other Property and Casualty Insurance Group

The Other Property and Casualty Insurance Group conducts property and casualty insurance activities in the United Kingdom, Italy, Spain, Canada, Morocco, the Netherlands and certain other countries in Europe and the Asia/Pacific region.

The key figures of the Other Property and Casualty Insurance Group are summarized in the following table:

Property and Casualty Insurance Segment

(in FF millions except ratios and percentages) Years ended December 31,	1998		1997	1996[1]
United Kingdom:				
gross premiums	24.2%	5,936	5,758	1,449
claims ratio[2]		75.9%	69.9%	73.4%
combined ratio[2]		106.5%	100.6%	102.9%
claims reserves	22.5%	6,956	7,144	1,231
Italy:				
gross premiums	23.5%	5,786	5,808	1,593
claims ratio[2]		86.8%	89.5%	79.1%
combined ratio[2]		115.6%	118.8%	108.1%
claims reserves	29.6%	9,160	8,875	1,388
Spain:				
gross premiums	17.8%	4,371	4,467	2,488
claims ratio[2]		80.6%	81.5%	75.7%
combined ratio[2]		114.7%	111.8%	105.9%
claims reserves	13.4%	4,145	4,062	1,771
Canada:				
gross premiums	14.5%	3,555	3,748	3,765
claims ratio[2]		67.4%	68.8%	70.6%
combined ratio[2]		102.5%	103.9%	105.1%
claims reserves	9.4%	2,894	3,364	3,146
Netherlands:				
gross premiums	8.0%	1,974	2,058	–
claims ratio[2]		87.4%	68.4%	–
combined ratio[2]		123.8%	102.2%	–
claims reserves	10.2%	3,140	2,522	–
Morocco:				
gross premiums	1.6%	393	390	–
claims ratio[2]		63.2%	90.7%	–
combined ratio[2]		88.5%	115.1%	–
claims reserves	3.9%	1,204	1,182	–
Other countries:				
gross premiums	10.4%	2,561	2,292	434
claims ratio[2]		70.6%	70.8%	53.4%
combined ratio[2]		106.7%	102.4%	97.9%
claims reserves	11.0%	3,385	3,204	525
TOTALS				
Gross premiums	**100.0%**	**24,576**	**24,521**	**9,729**
Claims ratio[2]		**78.3%**	**76.9%**	**73.1%**
Combined ratio[2]		**110.7%**	**108.0%**	**104.9%**
Claims reserves	**100.0%**	**30,884**	**30,353**	**8,061**

(1) To assist in the comparison with 1998 and 1997, the 1996 pro forma gross premiums including amounts for the UAP subsidiaries for the full year ended December 31, 1996 are: Italy FF 5,684 million, United Kingdom FF 4,819 million, Spain FF 4,427 million, Canada FF 3,765 million, the Netherlands FF 2,478 million, Morocco FF 323 million and other countries FF 3,019 million.
(2) See "Glossary" for a description of the method by which claims and combined ratios are calculated.

United Kingdom. In 1998, AXA Insurance Ltd. and AXA Provincial were merged. Currently all new business is marketed under the name AXA Insurance Plc,. which sells a range of commercial, motor and other personal lines, mainly through brokers and direct-selling. Direct-selling is conducted through AXA Direct (previously Prospero). The clients are individuals as well as small and medium-size businesses.

In January 1999, AXA announced its intention to acquire GRE (see Item 9, "Events Subsequent to December 31, 1998", for further discussion). If approved, this acquisition would allow AXA to become one of the leaders in the UK property and casualty market and significantly increase its presence in direct marketing insurance.

Italy. The companies in Italy were restructured in 1998, 1997 and 1996 in order to achieve greater efficiencies. Such restructurings have resulted in all AXA and UAP companies being merged under the name AXA Assicurazioni, the eighth largest property and casualty insurer in Italy with a 4.2% share of the market based on 1997 gross premiums.

AXA Assicurazioni sells a wide range of property and casualty products through exclusive agents. As part of its restructurings in 1997 and 1998, AXA increased automobile insurance rates, chose not to renew contracts and closed certain unprofitable agencies.

Spain. AXA's property and casualty insurance business in Spain is principally conducted through AXA Aurora. Effective January 1, 1998, AXA merged all operations in Spain (except direct-selling operations) into one operation, of which AXA owns 70% and BBV owns 30%. The Spanish property and casualty market, the eighth largest in the world based on gross premiums in 1996, is highly fragmented. AXA was the fourth largest property and casualty insurer in Spain with a 4.4% market share based on 1997 gross premiums of the two subsidiaries combined.

Although AXA offers principally automobile insurance products, it also provides homeowners insurance to individuals and third-party liability and property insurance to small and medium-size businesses. AXA distributes its products through agents and brokers and also distributes products to individuals through Direct Seguros, a 50%-owned direct sales subsidiary.

Canada. AXA Canada is the fifth largest property and casualty insurer in Canada, with a market share of 4.6% based on gross premiums in 1997. AXA Canada's business, which is distributed through brokers, consists primarily of automobile insurance.

Netherlands. In the Netherlands, AXA operates through AXA Schade, which sells a full range of property and casualty insurance products through general agents, a salaried sales force, brokers and bank networks. The principal products are automobile insurance and fire insurance, which represent 30% and 23% of its gross premiums, respectively, for the year ended December 31, 1998. AXA is the eighth largest property and casualty insurer in Holland with 3.8% market share based on 1997 gross premiums.

Morocco. AXA Al Amane, the fourth largest insurer based on 1997 gross premiums, is 61.1% held by AXA. It sells property and casualty insurance principally through brokers. The principal property and casualty insurance products sold are automobile and workers' compensation, which represent 44% and 15%, respectively, of gross premiums for the year ended December 31, 1998.

Other. In addition to the foregoing, AXA has the following other property and casualty operations:

– In **Portugal**, AXA operates through AXA Seguros. The principal products, automobile insurance and workers' compensation insurance, are sold to individuals through an independent agent network. AXA Seguros is the sixth largest insurance company in Portugal with approximately 8.3% of the property and casualty market based on gross premiums in 1997.

-- In **Luxembourg**, AXA sells property and casualty insurance products to individuals through exclusive agents. In September 1998, AXA's two subsidiaries, AXA Luxembourg and Royale UAP, merged under the name AXA Luxembourg.

– In **Switzerland**, AXA Assurance sells a full line of property and casualty insurance products through independent general agents.

– AXA operates in **Singapore** and **Hong Kong** and has a 30% interest in Sime AXA, a joint venture operating in Malaysia. In addition, in 1998, AXA initiated direct-selling insurance operations in Japan under the name Direct Japan.

In addition, AXA has unconsolidated interests in other countries (notably in Turkey and certain countries in South America and Africa).

Reinsurance. The Other Property and Casualty Insurance Group utilizes reinsurance to limit its maximum aggregate losses and to limit its maximum exposure to certain risks. In 1998, the Other Property and Casualty Insurance Group ceded FF 1,540 million (6.2%) of its gross premiums to reinsurers.

Transnational Property and Casualty Insurance Group

The Transnational Property and Casualty Insurance Group, comprised principally of AXA Global Risks, and assistance services, was established in 1997 for reporting purposes to combine all of AXA's cross-border property and casualty insurance activities. Prior year amounts have been reclassified for comparative purposes.

Key figures of the Transnational Property and Casualty Insurance Group:

Transnational Property and Casualty Insurance Group

(in FF millions except ratios and percentages) Years ended December 31,		1998	1997	1996[1]
AXA Global Risks:				
gross premiums	78.8%	7,190	10,916	3,566
claims ratio[2]		105.5%	90.6%	100.1%
combined ratio[2]		134.7%	115.1%	125.2%
claims reserves[3]	91.7%	22,637	25,362	9,383
Assistance Services:				
gross premiums	20.0%	1,825	1,726	399
claims ratio[2]		68.8%	71.0%	60.6%
combined ratio[2]		96.3%	102.6%	108.8%
claims reserves[3]	1.5%	358	303	26
Other:[4]				
gross premiums	1.2%	105	101	123
claims ratio[5]		–	–	–
combined ratio[5]		–	–	–
claims reserves[3]	6.9%	1,691	748	292
TOTALS				
Gross premiums	**100.0%**	**9,120**	**12,743**	**4,088**
Claims ratio[2]		**98.7%**	**87.4%**	**94.7%**
Combined ratio[2]		**126.2%**	**113.8%**	**123.1%**
Claims reserves[3]	**100.0%**	**24,686**	**26,413**	**9,701**

(1) To assist in the comparison with 1998 and 1997, the 1996 pro forma premiums including amounts for UAP for the full year ended December 31, 1996 are: AXA Global Risks FF 11,576 million, Assistance Services FF 1,661 million and total FF 13,361 million.
(2) See "Glossary" for a description of the method by which claims and combined ratios are calculated.
(3) Amounts are as of December 31 of the relevant year, exclude catastrophe equalization reserves and are before reduction for reinsurance ceded.
(4) Principally English and Scottish, (see AXA Global Risks UK). The amounts in "Other" reflect this reinsurance for the year ended December 31, 1997. Previous year's amounts are included with AXA Global Risks UK.
(5) Amounts included in the "Other" category represent principally internal reinsurance agreements. Thus the claims and combined ratios are not meaningful.

AXA GLOBAL RISKS

AXA Global Risks Insurance Group is responsible for underwriting a large part of the large property and casualty insurance risks on a worldwide basis. AXA Global Risks' current business can be divided into four categories: (i) coverages of large, global property and casualty insurance risks, including automobile, damages and third-party liability, (ii) marine coverages, including marine hull insurance, marine liability insurance and cargo insurance, (iii) aviation coverages, including aviation hull insurance and general aviation liability insurance, and (iv) technical risk insurance including construction and energy-related insurance and financial risk coverages. This Group consists of AXA Global Risks SA (formed in 1996) and its subsidiaries AXA Global Risks UK and AXA Global Risks US. AXA Global Risks currently has capacity limits of FF 500 million for property risks, FF 250 million for third-party liability, FF 270 million for marine and FF 450 million for aviation risks.

AXA Global Risks SA. *AXA Global Risks SA focuses on the Paris market.*

In 1997, the large property and casualty insurance risks of UAP, either directly written or assumed through reinsurance agreements, and certain marine and transportation lines of business were transferred to AXA Global Risks SA.

AXA Global Risks SA also offers underwriting capacity to other companies in the Property and Casualty Segment through an internal reinsurance treaty whereby subsidiaries underwrite various global risks and reinsure such risks with AXA Global Risks SA. In 1998, gross premiums of AXA Global Risks SA pursuant to this reinsurance agreement were FF 635 million.

AXA Global Risks UK. *The operations of AXA Global Risks UK were integrated into the operations of AXA Global Risks in 1996. AXA Global Risks UK focuses on marine and aviation risks and, beginning in 1996, other large, global property and casualty risks in the London market.*

Effective January 1, 1997, the run-off of AXA Global Risks UK's business written prior to 1992 was 100% reinsured under a proportional reinsurance treaty with English and Scottish Insurance Company ("English and Scottish"), a wholly owned subsidiary of AXA. The objective of this intra-group treaty is to isolate and eliminate the impact of business written in AXA Global Risks UK prior to AXA's purchase and subsequent underwriting policy and management changes discussed below.

AXA Global Risks UK incurred operating losses in each year between 1989 and 1996. These losses are attributable to a number of factors, including intense competition in the London market that, for a time, resulted in substantially reduced premium rates for all lines of business, increased exposure to non-marine risks such as general liability and to excess of loss treaty reinsurance in a difficult market and a high incidence of catastrophes in the late 1980s and early 1990s.

AXA Global Risks UK began writing certain large, global property and casualty insurance risks in 1996, other than excess of loss treaty reinsurance coverages. With respect to the marine and aviation classes of businesses that AXA Global Risks UK continues to write, certain elements of long-tail coverage, such as non-marine liability guarantees previously included in marine policies, are excluded in most cases from new contracts and unprofitable contracts currently are not renewed. AXA Global Risks UK has also increased its premium rates, established new retention limits and modified its reinsurance program with a view to better covering exposures to risks written.

As a result of its operating losses and the significant additions to reserves for prior year claims made in

1992 and 1993, AXA Global Risk UK received a notice from its UK regulatory authority in March 1994 which imposed certain limitations on AXA Global Risk UK's business and required the filing of certain information to enable the regulator to more closely monitor AXA Global Risk UK's operations. The notice required AXA Global Risk UK, among other things, to file certain financial information on a quarterly basis, limit its premium levels and notify the regulator in advance of certain transactions.

AXA Global Risks US. *In 1997, AXA Colonia sold 51% of its 100% interest in AXA Global Risks US (formerly Colonia Holdings, Inc) to AXA Global Risks SA. The minority interest maintained by AXA Colonia and the percentage owned by AXA Global Risks SA are both included in the AXA Global Risks Insurance Group.*

Assistance Services

AXA provides assistance services through two groups: AXA Assistance (formerly Société Française d'Assistance) and Interpartner Assistance. AXA Assistance became a 100% owned subsidiary (previously 51% owned) in December of 1996 and Inter Partner Assistance was acquired in 1997 as a result of the UAP acquisition. The companies operate internationally, providing their services worldwide.

The primary services provided by the assistance companies are medical aid for travelers and automobile road assistance. The clients are primarily those who want to link such insurance services to their products and include insurance companies, credit card companies, tour operators and automobile manufacturers.

Other Transnational Operations

The principal company in the other category is English and Scottish. Effective January 1, 1997, English and Scottish has reinsured the AXA Global Risks UK's business written prior to 1992 through a proportional reinsurance treaty.

In 1997, FF 92 million net of reinsurance was added to the claims reserves assumed from AXA Global Risks UK, in respect of prior years claims on business written prior to 1992. The additional claims reserves are primarily for claims and IBNR related to asbestos and pollution risks.

Reinsurance

AXA Global Risks SA and its subsidiaries use reinsurance notably to limit their exposure to catastrophic events. In 1998, FF 2,667 million (37% of gross premiums) was ceded to reinsurers.

Reinsurance

The Reinsurance Segment includes AXA Réassurance ("AXA Re") and other smaller reinsurance operations, principally Royale Belge Réassurance ("Royale Belge Ré") which, since June 1997, is in run-off.

AXA Re reinsures a geographically diverse portfolio of products from a broad range of direct insurance, consisting of property (including catastrophe), third-party liability, marine and aviation (including space), financial guarantee and life and health insurance. AXA Re operates principally in France, the United States, the United Kingdom, Canada and Singapore. Based on its worldwide consolidated gross premiums in 1997, AXA Re is the second largest French-based reinsurance group.

Market

The reinsurance market is a global market in which insurers transfer, or cede, a portion of their insurance premiums and risk to reinsurance companies. The reinsurance market experienced an absence of devastating claims events between 1994 and 1998, which has resulted in a decline in premium renewal rates of approximately 15% per annum since 1995.

Strategy

AXA Re seeks to ensure that its life and property casualty portfolios are diversified geographically and by line of business in order to avoid concentration of exposure to single events.

AXA Re tends to emphasize underwriting profits rather than premium growth. Since 1996, AXA Re has written substantial amounts of catastrophe reinsurance as part of proportional reinsurance contracts. AXA Re retrocedes certain risks in order to limit its exposures to natural catastrophes. Since 1996, AXA Re has written progressively more proportional reinsurance treaties, including those with exposure to natural catastrophes.

AXA Re's gross premiums, claims ratios and combined ratios for property and casualty reinsurance:

AXA Re

Years ended December 31, (in FF millions)	1998	1997	1996
Gross premiums	8,913	9,105	8,078
Claims ratio[1,2]	85.5%	74.9%	82.6%
Combined ratio[1,2]	114.4%	107.8%	109.8%
Total reserves[3]	**20,606**	**20,664**	**18,499**

(1) Excluding the effect of reserves related to catastrophe equalization the claims ratio and combined ratio would have been 85.5% and 114.4%, respectively, in 1998; 74.4% and 107.3%, respectively, in 1997; and 77.8% and 105.0%, respectively, in 1996. See "Glossary" for a description of the method by which claims and combined ratios are calculated.

(2) Amounts are as of December 31 of the relevant year, exclude catastrophe equalization reserves and are before reinsurance ceded.

PRODUCTS

The Reinsurance Segment's gross premiums and claims reserves by product line are summarized in the following table:

Reinsurance segment

Years ended December 31, (in FF millions except percentages)	Gross premiums 1998		1997	1996	Claims Reserves 1998[1]
Property and casualty:					
Property (including catastrophe risks)	48.4%	4,579	4,644	3,807	5,311
Third-party liability (including automobile)	18.2%	1,720	1,404	1,543	9,476
Marine	8.6%	813	563	868	2,810
Aviation (including space)	6.8%	647	644	543	916
Financial	6.1%	573	326	395	258
Life	6.1%	581	1,524	922	1,835
Total AXA Re	**94.2%**	**8,913**	**9,105**	**8,078**	**20,606**
Other Reinsurance[2]	5.8%	549	739	–	1,259
TOTAL	**100.0%**	**9,462**	**9,844**	**8,078**	**21,865**

(1) Excludes catastrophe equalization reserves and are before reduction for reinsurance ceded.
(2) Includes Royale Belge Ré and certain other activities for the year ended December 31, 1997 and December 31, 1998.

Property and Casualty Reinsurance

Reinsurance risk is divided into two major groups: multiple risk (subject to contract exclusions) with respect to a specific property, and event risk, which covers a specific exposure (such as catastrophe) under a number of reinsured policies.

Third-party liability reinsurance is generally characterized as "long-tail" since it takes longer to accurately estimate the final cost of claims filed. Consequently, AXA Re limits the amount and duration of its exposure through specific clauses in its policies.

Marine reinsurance encompasses both property and third-party liability insurance. Generally, marine reinsurance tends to involve short-term risks. To the extent third-party liability is covered, however, such as in the pollution area, marine reinsurance can have a considerably longer-term development.

Aviation reinsurance includes elements of both property, such as airline accidents, and third-party liability. Through its 100% interest in AXA Space (formerly Intec) in the United States, AXA Re also reinsures space risks, primarily risks on the launching and operation of telecommunications satelites.

Financial Guarantee Reinsurance

AXA Re Finance was established in 1996 to write financial guarantee reinsurance. Its claims paying ability is rated AAA by Standard & Poor's and Fitch Investors Service.

AXA Re Finance provides reinsurance generally to specialized insurers for the following two major activities:

– Reinsurance, in Europe, of credit risk and security guarantee with a limit on the number of risks covered in each country, with no one country accounting for more than 15% of AXA Re Finance's outstanding portfolio;

– Reinsurance coverage of guarantees relating to the issuance of municipal bonds and of securitized financial products. These coverages are solely underwritten in the United States with no one state accounting for more than 15% of AXA Re Finance's outstanding security guarantee exposure.

Life Reinsurance

To increase the services it provides, AXA Re established a life reinsurance department in 1993.

Risks Reinsured

Catastrophe exposures (measured by the amount of reinsurance outstanding on a probable maximum loss basis) of AXA Re for direct non-proportional business by geographic area:

AXA Re Catastrophe Exposures

(in FF millions)
As of December 31,

	1998	1997	1996
France	50	90	140
United States			
Storm	500	600	600
Earthquake	500	600	600
United Kingdom	250	300	320
Canada	250	250	250
South America	20	25	200
Japan	15	15	40
Australia	80	150	280

Retrocessions

AXA Re and its subidiaries retroceded FF 2,098 million (23.5% of gross premiums) in 1998.

Property and Casualty Insurance and Reinsurance Claims Reserves

Establishment of Claims Reserves

AXA is required by applicable insurance laws and regulations and French GAAP to establish reserves for payment of claims and claims expenses that arise from its property and casualty insurance and reinsurance policies. AXA establishes its claims reserves by product, coverage and year. Claims reserves (also referred to as loss reserves) fall into two categories: reserves for reported claims and claims expenses and reserves for incurred but not yet reported ("IBNR") claims and claims expenses. Reserves for reported claims and claims expenses are based on estimates of future payments that will be made in respect of reported claims, including the expenses relating to the settlement of such claims. IBNR reserves are established on an undiscounted basis to recognize the estimated cost of losses that have occurred but about which AXA has not yet been notified. These reserves, like the reserves for reported claims and claims expenses, are established to recognize the estimated costs, including expenses, necessary to bring claims to final settlement.

Local regulation in some countries also permits the establishment of catastrophe equalization reserves. Such reserves defer a portion of income with respect to a line of business to future periods in which catastrophic losses might occur (as a result of such factors as hail, nuclear incidents, storms, floods and pollution) in that line of business. See Note 2.8.4. to the Consolidated Financial Statements. Unless otherwise indicated; catastrophe equalization reserves are not included in claims reserves as such term is used in "Reconciliation of Beginning and Ending Loss Reserves" and "Loss Reserve Development", although catastrophe equalization reserves are included with claims reserves in the caption "Insurance claims and claims expenses" in the Company's consolidated balance sheet. See "Reconciliation of Loss Reserves to Financial Statements" and the Consolidated Financial Statements.

On the basis of AXA's internal procedures, management believes, based on the information currently available to it, that AXA's claims reserves are adequate. AXA's claims reserves are considered by AXA's independent accountants in connection with their annual audit of AXA's consolidated financial statements. Claims reserves estimates are regularly reviewed and updated, using the most current information available to management. Any adjustments resulting from changes in reserve estimates are reflected in current results of operations. However, because the establishment of claims reserves is an inherently uncertain process, there can be no assurance that ultimate losses will not exceed existing claims reserves.

Reconciliation of Beginning and Ending Loss Reserves

The following tables are summary reconciliations of the beginning and ending reserve for claims and claims expenses, before deducting reinsurance ceded, for the Property and Casualty Insurance Segment and of AXA Re for each year in the three-year period ended December 31, 1998.

Reconciliation of Loss Reserves - Property and Casualty Insurance Segment

(in FF millions)	1998	1997	1996
Reserve for claims and claims expenses, beginning of year	**133,623**	**38,355**	**37,204**
Changes in scope of consolidation			
and claims reserve portfolio transfers[1]	(891)	90,041	(1,106)
Effect of changes in foreign currency exchange rates	(1,333)	915	479
	131,399	**129,311**	**36,577**
Claims and claims expenses:			
Provision attibutable to the current year	75,134	68,563	18,992
Decrease in provision attributable to prior years[2]	(9,757)	(5,298)	(902)
Total claims and claims expenses	**65,377**	**63,265**	**18,090**
Payments:			
Claims and claims expenses attributable to current year	33,483	28,291	7,922
Claims and claims expenses attributable to prior year[3]	25,928	30,662	8,561
Total payments	**59,411**	**58,953**	**16,483**
Premiums (after commissions) related to			
insured events of previous years	–	–	171
Reserve for claims and claims expenses, end of year	**137,365**	**133,623**	**38,355**

(1) Reserve for claims and claims expenses of subsidiaries or portofolios purchased or sold, as of the date of the transaction, reserve for claims and claims expenses acquired or disposed of on a portfolio basis, as of the date of transfer, and other items affecting the reserve balance which have no effect on net income. In 1997, the principal addition is related to the companies acquired in the UAP acquisition.

(2) Amounts for the year ended December 31, 1997 attributable to prior years include a decrease in provisions of FF 3,133 million in respect of companies obtained in the UAP acquisition.

(3) Amounts for the year ended December 31, 1997 attributable to prior years include claim payments of FF 21,556 million in respect of companies obtained in the UAP acquisition.

Reconciliation of Loss Reserves - AXA Re

(in FF millions)	1998	1997	1996
Reserve for claims and claims expenses, beginning of year	**20,664**	**18,499**	**16,654**
Changes in scope of consolidation			
and claims reserve portfolio transfers	–	–	–
Effect of changes in foreign currency exchange rates	(476)	1,787	878
	20,188	**20,286**	**17,532**
Claims and claims expenses:			
Provision attibutable to the current year	4,901	4,125	3,538
Increase in provision attributable to prior years[1]	839	221	1,461
Total claims and claims expenses	**5,740**	**4,346**	**4,999**
Payments:			
Claims and claims expenses attributable to current year	1,426	680	662
Claims and claims expenses attributable to prior year	3,824	4,036	3,951
Total payments	**5,250**	**4,716**	**4,613**
Life Reinsurance	(72)	748	581
Reserve for claims and claims expenses, end of year	**20,606**	**20,664**	**18,499**

(1) The adverse development with respect to the AXA Re Group's claims reserves is gross of retrocessions and premium adjustments. See "Loss Reserve Development".

Loss Reserve Development

General. The following loss reserve development tables illustrate the change over time of reserves for claims and claims expenses of the Property and Casualty Insurance Segment and of AXA Re at the end of the years indicated.

Reserves for claims and claims expenses are an accumulation of the estimated amounts necessary to settle outstanding claims as of the date for which the reserve is stated. AXA does not discount its reserves for claims and claims expenses except disability claims for which final settlement has been agreed which are discounted at rates specified by regulation. The data is cumulative and, therefore, ending balances should not be added since the amount at the end of each calendar year includes activity for both the current and prior years.

Property and Casualty Insurance Segment

Loss development of the Property and Casualty Insurance Segment:

Loss Reserve Development Table - Property and Casualty Insurance Segment

As of December 31, (in FF millions except percentages)	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Gross reserves for claims and claims expenses	60,054	68,598	74,073	83,132	88,473	101,080	96,259	105,474	132,186	137,365
Paid (cumulative) as of:										
One year later	16,703	20,572	24,136	26,556	27,706	25,070	26,286	27,022	31,070	
Two years later	24,531	30,192	34,877	37,312	37,469	35,145	36,956	37,774		
Three years later	30,204	36,300	41,922	43,481	43,893	41,572	45,245			
Four years later	34,110	39,812	45,374	48,167	48,418	46,456				
Five years later	36,805	42,075	49,016	50,963	50,947					
Six years later	38,222	44,564	51,711	51,997						
Seven years later	40,027	46,134	53,100							
Eight years later	41,273	46,217								
Nine years later	41,760									
Reserve re-estimated as of:										
One year later	58,756	68,290	76,498	82,020	87,645	85,088	95,499	94,969	127,419	
Two years later	57,998	68,380	74,912	81,845	78,275	84,905	90,750	91,051		
Three years later	58,130	66,389	74,988	75,227	80,062	83,217	87,741			
Four years later	55,896	64,687	68,720	76,648	79,005	81,028				
Five years later	55,541	59,642	70,730	75,741	77,407					
Six years later	51,498	61,283	70,066	74,641						
Seven years later	52,761	61,265	69,429							
Eight years later	52,597	61,533								
Nine years later	52,536									
Initial gross reserves in excess of re-estimated gross reserves:										
Amount	7,519	7,065	4,644	8,490	11,066	20,052	8,518	14,423	4,767	
Percent	**12.5%**	**10.3%**	**6.3%**	**10.2%**	**12.5%**	**19.8%**	**8.8%**	**13.7%**	**3.6%**	

Certain modifications have been made to the loss reserve development tables in 1998 relative to the 1997 presentation. In 1997, loss reserve development for the former UAP subsidiaries was not presented for years prior to the UAP acquisition. In 1998, the tables include loss reserves development for the former UAP subsidiaries for all years presented, including years prior to the acquisition. Accordingly, the gross reserve for claims and claims expenses and the cumulative payments and re-estimations of the reserves include amounts related to both the former UAP subsidiaries and the historical AXA subsidiaries for all years presented. In addition, AXA has included all property and casualty operations in one table whereas in prior years, a separate table was presented for AXA Global Risks UK (which represents 2.2% of 1998's property and casualty insurance reserves).

The combined AXA and UAP pre-acquisition property and casualty reserves at December 31, 1996 was FF 161 billion while the balance in the table above was approximately FF 105 billion. The difference is principally due to the fact that certain former UAP subsidiaries in France, Germany and the Netherlands included disability and health insurance reserves of approximately FF 20 billion in their property and casualty reserves that are not included in the table above. In addition, loss reserve development was not prepared for Italy (approximately FF 7 billion) and other lines of business in France, Germany and Belgium (approximately FF 25 billion).

Comparable loss reserve development information for reserves for claims and expenses held as of December 31, 1988 is not reasonably available for the Property and Casualty Insurance Segment. Such information has not been maintained by AXA as it is not required to be maintained for regulatory reporting in France and, due to the relatively short-tail nature of most of the business, is not regarded by management as essential to the management of the business. Reconstruction of such information for 1988 is impracticable because of the internal restructurings that occurred in 1990 and 1991.

The majority of the business of the Property and Casualty Insurance Segment is short-tail and therefore losses develop and are paid relatively quickly. For example, FF 75,135 million, FF 68,563 million and FF 18,992 million of claims and claims expenses were established for the accident years ended December 31, 1998, 1997 and 1996, respectively. Payments made in 1998, 1997 and 1996 related to these claims amounted to FF 33,482 million, FF 28,291 million and FF 7,922 million, respectively, representing 44.6%, 41.3% and 41.7%, respectively, of claims incurred.

Reinsurance Segment. *The loss reserve development table for the AXA Re Group, in addition to showing gross loss reserve development information, presents loss reserve development net of retrocessions.*

The AXA Re Group's reinsurance contracts are written on an "underwriting year" basis and the AXA Re

Group maintains its records on this same basis. An underwriting year reinsurance contract reinsures losses incurred on underlying insurance policies that begin at any time during the reinsurance contract term. This means that both the underlying insurance contracts and the reinsurance contract will cover underlying losses occurring over a twenty-four month period. For example, if an underwriting year reinsurance contract term was from January 1 to December 31, 1998 it would cover underlying policies with terms beginning both on January 1, 1998 and December 31, 1998. Losses incurred on underlying policies beginning on January 1, 1998 could occur as early as January 1, 1998 while losses incurred on underlying policies beginning on December 31, 1998 could occur as late as December 31, 1999. For purposes of the loss reserve development table, the AXA Re Group has assigned all losses incurred under reinsurance contracts written in a particular year to that year, even though some of those losses may not have been incurred until twelve months after the end of the year. This accelerates the timing of the presentation of loss reserve development by moving development of losses that actually occur in an accident year subsequent to the end of the applicable underwriting year back into such underwriting year.

Since losses have been so assigned, the information presented in the loss reserve development table has been prepared to include all the premiums attributable to the underwriting year, including experience-rated premiums received under certain reinsurance contracts written in such underwriting year, even if they are earned in subsequent years. Premiums that are related to, but earned subsequent to the end of, a particular underwriting year are reflected in the premium adjustment with respect to such underwriting year, which is net of retrocessions and shown in the last section of the AXA Re Group's loss reserve development table. This presentation permits a comparison of the reserves for claims and claims expenses as initially established, which excludes reserves for claims and claims expenses related to subsequent earned premiums, with the re-estimated reserves for claims and claims expenses and payments related to subsequently earned premiums.

Loss Reserve Development Table - AXA Re[1]

As of December 31, (in FF millions except percentages)	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Initial gross reserves for claims and claims expenses[2]	3,047	4,479	4,729	5,597	6,175	7,766	9,816	16,077	17,341	18,890	20,075
Initial retroceded reserves[2]	(562)	(945)	(593)	(1,007)	(596)	(700)	(1,318)	(1,716)	(1,283)	(1,868)	(2,730)
Initial net claims reserves	2,485	3,534	4,136	4,590	5,579	7,066	8,498	14,361	16,058	17,022	17,345
Paid (cumulative) as of:											
One year later	422	1,356	1,397	1,773	2,404	1,924	2,453	3,951	4,036	3,824	
Two years later	1,026	2,368	2,540	2,752	3,468	3,101	3,715	6,615	6,327		
Three years later	1,479	3,192	3,299	3,354	4,162	3,890	4,837	8,006			
Four years later	1,933	3,796	3,755	3,780	4,725	4,630	5,569				
Five years later	2,318	4,110	4,076	4,164	5,287	5,142					
Six years later	2,516	4,357	4,335	4,610	5,653						
Seven years later	2,695	4,571	4,686	4,884							
Eight years later	2,863	4,858	4,884								
Nine years later	3,099	5,021									
Ten years later	3,242										
Reserve re-estimated as of:											
One year later	3,441	5,119	5,993	5,577	7,688	8,974	10,221	18,437	19,482	19,318	
Two years later	3,567	5,668	5,760	6,574	7,732	8,698	10,162	19,133	18,559		
Three years later	3,835	5,841	6,454	6,535	7,935	8,717	10,984	18,194			
Four years later	3,960	6,491	6,248	6,666	8,013	9,370	10,776				
Five years later	4,486	6,180	6,292	6,708	9,013	9,203					
Six years later	4,200	6,174	6,418	7,538	8,845						
Seven years later	4,156	6,319	7,118	7,448							
Eight years later	4,314	6,938	7,044								
Nine years later	4,667	6,893									
Ten years later	4,665										
Initial gross claims reserves in excess of (less than) re-estimated gross claims reserves	(1,618)	(2,414)	(2,315)	(1,851)	(2,670)	(1,437)	(960)	(2,117)	(1,205)	(428)	
Re-estimated retroceded reserves	**1,213**	**1,807**	**1,628**	**954**	**974**	**638**	**772**	**1,762**	**1,875**	**2,352**	
Premium adjustment[3]	**(729)**	**(307)**	**(333)**	**(411)**	**(587)**	**(1,480)**	**(1,332)**	**(2,881)**	**(2,952)**	**(2,759)**	
Re-estimated net claims reserves	**2,723**	**4,779**	**5,083**	**6,082**	**7,284**	**7,085**	**8,672**	**13,550**	**13,732**	**14,207**	
Initial net claims reserves in excess (less than) reestimated net claims reserves											
Amount	(238)	(1,245)	(947)	(1,492)	(1,705)	(19)	(174)	811	2,326	2,815	
Percent of original net reserve	**–9.6%**	**–35.2%**	**–22.9%**	**–32.5%**	**–30.6%**	**–0.3%**	**–2.0%**	**5.6%**	**14.5%**	**16.5%**	

(1) The loss reserve development table is presented on an underwriting year basis. Accordingly, reserves re-estimated and the excess of re-estimated reserves over initial reserves include reserves for losses occurring up to twelve months subsequent to the original year end. The table excludes reserves related to reinsurance of life risks.

(2) For 1989, 1990 and 1991, the AXA Re Group's historical amount of initial gross reserves for claims and claims expenses and initial retroceded reserves have been adjusted to include the historical amount of reserves of AXA Cessions, which was not included in the scope of AXA's consolidation during these years.

(3) Subtracts from re-estimated gross claims reserves for a given underwriting year any premiums earned subsequent to but related to that underwriting year, including experience-rated premiums received and accrued from the ceding insurers as assumed losses were incurred.

Reconciliation of Loss Reserves to Financial Statements

The following table reconciles, as of the dates indicated, the gross loss reserve information for the Property and Casualty Insurance Segment and the Reinsurance Segment presented under "Reconciliation of Beginning and Ending Loss Reserves" and "Loss Reserve Development" to the reserves for claims and claims expenses net of reinsurance and premium adjustments, as presented in the Consolidated Financial Statements in accordance with French GAAP.

Reconciliation of Loss Reserves to Financial Statements

(in FF millions) As of December 31,	1998	1997
Total Property and Casualty Insurance Segment	**137,365**	**132,186**
AXA Re[1]	20,606	20,664
Other reinsurance[2]	1,259	1,335
Total Reinsurance Segment	**21,865**	**21,999**
Life Insurance Segment	**47,633**	**44,326**
Total gross reserves for claims and claims expenses	**206,863**	**198,511**
Other reserves[2]	16,012	15,397
Catastrophe equalization reserves	6,645	6,571
Reinsurance ceded	(25,775)	(25,107)
Reserves for claims and claims expenses net of reinsurance	**203,745**	**195,373**

(1) Including gross reserves for claims and claims expenses for life reinsurance.
(2) Includes reserves for disability annuities and future claims for construction insurance.

Environmental, Asbestos and Other Exposures

AXA has issued insurance policies and assumed reinsurance for coverages related to pollution and exposure to asbestos. The insurance companies have been and continue to be involved in disputes regarding policy coverage and judicial interpretation of the legal liability of the insured for potential claims relating to such risks. AXA has received and continues to receive notices of potential insurance and reinsurance claims relating to such risks. Since 1985, AXA Global Risk UK's general liability insurance coverage and the AXA Re Group's general liability reinsurance coverage have excluded environmental pollution and asbestos exposure. AXA's direct insurance companies have all excluded such coverages beginning at various years, the latest of which was 1990.

Through December 31, 1998, AXA made cumulative payments under insurance and reinsurance contracts related to environmental pollution claims of approximately FF 101 million relating to claims expenses. Such amount includes payments made by former UAP subsidiaries as from January 1, 1997. At December 31, 1998 and 1997, AXA had claim reserves of FF 462 million and FF 507 million, respectively, for reported environmental pollution claims. At these dates AXA also had established IBNR claim reserves of FF 1,035 million and FF 1,031 million, respectively, for unreported environmental pollution claims.

Through December 31, 1998, AXA made cumulative payments under insurance and reinsurance contracts related to asbestos claims of approximately FF 455 million relating to claims expenses. Such amount includes payments made by former UAP subsidiaries as from January 1, 1997. At December 31, 1998 and 1997, AXA had claims reserves of FF 496 million and FF 420 million, respectively, related to reported asbestos claims and IBNR claims reserves of FF 1,084 million and FF 849 million, respectively, related to unreported asbestos claims.

Significant uncertainties exist with respect to estimating the ultimate future amounts that may be needed for asbestos related and environmental pollution claims, especially in view of changes in the legal and tort environment that affect the development of claims reserves. Additional uncertainties may exist in relation to Holocaust era exposures. Resolution of these uncertainties may ultimately result in additional claim losses to reinsurers, including AXA. See Note 15 and 14.3 of Notes to Consolidated Financial Statements included in Item 18 of this Annual Report.

Insurance Investments

The results of the Life Insurance Segment, the Property and Casualty Insurance Segment and the Reinsurance Segment are in part dependent upon the quality and performance of their general account investment portfolios. Net investment results (net investment income and net realized investment gains) on invested insurance assets constituted 22.4%, 20.8% and 20.6%, of AXA's consolidated insurance total revenues for the years ending December 31, 1998, 1997 and 1996, respectively. See Item 9A for a discussion of AXA's investment strategies and risk management.

As of December 31, 1998, the net book value of AXA's General Account Insurance Portfolio was FF 1,251,397 million, with FF 1,050,591 million (84%) supporting general account life insurance liabilities, FF 174,788 million (14%) supporting property and casualty insurance liabilities and FF 26,018 million (2%) supporting reinsurance liabilities.

General Account Insurance Portfolio by category of investment and operating business segment:

General Account Insurance Portfolio

NET BOOK VALUE as of December 31, 1998 (in FF millions except percentages)	Life Insurance	Property and Casualty Insurance	Reinsurance	Total[1]	% of total
Fixed maturities	564,300	90,594	19,910	674,804	53.9%
Equity investments	136,707	52,329	3,436	192,472	15.4%
Trading portfolio[2]	17,423	–	–	17,423	1.4%
Real estate	67,361	16,413	789	84,563	6.8%
Mortgage loans	51,571	3,524	31	55,126	4.4%
Policy loans	27,797	9	–	27,806	2.2%
Other loans	16,060	2,684	198	18,942	1.5%
Assets allocated to UK with-profits contracts[3]	122,749	–	–	122,749	9.8%
Cash and cash equivalents	46,623	9,235	1,654	57,512	4.6%
TOTAL[4]	**1,050,591**	**174,788**	**26,018**	**1,251,397**	**100.0%**

(1) Amounts are net of valuation allowances on fixed maturities of FF 457 million, on mortgage loans of FF 375 million, on real estate of FF 2,984 million and on equity investments of FF 2,836 million. See Note 9.5 of Notes to the Consolidated Financial Statements.
(2) Trading account securities are carried at their estimated fair value.
(3) Assets allocated to UK with-profits contracts are carried at estimated fair value and include fixed maturities with an estimated fair value of FF 21,690 million, equity investments with an estimated fair value of FF 86,510 million, mortgage and policy loans with an estimated fair value of FF 2,689 million and real estate with an estimated fair value of FF 11,860 million.
(4) Separate account assets and investments in companies accounted for by the equity method are not included in the above table.

At December 31, 1998, AXA did not have investments in any one issuer, including an issuer's affiliates, that were in aggregate 10% or more of AXA's total shareholders' equity.

AXA's debt and equity security investments are, unless otherwise stated, predominately publicly-traded and concentrated in the market in which the group operates. No AXA group's single holding accounts for more than 10% of that group's portfolio total estimated fair value. In addition, no one equity investment represented more than 10% of an issuer's capital.

AXA's real estate portfolios are concentrated in the market in which the entity operates.

French General Account Insurance Portfolios

The general account insurance portfolios of the French insurance subsidiaries are managed centrally. The strategic allocation of assets is defined by the French Life Group and French Property and Casualty Group and then formalized in a contract with AXA Investment Managers (previously AXA Asset Management). This strategic allocation of assets is determined through asset-liability analyses for both life and property and casualty insurance. AXA Investment Managers then makes its tactical investment decisions within the context of this strategic asset allocation.

Net book values and estimated fair values of AXA's French life and property and casualty general account insurance portfolios by category of investment:

French General Account Insurance Portfolio

As of December 31, 1998 (in FF millions except percentages)	**Life Insurance Group**			**Property and Casualty Insurance Group**			**Total**
	Net book value	**% of total net book value**	**Estimated fair value[1]**	**Net book value**	**% of total net book value**	**Estimated fair value[1]**	**Net book value**
Fixed maturities							
– Government	180,989	48.0%	206,061	19,489	38.4%	22,713	200,478
– Government-controlled corporations	38,200	10.1%	41,053	3,193	6.3%	3,550	41,393
– Private corporations	23,335	6.2%	25,722	3,322	6.5%	4,242	26,657
Total fixed maturities	**242,524**	**64.3%**	**272,836**	**26,004**	**51.2%**	**30,505**	**268,528**
Equity investments	70,368	18.7%	81,408	14,573	28.7%	18,444	84,941
Real estate	38,325	10.2%	37,799	7,592	15.0%	7,408	45,917
Mortgage loans	5	–	5	204	0.4%	204	209
Policy loans	3,897	1.0%	3,928	–	–	–	3,897
Other loans	3,183	0.8%	3,151	1,272	2.5%	1,272	4,455
Cash and cash equivalents	18,952	5.0%	18,952	1,123	2.2%	1,123	20,075
Total	**377,254**	**100%**	**418,079**	**50,768**	**100%**	**58,956**	**428,022**

(1) The estimated fair values of the fixed maturities and equity investments included in the French general account insurance portfolios are determined using quoted market prices. As of December 31, 1998, fixed maturities and equity investments without a readily ascertainable fair value (i.e. without a quoted market price) had a combined net book value of FF 1,494 million. Real estate investments are appraised by third-party appraisers on a five-year rotating basis and are reviewed and updated each year. Fair values are determined on the basis of these appraisals. Such estimated fair values do not necessarily represent the values for which the investments could have been sold on the date of the consolidated balance sheet.

The current asset allocation policy for the French insurance subsidiaries reflects a strategy to reduce the overall exposure of the portfolio to real estate and to continue to increase the proportion of fixed maturities, particularly longer-term fixed maturities, in the portfolio.

Fixed maturities. Fixed maturities of the French Life Insurance Group and the French Property and Casualty Insurance Group by remaining contract maturity, at their estimated fair value:

French General Account Insurance
Fixed Maturity Portfolio by Remaining Contract Maturity

As of December 31, 1998 (in FF millions except percentages)	Life Insurance Group	Property and Casualty Insurance Group	Total	% of total
Remaining contract maturity[1]:				
Due in one year or less	11,268	1,172	12,440	4.1%
Due after one year through five years	69,984	7,338	77,322	25.5%
Due after five years through ten years	113,134	11,358	124,492	41.0%
Due after ten years	78,385	10,637	89,022	29.4%
Other	65	–	65	–
TOTAL	**272,836**	**30,505**	**303,341**	**100.0%**

(1) Assumes debt securities are not called for redemption prior to stated maturity.

US Life Insurance Group General Account Insurance Portfolio

These assets are managed principally by Alliance Capital Management LP ("Alliance Capital"), with respect to securities, and by Equitable Real Estate, with respect to real estate and mortgages. Equitable Real Estate, previously a wholly-owned subsidiary of Equitable, was sold during 1997. Equitable entered into a long-term advisory agreement with the purchaser whereby the purchaser and its affiliates will continue to provide substantially the same services to Equitable Life's General Account and Separate Accounts for substantially the same fees as provided prior to the sale.

US Life Insurance Group's general account insurance portfolio by category of investment:

US Life Insurance Group General Account Insurance Portfolio

As of December 31, 1998 (in FF millions except percentages)	Net book value	% of total net book value	Estimated Fair value[1]
Fixed maturities	128,109	62.8%	132,789
Equity investments	4,449	2.2%	4,934
Real estate[2]	13,351	6.6%	13,351
Mortgage loans	27,974	13.7%	29,475
Policy loans	20,869	10.2%	24,073
Cash and short-term investments	9,155	4.5%	9,155
TOTAL	**203,907**	**100.0%**	**213,777**

(1) For publicly-traded fixed maturities and equity securities, estimated fair value is determined using quoted market prices. For fixed maturities without a readily ascertainable market value, an estimated fair value was determined using a discounted cash flow approach, including provisions for credit risk, generally based upon the assumption that such securities will be held to maturity. Estimated fair values of mortgage loans are estimated based on the present value of expected future cash flows discounted at the loan's original effective interest rate or the value of the underlying collateral. Such estimated fair values do not necessarily represent the values for which the investments could have been sold on the date of the consolidated balance sheet.

(2) Amount shown as estimated fair value is the net book value.

Fixed maturities included in the US Life Insurance Group's general account insurance portfolio by remaining contract maturity:

US Life Insurance Group General Account Insurance Fixed Maturity Portfolio by Remaining Contract Maturity

As of December 31, 1998 (in FF millions except percentages)	Estimated fair value	% of total
Remaining contract maturity[1]:		
Due in one year or less	1,975	1.5%
Due after one year through five years	25,577	19.3%
Due after five years through ten years	47,074	35.4%
Due after ten years	45,404	34.2%
Mortgage-backed and asset-backed securities[2]	12,759	9.6%
TOTAL	**132,789**	**100.0%**

(1) Assumes debt securities are not called for redemption prior to stated maturity.
(2) The remaining contract maturity of mortgaged-backed securities is not included by maturity date due to the variability of timing of principal repayments.

Fixed Maturities. *As of December 31, 1998, 62.8% of the net book value of the US Life Insurance Group's general account insurance portfolio consisted of fixed maturities, with 86% of such amount consisting of investment grade fixed maturities and the balance consisting of non-investment grade bonds and redeemable preferred stock. Publicly-traded fixed maturities represented 74% of the net book value of fixed maturities as of December 31, 1998.*

Equity Investments. *Equities consist primarily of limited partnership interests managed by third parties that invest in a selection of equity and below investment grade fixed maturities.*

Real Estate. *The US Life Insurance Group has a policy of not investing substantial new funds in real estate, except to safeguard values in existing investments or to honor outstanding commitments. Further, the US Life Insurance Group announced plans in January 1998 to reduce its real estate holdings. During 1998, the US Life Insurance Group received proceeds of US $ 1.34 billion (FF 7.5 billion) on the sale of equity real estate in connection with this sales program. The remaining balance of equity real estate classified as "held for sale" was FF 6.4 billion at December 31, 1998.*

Loans. *As of December 31, 1998, commercial mortgages represented 59.3% of the total book value of mortgage loans, while agricultural mortgages represented 40.7%.*

UK Life Insurance Group General Account Insurance Portfolio

These assets are managed by AXA Sun Life Asset Management Ltd. formed effective July 1997 following the merger of Sun Life Asset Management Ltd. and AXA Equity and Law Investment Managers Ltd., which previously managed the assets of the UK Life Insurance Group.

Net book value and estimated fair value of the UK Life Insurance Group's general account insurance portfolio by category of investment:

UK Life Insurance Group General Account Insurance Portfolio

As of December 31, 1998 (in FF millions except percentages)	Net book value			Estimated fair value of total[2]	% of total estimated fair value
	With-profits[1]	Other	Total		
Fixed maturities	21,690	41,426	63,116	70,229	35.7%
Equity investments[3]	86,510	9,899	96,409	102,553	52.2%
Real estate[4]	11,860	1,675	13,535	13,994	7.1%
Mortgage and policy loans	2,689	395	3,084	3,083	1.6%
Cash and cash equivalents	–	6,688	6,688	6,688	3.4%
TOTAL[3]	**122,749**	**60,083**	**182,832**	**196,547**	**100.0%**

(1) Assets allocated to with-profits contracts are carried at estimated fair value.
(2) The estimated fair values for fixed maturities and equity investments (substantially all of which are publicly traded) are determined on the basis of quoted market prices. Real estate investments are appraised annually by the UK Life Insurance Group.
(3) Excludes AEL's investments in Equitable and National Mutual.

Fixed maturities. Of the FF 70,229 million estimated fair value of fixed maturities as of December 31, 1998, FF 16,081 million (22.9%) were issued or guaranteed as to payment by governments, with FF 11,805 million (73.4%) issued or guaranteed as to payment by the UK government and FF 4,276 million (26.6%) issued or guaranteed as to payment by other sovereign and public agencies.

Of the total estimated fair value of fixed maturities, FF 53,175 million (75.7%) were issued by private (i.e. non-government) issuers, with UK private issuers accounting for FF 50,038 million (94.1%). Nearly all the fixed maturities were publicly traded and there were no significant concentrations in one company or industry.

Of the total estimated fair value of fixed maturities as of December 31, 1998, FF 2,170 million (3.1%) mature in one year or less, FF 5,022 million (7.2%) mature between one and five years, FF 10,870 million (15.5%) mature between five and ten years, while FF 52,077 million (74.1%) mature after 10 years and FF 90 million (0.1%) do not have a specific maturity date.

Equity investments. The geographical distribution by issuer of the estimated fair value of the equity investment portfolio as of December 31, 1998 was: 80.2% in the United Kingdom; 12.2% in North and South America (with over 97.7% of this amount in the United States); 4% in Japan and other Asia/Pacific countries; and 3.6% in other European countries.

Assets allocated to with-profits contracts. As of December 31, 1998, the estimated fair value of assets allocated to with-profits contracts was FF 122,749 million. Approximately 70.5% of this amount consisted of equity securities (predominantly issued by publicly-traded UK issuers), 9.7% of real estate and 17.6% of fixed income securities. Unrealized investment gains accounted for approximately 31.2% of the estimated fair value of such assets.

National Mutual General Account Insurance Portfolio

Management of National Mutual's insurance portfolios is generally contracted to NM Funds Management.

Estimated fair value of National Mutual's general account insurance portfolio by category of investment:

National Mutual General Account Insurance Portfolio

As of December 31, 1998[1] (in FF millions except percentages)	Net book value	Estimated fair value[2]	% of estimated fair value
Fixed maturities	11,180	11,183	24.1%
Equity investments	76	73	0.2%
Trading account securities	17,423	17,423	37.6%
Real estate	4,605	5,211	11.2%
Mortgage loans	3,522	3,522	7.6%
Policy loans	718	718	1.5%
Other loans	1,534	1,534	3.3%
Cash and cash equivalents	6,741	6,741	14.5%
Total	**45,799**	**46,405**	**100.0%**

(1) The net book value and estimated fair value of National Mutual's general account insurance portfolio are at September 30, 1998, the end of National Mutual's 1998 fiscal year, and are included in AXA's consolidated balance sheet as of December 31, 1998.

(2) The estimated fair values for fixed maturities and equity investments (substantially all of which are publicly traded) are determined on the basis of quoted market prices. Real estate investments are appraised annually by independent appraisers. Such estimated fair values do not necessarily represent the values for which the investments could have been sold on the date of the consolidated balance sheet.

Fixed maturities. The estimated fair value of the fixed maturities portfolio as of December 31, 1998 was FF 20,546 million when the trading portfolio with an estimated fair value of FF 9,363 million is included. Of this total amount, FF 11,227 million (54.6%) were issued or guaranteed as to payment by governments and FF 9,111 million (44.3%) were issued by private (i.e. non-government controlled) corporations. Of the estimated fair value of fixed maturities excluding the trading portfolio as of December 31, 1998, FF 207 million (1.9%) mature in one year or less, FF 3,916 million (35%) mature between one and five years, FF 2,012 million (18%) mature between five and ten years, while FF 5,048 million (45.1%) mature after ten years.

Equity Investments. The equity investment portfolio had an estimated fair value of FF 8,133 million at December 31, 1998 when the trading portfolio with an estimated fair value of FF 8,060 million is included.

The geographical distribution by issuer of the equity investment portfolio based on estimated fair value at December 31, 1998 was 79.5% in Australia and New Zealand, 2.2% in Japan and other Asia/Pacific countries, 7.1% in the United Kingdom and other European countries, and 11.2% in the United States.

German General Account Insurance Portfolio

The asset management functions of AXA Colonia were reorganized in 1998 with the establishment of AXA Colonia Asset Management. AXA Colonia Asset Management, since its inception, manages the general account insurance portfolio of the German insurance subsidiaries. Previously, the asset management functions were performed by the investment department of AXA Colonia.

Net book value and estimated fair values of AXA's German Life and Property and Casualty general account insurance portfolios by category of investment:

German General Account Insurance Portfolio

As of December 31, 1998 (in FF millions except percentages)	Life Insurance Group		Property and Casualty Insurance Group		Total Insurance	
	Net book value	% of total net book value	Net book value	% of total net book value	Net book value	Estimated fair value[1]
Fixed maturities						
– Government	25,246	20.3%	6,889	17.7%	32,135	34,728
– Local Governments	32,209	25.9%	7,165	18.5%	39,374	43,096
– Private corporations	1,439	1.1%	1,131	2.9%	2,570	2,680
Total fixed maturities	**58,894**	**47.3%**	**15,185**	**39.1%**	**74,079**	**80,504**
Equity investments	37,375	30.0%	17,096	44.0%	54,471	62,025
Real estate	6,811	5.5%	2,901	7.5%	9,712	10,277
Mortgage loans	11,718	9.4%	1,180	3.0%	12,898	14,408
Policy loans	1,421	1.1%	9	–	1,430	1,679
Other loans	7,806	6.3%	783	2.0%	8,589	9,225
Cash and cash equivalents	528	0.4%	1,681	4.4%	2,209	2,209
Total	**124,553**	**100.0%**	**38,835**	**100.0%**	**163,388**	**180,327**

(1) The estimated fair values of the fixed maturities and equity investments included in the German general account insurance portfolios are determined using quoted market prices. As of December 31, 1998, fixed maturities and equity investments without a readily ascertainable fair value (i.e. without a quoted market price) had a combined net book value of FF 60,167 million. The fair values for non-quoted fixed maturities are determined by AXA Colonia using a discounted cash flow approach using interest rates based on the year-end yield curve and the assumption that such securities will be held to maturity. Real estate investments are appraised internally on an annual basis with periodic appraisals by third-party appraisers to confirm internal methodologies.

Fixed maturities

Fixed maturities of the German Life Insurance Group and the German Property and Casualty Insurance Group by remaining contract maturity, at their estimated fair value:

German General Account Insurance Portfolio
Fixed Maturity Profile by Remaining Contract Maturity

As of December 31, 1998 (in FF millions except percentages)	Life Insurance	Property and Casualty	Total	% of total
Remaining contract maturity[1]:				
Due in one year or less	3,280	1,913	5,193	6.4%
Due after one year through five years	29,739	9,114	38,853	48.3%
Due after five years through ten years	19,892	3,710	23,602	29.3%
Due after ten years	11,418	1,438	12,856	16.0%
Other	–	–	–	–
TOTAL	**64,329**	**16,175**	**80,504**	**100.0%**

(1) Assumes debt securities are not called for redemption prior to stated maturity.

Equities. As of December 31, 1998, 33.3% of the German General Account Insurance portfolio consists of equity securities. Approximately 73.5% of the total net book value of equity securities, including the mutual funds are traded on major stock exchanges of which approximately 52% is related to German issuers with the remaining amount invested primarily in other western European countries. The mutual funds are nearly all controlled by AXA Colonia. No single holding accounts for more than 5% of the portfolio's total estimated fair value.

Mortgage loans. The mortgage loans on real estate are principally collateralized by residential homes.

Belgian General Account Insurance Portfolio

After the acquisition of the minority interests of Royale Belge, AXA has progressively integrated the operations of Royale Belge Investment Management and AXA Belgium's activities within AXA Investment Managers.

Net book value and estimated fair values of AXA's Belgian Life and Property and Casualty general account insurance portfolios by category of investment:

Belgium General Account Insurance Portfolio

As of December 31, 1998 (in FF millions except percentages)	Life Insurance Group		Property and Casualty Insurance Group		Total Insurance	
	Net book value	% of total net book value	Net book value	% of total net book value	Net book value	Estimated fair value[1]
Fixed maturities						
– Government	25,941	50.8%	17,290	57.2%	43,231	48,091
– Government-controlled corporations	165	0.3%	184	0.6%	349	382
– Private corporations	4,908	9.6%	3,002	9.9%	7,910	8,328
Total fixed maturities	**31,014**	**60.7%**	**20,476**	**67.7%**	**51,490**	**56,801**
Equity investments	9,794	19.2%	5,402	17.8%	15,196	22,858
Real estate	1,561	3.1%	1,972	6.5%	3,533	4,082
Mortgage loans	7,753	15.2%	1,957	6.5%	9,710	9,815
Policy loans	330	0.6%	–	–	330	330
Other loans	372	0.7%	210	0.7%	582	582
Cash and cash equivalents	273	0.5%	233	0.8%	506	506
Total	**51,097**	**100.0%**	**30,250**	**100.0%**	**81,347**	**94,974**

(1) The estimated fair values of the fixed maturities and equity investments included in the Belgian general account insurance portfolios are determined using quoted market prices. As of December 31, 1998, fixed maturities and equity investments without a readily ascertainable fair value (i.e. without a quoted market price) had a combined net book value of FF 2,012 million. The fair values for non-quoted fixed maturities are determined by the Belgian Life Insurance Group using a discounted cash flow approach using interest rates based on the year-end yield curve and the assumption that such securities will be held to maturity. Real estate investments are appraised internally on an annual basis with periodic appraisals by third-party appraisers to confirm internal methodologies.

Fixed maturities of the Belgian Life Insurance Group and the Belgian Property and Casualty Insurance Group by remaining contract maturity, at their estimated fair value:

Belgium General Account Insurance Portfolio
Fixed Maturity Profile by Remaining Contract Maturity

As of December 31, 1998 (in FF millions except percentages)	Life Insurance	Property and Casualty	Total	% of total
Remaining contract maturity[1]:				
Due in one year or less	1,216	1,237	2,453	4.3%
Due after one year through five years	8,851	7,780	16,631	29.3%
Due after five years through ten years	19,238	11,813	31,051	54.7%
Due after ten years	4,011	2,063	6,074	10.7%
Other	481	111	592	1.0%
TOTAL	**33,797**	**23,004**	**56,801**	**100.0%**

(1) Assumes debt securities are not called for redemption prior to started maturity.

REINSURANCE GENERAL ACCOUNT INSURANCE PORTFOLIO

The Reinsurance Segment portfolio is primarily invested in fixed maturities (76.5%), cash and cash equivalents (6.4%) and in equity investments (13.2%). The allocation between fixed maturities and cash and cash equivalents varies from one year to another depending on opportunities to invest the highly liquid assets on a longer-term basis. The fixed maturities are comprised of government and government-controlled entity obligations (59.4%) with the remaining fixed maturities (40.6%) invested principally in private companies. Of the government and government-controlled fixed maturities, 19.2% are issued or controlled by the French government and 30.4% are issued by the US government or US government-controlled entities.

OTHER GENERAL ACCOUNT INSURANCE PORTFOLIOS

The Other Property and Casualty Insurance Group, Transnational Property and Casualty Insurance Group and Other Life Insurance Group general account insurance portfolios with a total book value of FF 117,495 million are mainly invested in fixed maturities (67.7%), in equity securities (16.0%), in loans (3.6%) and in cash and cash equivalents (8.4%).

Asset Management

Asset management has become increasingly important to AXA both from a strategic and profitability perspective. The development of third-party asset management activities is part of AXA's financial services strategy in order to capitalize on its existing investment management expertise and to expand its client base. Management believes that its asset management expertise will enable AXA to benefit from the expected growth in savings in the developed markets in which it operates.

Pursuant to these objectives, AXA strengthened its asset management organization in 1997 by restructuring its operations in Western Europe under a new holding company, AXA Investment Managers notably to benefit from this structure in the management of insurance company assets. With this restructuring, AXA has an asset management specialist in each of its major markets: Europe, the United States and the Asia/Pacific region.

In the US, Alliance capital operates as the provider of asset management services, NM Funds Management offers such services in the Asia/Pacific region and in Europe the operations are organized under the new holding company, AXA Investment Managers. These companies are responsible for the vast majority of AXA's insurance company assets under management and the management for third-party clients, both institutional and individual.

Assets under management (based on estimated fair value):

Assets Under Management

As of December 31, (in FF millions)	1998	1997	1996
AXA[1]	1,608,382	1,489,456	620,853
Separate Account	501,279	452,364	227,457
Third-party[2]	1,557,195	1,242,383	887,958
Total	**3,666,856**	**3,184,203**	**1,736,268**

(1) Includes policy loans of FF 28,754 million, FF 31,786 million and FF 24,511 million at December 31, 1998, 1997 and 1996, respectively, which are directly managed by the insurance companies.

(2) Includes assets of the Mutuelles AXA of FF 28,754 million, FF 32,603 million and FF 29,040 million at December 31, 1998, 1997 and 1996, respectively. Third-party assets under management include 100% of the estimated fair value of US real estate owned by joint ventures in which third-party clients own an interest.

Assets managed and fees earned by AXA's asset management companies (in 1998, AXA Investment Managers Paris, AXA Sun Life Asset Management, Alliance Capital and National Mutual Funds Management):

Assets Management Companies

As of December 31, (in FF millions)	1998	1997	1996
Assets Under Management:			
Third-party	1,383,420	1,090,809	757,822
Separate accounts	374,867	341,153	172,196
AXA	887,062	817,714	374,151
Total	**2,645,349**	**2,249,676**	**1,304,169**
Fees earned: Third-party[1]	5,590	4,482	3,001
AXA	925	970	505
Total	**6,515**	**5,452**	**3,506**

(1) Includes fees earned on life insurance separate accounts.

United States. Alliance Capital, a publicly-traded master limited partnership, provides diversified investment management services to a variety of institutional clients, as well as to individual investors. Alliance Capital's business can be divided into two broad categories: separately managed accounts and mutual fund management. At December 31, 1998, Alliance Capital had approximately FF 1,605 billion in assets under management (including FF 1,470 billion for third party clients and life insurance separate accounts), FF 941 billion of which were from separately managed accounts for institutional investors and high-net-worth individuals, and approximately FF 664 million of which were from mutual fund accounts. Alliance Capital's greatest growth in recent years has been in products for individual investors, primarily mutual funds, which generate relatively high management and servicing fees as compared to fees charged to separately managed accounts. In addition, Alliance has increased its international presence, particularly in Japan. As of December 31, 1998, Equitable held a 1% general partnership interest in Alliance Capital and approximately 56.7% of the units representing assignments of beneficial ownership of limited partnership interests in Alliance Capital.

Alliance Capital is a publicly-traded company subject to the reporting requirements of the 1934 Act. For additional information please see its annual report on Form 10-K for the year ended December 31, 1998.

Europe. AXA's financial services strategy is, in part, to improve the quality and performance of AXA's assets and to increase the scope of its third party asset management business. In connection with this effort, AXA Investment Managers was created in order to provide its expertise to the AXA companies; institutional investors using specialized expertise; and individual investors capitalizing on its insurance company distribution channels. AXA Investment Managers operations are organized as follows:

In France, AXA Asset Managemet and UAP Gestion Financière merged in July 1997 into AXA Investment Managers Paris. At December 31, 1998, AXA Investment Managers Paris managed over FF 575 billion of assets.

In January 1999, AXA improved its technical asset management capabilities by acquiring Barr Rosenberg, an entity with approximately $ 8 billion of assets under management located in California that specializes in quantitative equity security analysis. The entity has since been renamed AXA Rosenberg Group.

In the UK, Sun Life Investment Managers and AXA Equity & Law Investment Management were merged effective July 1997 and AXA Sun Life Asset Management ("SLAM") was formed as the investment management company. At December 31, 1998, AXA SLAM managed over FF 330 billion of assets.

Elsewhere, AXA Investment Managers manages assets in Germany, Belgium, the Netherlands, Italy, Hong Kong and in Japan. Its strategy is to develop third-party management in promising markets through internal growth and acquisitions.

As of December 31, 1998, AXA Investment Managers' assets under management (including insurance and third party) totaled FF 1,280 billion.

Asia/Pacific. AXA provides asset management services in the Asia/Pacific region through NM Funds Management, primarily in Australia, New Zealand, Hong Kong and Japan. NM Funds Management provides asset management services to National Mutual's life insurance operations and third party institutional clients. NM Funds Management also develops, markets and manages pooled investment funds for retail and wholesale investors.

As of December 31, 1998, NM Funds Management had FF 100.3 billion in assets under management including FF 71.4 billion for National Mutual insurance portfolio and FF 28.9 billion for third- party clients. NM Funds Management is also responsible for National Mutual's residential and commercial lending activities and management of real estate.

Other Financial Services

The Other Financial Services Segment's operations consist primarily of DLJ, a US-based investment and merchant bank. In addition, the group has banking, real estate and other financial services activities conducted primarily in France and other Western European countries.

United States. DLJ is a leading integrated investment and merchant bank that serves institutional, corporate, governmental and individual clients both in the US and internationally. DLJ's businesses include securities underwriting, sales and trading, merchant banking, financial advisory services, investment research, correspondent brokerage services and asset management. At December 31, 1998, Equitable owned directly and indirectly approximately 72.2% of DLJ's issued and outstanding common stock; assuming full vesting of restricted stock units and full exercise of all outstanding options, Equitable would own approximately 58% of DLJ's common stock. DLJ is a publicly-traded company subject to the reporting requirements of the 1934 Act. For additional information, please see its annual report on Form 10-K for the year ended December 31, 1998.

DLJ conducts its business through three principal operating groups, the Banking Group, the Capital Markets Group, and the Financial Services Group.

Banking. DLJ's Banking Group is a major participant in the raising of capital and the providing of financial advice to companies throughout the United States and has significantly expanded its activities outside the United States. Through its Investment Banking group, DLJ manages and underwrites public offerings of securities, arranges private placements and provides advisory and other services in connection with mergers, acquisitions, restructurings and other financial transactions.

Capital Markets. The Capital Markets Group encompasses a broad range of activities, including trading, research, origination and distribution of equity and fixed-income securities, private equity investments and venture capital.

Financial Services. The Financial Services Group provides a broad array of services to individual investors and the financial intermediaries which represent them. Pershing, a DLJ subsidiary, is a leading provider of correspondent brokerage services, clearing transactions for over 600 US brokerage firms which collectively maintain over 1.75 million client accounts. DLJ's Investment Services group provides high-net-worth individuals and medium and smaller sized institutions with access to DLJ's equity and fixed-income research, trading services and underwriting. Through its asset management group, DLJ provides cash management, investment advisory and trust services primarily to high-net-worth individual investors and institutions.

Europe. The International Financial Services Group's banking and financial services activities are principally conducted by Banque Ippa, ANHYP savings bank and by credit institutions controlled by Compagnie Financière de Paris ("CFP").

Banque Ippa, a subsidiary of Royale Belge, offers a complete range of financial services to individuals, professional groups and small businesses. In addition, Banque Ippa's network of intermediaries support the sales of the insurance subsidiaries of Royale Belge. In late 1998, Royale Belge acquired ANHYP, another Belgian-based bank. The acquisition of ANHYP is intended to augment Royale Belge's combination of insurance and banking operations.

AXA Banque acts principally as a bank for AXA. It also provides savings management, securities safekeeping, custodial and bank account services to high net worth individual policyholders and to general agents.

AXA Crédit specializes in revolving consumer credit lines marketed primarily to AXA policyholders and to general agents.

Banque Worms, acquired in the UAP acquisition, operates principally as a commercial bank. Management does not consider Banque Worms to be a long-term permanent investment of AXA. Accordingly, the activities of Banque Worms are not consolidated.

Real Estate Operations. In conjunction with the UAP acquisition, AXA acquired two credit establishments specializing in real estate: Sofapi and Holding Soffim. Sofapi, which specialized in real estate loans to individuals, originated only loans secured with a mortgage on the real estate or other real estate collateral. At December 31, 1998, the total net book value of loans held by Sofapi amounted to FF 710 million.

Holding Soffim principally manages impaired mortgages originated by Banque Worms and its subsidiaries which were transferred to Soffim. In addition, Holding Soffim manages the real estate it has obtained through foreclosing on such loans. At December 31, 1998, the total net book value of loans and real estate assets held by Holding Soffim amounted to FF 997 million.

Sofinad, also a former UAP subsidiary, was created to participate in real estate development activity. The main activities were to participate in the purchase of real estate for lease or in real estate companies. The total net book value of real estate held by Sofinad at December 31, 1998 was FF 1,083 million.

These companies no longer originate real estate loans or initiate real estate development activities. It is AXA's intention to run off this business.

In addition, AXA's French real estate group manages real estate owned by AXA for its own account. The French real estate group also manages the real estate assets of the French Life Insurance Group and the French Property and Casualty Insurance Group, including the real estate assets included in the French general account insurance portfolio and the real estate assets linked to French separate account (ACAVI) products.

Financial Services Competition

The Company's financial services subsidiaries are subject to substantial competition in all aspects of their business. Investment management is highly competitive and new entrants are continually attracted to it, due in part to relatively few barriers to entry. The Company's investment management subsidiaries compete with other investment managers primarily on the basis of the range of investment products offered, the investment performance of such products and the services provided to clients. In addition, DLJ encounters significant competition in all aspects of the securities business and competes worldwide directly with other US and non-US securities firms, a number of which have greater capital, financial and other resources than DLJ currently has at its disposal. In addition to competition from firms currently in the securities business, there has been increasing competition from other sources, such as commercial banks and investment boutiques. The principal competitive factors influencing DLJ's business are its professional staff, its reputation in the marketplace, its existing client relationships, the ability to commit capital to client transactions and its mix of market capabilities.

Employees and Agents

As of December 31, 1998, AXA employed 78,943 persons. Of the total number of employees at that date, approximately 33% were employed in France, 19% in North America, 7% in the Asia/Pacific area and 41% in other countries in Western Europe. Most of the French employees of the AXA Group are employed by their respective companies with the exception of the staff of the central functions, such as finance, accounting, legal services and human resources, who are employed by GIE AXA. AXA's employees in France and certain other countries are covered by various collective bargaining agreements, the application of which depends on the professional activity carried out, as well as collective agreements on working conditions and remuneration negotiated periodically with the union and employee representatives.

Additional factors which may affect AXA's business

Ownership of AXA Trademark by Finaxa

The name "AXA" and the AXA trademark are owned by Finaxa. In 1996, the Company and Finaxa entered into a Licensing Agreement pursuant to which Finaxa (i) granted the Company a non-exclusive license (the "AXA License") to use the AXA trademark in the jurisdictions in which AXA currently has operations and in any additional jurisdictions in which the AXA trademark is registered. The AXA License grants the Company the right, subject to prior written approval of Finaxa, to grant sublicenses to companies controlled, directly or indirectly, by the Company. The Company is obligated to pay Finaxa pursuant to the AXA License an annual fee of FF 5,000,000 as well as 50% of any net royalties the Company receives from sublicensees. The license may be terminated upon 3 months prior written notice by either party; however, Finaxa has agreed not to exercise its termination right for so long as it is the company's largest shareholder.

REGULATION

GENERAL

The insurance businesses of AXA are subject to detailed, comprehensive regulation in all the jurisdictions in which AXA transacts business. In addition, European Union ("EU") directives have had and will have a significant impact on the regulation of the insurance industry in the EU as such directives are implemented through legislation adopted within each member state.

The 1992 EU insurance directives on life insurance and direct insurance other than life insurance were implemented in France, the United Kingdom and certain other jurisdictions through legislation which became effective in July 1994. These directives are founded on the "home country control" principle according to which the ongoing regulation of insurance companies, including their non-home insurance operations (whether direct or through branches) is the responsibility of the home country insurance regulatory authority. The home country insurance regulatory authority monitors compliance with applicable regulations, the solvency of the insurer and its actuarial reserves as well as the assets of the insurer which support such reserves. As a result of the implementation of these directives, an insurance company that has been licensed to conduct insurance business in one jurisdiction of the EU may do business directly or through branches in all other jurisdictions of the EU without being subject to licensing requirements under the laws of the additional jurisdictions. Selling activities of non-home insurance operations, however, are regulated by the regulatory authorities in the country in which the sale of the insurance product takes place.

Set forth below is a description of the principal regulations to which AXA and its principal insurance subsidiaries are subject.

FRANCE

General

The Company and its French insurance and reinsurance subsidiaries are subject to regulations generally applicable to insurance holding, insurance and reinsurance companies organized in France, contained principally in the French Code des Assurances (the "French Insurance Code"), and the supervision of both the Direction du Trésor of the Ministry of the Economy and the Commission de Contrôle des Assurances (the "CCA"). The CCA is an independent administrative authority of the French insurance industry and supervises the financial condition and statements of insurance, reinsurance and insurance holding companies.

Insurance companies

Prior to engaging in the business of providing insurance, all French insurance companies must receive a license from the Ministry of the Economy through a process involving an examination of the compliance with statutory standards of the legal, financial, accounting and technical structures of the applicant.

In addition, the CCA supervises adherence to statutory accounting principles and compliance with financial and technical management regulations. Any change in the charters of the Company's French insurance subsidiaries must also be approved by the CCA.

The Company's French insurance subsidiaries may not engage in any commercial activity on an ongoing basis other than that of providing insurance coverage and directly related activities. Under French law, life insurance coverage and property and casualty insurance coverage may not be provided by the same company except that French life insurers may offer bodily injury coverage and French property and casualty insurers that insure only bodily injury risks may also offer life insurance.

Profit Sharing Regulation

French life insurers are obligated by law to allocate for the benefit of policyholders (other than holders of contracts supported by separate accounts and term policies) at least 85% of annual investment results on assets attributable to such policyholders plus at least 90% of other profits. Amounts allocated must be credited to such policyholders within eight years but otherwise can be credited at the insurer's discretion. The allocation usually takes the form of an increase in guaranteed benefits but may also take the form of a reduction of future premiums.

Investment Reserves and Solvency Margin

Current French law subjects the French insurance subsidiaries of the Company to a number of requirements with respect to the administration of their assets and liabilities. With respect to liabilities, the actuarial and claims reserves of the regulated insurer, which underwrite the claims reimbursements that may be made by the regulated insurer to its policyholders, must be adequate to allow the regulated insurer to fulfill its contractual commitments to pay on receipt of claims. French law also prescribes a minimum solvency margin in addition to the maintenance of a guarantee fund.

The management by the Company's French insurance subsidiaries of the assets which support actuarial and claims reserves for potential claims is regulated by French law. French insurers may generally invest only in (i) debt securities, equity securities and shares of mutual funds, (ii) real estate and (iii) mortgage loans, certain government guaranteed loans and certain other loans and deposits. In addition, French law limits the proportion of assets that French insurers may invest in certain categories of investments and imposes restrictions with respect to particular investments.

Products

New insurance products and policies may be offered in France by either a French or foreign insurer without any prior approval. However, such insurers must file a description of such new products and policies with the French Minister of the Economy, who may require (i) the modification of their terms and conditions and (ii) the withdrawal from the market or the modification of any contract which, in his judgment, does not comply with applicable laws and regulations.

French regulation imposes a maximum on the annual rate of return that may be guaranteed for most individual retirement and savings general account products. The maximum guaranteed rate on regular and flexible premium contracts will be the lesser of 60% of the average French state borrowing rate ("TME") and 3.25%. The maximum guaranteed rate on single premium or free installment contracts will be 75% of the TME, except that for those single premium or free installment contracts which have a duration in excess of 8 years, the maximum guaranteed rate will be the lesser of 60% of the TME and 3.25%.

Financial Reporting Requirements

The system of accounting used by the Company and its French insurance and reinsurance subsidiaries is subject to French regulatory control. The accounts of a French insurer or reinsurer must conform to a standard form prescribed by the French Insurance Code. French insurers and reinsurers currently must also file a balance sheet, a statement of income, notes to such financial statements, reports of its directors and statutory auditors and a number of other accounting and statistical statements with the CCA.

United States

General State Supervision

The US Life Insurance Group is licensed to transact its insurance business in, and is subject to extensive *regulation and supervision by, all 50 states of the United States, the District of Columbia, Puerto Rico, the US Virgin Islands and Canada including nine of Canada's twelve provinces and territories. Equitable Life is domiciled in New York and is primarily regulated by the New York Superintendent of Insurance. The extent of state regulation varies but most jurisdictions have laws and regulations governing standards of solvency, levels of reserves, permitted types and concentrations of investments, business conduct to be maintained by insurance companies as well as agent licensing, approval of policy forms and, for certain lines of insurance, approval or filing of rates. The New York Insurance Law limits sales commissions and certain other marketing expenses that may be incurred. The US Life Insurance Group is required to file detailed annual financial statements, prepared on a statutory accounting basis, with the supervisory agencies in each of the jurisdictions in which it does business, and its operations and accounts are subject to examination by such agencies at regular intervals. Equitable Life is currently in the process of responding to subpoenas issued in January 1998 by the Florida Attorney General and the Florida Department of Insurance which request, among other things, documents related to various sales practices.*

Risk-Based Capital

Life insurers are subject to risk-based capital ("RBC") guidelines which provide a method to measure the adjusted capital (statutory capital and surplus plus asset valuation allowance ("AVR") and other adjustments) that a life insurance company should have for regulatory purposes, taking into account the risk characteristics of the company's investments and products.

Holding Company Regulation

Several states, including New York, regulate transactions between an insurer and its affiliates under insurance holding company acts. These acts contain certain reporting requirements and restrictions on transactions such as the transfer of assets, loans or the payment of dividends between an insurer and its affiliates. Under such laws, transfers of assets, loans or dividends by Equitable Life to the Equitable Holding Company may be subject to prior notice or approval depending on the size of such transfers or payments. Equitable Life has agreed in an undertaking to the New York Insurance Department that similar approval requirements also apply to transactions between (i) material subsidiaries of Equitable Life and (ii) Equitable Holding Company (and certain affiliates, including AXA). Changes in control (generally presumed at a threshold of 10% or more of outstanding voting securities) are also regulated by these laws.

Shareholder Dividend Restrictions

Since Equitable Life's demutalization, the Equitable Holding Company has not received any dividends from Equitable Life. Equitable Life would be permitted to pay shareholder dividends to the Equitable Holding Company only if it files notice of its intention to declare such a dividend and the amount thereof with the New York Superintendent of Insurance and the New York Superintendent, who by statute has broad discretion in such matters, and provided that the latter do not disapprove such dividend. In 1999, Equitable Life expects to review with the New York Insurance Departement the potential for paying a dividend to the Holding Company.

Securities Laws

Equitable, its insurance subsidiary and certain policies and contracts offered by them are subject to regulation under the Federal securities laws administered by the SEC and under certain state securities laws. Equitable Life is complying voluntarily with the Commission's limited inspection of more than a dozen insurance companies concerning marketing and sales practices associated with variable insurance products.

Investment Banking

DLJ's business, and the securities industry in general, is subject to extensive regulation in the United States at both the federal and state level. Various regulatory bodies are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers, participating in those markets. DLJSC is registered as a broker-dealer with the Commission and in all 50 states and the District of Columbia, as a futures commission merchant with the Commodities Futures Trading Commission (the ''CFTC''), as an investment advisor in certain states and with the Commission and is also designated a primary dealer in US Government securities by the Federal Reserve Bank of New York.

It is also a member of, and subject to regulation by, the NASD, the NYSE, the Chicago Board of Trade (''CBOT''), the National Futures Association and various other SROs. Broker-dealers are subject to regulation by state securities administrators in those states in which they conduct business.

DLJ's business may be materially affected not only by regulations applicable to it as a financial market intermediary, but also by regulations of general application. For example, the volume of DLJ's underwriting, merger and acquisition and merchant banking businesses in any year could be affected by, among other things, existing and proposed tax legislation, antitrust policy and other governmental regulations and policies (including the interest rate policies of the Federal Reserve Board) and changes in interpretation or enforcement of existing laws and rules that affect the business and financial communities.

Federal Initiatives

Although the federal government generally does not directly regulate the insurance business, many federal laws do affect the business in a variety of ways. There are a number of existing or recently proposed federal laws which may significantly affect the US Life Insurance Group, including employee benefits regulations, removal of barriers preventing banks from engaging in the insurance and mutual fund businesses, the taxation of insurance companies and the taxation of insurance products. These initiatives are generally in a preliminary stage and, consequently, management cannot assess their potential impact on the US Life Insurance Group at this time. The Administration's 2000 budget proposals announced in February 1999 contain provisions which, if enacted, could have an adverse impact on certain sales of business-owned life insurance and sales of cash value life insurance in connection with certain employer welfare benefit plans. In addition, certain provisions would affect the taxation of insurance companies, including a requirement to capitalize increased percentages of their net premiums to approximate acquisitions costs for certain categories of insurance contracts. Management cannot predict what other proposals may be made, what legislation, if any, may be introduced or enacted or what the effect of any such legislation might be.

Australia

General

The Life Insurance Act 1995 (the "Life Insurance Act"), became effective on July 1, 1995 in Australia. The Life Insurance Act's stated object "is to protect the interests of the owners and prospective owners of life insurance policies in a manner consistent with the continued development of a viable, competitive and innovative life insurance industry". The Life Insurance Act gives the Australian Prudential Review Authority responsibility for the administration of the Life Insurance Act and, where specifically provided in the Life Insurance Act, for promulgation of rules thereunder.

Statutory Funds

A life insurance company is required to establish and maintain in the records of the company at least one statutory fund that relates solely to the Life insurance business of the company. Where a company writes policies providing investment linked benefits to policyholders in Australia, that business must be maintained in a separate statutory fund that is exclusive to that business. Likewise, the business of overseas branches established after July 1, 1995, must be maintained in a separate statutory fund or funds.

The function of a statutory fund is to segregate similar types of policies into a fund in which all related premiums must be credited and related claims and expenses debited and may be used only for the conduct of the business of those policies. The investment portfolio supporting that fund must be kept segregated from the other assets of the company and may be applied only for the benefit of those policyholders.

Profit Sharing / Distribution Regulation

Pursuant to the Life Insurance Act, in Australia an insurance company must allocate at the end of each fiscal year the profits and losses of each of its statutory funds and credit such amounts to the fund's retained earnings accounts to be held for distribution to the fund's participating policyholders and the insurance company's shareholders.

The Life Insurance Act requires that the profits of a statutory fund be determined separately for Australian participating policyholders, overseas participating policyholders and non-participating policyholders. At least 80% of the profit (or at most 80% of the loss) attributable to Australian participating policyholders (defined, for this purpose, to include National Mutual's investment account contracts) must be credited to the fund's Australian participating policyholders' retained earnings account.

Under National Mutual Life's Memorandum of Demutualization, which governs the future management of its life insurance business in Australia and New Zealand, National Mutual Life must credit 80% of the profit or loss attributable to participating policies and 100% of the investment profit or loss attributable to investment account contracts to such policyholders' retained earnings accounts. This is in accordance with the Life Insurance Act.

Solvency and Capital Adequacy Standards

The Life Insurance Act provides for the introduction of a capital adequacy requirement as well as a revised solvency requirement through standards set by the LIASB with the agreement of the ISC. The solvency and capital adequacy standards for life insurance companies operating in Australia became effective for fiscal years ending on or after December 31, 1996.

The purpose of the solvency standard is to ensure, as far as practicable, that a statutory fund will be able to meet all its liabilities as they fall due. The higher capital adequacy standard is intended to ensure that a statutory fund has adequate capital to enable it to continue to conduct business in accordance with the Life Insurance Act and in the interests of the policyholders.

United Kingdom

General

Insurance companies in the United Kingdom for both life and property and casualty insurance are regulated principally by the Insurance Companies Act 1982 and various regulations promulgated thereunder and EU insurance directives. The principal objective of the UK *insurance regulations is protection of the policyholder. The principal insurance company regulatory authority in the UK is the Insurance Directorate of Her Majesty's Treasury ("Treasury").*

Selling activities by life insurance companies in the United Kingdom are governed by the Financial Services Act 1986, the relevant provisions of which were brought into force in April 1988. The Financial Services Authority ("FSA") which was formerly named the SIB (See "New Regulatory Developments") is the regulatory authority charged with the implementation and enforcement of the Financial Services Act 1986.

Company Regulation

All insurers (including non-UK concerns wishing to establish and operate an insurance subsidiary within the UK) must be authorized by the Treasury, which grants licenses after consideration of the applicant's capital resources, proposed business plan, underwriting policy and reinsurance arrangements and the qualifications of its directors and management. Licenses may include limitations, for example, on gross premiums, investments and transactions with associated companies or as the Treasury otherwise deems appropriate.

However, if the applicant is a branch of an insurer from another member state of the EU, licensed in that country to carry on the business of insurance and applying to write classes of insurance which the insurer is authorized to write in its home jurisdiction, then it is only necessary to prove that sufficient assets exist to cover local liabilities.

All companies must submit to the Treasury annual and, in some cases, quarterly returns together with audited accounts. These must include a certificate as to whether domestic assets cover domestic liabilities, and are subject to examination by the Treasury. An annual assessment for the protection of UK policyholders is imposed on all insurance companies underwriting life and general business.

As a result of AXA Global Risk UK's operating losses and significant additions to claims reserves for prior year claims in 1992 and 1993, it received a notice from the Treasury in March 1994 which imposed certain limitations on its business and required the filing of certain information with the Treasury.

Solvency

UK minimum solvency requirements for life and property and casualty insurers are in accordance with relevant EU directives.

Products

Only products that conform with the authorized classes granted by the Treasury may be marketed. Applications to underwrite an additional class or classes of products will be considered by the Treasury provided that all regulatory requirements are fulfilled. Failure to write business in a class over a certain period of time may lead to the withdrawal of the authorization.

A 1994 Court decision held that certain single premium investment products are not contracts of insurance, as had always been thought, but rather contracts of investment, since the amount payable on surrender is not significantly different from the amount payable on death. The decision was reversed on appeal, although an application for leave to appeal further for a definitive ruling is pending and has now been settled such that unless there is another similiar case, such contracts are insurance contracts.

Sales Regulation

Prior to 1988, when the provisions of the Financial Services Act regulating the selling of life insurance became effective, the life insurance selling process in the United Kingdom was not subject to formal regulation. A self-regulatory structure was created headed by the FSA, under which there are a number of self-regulatory organizations ("SROs") covering the financial services industry. The Personal Investment Authority ("PIA") regulates selling by life insurance companies, their exclusive agents and direct sales forces, and selling by IFAs, although life companies may choose to be regulated by the FSA, which has broadly similar rules.

Sales Advice

IFAs must be independent and offer clients the products most suited to their needs from the full range of financial products available in the market. Exclusive agencies represent only one insurer and must offer clients the products most suited to their needs from the range of financial products offered by the insurer. Regulations prohibit insurers from establishing a commission structure that may encourage IFAs and exclusive agencies to favor any particular product.

Training and Compliance

Strict requirements with respect to agent training and selling methods have been imposed by UK self-regulatory authorities in recent years, including requiring PIA members to have an accredited training program for their agents, who must demonstrate that they meet certain competence standards. All salespeople, whether working for an IFA or direct for a product provider, are now required to pass examinations in order to sell. In addition, life insurance companies are required to appoint a compliance officer whose responsibility is to ensure compliance with training and selling regulations. The compliance officer reports annually to the board of directors of the company. The costs of such training and oversight have increased insurers' costs.

Regular inspections of members, known as monitoring visits, are carried out by the PIA. The PIA has the authority to discipline members, and following the monitoring visits carried out since the introduction of the regulations, a large number of life insurance companies have been assessed fines for infractions, in many cases connected with the competency of salesmen, and the quality of monitoring and compliance procedures. The training programs and compliance procedures established by AEL and Sun Life have been subject to such an inspection, with no significant adverse comment.

The PIA also has a complaints bureau which is compulsory for all PIA members. It may make awards of up to £ 100,000.

Disclosure Regulations

Detailed information is required to be disclosed to the customer at the time of sale in connection with the projection of surrender and maturity values based on the insurers own charges and expenses, and commission to be paid or commission plus benefits and services to be provided to the salesperson as a reward for the introduction. The customer is also entitled to documents explaining the contracts in non-technical language and to the right to cancel the contract within 14 days. These regulations exceed the disclosure standards mandated by EU directives.

In addition, new regulations came into effect on July 1, 1995 that enable policyholders who are consumers to challenge the terms of policies which they claim are unfair or unclear. The Office of Fair Trading is empowered to enforce the regulations by requiring revised contract documents when existing wordings seem to contravene the regulations.

New Regulatory Developments

The Labour Government which was elected in May 1997 plans significant changes to the regulatory structure and pensions legislation. To this end, the core of a new financial regulatory organization was created on October 28, 1997, when the SIB formally changed its name to the Financial Services Authority ("FSA"). Under the Bank of England Act which became effective June 1, 1998, the Bank of England's responsibility for supervising banks, wholesale money market institutions and the foreign exchange clearing house was transferred to the FSA. There is also a proposal, the Financial Services and Markets Bill, which would create a new statutory regime under which the FSA will acquire regulatory and registration functions currently exercised by several regulatory bodies, including the Insurance Directorate of the DTI and Treasury.

The review of the pensions regime is currently underway but it is too early to determine the likely outcome. The UK Insurance Group was asked to participate in the consultation process and has submitted its response.

Germany

General

German companies engaged in the insurance business are subject to the regulations of the German Versicherungsaufsichtsgesetz ("VAG" or German Insurance Control Act) and the supervision of the Bundesaufsichtsamt für das Versicherungswesen ("BAV", the Federal Supervisory Office). The BAV is a federal administrative authority which monitors and supervises the operation and financial condition of German insurance companies. The business and accounts of German insurance companies are subject to examination at any time by the BAV.

Insurance companies

Prior to conducting business, all German insurance companies need a license issued by the BAV following a process involving an examination of compliance with statutory standards of the legal, financial, accounting and technical structures of the applicant.

In addition, the BAV supervises adherence to statutory accounting principles and compliance with financial and technical management regulations. Any change in the statutes of the German insurance companies must also be approved by the BAV.

Profit sharing regulation

German life insurance companies are obliged by regulations to allocate for the benefit of the policyholders at least 90% of their annual surplus. In no case may these amounts be allocated to shareholders. Due to strong competition in Germany, the current policyholders' surplus participation is between 95% and 97%. The allocation of surplus is generally transferred to the provision for policyholders' dividends and distributed to policyholders according to defined bonus plans.

Investments and reserves

German insurance companies are subject to a number of requirements with respect to the administration of their assets and liabilities. The actuarial and claims reserves of each insurer, must be adequate to allow the insurer to fulfill its contractual commitments to pay upon receipt of claims. The BAV has issued strict rules for the calculation of the actuarial reserves.

German law prescribes a minimum solvency margin in addition to the maintenance of a guarantee fund. Under German law the guarantee fund must equal one third of the solvency margin.

German property and casualty insurance companies are required to establish claims equalization reserves according to actuarial rules. Such claims equalization reserves serve the purpose of leveling fluctuating claims requirements over the course of time.

The management of the assets of German insurance companies which support actuarial and claims reserves for potential claims is defined by the German Insurance Control Act, which defines strict requirements for safety, profitability and liquidity of investments. German law limits the proportion of assets which German insurers may invest in certain categories of investments and imposes restrictions with respect to particular investments.

Products

New insurance products and policies may be offered in Germany without prior approval of the BAV. Under the European Directives on insurance there is no authorization procedure to control insurance terms and conditions or tariffs.

While no prior approval is required, insurers must file a description of new products and policies with the BAV, which may require (i) the modification of their terms and conditions or (ii) the withdrawal from the market or the modification of any contract which in its judgment does not comply with applicable laws and regulations. Insurance companies must collect and remit to the German Federal Government a tax equal to 15% of the premiums for property and casualty insurance. This tax may be reduced for certain types of products, e.g. 13.75% of the premiums for comprehensive insurance on buildings, 10% for fire and fire/loss or profits insurance and even lower for certain other types of products. At present, premiums for life insurance generally and private health insurance generally are not subject to this tax.

German regulations require a guaranteed annual interest rate for life and pension general account products. The maximum guaranteed rate is based on regulations concerning the interest rate to be applied for the calculation of the actuarial reserves. This interest rate is fixed by the BAV and must be less than 60% of the ten-year average German state borrowing rate.

Belgium

Royale Belge and its insurance subsidiaries are subject to legislation applicable to corporations (sociétés anonymes) in general, and to insurance companies in particular.

The regulatory provisions which govern corporations (coordinated laws for commercial companies) form an integral part of the Commercial Code (Code du Commerce). The provisions relative to the supervision of insurance enterprises are contained principally in the Act of 9 July 1975, as well as in the Royal Act of 22 February 1991.

The principal aim of the legislation relative to the supervision of insurance enterprises is to prescribe and maintain the conditions under which insurance companies have an adequate level of solvency to meet their obligations, thereby protecting policyholders.

Profit Sharing Regulation

The profit distributed by the insurer must be credited to policy categories in direct proportion to their *contribution to investment income, mortality and management, and taking into consideration policy pricing.*

At least 86% of the total amounts allocated to policyholders in connection with profit sharing must be credited to the policy no later than the policy anniversary date following the fiscal year in which the profit arises or when the policy expires prior to the anniversary date.

Solvency Margin

The solvency margin is intended to protect policyholders against an insurance company insolvency.

Products

Products generally may be marketed in Belgium and abroad without prior approval from the Insurance Supervisory Office; however, products are subject to review by the Insurance Supervisory Office.

Insurers are subject to taxes or social security contributions of between 4.4% and 27% of premiums, depending on the type of product. Conversely, premiums paid on individual life insurance contracts are not subject to any taxes or contributions.

Brokerage

The insurance brokerage business is regulated by law and subject to audits by the Insurance Supervisory Office. Regulations define the conditions that brokers must meet and specify public disclosure requirements.The law governs not only the activity of brokers and agents, but also that of sub-agents, other types of insurance intermediaries and distributors (banks, travel agents, mutual companies, etc.) and direct marketing operations.

Asset Management

The asset management business is subject to licensing by the Banking and Finance Commission, which establishes minimum requirements in terms of paid-up capital, shareholders' equity and net assets.

In particular, asset management companies may not exercise activities other than the management of assets, nor may they hold equity interests in commercial companies or underwrite securities.

Item 2: Description of Property

The Company's current office, an office building of 6,080 square meters located in Paris, is owned in fee. In addition to its registered office, the Company has staff in other locations around Paris including 21 and 23 avenue Matignon. The Company also has major operating subsidiaries with headquarters located in several countries including France, the United States, Australia, Germany, Belgium and the United Kingdom.

The headquarters of these subsidiaries are held on either a leasehold or a freehold basis. For additional information, see Notes 2-9 and 16 of Notes to the Consolidated Financial Statements.

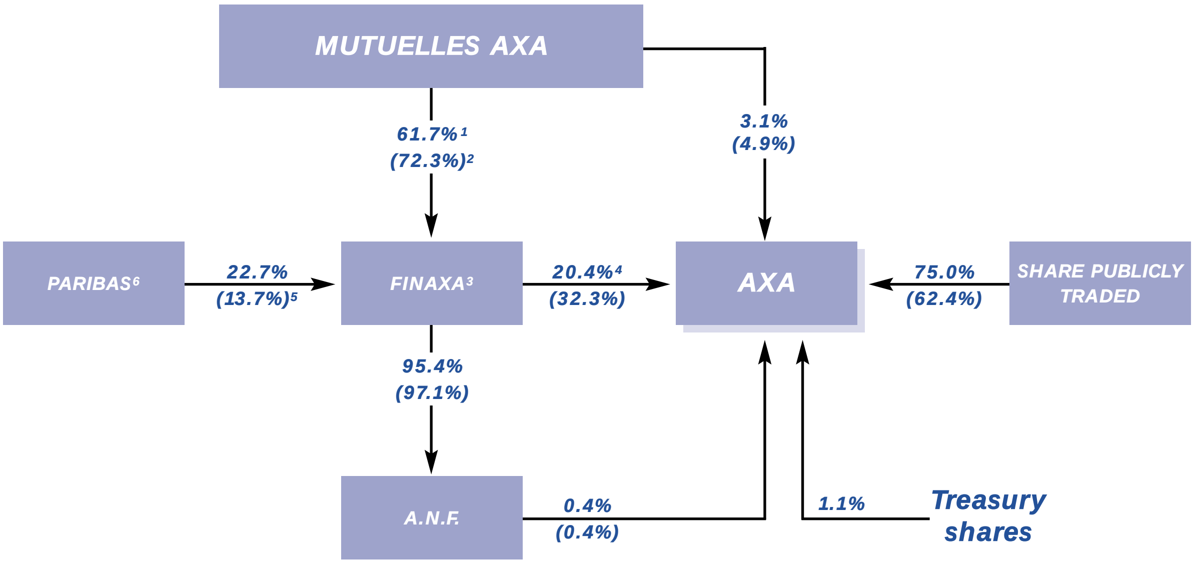
AXA also holds numerous investment properties in connection with its insurance and other financial services operations.

Item 3: Legal Proceedings

The matters set forth in Note 15 of Notes to the Company's Consolidated Financial Statements as of December 31, 1998 (Item 19 of this Report) are incorporated herein by reference.

Item 4: Control of Registrant

The following diagram sets forth the ownership structure of the Company as of March 1, 1999.



(1) Amounts in bold type represent the percentage of outstanding voting stock owned.
(2) Amounts in parentheses represent the percentage of total voting power represented by the voting stock owned.
(3) Finaxa is listed on the Paris Stock Exchange. The voting stock of Finaxa not owned by the Mutuelles AXA or Paribas is publicly traded.
(4) Directly and through holding companies.
(5) Paribas owned 13,662,420 shares (22.7% of Finaxa's outstanding voting stock and 13.7% of Finaxa's voting power).
(6) Mutuelles AXA, the Company and subsidiaries directly or indirectly, owned 11,613,701 Paribas shares (7.2% of Paribas' outstanding voting stock and 10.8% of Paribas' voting power).

The Mutuelles AXA are four mutual insurance companies engaged in the life insurance and property and casualty insurance business in France: AXA Assurances IARD Mutuelle, AXA Assurances Vie Mutuelle, AXA Courtage Assurance Mutuelle, and AXA Conseil Vie Assurance Mutuelle. The Mutuelles AXA do not have shares outstanding and the business of each Mutuelle is supervised by a board of directors elected by delegates representing policyholders. As of March 1, 1999, the Mutuelles AXA, acting as a group, owned, directly and indirectly through intermediate holding companies (including Finaxa), approximately 23.9% of the issued Shares representing approximately 37.6% of the voting power of the Company.

The Mutuelles AXA are parties to agreements pursuant to which they have stated their intention to collectively exercise majority control over Finaxa. These agreements affirm the intention of the Mutuelles AXA to utilize the synergies between the Mutuelles AXA and AXA's insurance subsidiaries so as to enhance their competitiveness while maintaining their separate identities. As part of these agreements, the Mutuelles AXA have also established a strategy committee (comité de coordination stratégique) composed of nine members appointed by the boards of directors of the Mutuelles AXA. The strategy committee elects a chairman from among its members who, at present, is Claude Bébéar. The strategy committee is generally consulted on all significant matters relating to Finaxa. Under these agreements, each of the Mutuelles AXA has also granted a right of first refusal to the other Mutuelles AXA in the event of any sale or other disposition of shares of Finaxa (or subscription or other rights or options relating thereto), and agreed not to purchase additional shares of Finaxa without the prior consent of the strategy committee.

RELATIONSHIPS WITH THE MUTUELLES AXA

The Mutuelles AXA are engaged directly in the life insurance and property and casualty insurance businesses in France. These insurance businesses, which are the Mutuelles AXA's only significant operating business activities, generated gross premiums of FF 8.3 billion (€1.27 billion) in 1998.

The insurance businesses of the Mutuelles AXA and the insurance businesses of AXA's French insurance subsidiaries use similar distribution channels and are managed as single businesses subject to legal and management arrangements established to maintain the legal distinctions between their respective businesses. While the Company and each of the Mutuelles AXA has its own board of directors, they have in common certain members of management and certain board members. The Mutuelles AXA, which have no employees, also use employees located in AXA's French insurance subsidiaries pursuant to management agreements between the Mutuelles and those subsidiaries. There are no agreements between the Mutuelles AXA and the Company's insurance subsidiaries that restrict in any way their ability to compete with one another.

Most of the costs and expenses of operating these insurance businesses (other than commissions) are shared among the relevant insurance companies and allocated through GIEs which perform various services for their members. Other GIEs provide specific services to their members, such as asset management, management of real estate assets and development and utilization of computer systems. The partnership agreement for each GIE provides for the operating costs and expenses of the GIE to be allocated among the members of the GIE in accordance with each member's use of the services provided by the GIE. Such costs and expenses are allocated on the basis of actual use of the specific service to the extent practicable.

AXA Courtage IARD, a property and casualty insurance subsidiary of the Company, and AXA Courtage Assurance Mutuelle, a property and casualty insurance Mutuelle AXA, allocate between them the underwriting results of the property and casualty insurance business generated in France by insurance brokers. This allocation is achieved through a co-insurance agreement implemented through a GIE.

PRINCIPAL SHAREHOLDERS

The table below sets forth as of March 1, 1999 all persons known by the Company to own, directly or indirectly, more than 10% of the issued Shares and the total amount of shares owned by executive officers and Directors of the Company (as a group).

Identity of person or Group	Shares	Percent of Class	Percent of Voting Power
Mutuelles AXA as a Group (through controlling interests in Finaxa and directly)[1]	83,585,518	23.9%	37.6%
Executive Officers and Directors (as a group)	475,910	0.13%	0.13%

(1) See ownership structure diagram above.

Item 5: Nature of Trading Market

The principal trading market for the Shares is the premier marché of the Paris Stock Exchange. The Company's ADS are listed on the New York Stock Exchange. The Shares are also quoted on Stock Exchange Automatic Quotations International System ("SEAQ International") of the London Stock Exchange.

Trading Practices and Procedures on the Paris Stock Exchange

Official trading of listed securities on the Paris Stock Exchange, including the Shares, is transacted through French stockbrokers (sociétés de bourse) and other authorized financial intermediaries, and takes place continuously on each business day from 10:00 a.m. to 5:00 p.m., with a pre-opening session from 8:30 a.m. to 10:00 a.m. during which transactions are recorded but not executed.The Paris Stock Exchange has introduced continuous trading by computer during exchange hours for most listed securities, including the Shares. Listed securities may generally be traded at any time outside the Paris Stock Exchange. Any trade effected after the close of a stock exchange session will be recorded on the next Paris Stock Exchange trading day at the closing price for the relevant security at the end of the previous trading day's session. The Société des Bourses Françaises ("SBF"), a self-regulatory organization responsible for supervision of trading in listed securities on French stock exchanges, publishes a daily Official Price List which includes price information on each listed security.

Securities listed on the Paris Stock Exchange are traded on one of three markets. The securities of most large public companies, including the Company, are traded on the premier marché. Securities of small and medium sized companies are traded on the second marché. Shares of certain other companies are traded on the nouveau marché. Shares listed on the Paris Stock Exchange are placed in one of four categories depending on the volume of trading transactions. The Shares are listed in the category known as continu A, which includes the most actively traded shares (i.e., a minimum daily trading volume of 250,000 or twenty trades).

Trades of securities on the premier marché of the Paris Stock Exchange are settled in either of two ways, in the cash settlement market (marché au comptant) or the monthly settlement market (marché à réglement mensuel). Trades of the Shares are settled in the monthly settlement market. In the monthly settlement market, the purchaser may elect to settle on the third trading day following the trade (réglement immédiat or immediate settlement) or decide, on the determination date (date de liquidation), which is the fifth trading day prior to the last trading day of the month, either (i) to settle the trade no later than on the last trading day of such month or (ii) upon payment of an additional fee, to extend to the determination date of the following month the option either to settle no later than the last trading day of such month or to postpone further the selection of a settlement date until the next determination date (a procedure known as report). Such option may be maintained on each subsequent determination date upon payment of an additional fee. The transfer of ownership of equity securities traded on the monthly settlement market of the Paris Stock Exchange occurs at the time of registration of the securities in the appropriate shareholder's account. The majority of transactions in equity securities on the Paris Stock Exchange are settled on the monthly settlement market.

In accordance with French securities regulation, any sale of securities executed on the monthly settlement market during the month of, and prior to, a dividend payment date is deemed to occur after payment of the dividend, and the purchaser's account will be credited with an amount equal to the dividend paid the seller and the seller's account will be debited in the same amount.

If the purchaser has selected immediate settlement in the monthly settlement market, delivery of bearer or registered shares to the purchaser must occur on the third trading day following the trade. Registration with the company of transfer of registered shares may, however, take up to 19 business days thereafter. Payment for both bearer and registered shares takes place on the same business day as delivery. See "Description of Capital Stock – Holding and Transfer of Securities" for a further discussion of the holding and transfer of Shares in both bearer and registered form.

Trading in the listed securities of an issuer may be suspended by the SBF if quoted prices exceed certain price limits defined by regulations of the Conseil des Marchés Financiers ("CMF"), the self-regulatory organization that has general regulatory authority over the French stock exchanges and whose members include representatives of French stockbrokers. In particular, if the quoted price of a continu A security varies by more than 10% from the previous day's closing price, trading may be suspended for up to 15 minutes. Further suspensions for up to 15 minutes are also possible if the price again varies by more than 5%. The SBF may also suspend trading of a listed security in certain other limited circumstances, including, for example, the occurrence of unusual trading activity in such security. The table below sets forth, for the periods indicated, the reported quarterly high and low sales prices per Share in French francs and average monthly trading volume for the Shares on the Paris Stock Exchange.

AXA Ordinary Shares Prices and Trading Volume on Paris Stock Exchange

Calendar Period	High (€)	High (FF)	Low (€)	Low (FF)	Average[1] Monthly Volume (Shares in millions)
1997					
First quarter	58.39	383	49.39	324	21.55
Second quarter	58.08	381	51.37	337	22.30
Third quarter	64.03	420	55.64	365	19.57
Fourth quarter	72.11	473	55.64	365	24.78
1998					
First quarter	100.46	659	67.68	444	21.34
Second quarter	113.42	744	94.97	623	21.05
Third quarter	130.65	857	77.74	510	22.97
Fourth quarter	123.48	810	63.92	417	25.94
1999					
First quarter[2]	136.50	895	112.50	738	20.88

(1) The figures shown include only the trading volume of the Shares on the Paris Stock Exchange. The Shares are also quoted on SEAQ International in London.
(2) Through March 1, 1999.

Trading on the New York Stock Exchange

The Bank of New York serves as depositary (the "Depositary") with respect to the ADSs traded on the New York Stock Exchange. Each ADS represents one-half an AXA Share. As of March 1, 1999, 9,908,496 ADSs were outstanding in the United States and were held by 136 registered holders of record.

The table below sets forth, for the periods indicated the reported quarterly high and low sales price per ADS and volumes traded on the New York Stock Exchange.

Calendar Period	High traded $	Low $	Total ADS (in thousands)
1997			
First quarter	33.875	31.25	462
Second quarter	35.125	29.25	3,479
Third quarter	34.50	30.75	3,482
Fourth quarter	36.50	31.875	2,723
1998			
First quarter	56.56	36.18	4,770
Second quarter	65.62	51.81	2,637
Third quarter	71.25	44.06	4,160
Fourth quarter	72.50	38.25	3,185
1999			
First quarter[1]	80.25	64.38	1,786

(1) Through March 1, 1999.

Trading by the Company in its Shares

Under French law, the purchase by a company of its own shares, either directly or indirectly, is generally prohibited. However, an extraordinary general meeting of shareholders may authorize a company to purchase a limited number of shares for cancellation in order to effect a capital reduction. A company may also purchase its own shares in connection with certain stock option and other employee benefit plans. In addition, upon the express authorization of the shareholders at an ordinary general meeting fixing the terms and conditions relative to any purchases and sales, listed companies, such as the Company, may purchase and sell their own shares for stabilization purposes.

Pursuant to authorization granted by the Company's shareholders at a general meeting on May 6, 1998, the Company is authorized to purchase at a price of not more than FF 800 and to sell at a price of not less than FF 450 up to 15,000,000 Shares. The authorization expires on the date of the Company's next annual general meeting. Pursuant to such authorization, the Company did not buy or sell any shares.

French law also requires a company to file a prospectus and a copy of the shareholders' resolution authorizing any purchases or sales for stabilization or for cancellation purposes with the Commission des Opérations de Bourse ("COB"), the independent commission responsible for overseeing the French securities markets, prior to engaging in such transactions, as well as a publicly available monthly report or, upon request by the COB, a more frequent report, of any purchases and sales thereafter. Purchases and sales by a company of shares may only be made to ensure the liquidity of the market and to reverse the trend reflected in the last quoted prices of the shares and may not account for more than 25% of the average total daily trading volume on the Paris Stock Exchange in shares of such company during a reference period of five stock exchange trading days immediately preceding such purchase or sale for shares traded in the monthly settlement market. Except during the issuance period of any new issue of shares, such transactions may be executed on behalf of a company by only one intermediary in each stock exchange session. In addition, the COB may require a company to provide additional information on, or justification for, such transactions.

A company may not own directly more than 10% of its total share capital or more than 10% of any class of its own shares. If a company purchases its own shares they must be held in registered form and be fully paid-up. Shares held by the Company are deemed outstanding under French law but are not entitled to dividends, voting rights or preferential subscription rights. See "Description of Capital Stock-Repurchase and Redemption of Shares".

Item 6: Exchange Controls and Other Limitations Affecting Security Holders

Foreign Exchange Controls

Under current French foreign exchange control regulations, there are no limitations on the amount of cash payments that may be remitted by the Company to residents of the United States. Laws and regulations concerning foreign exchange controls do require, however, that all payments or transfers of funds made by a French resident to a non-resident be handled by an accredited financial intermediary. In France, all registered banks and substantially all credit establishments are accredited financial intermediaries.

Ownership of Shares

Under current French companies law and the Company's statuts, there are no specific limitations on the right of non-resident or non-French persons to own or, where applicable, vote the Shares. Under current French foreign direct investment regulations, a notice (déclaration administrative) must be filed, however, with the French Ministry of the Economy for the acquisition of an interest in the Company by any person not residing in France or any group of non-French residents acting in concert or by any foreign controlled resident if such acquisition would result in (i) the acquisition of a controlling interest in the Company or (ii) the increase of a controlling interest in the Company unless such person not residing in France or group of non-French residents already controls more than two-thirds of the Company's share capital or voting rights prior to such increase. Under existing administrative rulings, ownership of 20% or more of a French listed company's share capital or voting rights is regarded as a controlling interest, but a lower percentage might be held to be a controlling interest in certain circumstances (depending upon such factors as the acquiring party's intentions, the ability of the acquiring party to elect directors or financial reliance by the company concerned on the acquiring party).

Under current French insurance regulations, any person (or group of persons acting in concert) who is not a resident of a member state of the European Economic Area must obtain authorization from the French Ministry of the Economy prior to entering into a transaction to acquire a direct or indirect interest, or to increase or decrease its direct or indirect interest, in the Company if such transaction would allow such person (or group of persons acting in concert) to (i) acquire control of, or cease to control, the Company or (ii) increase its interest to 10%, 20%, 33 1/3% or 50% of the Company's voting power (including through ADS's). Furthermore, any such transaction allowing such person (or group of persons acting in concert) to hold Shares representing in aggregate in excess of 5 % of the Company's voting power requires such person to provide prior notice to the French Ministry of the Economy. No prior authorization or prior notice, as the case may be, is required for such a transaction entered into by a person (or group of persons acting in concert) who is a resident of a member state of the European Economic Area, although such person (or group of persons) is required to provide the French Ministry of the Economy with notice upon completion of the transaction.

Item 7: Taxation

General

The following generally summarizes the material US Federal income tax and French tax consequences to US Holders of owning and disposing of Shares or ADRs. The term "US Holder" means a beneficial owner of one or more Shares or ADRs that is (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any state thereof (including the District of Columbia) or (iii) a person otherwise subject to US Federal income taxation on its worldwide income. In addition, this summary addresses some specific tax consequences pertaining to the ownership of Shares or ADRs by certain tax-exempt entities organized under the laws of the United States. This summary is based on US and French law and practice as of the date of this Annual Report, including the Convention between the United States of America and the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital dated August 31, 1994 (the "Treaty"). This summary is subject to any changes to US or French law or practice occurring after the date hereof, including any change in applicable tax treaty provisions. It is also based in part on representations by the Depositary and assumes that the obligations under the Deposit Agreement and any related agreements will be performed in accordance with their terms.

This discussion is intended only as a descriptive summary and does not purport to be a complete analysis or listing of all potential tax consequences of the ownership or disposition of Shares or ADRs. Because this summary is not exhaustive of all possible tax considerations (especially those applicable to persons which are subject to special tax treatment, including tax-exempt institutions, financial institutions, US expatriates, non-US Holders, dealers in securities, persons which functional currency is not the US dollar, persons holding Shares or ADRs as part of a conversion transaction, persons owning more than 10 percent of the capital of the Company and persons carrying on a trade or business in France through a permanent establishment or fixed base for the purpose of which the Shares or ADRs have been acquired or held), prospective purchasers of Shares or ADRs should consult their own tax advisors regarding all the particular tax consequences to them of their ownership and disposition of Shares or ADRs.

For purposes of the Treaty, French tax law and the US Internal Revenue Code of 1986, as amended (the "Code"), US owners of ADRs will be treated as owners of the Shares underlying the ADS's represented by such ADRs.

French Taxes

Taxation of Dividends
Withholding Tax

France normally imposes a 25 percent withholding tax on dividends distributed in cash or in the form of Shares by a French corporation (such as the Company) to shareholders who are not residents of France for French tax purposes. However, the Treaty generally reduces the withholding tax rate to 15 percent on dividends paid in cash or in the form of Shares to an "Eligible US Holder".

Under the Treaty, an "Eligible US Holder" is a US Holder whose ownership of Shares or ADRs is not effectively connected with a permanent establishment in France and who is (i) an individual or other non-corporate holder, or (ii) a corporation that does not own, directly or indirectly, 10 percent or more of the capital of the Company, provided in each case that such Holder is a resident of the United States under *the Treaty, and is entitled to Treaty benefits under the limitation on benefits provisions in Article 30 thereof and such Holder complies with the procedural rules described below. If a US Holder is a corporation that owns, directly or indirectly, 10 percent or more of the capital of the Company, the withholding tax rate will be reduced to 5%, provided that all other requirements set forth in the preceding sentence are met.*

Pursuant to an instruction published on June 7, 1994 (the ''Instruction''), dividends paid in cash or in the form of Shares to an Eligible US Holder who is entitled to the ''avoir fiscal'' (as discussed below) will no longer be subject to the French withholding tax of 25% (with this tax reduced at a later date to 15%, subject to filing formalities), but will be immediately subject to the reduced rate of 15% provided that such Holder establishes before the date of payment that he is a resident of the United States under the Treaty.

Taxation of Dividends ''Avoir Fiscal''

Under French domestic tax law, a resident of France generally is entitled to the avoir fiscal (a tax credit) in respect of a dividend received in cash or in the form of Shares from a French Corporation in an amount equal to:

- *50 percent of the net dividend received if the beneficiary of the distribution is an Individual;*
- *45 percent of the net dividend received if the beneficiary of the distribution is not an Individual.*

Under the Treaty, an Eligible US Holder is generally entitled to a payment from the French Treasury that is the equivalent of the avoir fiscal. Such payment is made by the French Treasury not earlier than the January 15th following the close of the calendar year in which the related dividend is paid, and only after receipt by the French tax administration of a claim for such payment in accordance with the procedures described below. However, there are certain limitations to the availability of the avoir fiscal under the Treaty. First, the avoir fiscal is generally only granted if the Eligible US Holder is subject to US Federal income tax on both the dividend and the avoir fiscal. Second, a partnership or a trust (other than a pension trust, a real estate investment trust or a real estate mortgage investment conduit) in its capacity as an Eligible US Holder is entitled to the avoir fiscal only to the extent that its partners, beneficiaries or grantors, as applicable, are themselves Eligible US Holders (other than a regulated investment company) and are themselves subject to US Federal income tax on their respective shares of both the dividend and the avoir fiscal. Third, the Eligible US Holder, where required by the French tax administration, must show that he or she is the beneficial owner of the Shares or ADRs and that the holding of such Shares or ADRs does not have as one of its principal purposes the purpose of allowing another person to take advantage of the grant of the avoir fiscal under the Treaty. Fourth, if the Eligible US Holder is a regulated investment company, it should not own, directly or indirectly, 10 percent or more of the capital of the Company (but only if less than 20 percent of its shares should be beneficially owned by persons who are neither citizens nor residents of the United States under the Treaty).

Under the Treaty, any payment of the avoir fiscal is subject to the 15 percent dividend withholding tax. Thus, for example, if a dividend of € 100 (FF 656) were payable by the Company to:

- *an Eligible US Individual Holder and the requirements are satisfied, such Holder would initially receive € 85 (FF 558, the € 100 dividend less a € 15 withholding tax). Such Holder also would receive an additional payment from the French Treasury of € 42.5 (FF 279), consisting of the avoir* fiscal of € 50, less the 15 percent withholding tax on that amount. Thus, the total net payment to the Eligible US Individual Holder would be € 127.5 (FF 837, although, as discussed below, such Holder would recognize € 150 (FF 984) of income for US Federal income tax purposes.

– an Eligible US non Individual Holder and the requirements are satisfied, such Holder would initially receive € 85 (FF 558), (the € 100 dividend less a € 15 withholding tax). Such Holder also would receive an additional payment from the French Treasury of € 38.25 (FF 251), consisting of the avoir fiscal of € 45, less the 15 percent withholding tax on that amount. Thus, the total net payment to the Eligible US non Individual Holder would be € 123.25 (FF 809), (although, as discussed below, such Holder would recognize € 145 (FF 951) of income for US Federal income tax purposes.

If an Eligible US Holder sells Shares in a trade executed on the monthly settlement market during a month during which a dividend payment date with respect to the Shares occurs, generally the seller, rather than the purchaser, will be entitled to the avoir fiscal with respect to the dividend paid on such dividend payment date. See "Nature of Trading Market" for a summary of certain information relating to trading of the Shares on the monthly settlement market.

Any amounts distributed as a dividend by the Company out of profits which have not been subject to French corporate income tax at the standard corporate income tax rate, which are distributed from the long-term capital gains reserve or which were earned and taxed more than five years before the distribution, would be subject to the "précompte" (a French equalization tax). The précompte is a tax paid by the corporation at the time of a dividend distribution that is equal to 50% of the net dividend distributed, except that, when a dividend is distributed from the long-term capital gains reserve, the précompte is equal to the difference between a tax based on the regular corporate tax rate applied to the amount of the declared dividend and the taxes previously paid by the corporation on the income being distributed. The amount of any précompte would be charged to shareholders' equity as part of the dividend distribution. The Company will pay a précompte in 1999. This précompte will be paid by means of offsetting French and/or foreign tax credits against the précomte liability. As a consequence, any eligible US Holders that are not entitled to the full avoir fiscal may not obtain from the French Treasury a refund of any précompte paid by the Company (or, in certain cases, by one of its direct subsidiaries).

Taxation of Dividends Procedures to Obtain Treaty Benefits

Eligible US Holders must follow certain procedures in order to be eligible for the 15 percent dividend withholding tax and to receive a refund of the avoir fiscal (less the 15 percent withholding tax on that amount) under the Treaty.

An Eligible US Holder entitled to the avoir fiscal who wishes to obtain a reduced withholding rate at source must (i) complete, (ii) have certified by the United States financial institution that is in charge of the administration of such Eligible US Holder's Shares or ADRs (the "US Financial Institution"), and (iii) file with the Company or the French person in charge of the payment of dividends on the Shares (the "French Paying Agent") in the case of Shares, or with the Depositary in the case of ADRs, a French form RF1 A EU no. 5052, entitled "Application for Refund" (the "Standard Form"), before the date of payment of the relevant dividend. An Eligible US Holder that is a regulated investment company must also be identified as such on a list provided annually by the Internal

Revenue Service ("IRS") to the French tax administration. However, if an Eligible US Holder is not able to complete, have certified and file the Standard Form before the date of payment of the dividend, such Eligible US Holder may still benefit from the Treaty if the US Financial Institution provides the Company or the French Paying Agent in the case of Shares, or the Depositary in the case of ADRs, with certain information with respect to such Eligible US Holder and his or her holding of Shares or ADRs before the date of payment of such dividend. Whichever procedure is followed, the avoir fiscal is not paid by the French Treasury earlier than the January 15th following the close of the calendar year in which the related dividend is paid.

If either of the above-described procedures has not been followed before a dividend payment date (or is not available to an Eligible US Holder), the Company or the French Paying Agent will withhold tax from the dividend at the normal French rate of 25 percent, and the Eligible US Holder will be entitled to claim a refund of the excess withholding tax and the payment of the related avoir fiscal by filing the Standard Form with the Depositary or the French Paying Agent early enough to enable the Depositary or the French Paying Agent to forward such Standard Form to the French tax administration before December 31st of the year following the calendar year in which the related dividend was paid.

The Standard Form with instructions, is available from the US Internal Revenue Service. The Depositary will provide to all US Holders of ADRs the Forms or certificates, together with instructions, and will arrange for the filing with the French tax authorities of all Forms and certificates completed by US Holders of ADRs and returned to the Depositary in sufficient time. See "Description of Depositary Arrangement—Dividends, Other Distributions and Rights".

Special Rules for Certain Tax-Exempt Shareholders

Under the Treaty, special rules apply to (i) any "Eligible Pension Fund", which is a tax-exempt entity established in, and sponsored or established by a resident of, the United States, the exclusive purpose of which is to provide retirement or employee benefits and which does not own, directly or indirectly, 10 percent or more of the capital of the Company, (ii) any "Eligible Not-For-Profit Organization", which is a tax-exempt entity organized in the United States, the use of whose assets is limited under US Federal or state laws, both currently and upon liquidation, to the accomplishment of the purposes that serve as the basis of its exemption from income taxation in the United States and which does not own, directly or indirectly, 10 percent or more of the capital of the Company, and (iii) any "Individual Holding Shares in a Retirement Plan", meaning an individual who is a resident of the United States under the Treaty and who owns Shares or ADRs through an individual retirement account, a Keogh plan or any similar arrangement. ("Eligible Pension Funds", "Eligible Not-For-Profit Organizations" and "Individuals Holding Shares in a Retirement Plan" are referred to collectively as "Eligible Tax-Exempt Holders".)

Provided they are entitled to Treaty benefits under the limitation on benefits provisions in Article 30 thereof, Eligible Tax-Exempt Individual Holders are entitled to receive from the French Treasury a payment equal to 30/85ths of the avoir fiscal (the "partial avoir fiscal"), less a 15 percent dividend withholding tax on such amount, notwithstanding the general requirement described above that the Individual holder be subject to US tax on both the dividend and the avoir fiscal. Thus, for example, if a dividend of € 100 (FF 656) were payable by the Company to an Eligible Tax-Exempt Individual Holder and the requirements of the Instruction are satisfied, such Individual Holder would initially receive € 85 (FF 558) (the € 100 dividend less a € 15 withholding tax). The Eligible Tax-Exempt Individual Holder would be further entitled to an additional payment from the French Treasury of € 15, consisting of the partial avoir fiscal of 30/85ths of of € 50 (FF 32.8), less the 15 percent withholding tax on that amount. When the avoir fiscal is equal to 45 percent of the net dividend (for instance for "Eligible Pension funds" and "Eligible Not-for-Profit Organizations"), Eligible Tax-Exempt Holders are entitled to receive from the French Treasury a payment equal to 33⅓/85ths of the avoir fiscal, less a 15 percent withholding tax on such amount. Thus, the total net payment to the Eligible Tax-Exempt Individual Holder would be € 100. The Eligible Tax-Exempt Individual Holder, where required by the French tax administration, must show that it is the beneficial owner of the Shares or ADRs and that the holding of such Shares or ADRs does not have as one of its principal purposes the purpose of allowing another person to take advantage of the grant of the partial avoir fiscal under the Treaty.

Tax-Exempt Holders generally must follow the procedures set forth above under ''-Taxation of Dividends-Procedures to Obtain Treaty Benefits". Nevertheless, the existing French forms do not take into account the special tax treatment applicable to Eligible Tax-Exempt Holders with respect to the payment of the partial avoir fiscal and the refund of the précompte. Certain Eligible Tax-Exempt Holders may also be required to provide written evidence certified by the IRS of their status under US Federal income tax law. As a consequence, Eligible Tax-Exempt Holders are urged to contact their own tax advisors with respect to the procedures to be followed to obtain Treaty benefits.

Tax on Sale or Redemption

Under the Treaty, no French tax is levied on any capital gain derived from the sale of Shares or ADRs by a US Holder who (i) is a resident of the United States under the Treaty, (ii) is entitled to Treaty benefits under the limitation on benefits provisions of Article 30 thereof, and (iii) does not have a permanent establishment in France to which the Shares or ADRs are effectively connected or, in the case of an individual, who does not maintain a fixed base in France to which the Shares or ADRs are effectively connected.

Under French domestic tax law, any gain realized by a shareholder on a redemption of Shares by the Company generally will be treated as a dividend and will be subject to French dividend withholding tax as described above under "–Taxation of Dividends–Withholding Tax", unless all the Company's accumulated earnings and profits (as determined for French tax purposes) have been distributed to shareholders of the Company before such redemption. Any such redemption generally would entitle the shareholders to the avoir fiscal and may trigger the précompte, provided it is pro rata among all the shareholders of the Company. An Eligible US Holder generally would be entitled to Treaty benefits with respect to the avoir fiscal and the précompte related to his or her gain on a redemption of Shares that is treated as a dividend for French tax purposes.

French Transfer and Stamp Taxes

Transfers of ADRs and Shares will not be subject to French transfer taxes unless the transfer is effected by means of a written agreement that is executed or enforced within France. Should such written agreement be executed or enforced in France, it would be subject to transfer taxes at the rate of 1 percent, up to a maximum of FF 20,000 per transaction.

In certain cases, a stock exchange stamp tax also may be payable.

French Estate, Gift and Wealth Taxes

A transfer of Shares or ADRs by gift by, or by reason of death of, a US Holder that would be subject to French gift or inheritance tax under French domestic tax law will not be subject to such French tax by reason of the Convention between the United States of America and the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Estates, Inheritances and Gifts, dated November 24, 1978 unless (i) the donor or decedent is domiciled in France within the meaning of that Convention at the time of making the gift, or the time of his or her death, or (ii) the ADRs or Shares were used in, or held for use in, the conduct of business through a permanent establishment or a fixed base in France.

Under French tax law and the Treaty, the French wealth tax generally does not apply to US Holders that are not individuals or in the case of natural persons, who own alone or with their parents, directly or indirectly, ADRs or Shares representing the right to less than 25 percent of the Company's profits.

United States Taxes

Taxation of Dividends

For US Federal income tax purposes, the gross amount of a distribution by the Company to US Holders (including any amounts of French tax withheld) will be treated as dividend income to the extent paid out of the Company's current or accumulated earnings and profits (as determined for US Federal income tax purposes). If a US Holder has the option to receive a distribution either in cash or in the form of Shares, and such US Holder chooses to receive Shares (a "Stock Distribution"), such US Holder will be treated for purposes of the preceding sentence as having received a distribution to the extent of the fair market value of these Shares. The gross amount of any related avoir fiscal or précompte payment also will be treated as dividend income. Such dividend income will not be eligible for the dividend received deduction generally allowed to corporations under Section 243 of the Code. To the extent that an amount received by a US Holder exceeds the US Holder's allocable share of the Company's current and accumulated earnings and profits, such excess will be applied first to reduce the Holder's basis in his or her Shares or ADRs, and then, any remaining such excess would constitute gain from the deemed sale or exchange of his or her Shares or ADRs. See "—Tax on Sale" below.

For US Federal income tax purposes, dividends will be taxable to the US Holder of Shares or ADRs outstanding on the record date established by French law, which in the case of an annual dividend will be fixed by the shareholders at the shareholders' meeting approving the distribution of dividends, and in the case of an interim dividend will be fixed by the Board of Directors approving the distribution of interim dividends. Any payment of the avoir fiscal or the partial avoir fiscal, plus the withholding tax thereon, will be included in the dividend income of a US Holder in the year in which such payment or refund is received (except, possibly, if the US Holder unduly delays seeking such payment or refund). The amount recognized as dividend income by a US

Holder will be equal to the US dollar value of the distributed French francs (or, in case of a Stock Distribution, the Shares) on the date of the recognition of such dividend for US Federal income tax purposes. Such French francs distributed will have a tax basis equal to their US dollar value at such time. Any gain or loss realized upon a subsequent conversion or other disposition of the French francs will be treated as ordinary income or loss from sources within the United States.

As discussed above, payments of dividends, the avoir fiscal, the partial avoir fiscal to a US Holder will be subject to French withholding tax. For US Federal income tax purposes, a US Holder may generally elect to treat such French withholding taxes as either a deduction from gross income or a credit against such US Holder's US Federal income tax liability. The maximum foreign tax credit allowable generally is equal to the US Holder's US Federal income tax liability for the taxable year multiplied by a fraction, the numerator of which is the US Holder's taxable income from sources without the United States and the denominator of which is the US Holder's taxable income from all sources for the taxable year. That foreign tax credit limitation is applied separately to different ''baskets" of income. For purposes of applying the foreign tax credit limitation, dividends are generally included in the ''passive income" basket or, if received by a financial services entity and certain other conditions are met, the ''financial services income" basket.

In the case of an Eligible US Holder, if the full withholding tax rate of 25 percent is applied (because, for instance, the procedures described under ''—French Taxes—Taxation of Dividends—Procedures to Obtain Treaty Benefits" are not complied with by the dividend payment date), the refundable portion of the tax withheld by the Company or the French Paying Agent (representing the difference between the 25 percent and the 15 percent tax rates) would not be eligible for the foreign tax credit.

Tax on Sale

For US Federal income tax purposes, a US Holder generally will recognize gain or loss on any sale, exchange or other disposition of Shares or ADRs (unless a specific nonrecognition provision applies). Such gain or loss will be measured by the difference between the amount of cash (and the fair market value of any other property) received and the holder's tax basis in the Shares or the ADRs. A US Holder's tax basis in the Shares or the ADRs will generally equal the amount paid by such US Holder for the Shares or the ADRs (or, in case of Shares acquired by way of Stock Distribution, the amount included in income at the time of the Stock Distribution). Gain or loss arising from a sale or exchange of Shares or ADRs will be capital gain or loss if such Shares or ADRs are held as capital assets by the US Holder, and will be short term or long term depending whether the holding period of the US Holder for such Shares or ADRs exceeds one year. In general, gain from a sale or exchange of Shares or ADRs by a US Holder will be treated as United States source income.

The Taxpayer Relief Axt of 1997 (the "Relief Act") has changed the US Federal income tax rates for capital gains of individuals, trusts and estates. Under the Relief Act, any gain realized by such taxpayers from the sale or other taxable disposition of Shares or ADRs that have been held for more than 18 months generally will be subject to a maximum tax rate of 20%, while the maximum tax rate for Shares or ADRs that have been held for more than 12 months but not more than 18 months generally will be 28%.

Backup Withholding

Under certain circumstances, a US Holder who is an individual may be subject to backup withholding at a 31% rate on dividends received on Shares or ADRs. This withholding generally applies only if such individual Holder (i) fails to furnish his or her taxpayer identification number ("TIN") to the US Financial Institution or any other person responsible for the payment of dividends on the Shares or ADRs, (ii) furnishes an incorrect TIN, (iii) is notified by the US Internal Revenue Service ("IRS") that he or she has failed to properly report payments of interest and dividends and the IRS has notified the Company that he or she is subject to backup withholding, or (iv) fails, under certain circumstances, to provide a certified statement, signed under penalty of perjury, that the TIN provided is his or her correct number and that he or she is not subject to backup withholding. Any amount withheld from a payment to a US Holder under the backup withholding rules will be allowable as a credit against such Holder's Federal income tax liability, provided that the required information is furnished to the IRS.

United States State and Local taxes

In addition to US federal income taxes, US Holders may be subject to United States state and local taxes with respect to their Shares or ADRs. US Holders should consult their own tax advisors regarding such matters.

Item 8: Selected Financial Data

Dividends

Dividends paid to holders of Shares and ADSs will generally be subject to French withholding tax at a rate of 25 % which, subject to certain procedures and exceptions, may be reduced to 15 % for holders who are residents of the United States. Certain holders of Shares and ADSs may be entitled to receive a subsequent payment equal to the French avoir fiscal or tax credit in an amount equal to 50 % of any dividends paid by the Company, less applicable French withholding tax. See "Taxation" for a summary of certain United States federal and French tax consequences to holders of Shares and ADSs. The following table sets forth the total dividends paid per Share and per ADS in each year indicated, with or without the French avoir fiscal, and before deduction of any French withholding tax. Dividends paid in each year are in respect of the prior year's results.

Historical Dividend Information[1]

Year	Dividend per Share		Net Income per share		Dividend per Share including Avoir Fiscal[2]		Dividend per ADS[3]	Dividend per ADS including Avoir Fiscal[2,3]
	€	FF	€	FF	€	FF	$	$
1994	0.84	5.50	2.16	14.18	1.26	8.25	0.56	0.84
1995	0.99	6.50	2.57	16.86	1.49	9.75	0.63	0.94
1996	1.14	7.50	3.10	20.36	1.72	11.25	0.72	1.08
1997	1.37	9.00	3.71	24.34	2.06	13.50	0.75	1.13
1998[4]	1.70	11.15	4.52	29.65	2.55	16.73	0.94	1.42

(1) Adjusted to reflect the five-for-one Share split on June 13, 1994.
(2) Payment equivalent to the French avoir fiscal or tax credit, less applicable French withholding tax, will be made only following receipt of a claim for such payment, and, in any event, not until after the close of the calendar year in which the respective dividends are paid. Certain U.S. tax exempt holders of Shares or ADSs will not be entitled to full payments of avoir fiscal. See "Taxation".
(3) Translated solely for convenience into dollars per ADS at the Noon Buying Rates on the respective payment dates. Because each ADS represents one-half of a Share, amounts indicated in $ per ADS equal one-half of the equivalent dividends per Share. For convenience only, avoir fiscal amounts have been converted into dollars at the Noon Buying Rate on such payment dates, although such amounts are paid subsequent to such payment dates. Also, the Noon Buying Rate may be different from the rate used by the Depositary to convert francs to dollars for purposes of making payments to holders of ADSs.
(4) At the ordinary general meeting of shareholders of the Company to be held on May 5, 1999, the shareholders are expected to declare a dividend in respect of 1998 of € 1.70 (FF 11.15) per share (equivalent to $ 0.94 per ADS using the Noon Buying Rate on December 31, 1998).

Exchange Rates

The following table sets forth, for the periods indicated, certain information concerning the noon buying rate of French francs and euros for one US dollar in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") for the franc against the dollar. Such rates, which are presented for the convenience of the reader, are not used by the Company in the preparation of the Company's consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

In 1998, the average exchange rates (which are the rates AXA used in the preparation of the consolidated financial statements to translate the 1998 results of operations of its subsidiaries and affiliates not denominated in French francs into French francs) were US $1= FF 5.8974, UK £1 = FF 9.313390 and AUS $ = FF 3.322730. In 1997, the year end exchange rates were used by AXA (see Note 2-1 of the Consolidated Financial Statement). Such rates were: US $1 = FF 5.9935, UK £1 = FF 9.910252 and AUS $ = FF 4.275927. In 1996, the year end exchange rates were US $ = FF 5.2380, UK £1 = FF 8.8928 and AUS $ = FF 4.1001.

Year	At end of period	Average rate[1]	High €	High FF	Low €	Low FF
1994	5.34	5.51	0.91	5.98	0.78	5.11
1995	4.91	4.96	0.82	5.39	0.73	4.76
1996	5.24	5.12	0.80	5.27	0.75	4.90
1997	5.99	5.79	0.97	6.35	0.79	5.20
1998	5.60	5.90	0.95	6.21	0.82	5.39

(1) The average of the Noon Buying Rates on the last day of each full month during the relevant period.

French Franc Exchange Rates

	Year End Exchange Rate			Average Exchange Rate
	1998	1997	1996	1998
American Dollar	5.60	5.99	5.24	5.90
Australian Dollar	3.32	4.28	4.10	3.86
Belgian Franc	0.16	0.16	0.16	0.16
British Pound	9.31	9.91	8.89	9.77
Deutsch Mark	3.36	3.35	3.38	3.35

Euro Exchange Rates

	Year End Exchange Rate			Average Exchange Rate
	1998	1997	1996	1998
American Dollar	0.85	0.91	0.80	0.90
Australian Dollar	0.51	0.65	0.63	0.59
Belgian Franc	0.02	0.02	0.02	0.02
British Pound	1.42	1.51	1.36	1.49
Deutsch Mark	0.51	0.51	0.52	0.51

Selected Financial Data

The selected consolidated financial data below has been derived from financial statements audited by PricewaterhouseCoopers, the Company's independent accountants. Consolidated balance Consolidated Financial Information

The Consolidated Financial Statements have been prepared in accordance with French GAAP, which differs in certain material respects from US GAAP. For a summary of the material differences between French GAAP and US GAAP relevant to AXA, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Reconciliation of French GAAP to US GAAP" and Notes 24 and 25 of the Notes to the Consolidated Financial Statements.

In accordance with French GAAP, Equitable has been consolidated in the Consolidated Financial Statements since July 1, 1992. Accordingly, 100% of Equitable's revenues; benefits, claims and other deductions; income before income taxes and minority interests; and income tax expense are reflected in AXA's consolidated statements of income from July 1, 1992. The approximately 42% for 1998, 43% for 1997, 39% for 1996 and 1995 and 51% for 1994 of Equitable's income after income tax expense attributable to minority shareholders is reflected as minority interests in income of consolidated subsidiaries and, accordingly, is deducted in determining AXA's consolidated net income.

In accordance with French GAAP, National Mutual has been consolidated in the Consolidated Financial Statements since September 1, 1995. Accordingly, 100% of National Mutual's revenues; benefits, claims and other deductions; income before income taxes and minority interests; and income tax expense are reflected in AXA's consolidated statements of income from September 1, 1995. The 49% of National Mutual's income after income tax expense attributable to minority shareholders is reflected as minority interests in income of consolidated subsidiaries and, accordingly, is deducted in determining AXA's consolidated net income. National Mutual uses a fiscal year ending September 30 and is consolidated as of that date in AXA's Consolidated Financial Statements. Accordingly, National Mutual's results of operations only for the month of September 1995 are included in AXA's consolidated results of operations for the year ended December 31, 1995.

Year ended December 31	1998 (a) (in $ millions except per ordinary share and ADS amount)	1998	1997	1996	1995	1994 (b)
		(in FF millions except per ordinary share)				
Income Statement Data:						
Gross premiums	52,465	309,406	307,546	130,838	100,215	96,033
Investment banking and other financial services revenue	10,599	62,505	57,082	36,368	30,361	28,358
Net investment results (c)	15,648	92,284	84,044	35,407	27,963	25,583
Total revenues	78,748	464,407	448,644	202,377	158,152	149,254
Income before income tax expense	4,134	24,380	20,684	8,866	5,858	4,858
Income tax expense	(1,360)	(8,018)	(7,797)	(2,900)	(2,016)	(1,503)
Minority interests in income of consolidated subsidiaries	(1,084)	(6,390)	(5,264)	(2,098)	(1,017)	(1,213)
Equity in income (loss) of unconsolidated entities	12	70	297	(59)	(95)	127
Net income	1,703	10,042	7,920	3,809	2,730	2,269
Net income per ordinary share (d)(e)	5.03	29.65	24.34	20.36	16.86	14.18
Net income per ADS(f)	2.51	14.83	12.17	10.18	8.43	7.09
Dividends per ordinary share (f)(g)	1.89	11.15	9.00	7.50	6.50	5.50
Dividends per ADS(f)(g)	0.95	5.58	4.50	3.75	3.25	2.75
Approximate amounts in accordance with US GAAP:						
Gross premiums	32,481.43	191,556	172,360	53,492	54,994	40,322
Total revenues	49,671.21	292,931	260,540	99,313	92,892	50,368
Income before income tax expense	1,943.74	11,463	10,229	4,449	3,467	2,059
Net income	833	4,910	2,032	2,154	324	1,995
Per ordinary share (d)(e):						
Net income per ordinary share	2.49	14.70	6.42	11.99	1.95	12.16
Net income per ordinary share assuming issuance of all dilutive contingent securities	2.34	13.81	5.91	11.32	1.70	11.93
Per ADS (f):						
Net income per ADS	1.25	7.35	3.21	6.00	0.98	6.08
Net income per ADS assuming issuance of all dilutive contingent securities	1.17	6.91	2.96	5.66	0.85	5.97
Approximate amounts in accordance with US GAAP: except for adjustment for unrealized investment gains on real estate allocated to UK with non-profit contracts (h):						
Net income	1,621	9,559	8,286	3,235	2,481	703
Per ordinary share (d)(e):						
Net income per ordinary share	4.85	28.61	26.19	18.01	14.95	4.29
Net income per ordinary share assuming issuance of all dilutive contingent securities	4.55	26.83	24.51	16.41	14.59	4.25
Per ADS (f):						
Net income per ADS	2.43	14.31	13.10	9.01	7.48	2.15
Net income per ADS assuming issuance of all dilutive contingent securities	2.27	13.41	12.26	8.21	7.30	2.13

(a) French franc amounts for 1998 have been translated into US dollars using FF 5,8974 = $1.00, and French franc amounts as of December 31, 1998 have been translated into US dollars using FF 5.598=$1.0, the rates AXA uses in the preparation of the Consolidated Financial Statements. The Noon Buying Rate in effect on December 31, 1998 was FF 5.60 = $1.00.

(b) In 1994, AXA's US subsidiaries adopted SFAS No.112, "Employers Accounting for Postemployment Benefits" which resulted in a charge for the cumulative effect of the accounting change of FF 145 million, net of an income tax benefit of FF 78 million.

(c) Includes investment income net of investment expenses and interest expense on short-term and long-term debt (other than interest expense on short-term trading instruments that is included in operating costs and expenses) and net realized investment gains or losses.

Year ended December 31	1998 (a)	1998	1997	1996	1995	1994 (b)
	(in $ millions except per ordinary share and ADS amount)		(in FF millions except per ordinary share and ADS amount)			
Balance Sheet Data:						
Total investments	275,551	1,542,534	1,519,182	689,722	565,806	495,941
Total assets	450,938	2,524,349	2,414,342	1,127,309	943,534	798,015
Insurance liabilities (i)	217,123	1,215,455	1,119,284	470,119	413,654	363,499
Long-term debt:						
Financing debt (j)	3,330	18,644	23,658	22,070	26,033	19,986
Operating debt (j)	3,866	21,642	15,032	7,675	6,089	5,798
Mandatorily convertible bonds and notes (j)	556	3,111	3,111	1,260	2,100	–
Subordinated debt (j)	3,171	17,752	15,185	8,490	4,646	1,916
Shareholders' equity	15,862	88,797	78,670	44,837	33,391	33,758
Shareholders' equity per ordinary share (d)(e)	46.83	262.14	237.42	232.16	203.07	210.13
Shareholders' equity per ADS (f)	23.40	131.00	118.71	116.08	101.54	105.07
Approximate amounts in accordance with US GAAP:						
Total investments	283,855	1,589,020	1,502,341	603,403	489,351	446,153
Total assets	477,733	2,674,347	2,498,628	1,053,349	877,733	797,931
Insurance liabilities	222,032	1,242,937	1,178,441	377,891	325,051	304,137
Long-term debt:						
Financing debt (j)	7,057	39,507	41,954	29,149	30,518	21,841
Operating debt (j)	3,866	21,642	15,032	7,675	6,089	5,798
Shareholders' equity	23,851	133,517	109,856	45,476	35,744	31,829
Shareholders' equity per ordinary share (e)	70.41	394.16	338.07	253.67	217.38	198.13
Shareholders' equity per ADS (f)	35.21	197.08	169.04	126.84	108.69	99.07
Approximate amounts in accordance with US GAAP except for adjustment for unrealized investment gains on real estates allocated to UK with non-profit contracts (h):						
Shareholders' equity, group share	24,074	134,769	111,004	46,604	36,721	32,820
Shareholders' equity group share, per ordinary share (e)	71.07	397.85	341.60	259.97	223.32	204.30

(d) Adjusted to reflect the five-for-one Share split on June 13, 1994.

(e) All per ordinary share amounts calculated in accordance with French and US GAAP are based on the weighted average number of shares outstanding for each year presented. Shareholders' equity per ordinary share calculated in accordance with French and US GAAP is based on the number of ordinary shares outstanding at each year-end presented. The US GAAP calculations deduct ordinary shares held by AXA in the calculation of ordinary shares outstanding.

(f) Prior to June 25, 1996, no ADSs representing the Shares were outstanding. Solely for convenience, the historical per ordinary share amounts for periods prior to such date have been divided by two, the number of ADSs representing one Share. This same calculation has also been performed for periods after such date.

(g) An annual dividend generally is paid each year in respect of the prior year after the annual general meeting of shareholders (customarily held in May or June) and before September of that year. Dividends are presented above in the year to which they relate, not the year in which they are declared and paid. At the ordinary general meeting of shareholders of the Company to be held on May 5, 1998, the shareholders are expected to declare a dividend in respect of 1998 of FF 11.15 per Share. Dividends per ordinary share and per ADS do not include any French avoir fiscal which may be receivable from the French Treasury. See Item 7: Taxation. Dividends per ordinary share are based on the number of shares oustanding at the end of the year for each year presented.

(h) Under French GAAP, in accounting for UK with-profits contracts, revenue and expense are matched in net income by including both changes in the estimated fair values of assets allocated to UK with-profits contracts and corresponding increases or reductions in the liability for UK with-profits contractholder benefits. US GAAP, which has developed in an environment that differs from the one in which the UK with-profit contract was developed, requires that the change in unrealized investment gains or assets allocated to UK with-profits contracts be excluded from net income,while requiring recognition of the corresponding change in the liability for with-profits contractholder benefits in net income. Accordingly, AXA believes this exclusion results in amounts that do not fully reflect the economic effect of the UK with-profits contracts. A rise in the estimated fair value of these assets results in an increase in the liability for contractholder benefits and a reduction in AXA's consolidated US GAAP net income and, conversely, a decline in the estimated fair value of these assets results in a decrease in the liability for contractholder benefits and an increase in AXA' s consolidated US GAAP net income. Set forth below is AXA's consolidated net income in accordance with US GAAP except for adjustment for the change in unrealized investment gains on assets allocated to UK with-profits contracts, which presentation AXA believes is more meaningful under the circumstances. See notes 24.12 and 2-7.3 of Notes to the Consolidated Financial Statements and, for a description of UK with-profits contracts, "Business Life Insurance-UK Life Insurance Group Products-With-Profits Contracts".

(i) Includes future policy benefits and other policy liabilities, insurance claims and claims expenses, UK with-profits contract liabilities and unearned premium reserve.

(j) Operating debt includes debt, principally of AXA's financial services subsidiaries, to provide working capital. Financing debt includes debt of AXA other than operating debt. Subordinated debt and mandatorily convertible bonds and notes are considered mezzanine capital for French GAAP purposes.

Consolidated gross premiums and investment banking and other financial services revenue by activity

(In FF millions)	1998	1997	1996 Pro forma (a)	1996	1998/1997 % change	% change on a constant structural, methodological and exchange basis (b)
Life Insurance						
France	62,624	64,539	61,274	20,743	–3.0%	–3.5%
United States	60,221	51,629	37,966	37,966	16.6%	18.5%
United-Kingdom	33,714	30,509	24,782	9,384	10.5%	12.4%
Asia/Pacific	19,515	21,856	20,478	20,478	–10.7%	–6.0%
Germany	16,373	17,003	16,439	1,151	–3.7%	4.0%
Belgium	6,045	5,560	5,040	933	8.7%	7.2%
Other countries	14,342	14,571	15,009	4,395	–1.6%	2.8%
Total Life Insurance	**212,834**	**205,667**	**180,988**	**95,050**	**3.5%**	**5.5%**
Property and Casualty Insurance						
France	27,412	27,740	28,110	11,261	–1.2%	–0.7%
Germany	17,411	18,457	19,118	67	–5.7%	–5.8%
Belgium	8,591	8,574	8,645	2,565	0.2%	–0.1%
Other countries	24,576	24,521	24,516	9,729	0.2%	0.2%
Transnational Property and Casualty group	9,120	12,743	13,361	4,088	–28.4%	–16.8%
Total Property and Casualty Insurance	**87,110**	**92,035**	**93,750**	**27,710**	**–5.4%**	**–3.4%**
Reinsurance						
AXA Ré	8,913	9,105	8,078	8,078	–2.1%	1.6%
Other companies	549	739	767	–	–25.6%	–25.7%
Reinsurance	**9.462**	**9,844**	**8,845**	**8,078**	**–3.9%**	**–0.4%**
Asset Management						
Alliance Capital	7,427	5,914	4,741	4,741	25.6%	36.2%
AXA Investment Managers	875	524	134	134	67.0%	37.2%
National Mutuale Funds Management	173	154	129	129	12.3%	24.2%
Total Asset Management	**8,475**	**6,592**	**5,004**	**5,004**	**28.6%**	**37.2%**
Other Financial Services						
United States (DLJ)	49,104	43,780	28,580	28,580	12.2%	14.0%
Other financial companies	4,549	4,893	5,665	1,768	–7.0%	12.5%
Real Estate	372	1,798	1,893	999	–79.3%	–27.6%
Total other financial services	**54,025**	**50,471**	**36,138**	**31,347**	**7.0%**	**12.0%**
Holding Compagnies	**5**	**19**	**17**	**17**	**–73.7%**	**–74.9%**
TOTAL	**371,911**	**364,628**	**324,742**	**167,206**	**2.0%**	**4.5%**

(a) To assist the comparison of 1998 and 1997, 1996 pro forma reflects gross revenues as if AXA's acquisition of UAP had occured on January 1, 1996.
(b) See MD&A for explanation of calculation.

Consolidated gross premiums and investment banking and other financial services revenue by activity

(In euro millions)	1998	1997	1996 Pro forma (a)	1996	1998/1997 % change	% change on a constant structural, methodological and exchange basis (b)
Life Insurance						
France	9,547	9.839	9.341	3.162	– 3.0%	– 3.5%
United States	9,181	7.871	5.788	5.788	16.6%	18.5%
United Kingdom	5,140	4.651	3.778	1.431	10.5%	12.4%
Asia/Pacific	2,975	3.332	3.122	3.122	–10.7%	– 6.0%
Germany	2,496	2.592	2.506	175	–3.7%	4.0%
Belgium	922	848	768	142	8.7%	7.2%
Other countries	2,186	2.221	2.288	670	–1.6%	2.8%
Total Life Insurance	**32,446**	**31,354**	**27,591**	**14,490**	**3.5%**	**5.5%**
Property and Casualty Insurance						
France	4,179	4,229	4,285	1,717	– 1.2%	– 0.7%
Germany	2,654	2,814	2,915	10	– 5.7%	– 5.8%
Belgium	1,310	1,307	1,318	391	0.2%	– 0.1%
Other countries	3,747	3,738	3,737	1,483	0.2%	0.2%
Transnational Property and Casualty group	1,390	1,943	2,037	623	– 28.5%	– 16.8%
Total Property and Casualty Insurance	**13,280**	**14,031**	**14,292**	**4,224**	**– 5.4%**	**– 3.4%**
Reinsurance						
AXA Ré	1,359	1,388	1,231	1,231	– 2.1%	1.6%
Other companies	84	113	117	0	– 25.6%	– 25.7%
Reinsurance	**1.443**	**1.501**	**1.348**	**1.231**	**– 3.9%**	**– 0.4%**
Asset Management						
Alliance Capital	1,132	902	723	723	25.6%	36.2%
AXA Investment Managers	133	80	20	20	67.0%	37.2%
National Mutuale Funds Management	26	23	20	20	12.3%	24.2%
Total Asset Management	**1,291**	**1,005**	**763**	**763**	**28.6%**	**37.2%**
Other Financial Services						
United States (DLJ)	7,486	6,674	4,357	4,357	12.2%	14.0%
Other financial companies	693	746	864	270	– 7.0%	12.5%
Real Estate	57	274	289	152	– 79.3%	– 27.6%
Total other financial services	**8,236**	**7,694**	**5,510**	**4,779**	**7.0%**	**12.0%**
Holding Compagnies	**1**	**3**	**3**	**3**	**– 73.7%**	**– 74.9%**
TOTAL	**56,697**	**55,588**	**49,507**	**25,490**	**2.0%**	**4.5%**

(a) To assist the comparison of 1998 and 1997, 1996 pro forma reflects gross revenues as if AXA's acquisition of UAP had occured on January 1, 1996.
(b) See MD&A for explanation of calculation.

Consolidated Net Income by Activity

(In FF millions except per share amounts)	1998	1997	1996
Life Insurance:			
France	1,753	812	295
United States	1,658	379	143
United Kingdom	1,403	1,314	651
Asia/Pacific	(309)	316	160
Germany	59	38	(81)
Belgium	1,550	616	1
Other countries	381	453	443
Total Life Insurance	**6,495**	**3,928**	**1,612**
Property and Casualty Insurance:			
France	1,112	1,099	543
Germany	546	316	(207)
Belgium	939	650	183
Other countries	109	286	319
Transnational Property and Casualty group	(642)	8	(313)
Total Property and Casualty Insurance	**2,064**	**2,359**	**525**
Reinsurance			
AXA Ré	824	794	579
Other companies	110	19	–
Total Reinsurance	**934**	**813**	**579**
Asset Management :			
Alliance Capital	370	736	291
AXA Investment Managers	244	168	31
National Mutual Funds Management	8	19	8
Total Asset Management :	**622**	**923**	**330**
Other Financial Services :			
United States (DLJ)	855	1,006	625
Other financial services	226	341	100
Real Estate	52	145	(105)
Total Other Financial Services	**1,133**	**1,492**	**620**
Holdings :			
AXA	(1,629)	(1,109)	473
AXA France Assurance	482	(58)	–
Equitable Companies Inc	(36)	(174)	(195)
National Mutual Holdings	(99)	(73)	(93)
Sun Life & Provincial Holdings	(459)	(215)	–
Others Holdings	535	34	(42)
Total Holdings	**(1,206)**	**(1,595)**	**143**
Net income per ordinary share (basic)	29.65	24.34	20.36
Net income per ordinary share (diluted)	27.83	22.84	18.31
Total	**10,042**	**7,920**	**3,809**

Consolidated Net Income by Activity

(In euro millions except per share amounts)	1998	1997	1996
Life Insurance:			
France	267	124	45
United States	253	58	22
United Kingdom	214	200	99
Asia/Pacific	(47)	48	24
Germany	9	6	(12)
Belgium	236	94	–
Other countries	58	69	68
Total Life Insurance	**990**	**599**	**246**
Property and Casualty Insurance:			
France	170	168	83
Germany	83	48	(32)
Belgium	143	99	28
Other countries	17	44	49
Transnational Property and Casualty group	(98)	1	(48)
Total Property and Casualty Insurance	**315**	**360**	**80**
Reinsurance			
AXA Ré	126	121	88
Other companies	17	3	
Total Reinsurance	**142**	**124**	**88**
Asset Management :			
Alliance Capital	56	112	44
AXA Investment Managers	37	26	5
National Mutual Funds Management	1	3	1
Total Asset Management :	**95**	**141**	**50**
Other Financial Services :			
United States (DLJ)	130	153	95
Other financial services	34	52	15
Real Estate	8	22	(16)
Total Other Financial Services	**173**	**227**	**95**
Holdings :			
AXA	(248)	(169)	72
AXA France Assurance	73	(9)	–
Equitable Companies Inc	(5)	(27)	(30)
National Mutual Holdings	(15)	(11)	(14)
Sun Life & Provincial Holdings	(70)	(33)	–
Others Holdings	82	5	(6)
Total Holdings	**(184)**	**(243)**	**22**
Net income per ordinary share (basic)	4.52	3.71	3.10
Net income per ordinary share (diluted)	4.24	3.48	2.79
TOTAL	**1,531**	**1,207**	**581**

Total per share consolidated shareholders' equity and net asset value

(In FF millions, except share and per share amounts)	1998	December 31, 1997	1996
Number of shares outstanding	350,288,821	331,357,282	193,132,868
Consolidated shareholders' equity (a)	123,151	125,176	65,383
including net income for the year (a)	16,432	13,184	5,907
Consolidated shareholders' equity, group share	88,798	78,670	44,837
including net income for the year, group share	10,042	7,920	3,809
Return on equity (b)	12.8%	11.2%	10.2%
Net asset value (c) per share			
– pre-tax (d)	152,678	122,059	61,521
– net (d)	132,201	106,631	56,835
Net asset value (c) per share			
– pre-tax (d)(FF)	436	368	319
– net (FF)	377	322	294

(a) Including minority interests.
(b) Net income relative to average consolidated shareholders' equity excluding the respective years' net income.
(c) Consolidated shareholders' equity plus unrealized gains and losses adjusted to reflect the exchange listed market price for AXA's investment in Equitable Holding Company (US$ 24.63 at 12/31/1996), Alliance Capital (US$ 25.75 and US$ 39.81 at December 31, 1998 and 1997, respectively), DLJ (US$ 41.00 and US$ 79.50 December, 31 1998 and 1997, respectively) and National Mutual (AU$ 1.88 in 1996) at their market value. In 1998 and 1997, Equitable and National Mutual were valued at their net book value.
(d) Net asset value after pass-through of unrealized gains and losses to life policyholders.

Dividend (a)

(in FF millions, except share and per share amount)	1998 (b)	Years ended December 31, 1997	1996
Gross dividend (including avoir fiscal tax credit) per share (FF)	16.73	13.50	11.25
Net dividend per share (FF)	11.15	9.00	7.50
Number of shares eligible for dividend	350,288,821	331,357,282	315,832,746
Total net dividend distribution (FF millions)	3,906	2,982	2,370
Pay-Out Ratio (c)	38.9%	37.6%	62.2%

(a) Dividends are paid with respect to the prior year results. Dividends are shown under the year to which they relate.
(b) Subject to the approval of the ordinary general meeting of shareholders to be held on May 5, 1998.
(c) Total net dividend distribution as a percent of consolidated net income.

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Total per share consolidated shareholders' equity and net asset value (a)

(In euro millions, except share and per share amounts)	1998	December 31, 1997	1996
Number of shares outstanding	350,288,821	331,357,282	193,132,868
Consolidated shareholders' equity (a)	18,774	19,083	9,968
including net income for the year (a)	2,505	2,010	901
Consolidated shareholders' equity, group share	13,537	11,993	6,835
including net income for the year, group share	1,531	1,218	581
Return on equity (b)	12.8%	11.2%	10.2%
Net asset value (c) per share			
– pre-tax (d)	23,276	18,608	9,379
– net (d)	20,154	16,256	8,664
Net asset value (c) per share			
– pre-tax (d)(€)	66	56	49
– net (€)	58	49	45

(a) Including minority interests.
(b) Net income relative to average consolidated shareholders' equity excluding the respective years' net income.
(c) Consolidated shareholders' equity plus unrealized gains and losses adjusted to reflect the exchange listed market price for AXA's investment in Equitable Holding Company (US$ 24.63 at 12/31/1996), Alliance Capital (US$ 25.75 and US$ 39.81 at December 31, 1998 and 1997, respectively), DLJ (US$ 41.00 and US$ 79.50 December, 31 1998 and 1997, respectively) and National Mutual (AU$ 1.88 in 1996) at their market value. In 1998 and 1997, Equitable and National Mutual were valued at their net book value.
(c) Net asset value after pass-through of unrealized gains and losses to life policyholders.

Dividend (a)

(in euro millions, except share and per share amount)	1998 (b)	Years ended December 31, 1997	1996
Gross dividend (including avoir fiscal tax credit) per share (euros)	2.55	2.06	1.72
Net dividend per share	1.70	1.37	1.14
Number of shares eligible for dividend	350,288,821	331,357,282	315,832,746
Total net dividend distribution	595	455	361
Pay-Out Ratio (c)	38.9%	37.6%	62.2%

(a) Dividends are paid with respect to the prior year results. Dividends are shown under the year to which they relate.
(b) Subject to the approval of the ordinary general meeting of shareholders to be held on May 5, 1998.
(c) Total net dividend distribution as a percent of consolidated net income.

Share price highs and lows and market capitalization

	1998	1997	1996
Number of shares outstanding at December 31	350,288,821	331,357,282	193,132,868
Prices at December 31 (FF)	810.0	465.7	330.0
High (FF)	857.0	470.5	334.8
Low (FF)	432.3	326.0	262.8
Market capitalization at December 31 (FF millions)	283,734	154,313	63,734

Share price highs and lows and market capitalization

	1998	1997	1996
Number of shares outstanding at December 31	350,288,821	331,357,282	193,132,868
Prices at December 31 (€)	123.48	71.00	50.31
High (€)	130.65	71.73	51.04
Low (€)	65.90	49.70	40.06
Market capitalization at December 31 (€ millions)	43,255	23,525	9,716

Assets under management at estimated fair value

(in millions)	General account (a)			Separate accounts			Third Parties (b)			Total		
December 31,	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Alliance Capital and Other USA (FF)	302	336	285	242	219	155	1,401	1,093	811	1,945	1,648	1,251
Alliance Capital and Other USA (€)	46	51	43	37	33	24	214	167	124	297	251	191
National Mutual Funds Management (FF)	53	64	54	17	22	19	32	48	30	102	134	103
National Mutual Funds Management (€)	8	10	8	3	3	3	5	7	5	16	20	16
AXA Investment Managers and Other Europe (FF)	1,253	1,090	966	242	211	171	124	101	110	1,620	1,402	1,247
AXA Investment Managers and Other Europe (€)	191	166	147	37	32	26	19	15	17	247	214	190
TOTAL	**1,608**	**1,490**	**1,305**	**501**	**452**	**345**	**1,557**	**1,242**	**951**	**3,667**	**3,184**	**2,601**
TOTAL	**245**	**227**	**198**	**77**	**68**	**53**	**238**	**189**	**146**	**560**	**485**	**397**

(a) Consolidated assets under management, excluding assets managed for separate accounts.
(b) Non-consolidated assets under management.

Employees

	1998 January 1	1998 December 31
Insurance and Reinsurance		
France	21,633	20,475
including direct marketing	516	575
United Kingdom	6,953	6,997
including direct marketing	454	487
Germany	8,745	8,303
including direct marketing	352	388
Belgium	4,892	4,732
United States	4,628	4,803
Asia/Pacific	5,460	5,272
including direct marketing	–	53
Other countries	10,278	10,200
including direct marketing	147	222
Reinsurance and transnational activities	3,919	4,097
Reinsurance	665	767
AXA Global Risks	1,268	1,285
Assistance	1,921	1,980
Total Insurance and Reinsurance	**66,508**	**64,879**
Financial services		
France	859	929
United Kingdom	250	324
Germany	210	202
Belgium	944	916
United States	8,723	10,522
Asia Pacific	509	491
Total Financial services	**11,495**	**13,384**
Group Central Function Employees	**687**	**680**
TOTAL	**78,690**	**78,943**

The number of employees in France includes employees of the AXA Mutuelles.

Item 9: Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and the related Notes to the Consolidated Financial Statements included elsewhere herein. The Consolidated Financial Statements have been prepared in accordance with French GAAP, which differs in certain material respects from US GAAP. For a summary of the material differences between French GAAP and US GAAP relevant to AXA, see Notes 24 and 25 of the "Notes to the Consolidated Financial Statements". References to a percentage change in a financial amount between two periods (such as the percentage change in total revenues over two consecutive years) "on a constant exchange rate basis" refer to the elimination of any impact on such percentage change caused by the translation of the financial amount for each period into French francs at the applicable exchange rate used to prepare the Consolidated Financial Statements. A percentage change on a constant exchange rate basis is calculated by translating the financial amount for each period being compared into French francs using the same rate of exchange, which is the applicable exchange rate as of the end of the earlier period. See "Currency Translation and Exchange Rates" for a discussion of the translation rates used to prepare the Consolidated Financial Statements. On a "constant structural basis" refers to the elimination of any impact on such percentage change caused by changes in the composition of a segment or group, by eliminating from both periods being compared the results of the acquired, transferred or disposed of operations. On a "constant methodological basis" refers to the elimination of any impact on such percentage change caused by changes in accounting principles or methods by measuring results for both periods being compared using the new accounting principles or methods.

Introduction

In 1997, the Company purchased all of the outstanding shares of UAP. The results of UAP's operations have been included in the Consolidated Financial Statements and the following analyses as of January 1, 1997. In the following discussion and analysis, AXA subsidiaries that were acquired from UAP are referred to as "former UAP subsidiaries" while subsidiaries held all of 1996 and 1997 are referred to as "historical AXA subsidiaries".

At December 31, 1996, UAP's total assets were FF 941,376 million, total investments of the insurance companies were FF 710,998 million with an estimated fair value of FF 772,768 million, insurance liabilities, net of reinsurance, totaled FF 698,129 million, and UAP shareholders' equity was FF 49,225 million, of which FF 16,201 million was allocated to minority interests. For the year ended December 31, 1996, UAP's total revenues and net loss were FF 217,387 million and FF 6,446 million, respectively.

The above amounts are on a historical French GAAP basis. Any comparison of former UAP subsidiaries' results of operations between 1996 and 1997 is hampered as a result of the subsequent impacts of purchase accounting adjustments and the fact that UAP's historical application of French GAAP differs in certain material respects from AXA's application of French GAAP. To facilitate some comparison, 1996 gross premiums, which were unaffected by differences in application of accounting principles, are presented on both an actual and a pro forma basis. Effective January 1, 1997, in conjunction with the purchase of UAP, the application of French GAAP by UAP has been conformed to that of AXA.

See Notes 2-1 and 2-1.1 of the "Notes to the Consolidated Financial Statements" for a discussion of Accounting Changes and Application of Accounting Methods, respectively.

Significant 1998 events

ACQUISITIONS, SALES AND CAPITAL TRANSACTIONS

In 1998, AXA made the following acquisitions:

– In Belgium. The acquisition of Royale Belge's minority interest raised AXA's ownership to 98.7% as compared to 47.6% before the transaction. In light of this acquisition, the 1998 net income contribution of Royale Belge and its subsidiaries was based on AXA's 47.6% interest for the first seven months of the 1998, and its 98.7% interest for the last five months. The acquisition price of FF 18,905 million was paid for by the issuance of newly created ordinary shares of the Company with a fair value of FF 6,460 million, by the exchange of the Company's treasury stock with a fair value of FF 2,751 million, and by a cash payment of FF 9,694 million.

  In addition, newly created Certificates of Guaranteed Value (Royale Belge Certificates) expiring in July 2000 were issued by the Company as part of this transaction. These Certificates have a maximum value of FF 200[1] each representing a maximum commitment of FF 541 million. This commitment is not recorded on the balance sheet in accordance with the French accounting authority, Conseil National de la Comptabilité, notice dated July 10, 1998. This acquisition resulted in goodwill of FF 7.5 billion, of which an asset of FF 4.9 billion was recorded at July 31, 1998 (see "Shareholders' Equity" for a discussion of the amount charged against equity).

  In early 1999, AXA purchased and retired the Royale Belge shares it did not already own for an amount of euro 348 per share (BEF 14,000 per share, FF 2,282).

  In order to raise the capital needed to purchase the Royale Belge shares, the Company borrowed on July 31, 1998 FF 5 billion pursuant to a syndicated loan. It also drew FF 1.2 billion on its existing lines of credit and raised FF 2.5 billion through the issuance of commercial paper. A balance of FF 2 billion of its syndicated loan and FF 1 billion of its lines of credit remained unpaid at December 31, 1998.

  In October 1998, Royale Belge launched a friendly takeover bid for Anhyp Bank, a Belgian bank. Pursuant to this bid, AXA's stake at December 31, 1998 was 98.8%, acquired for FF 3,553 million. This acquisition will allow Royale Belge to strengthen its sales in the growing market for life insurance and investment products via Anhyp's sales network of agents. Royale Belge purchased the remaining minority shares for euro 223 (BEF 9,000, FF 1,463) per share between January 4 and January 22, 1999. The acquisition resulted in goodwill of FF 478 million, which will be amortized over 30 years beginning January 1, 1999.

– In the Netherlands. The outstanding minority interests of AXA Nederland were purchased by AXA via treasury share purchase of 5.64% of AXA Nederlands' shares and by a purchase of 0.30% by Royale Belge 94.

– In Japan, AXA established a direct marketing insurance subsidiary in the first quarter of 1998. The new subsidiary is currently in the process of establishing its corporate charter and operations.

– In Portugal. Upon completion of an April 1998 takeover bid, AXA Participations (formerly UAP International) increased its interest in AXA Seguros Portugal from 42.6% in 1997 to 95.6%. The shares were acquired for FF 301 million resulting in goodwill of FF 83 million to be amortized over 10 years.

(1) Each Royale Belge Certificate holder will receive, for each Royale Belge Certificate held as of July 31, 2001, an amount in French francs (not to exceed FF 200 per Royale Belge Certificate) equal to five times the difference, if positive, between FF 800 and the reference price for one ordinary share. The reference price will be equal to the average of the opening stock market prices for ordinary shares on the Paris Stock Exchange for the 40 trading days immediately preceeding July 31, 2001. These Royale Belge Certificates will be cancelled if the ordinary share closing price on the Paris Stock Exchange is at or above euro 137.2 (FF 900) for five trading days in any 10 consecutive trading day period.

In 1998, AXA sold the following operations:

– In France. In May 1998, as part of its strategy to gradually reduce its exposure to real estate, AXA sold Foncière Vendôme and its 34.7% stake in UIF (Union Immobilière de France) for FF 2.3 billion. This was followed in September 1998 by the sale of its 31.5% participation in Fidéi for FF 112 million.

  In total, an amount of FF 4.9 billion in real estate assets was sold (including sales and commitments) in France in 1998.

– In Germany. The UK Life Insurance Group completed the sale of its branch AXA Leben, for FF 440 million in July 1998. This transaction along with the AXA Leven transfer to AXA Nederland is part of the UK Life Insurance Group's effort to refocus its insurance and asset management businesses in the British Isles.

In the United States, Equitable Holding Company issued US$ 600 million (FF 3.4 billion) of senior debentures in April 1998. The proceeds were used to fund the following:

– In May 1998, Equitable's Board of Directors authorized a stock repurchase program pursuant to which it may repurchase up to 8 million shares of its common stock from time to time in the open market or through privately negotiated transactions. In September, the holding company's Board of Directors increased the number of shares authorized under the stock repurchase program to 15 million. At December 31, 1998 Equitable had repurchased 4.6 million shares of common stock representing approximately 2% of its capital at a cost of $247.1 million (FF 1,383 million). Such repurchases increased AXA's ownership in Equitable and resulted in goodwill of FF 449 million which will be amortized over 30 years.

– In July 1998, AXA invested approximately US$ 300 million (FF 1.8 billion) in DLJ. This investment was made jointly by AXA Holdings Belgium, Equitable Holding and Equitable Life in the amounts of US$ 100 million, US$ 110 million and US$ 90 million, respectively. Including the impact of the repurchase program mentioned in the preceding paragraph, AXA's direct and indirect economic interest in DLJ was increased to 42.8% compared with 41.4% at December 31, 1997. The capital increase was intended to fund DLJ's growth and continue its international expansion. This acquisition resulted in FF 369 million of goodwill, group share, which will be amortized over 30 years.

RESTRUCTURING OF AXA OPERATIONS

In the aim of achieving synergies, AXA initiated a restructuring plan in 1997 of its insurance and asset management operations in order to merge historical AXA and former UAP subsidiaries, principally in France, Benelux, the United Kingdom, Italy, Spain and Turkey.

After completing the 1997 restructuring of its property and casualty operations in France, and its life and property and casualty operations in the United Kingdom, further reorganizations occurred throughout 1998. In particular, several significant portfolio transfers were effected on December 30, 1998 among companies in the French Life Insurance Group.

The principal restructurings in 1998 concerned French, Italian, Spanish and Turkish operations. In France, the life and group insurance operations of historical AXA and former UAP subsidiaries were reorganized by distribution channel: AXA Assurances Vie for agents, AXA Collectives for brokers and AXA Conseil Vie for the specialized sales networks.

Accordingly, UAP Vie's portfolio of businesses was transferred to each of these operating units effective December 30, 1998. The companies UAP Collectives and AXA Courtage were merged and named AXA Collectives. AXA Assurance Vie and AXA Conseil Vie transferred their group insurance businesses to AXA Collectives. Finally, AXA Conseil Vie's "grands opérateurs" business (business distributed via banks and commercial outlets, e.g., large department stores) was transferred to Axiva. These transfers were effected subsequent to approval by the French regulatory authorities, ensuring that policyholder rights are maintained.

In addition, several property and casualty business transfers were effected in 1998, completing the restructuring of the French Property and Casualty Group. AXA Global Risks transferred its commercial insurance for French corporate clients employing fewer than 1,000 to AXA Courtage, and UAP IARD completed the transfer of its reinsurance business and its foreign branch offices to historical AXA subsidiaries.

With the completion of these transactions, all of UAP Vie and UAP IARD's insurance obligations were transferred to operating subsidiaries, and the two companies were merged into the holding company for French insurance operations, AXA France Assurance.

The restructuring of asset management operations resulted in the merger of historical AXA and former UAP asset management subsidiaries into AXA Investment Managers Paris.

In Italy, the insurance companies Allsecures Assicurazioni and UAP Italiana were merged into AXA Assicurazioni in the second half of 1998. All insurance operations will be conducted by a single entity except for bank-insurance operations and Eurovita's insurance business.

In Spain, AXA Seguros, Aurora Polar and UAP Iberica transferred their portfolios of life insurance policies to AXA Aurora Vida and property and casualty insurance policies to AXA Aurora Iberica in the fourth quarter 1998. These transfers are accounted for retroactively to January 1, 1998.

In Benelux, AXA's efforts in the second half of 1998 to reorganize its insurance businesses resulted in several transfers of consolidated entities within AXA. The UK Life Insurance Group sold its Dutch subsidiary AXA Leven to AXA Nederland. The Company and FINAXA Belgium sold 86% of AXA Belgium to Royale Belge, which also now holds 100% of the Dutch holding company AXA Nederland (formerly a subsidiary of the Company and some of its French life insurance companies) and 100% of AXA Luxembourg Vie and AXA Assurance Luxembourg (formerly held by the Company). These internal transfers, which amounted to FF 8.2 billion, had no impact on 1998 net income other than tax impacts.

In Turkey, AXA and its Turkish partner, OYAK, restructured their existing relationship by contributing all of their insurance operations to a newly formed holding company, AXA OYAK Holding AS. AXA's contribution to the new holding company included two Turkish subsidiaries previously owned by Nordstern. Upon completion of the restructuring, AXA OYAK Holding AS will be one of the largest insurers in Turkey.

INTRODUCTION OF THE EURO

On January 1, 1999, the euro was introduced as the single currency of the participating European countries (the "Member States"). Many disciplines of AXA's European subsidiaries are effected by the conversion to the euro, including information systems, accounting, treasury, payroll, products, customer relations, asset management and communications. As of January 1, 2002, the end of the transition period, all of AXA's information systems will be euro-based. Throughout the transition period from 1999 through the end of 2001, financial transactions can be transacted either in the Member State national currency or euros. However, most asset management is performed in euros as Member States began listing investment securities in euros as of January 1, 1999. AXA has performed the steps necessary to issue policyholder information in euros rather than in national currencies in 1999. Throughout the transition phase, AXA will disclose selected financial information in both French francs and euros.

In early 1997, in order to ensure a smooth transition to the euro, AXA set up a Euro Steering Committee charged with representing AXA in dealings with regulators and other public bodies and monitoring preparation at the subsidiary level. In 1998, the Euro Steering Committee formed synergy groups on major euro-related issues, including:

Information systems. The following objectives have been achieved to date: (I) implementation of a project structure (steering committee, appointment of a project manager, budget and resource allocations) in each of the 26 information technology departments in the countries affected by the euro, (II) providing financial communication to customers and employees in both the euro and existing Member State currencies, and (III) euro-based treasury management.

Communications. Projects completed in 1998 focused on information provided for internal administrative and sales personnel, shareholders and AXA's other external partners. A database containing both general euro information and that pertaining specifically to AXA was established, and can now be consulted via the AXA Intranet.

Training. Initial efforts in this area focused on the business areas that are directly concerned by the introduction of the euro (finance, banking, etc.). Over time, customized training will be effected in other core business areas (particularly on insurance-related topics such as policy underwriting, claims settlement, etc.).

The last weekend of 1998 and the first day of 1999 were spent converting to the euro systems in use at AXA's European asset management centers (Paris, London, Brussels, Cologne and The Hague) and at its banking subsidiaries. AXA Investment Managers, which is extensively involved in the introduction of the single currency, launched a series of external communication initiatives targeting institutional investors, corporate employee savings plan clients and mutual fund shareholders.

The estimated internal and external costs of projects related to the euro conversion is FF 230 million through December 31, 1998 and FF 870 million is expected to be incurred between 1999 and 2001. The breakdown of the total cost is as follows: 40% relates to external costs; 44% relates to the transition period; and 74% are information system costs.

Events Subsequent to December 31, 1998

The Company has entered into the following significant transactions since December 31, 1998:

– In the United Kingdom. The Company has reached an agreement with Guardian Royal Exchange (GRE) in connection with the acquisition of GRE. The Board of Directors of GRE will support the public offer launched by Sun Life & Provincial Holdings (SLPH) for a total consideration, based on SLPH's closing share price on January 29, 1999 (577 pence), of £ 3,447 million (approximately FF 32.8 billion) in cash and newly issued SLPH shares. This transaction would reduce AXA's ownership of SLPH to 56% as compared to 71.6% at December 31, 1998. Upon completion of the acquisition, GRE's American businesses would be sold for £ 888 million to Liberty Mutual, a large American insurer. This acquisition fits with AXA's strategy to be a leader in its markets and enables it to strengthen insurance activities in the United Kingdom and Germany. It would also allow AXA to attain critical mass in AXA's property and casualty insurance business in the United Kingdom, to strengthen significantly its UK direct marketing insurance portfolio and to become the second largest insurance company in the UK healthcare market and the leading property and casualty insurer in Ireland. In addition, it will allow AXA to position itself as the second largest property and casualty insurer in Germany. To fund the cash portion of the offer, AXA has arranged a committed bank facility and may allocate all or a portion of the proceeds of a February 1999 subordinated convertible note offering, discussed below.

– In the United States. On January 1, 1999, AXA Investment Managers (AXA IM), an investment management subsidiary of AXA, acquired a majority interest in the Barr Rosenberg Group, a US company managing investments of over FF 42.9 billion, since renamed AXA Rosenberg Group. This transaction includes a cash payment of US$ 125 million (FF 690 million) and a potential additional payment based upon AXA Rosenberg's future performance. The AXA Rosenberg Group will combine Barr Rosenberg's expertise in quantitative analysis with AXA's worldwide network to provide "value-added" services.

– In Luxembourg. AXA sold on January 4, 1999 its 90% stake in the Luxembourg-based life insurance subsidiary Paneurolife for FF 630 million, realizing a gain of approximately FF 150 million.

– In France. The Company issued in February 1999 2.50% (4.45% effective yield) subordinated convertible notes due in 2014 in the amount of euro 1.5 billion (FF 10 billion). The proceeds from the offering of the notes will be used by the Company to finance its growth, including all or a portion of the financing of the cash portion of the payment for the shares of GRE, if necessary.

Consolidated Figures

Consolidated Gross Revenues

(in FF millions, year ended December 31,)	1998	1997	1996 pro forma (a)	1996
Insurance				
Life	212,834	205,667	180,988	95,050
Property and Casualty	87,110	92,035	93,750	27,710
Reinsurance	9,462	9,844	8,845	8,078
Total Insurance	**309,406**	**307,546**	**283,583**	**130,838**
Financial Services				
Asset Management	8,475	6,592	5,004	5,004
Other financial services	54,025	50,471	36,138	31,347
Total Financial Services	**62,500**	**57,063**	**41,142**	**36,351**
Holding companies	5	19	17	17
TOTAL	**371,911**	**364,628**	**324,742**	**167,206**

(a) To assist with the comparison to 1998 and 1997, 1996 pro forma reflects gross revenues as if AXA's acquisition of UAP had occured on January 1, 1996.

Consolidated Total Revenues

(in FF millions, year ended December 31,)	1998	1997	1996
Insurance			
Life	286,675	273,047	124,303
Property and Casualty	100,963	103,512	30,532
Reinsurance	11,373	11,882	9,631
Total Insurance	**399,011**	**388,441**	**164,466**
Financial Services			
Asset Management	9,692	8,945	5,894
Other financial services	54,889	51,658	32,241
Total Financial Services	**64,581**	**60,603**	**38,135**
Holding companies	815	(380)	(224)
TOTAL	**464,407**	**448,664**	**202,377**

Consolidated Income Before Income Tax Expense and Equity in (Loss) Income of Unconsolidated Subsidiaries

(in FF millions, year ended December 31,)	1998	1997	1996
Insurance			
Life	13,196	9,419	3,620
Property and Casualty	4,316	4,842	1,032
Reinsurance	1,328	1,274	836
Total Insurance	**18,840**	**15,535**	**5,488**
Financial Services			
Asset Management	2,418	2,512	1,293
Other financial services	3,698	4,593	2,477
Total Financial Services	**6,116**	**7,105**	**3,770**
Holding companies	(576)	(1,956)	(392)
TOTAL	**24,380**	**20,684**	**8,866**

Net Income

(in FF millions, year ended December 31,)	Including Minority Interests			Group Share		
	1998	1997	1996	1998	1997	1996
Insurance						
Life	9,520	6,152	2,362	6,495	3,928	1,612
Property and Casualty	3,238	3,205	581	2,064	2,359	525
Reinsurance	1,068	855	598	934	813	579
Total Insurance	**13,826**	**10,212**	**3,541**	**9,493**	**7,100**	**2,716**
Financial Services						
Asset Management	1,683	1,807	980	622	923	330
Other financial services	2,455	3,069	1,458	1,133	1,492	620
Total Financial Services	**4,138**	**4,876**	**2,438**	**1,755**	**2,415**	**950**
Holding companies	(1,532)	(1,904)	(72)	(1,206)	(1,595)	143
TOTAL	**16,432**	**13,184**	**5,907**	**10,042**	**7,920**	**3,809**

Year ended December 31, 1998 compared to Year Ended December 31, 1997

Gross revenues are comprised of gross insurance premiums and investment banking and other financial services revenues. Total revenues are comprised of gross revenues, change in unearned premium reserve and net investment results.

Gross revenues for 1998 totaled FF 371.9 billion, an increase of 2.0% compared to 1997. On a constant exchange rate, methodological and structural basis, gross revenues grew by 4.5%. In 1998 AXA used the average exchange rate for the year to translate gross premiums into French francs for non-French subsidiaries rather than the year end rate as was used in prior years. Had AXA applied the year end rate in 1998, gross premiums would have been FF 361.5 billion. The negative impact of exchange rate fluctuations between 1997 and 1998 totaled approximately FF 4 billion, primarily attributable to the decline in the US dollar (FF 1.9 billion), the pound sterling (FF 0.5 billion) and Asia/Pacific currencies (FF 1.3 billion) relative to the French franc.

Insurance

Insurance activities represented 83.2% of AXA's gross revenues as opposed to 84.3% for 1997. On a constant exchange rate, methodological and structural basis, insurance revenues grew by 2.7% compared to 1997, reflecting the combined effect of a 5.5% increase in the revenues of the Life Insurance Segment, a 3.4% decrease in the revenues of the Property and Casualty Insurance Segment, and a 0.4% decline in the revenues of the Reinsurance Segment.

In the Life Insurance Segment, the United States and UK led gross premium growth. In Europe, growth reached 2.2%, attributable to higher gross premiums earned in the UK (12.4%), Germany (4.0%), and Belgium (7.2%). In North America, Equitable's life insurance gross premiums increased by 18.5% over 1997 due to the ongoing success of the company's series of individual retirement savings products and the successful development of new distribution networks.

Overall, the geographical distribution of gross premiums remained relatively stable in life and property and casualty insurance. In 1998, excluding the Transnational Property and Casualty Insurance Group which accounted for 3.0% of gross premiums earned in life and property and casualty insurance, Europe contributed 68.8%, North America 21.3% and the Asia/Pacific region 6.6%, compared to 69.2%, 18.7% and 7.4% in 1997.

Financial services

The United States contributed FF 56,531 million to AXA's consolidated financial services revenues which accounted for 90.5% of such revenues. On a constant exchange rate basis, financial services revenues grew 14.9% over 1997 primarily as a result of generally strong financial markets in 1998, despite their sharp decline in the third quarter.

In Europe, the asset management revenues of AXA Investment Managers increased substantially (50.1% on a constant exchange rate and structural basis compared to 1997). At FF 940 billion at December 31, 1998, total assets under management, including assets managed for third parties, rose by 18.1% on a constant exchange rate basis.

Net income

AXA's consolidated income before income tax expense and equity in income (loss) of unconsolidated entities was FF 24,452 million, compared to FF 20,983 million in 1997, while the group share of this amount was FF 16,029 million versus FF 13,402 in 1997. Consolidated after tax net income including minority interests totaled FF 16,432 million as opposed to

FF 13,184 million, while net income, group share ("net income") reached FF 10,042 million versus FF 7,920 million in 1997.

Based on weighted average ordinary shares outstanding (338,740,658 in 1998 and 325,346,568 in 1997), basic earnings per share (EPS) reached FF 29.65, compared to FF 24.34 in 1997, an increase of 21.8%. The 1998 diluted EPS was FF 27.83 versus FF 22.84 in 1997, an increase of 21.8%.

The 1998 return on average equity (based on net income relative to average consolidated shareholders' equity excluding the respective years' net income) rose to 12.8%, compared to 11.2% in 1997 and 10.2% in 1996.

Previously calculated on the basis of the year-end currency exchange rate, AXA's net income is now computed by converting the net income of its foreign subsidiaries at the average exchange rate for the fiscal year. This change increased net income by FF 231 million.

In 1997, AXA's net income was affected by the following non-recurring events:	*(in FF millions)*
– gains realized on the sale of Equitable Real Estate, AXA Equity & Law International and Banque Bruxelles Lambert	*1,246*
– a reduction in the recorded value of goodwill and contracts associated with the acquisition of Cursitor Eaton	*(215)*
– provisions for impaired real estate recorded by Equitable Life	*(1,120)*
– the release of tax reserves related to prior years by Equitable	*335*
– the amortization into net income of the remaining negative goodwill related to the acquisition of Equitable	*205*
– a dilution gain on the redemption of Equitable subordinated debentures and preferred stock into common stock	*356*
– the termination of a reinsurance treaty by UAP Vie	*(675)*
– the impact on the net deferred tax asset of certain French FF (308) million and UK (FF 69 million) tax law changes	*(239)*
– restructuring provisions' impact on net income	*(317)*
Net impact	***(424)***

In 1998, AXA's net income reflects the following non-recurring events:	
– the impact of the acquisition of Royale Belge minority interests which generated significant realized gains net of VBI amortization and restructuring provisions (excluding Bank IPPA)	*1,226*
– gains on the sale of treasury stock by French holding companies (Colisée Excellence)	*613*
– gains realized by French subsidiaries on the sale of shares of companies within the Albert Frère Group (FF 290 million) and treasury shares (FF 335 million)	*625*
– a gain on the sale of BNP equity securities by AXA Assurance France	*540*
– restructuring provisions in France (FF 72 million for life insurance and FF 88 million for property and casualty insurance), the Netherlands (FF 61 million for life insurance and FF 12 million for property and casualty insurance), the UK (FF 31 million for life insurance) and Australia/New Zealand (FF 51 million for life insurance) and Bank IPPA (FF 53 million)	*(368)*
– reserve strengthening by the French Life Insurance Group due to anticipated mortality table change (FF 255 million) and interest rate decline (FF 215 million)	*(470)*
– taxes paid upon transfers among consolidated entities (FF 598 million) (The transactions involved the transfer of AXA Belgium, AXA Luxembourg and UAP Nieuw Rotterdam, sold by the Company to Royale Belge, and AXA Leven, sold by the UK Life Insurance Group to AXA Nederland.)	*(652)*
– reserve strengthening by AXA Global Risks net of positive loss reserve development recorded due to the sale of GIE Réunion Aériennne	*(514)*
– impact of the financial crisis in Asia and emerging markets losses (realized losses, unrealized losses on trading securities, and asset impairments) in the following regions: FF 716 million in Asia/Pacific, FF 299 million in Europe, and FF 7 million in North America (excluding DLJ) of which FF 135 million was incurred by DLJ. These amounts correspond to realized losses and do not consider the absence of gains that would normally be realized	*(1,022)*
Net impact	***(22)***

Based on insurance company invested assets of FF 1,198 billion (excluding assets supporting separate account-type products), the invested assets in Asia (including Japan) and South America total FF 18.0 billion. AXA's exposure to such countries is 1.5% of insurance company invested assets. Such exposure primarily concerns the Asia/Pacific Life Insurance Group.

In 1998, AXA deconsolidated several investment and real estate companies held by French insurance and reinsurance companies in order to improve financial statement presentation. Previously, the financial statement presentation differed depending on whether assets were held directly by insurance companies or indirectly through investment or real estate companies. The deconsolidation of such entities better reflects the insurance companies' economic purpose for holding such entities. If these companies had been consolidated in 1998, their combined contribution to net income would have been FF 418 million, of which FF 200 million related to exceptional items essentially related to an unusually high level of gains realized by certain investment management entities. Had they been deconsolidated in 1997, net income would have decreased by FF 202 million.

Excluding the aforementioned 1997 and 1998 events, the increase in income is primarily attributable to the strong rise in net income recorded by the Life Insurance Segment, particularly in France, which is beginning to benefit from restructuring measures; in the United States, where Equitable Life benefited from improved underwriting margins and investment income; and in the United Kingdom, reflecting the positive trend in the financial markets in 1998.

The contribution from the Property and Casualty Insurance Segment once again reflected losses recorded by direct marketing insurance subsidiaries, which are still in the start-up phase, and by a general decline in gross premiums.

The Reinsurance Segment remained highly profitable despite the occurrence of significant claims. The contribution from the Financial Services Segment was affected by the lower contribution from DLJ, which was adversely affected by the volatility of the financial markets in the third quarter of 1998 which adversely affected fixed maturity investments.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

Gross revenues increased 12.3% compared to 1996 pro forma. On a constant exchange rate, structural and methodological basis, gross revenues increased 8.7%. On a constant exchange rate, structural and methodological basis, insurance gross revenues grew by 6.6% compared to 1996 pro forma primarily as a result of an increase of 10.5% in the gross revenues of the Life Insurance Segment, partially offset by a decrease of 0.4% in the Property and Casualty Insurance Segment.

In 1997, Europe accounted for 69.2% of all life and property and casualty insurance gross premiums, North America accounted for 18.7%, Asia/Pacific accounted for 7.4%, and 4.7% was accounted for by the Transnational Property and Casualty Insurance Group. The proportion of AXA's operations in Europe increased in 1997 due to the acquisition of UAP which had primarily European operations: notably various subsidiaries in France; AXA Colonia in Germany; Royale Belge in Belgium; and Sun Life in the UK.

In Europe, life insurance gross premiums grew by 8.9% while property and casualty insurance gross premiums, excluding the Transnational Property and Casualty Insurance Group, declined by 0.8% -- a combined increase of 5.2% relative to 1996 pro forma on a constant exchange rate and structural *basis. This growth in European life and property and casualty gross premiums is primarily a result of increases in AXA gross premiums of 13.3% in the UK, 3.7% in France, 2.9% in Germany, and 2.7% in Belgium.*

On a constant exchange rate and structural basis, financial services revenues posted 22.9% growth primarily as a result of DLJ's operations which again benefited from strong US financial markets.

The increase in net income was attributable to increased activities as a result of the acquisition of UAP and favorable financial market conditions in most of the markets in which AXA operates. The Property and Casualty Insurance Segment profited from underwriting results and the Life Insurance Segment's improved results were primarily a result of growth in premiums and assets. Foreign currency fluctuations increased net income by FF 466 million in 1997.

The 1997 return on average equity (based on net income relative to average consolidated shareholders' equity excluding the respective years' net income) rose to 11.2 % compared to 10.2% in 1996.

The insurance and reinsurance net income was contributed by subsidiaries located in Europe (82.1%), North America (7.5%), the Asia/Pacific region (3.7%), the Transnational Property and Casualty Insurance Group (-5.5%), and the Reinsurance Segment (11.5%).

In 1997, net income was affected by several non-recurring events:

- *AXA benefited from the gains realized on the sale of Equitable Real Estate (FF 588 million), AXA Equity and Law International (Isle of Man) (FF 118 million), the acceptance of the tender offer made by ING, a Dutch insurance holding company, for shares of Banque Bruxelles Lambert ("BBL") (FF 540 million of which FF 268 million was realized by the Life Insurance Segment and FF 272 million was realized by the Property and Casualty Insurance Segment).*
- *Alliance Capital reduced the recorded value of goodwill and contracts associated with the acquisition of Cursitor primarily as a result of a decline in assets under management, reducing net income by FF 215 million.*
- *Equitable Holding Company redeemed subordinated debentures and preferred stock. Upon redemption, 32.5 million additional shares of common stock were issued, of which AXA received 15.9 million shares. As a result of this transaction, AXA reduced its equity interest in Equitable Holding Company resulting in a FF 356 million increase in net income.*
- *Equitable recorded provisions for impaired real estate reducing net income by FF 1,120 million.*
- *Equitable released tax reserves related to years prior to 1989 which increased net income for the US Life Insurance Group and US Financial Services Group by FF 259 million and FF 76 million, respectively.*
- *AXA was affected by certain tax law changes in France and the United Kingdom. In France, increases in tax rates reduced the net deferred tax asset and net income by FF 308 million. In the United Kingdom, the tax rate reduction from 33% to 31% increased net income by FF 69 million.*
- *The remaining negative goodwill related to the acquisition of Equitable was amortized into net income (FF 205 million compared to FF 410 million in 1996).*
- *In France, a FF 675 million loss was incurred upon the termination of a reinsurance contract by UAP Vie.*

In addition, restructuring provisions decreased net income by FF 317 million in 1997.

Consolidated Shareholders' Equity

At December 31, 1998, shareholders' equity including minority interests and the year's net income totaled FF 123,151 million, of which the group share was FF 88,798 million. Since December 31, 1997 shareholders'equity has evolved as follows:

(in FF millions)	
Shareholders' Equity, December 31, 1997	***78,670***
– Stock issuance for acquisition of Royale Belge minority interests	*6,460*
– Bond conversion (4.5%, 1995 – 1999) and exercise of stock options*	*2,629*
– Impact of currency fluctuations	*(3,202)*
– Cash dividends	*(2,791)*
– Goodwill from Royale Belge transaction	*(2,548)*
– Cumulative effect of change in accounting method for stock options	*(441)*
– Other (internal restructurings, UAP purchase accounting adjustments, etc.)	*(21)*
– Shareholders' Equity, December 31, 1998 (before 1998 net income)	***78,756***
– 1998 Net Income	*10,042*
– Shareholders' Equity, December 31, 1998 (including 1998 net income)	***88,798***

** Shareholders' Equity increased by FF 2,182 million due to the conversion of this bond.*

Goodwill resulting from the buyout of Royale Belge minority interests totaled FF 7,456 million. Pursuant to Article D 248-3 of the Decree of February 17, 1986, the goodwill associated with the issuance of new shares (FF 2,548 million) was charged directly to retained earnings and reserves. The remaining goodwill of FF 4,908 million corresponding to the net assets acquired through the issuance of treasury shares, certificates of guaranteed value and cash was recorded as an asset and will be amortized over 30 years.

Creation of Shareholder Value

The results of operations of the last several years demonstrate the creation of value for shareholders. During the period 1995 to 1998, the consolidated diluted earnings per share progressed consistently and significantly: it evolved from FF 15.50 in 1995 to FF 27.83 (euro 4.24) in 1998, an average annual growth rate of 21.5%.

Dividend distribution has evolved similarly, increasing from FF 5.00 per share based on 1993 results to the proposed FF 11.15 per share (euro 1.70) based on 1998 results. The proposed dividends to be distributed in 1999 based on 1998 results will total FF 3,906 million (euro 595 million) as compared to FF 799 million distributed in 1994 based on 1993 results. The improvements in diluted earnings per share and dividends are despite the fact that ordinary shares outstanding nearly doubled over this period.

At the same time, the return on shareholders' equity has progressed from 6.5% in 1995 to 12.8% in 1998. AXA is on target to attain 15% by the beginning of the next century and is ahead of the minimum goal of 11%. During this same time horizon, the share price of AXA shares has progressed 21.2% (23.5% with dividend reinvestment) to FF 810 (euro 123.48) at December 31, 1998 as compared to an increase of 11.7% for the CAC 40, 21.4% for the S&P 500, 18.4% for the Dow Jones Stoxx 50 and 20.3% for the Dow Jones Stoxx Insurance. As well, market capitalization has evolved to FF 283.7 billion (euro 43.3 billion) at December 31, 1998 from FF 51.1 billion at December 31, 1993.

However, accounting measures do not perfectly reflect the creation of shareholder value. As a result, the Company is studying other indicators that should be available next year that will better enable AXA to quantify the creation of shareholder value.

Consolidated shareholders' equity was FF 78.7 billion at December 31, 1997, compared to FF 44.8 billion and FF 33.4 billion at December 31, 1996 and 1995, respectively. See Consolidated Statements of Shareholders' Equity included in the Consolidated Financial Statements.

The significant 1997 increase in consolidated shareholders' equity of FF 33.7 million is principally related to the acquisition of UAP. The UAP acquisition added FF 33.1 billion for the issuance of new shares which was offset by a charge of FF 10.8 billion related to goodwill on the newly issued shares (see Notes 2.2 and 5.1 of Notes to the Consolidated Financial Statements). Other changes included increases from conversion of the Company's 6.0 % Convertible Bonds (FF 3.5 billion), the year's net income after cash dividends (FF 5.4 billion) and the positive impact of currency fluctuations resulting from financial statement translation (FF 2.7 billion).

Results of Operations by Business Segment

In the following discussion and analysis, the results of operations for certain business segments for the year ended December 31, 1996 is presented on both an actual and a pro forma basis. The pro forma results are provided solely to assist in the comparison of the results of operations between the two periods. In addition, the results of operations of segments and sub-segments have been retroactively restated for comparative purposes to reflect any changes in the grouping of segments and sub-segments.

Life Insurance Segment

For purposes of this discussion and analysis, the Life Insurance Segment is divided into the French Life Insurance Group, the US Life Insurance Group, the UK Life Insurance Group, the Asia/Pacific Life Insurance Group, the German Life Insurance Group, the Belgium Life Insurance Group and the Other Life Insurance Group.

As a result of AXA's 1998 acquisition of the Royale Belge minority interests, AXA significantly increased its participation in the Belgian insurance operations and consequently created the Belgium Life Insurance Group for management reporting purposes. Prior to 1998, the Belgian life insurance operations were part of the Other Life Insurance Group. In the following discussion and analysis, the results of operations for 1997 and 1996 have been restated for comparative purposes to reflect the establishment of this new life insurance group.

The following tables set forth certain summarized financial information for the Life Insurance Segment for the periods indicated.

Gross Premiums

(in FF millions, year ended December 31,)	1998	1997	1996 pro forma (a)	1996
France	62,624	64,539	61,274	20,743
United States	60,221	51,629	37,966	37,966
United Kingdom	33,714	30,509	24,782	9,384
Asia / Pacific	19,515	21,856	20,478	20,478
Germany	16,373 (b)	17,003 (b)	16,439 (b)	1,151(b)
Belgium	6,045	5,560	5,040	933
Other countries	14,342	14,571	15,009	4,395
TOTAL	**212,834**	**205,667**	**180,988**	**95,050**

(a) To assist with the comparison to 1998 and 1997, 1996 pro forma reflects gross premiums as if AXA's acquisition of UAP had occured on January 1, 1996.
(b) Including AXA Colonia subsidiaries in Austria and Hungary.

Net Income

(in FF millions, year ended December 31,)	Including Minority Interests			Group Share		
	1998	1997	1996	1998	1997	1996
France	1,757	815	298	1,753	812	295
United States	2,869	616	231	1,658	379	143
United Kingdom	1,961	1,674	651	1,403	1,314	651
Asia / Pacific	(529)	1,229	803	(309)	316	161
Germany	86	65	(81)	59	38	(81)
Belgium	2,899	1,231	1	1,550	616	1
Other countries	477	522	459	381	453	443
TOTAL	**9,520**	**6,152**	**2,362**	**6,495**	**3,928**	**1,612**

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

On a constant exchange rate, structural and methodological basis, life insurance gross premiums increased 5.5%. In 1997, FF 1,297 million of gross premiums pertains to AXA Leben which was sold in 1998.

The Life Insurance Segment includes disability and health insurance, except in Belgium and Italy. If these business lines, which are currently included in property and casualty insurance gross premiums, were reclassified to the Life Insurance Segment, life insurance gross premiums would have totaled FF 213,968 million in 1998, versus FF 206,796 million in 1997, representing 69.2% of AXA's insurance gross premiums in 1998.

In 1998, the Life Insurance Segment accounted for 68.8% of AXA's insurance related gross premiums (versus 66.9% in 1997). Life insurance gross premiums were primarily earned in the following regions: 29.4% in France, 28.3% in the US, 15.8% in the UK, 9.1% in the Asia/Pacific region, 7.7% in Germany, Austria and Hungary and 2.8% in Belgium (versus 31.4%, 25.1%, 14.8%, 10.6%, 8.3% and 2.7%, respectively, in 1997).

On a constant exchange rate basis, gross premium growth in Europe was centered in the UK (12.4%), Belgium (7.2%), Germany (4.0%) and in Luxembourg (13.3%).

On a constant exchange rate basis, gross premiums in the United States increased by 18.5% (versus 18.8% in 1997), primarily attributable to continued growth in Equitable's Income Manager series of individual retirement products launched in 1995.

The Asia Pacific Life Insurance Group's, gross premiums declined by 6.0% on a constant exchange rate basis despite premium growth in the Asian region.

The contribution of life insurance operations to net income totaled FF 6,495 million, accounting for 64.7% of net income in 1998, versus 49.6% in 1997.

Despite the 1998 financial crisis, the 1998 performance can be attributed to improved investment results made possible by acquisitions and business restructurings. Transactions effected in connection with the acquisition of the Royale Belge minority interests enabled Belgian subsidiaries to realize non-recurring gains which increased net income by FF 934 million, net of exceptional amortization of VBI.

In the United States, Equitable's net income rose from FF 379 million in 1997 to FF 1,658 million in 1998. Such growth can be attributed to the impact of several non-recurring events in 1997, in particular the impairments and valuation allowances recorded for real estate which had a net negative impact on net income of FF 861 million and to the increase in gross premiums in 1997 and 1998.

In the UK, AXA Sun Life's 1997 net income included of FF 118 million realized on the sale of AXA Equity and Law International (Ile de Man). The group profited in 1998 from the high level of realized gains in restructuring its equity portfolio.

The reduction in the 1998 contribution from the Asia/Pacific Life Insurance Group reflects the impact of the Asian financial crisis.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

On a constant exchange rate, structural and methodological basis, gross premiums increased 10.5%. In 1997, the Life Insurance Segment accounted for 66.9% of AXA's gross insurance premiums. Life insurance premiums were primarily earned in France (31.4%), the United States (25.2%), the UK (14.8%), Asia/Pacific (10.6%), and Germany (8.3%).

On a constant exchange rate basis, gross premiums in the United States increased by 18.8% which was primarily attributable to growth in the Equitable's series of individual retirement products, Income Manager, launched in late 1995.

Net income increased to FF 3,928 million representing 49.6% of AXA's total net income and was primarily earned in the UK (33.5%), France (20.7%), Belgium (15.7%), and the United States (9.6%).

Effective January 1, 1997, deferred acquisition costs for new business written by European (other than UK and the Netherlands) life insurance subsidiaries include all costs which vary with and are primarily related to the production of new business and the renewal of premiums on the recurring premiums portfolio. Further, such deferred acquisition costs for most products are amortized over the expected average life of the contracts as a constant percentage of estimated gross profits from the contracts. Previously, deferral and amortization of acquisition costs were subject to regulatory limitations. The effect of conforming accounting methods was to increase 1997 net income by FF 101 million for historical AXA subsidiaries.

In conjunction with purchase accounting, an identifiable intangible asset is recorded for the present value of future after tax profits of purchased life insurance business inforce. The value of business inforce (VBI) represents the value of the right to receive future profits from insurance contracts existing at the date of acquisition. VBI is amortized over the estimated remaining lives of the underlying contracts in proportion to the earnings on the contracts. The 1997 VBI amortization expense related to the UAP acquisition was FF 523 million (FF 409 million, group share) relative to a balance of FF 12,401 million at January 1, 1997.

Analysis by Life Insurance Group

The French Life Insurance Group

The following table sets forth certain summarized financial information for the French Life Insurance Group for the periods indicated.

(in FF millions, year ended December 31,)	1998	1997	1996
Gross premiums	62,624	64,539	20,743
Change in unearned premium reserve	(3)	35	1
Net investment results [(a)]	25,135	21,256	5,557
Total Revenues	**87,756**	**85,830**	**26,301**
Insurance benefits	(77,401)	(75,694)	(23,779)
Reinsurance ceded, net [(b)]	146	(995)	(8)
Acquisition expenses [(c)]	(5,302)	(5,152)	(1,126)
Amortization of value of business inforce	(154)	(111)	–
Other insurance company expenses	(2,658)	(2,699)	(935)
Total Benefits and Other Deductions	**(85,369)**	**(84,651)**	**(25,848)**
Income before income tax expense	2,387	1,179	453
Income tax expense	(630)	(364)	(155)
Minority interests in income of consolidated subsidiaries	(4)	(3)	(3)
Net income	**1,753**	**812**	**295**

(a) Includes investment income, net of investment expenses and interest expense on short-term and long-term debt, and net realized investment gains or losses.
(b) Includes the net result of premiums, insurance benefits and claims and commissions ceded under reinsurance contrats.
(c) Acquisition expenses are net of changes in the unearned revenue reserve which is established for fees charged to contracholders that are not fully earned in the period assessed. Such amounts are recognized in net income over the periods benefited using the same assumptions and methods as are used for amortizing deferred acquisitions costs.

Year ended December 31, 1998 Compared to year ended December 31, 1997

Gross premiums declined by 3.0% compared to 1997 (3.5% on a constant methodological basis). However, this decline was smaller than the French market decline for the same period: the French life insurance market as a whole dropped 13% according to the Fédération Française des Sociétés d'Assurance. Gross premiums declined sharply in the first few months of 1998 after a new adverse tax regulation on individual retirement products went into effect on January 1, 1998. In anticipation of these tax changes, exceptionally high premium income was recorded in the last quarter of 1997 in order to avoid its effects. In addition, the insurance market was hurt by other adverse tax changes enacted in 1998. Despite the difficult environment in 1998, specialized distribution networks increased their gross premiums by 2.2%. In group retirement insurance, gross premiums increased due to several significant single premium policies sold at the end of the year. In addition, individual savings-type products benefited from strong growth in unit-linked policies, which new account for 52.0% of new business gross premiums, as opposed to 32.0% in 1997.

Net investment results totaled FF 25,134 million, an increase of FF 3,878 million over 1997, and included realized gains, net of changes in valuation allowances, of more than FF 7.4 billion versus FF 4.5 billion in 1997. This increase was primarily due to gains (FF 1,527 million) realized on the sale of investments various companies within the Albert Frère Group and the Company's ordinary shares in connection with the acquisition of Royale Belge's minority interests. As in 1997, the French Life Insurance Group reduced its exposure to equity and debt markets by employing hedging strategies that reduced exposures to interest rate volatility and stock market drops. In addition, the group increased its investments in long-term fixed income securities.

Insurance benefits, which include costs related to claims handling and participation in gains, increased 2.2%. The increase in net investment results increased policyholders' participation in gains by FF 3,881 million which included a reserve strengthening of FF 1,384 million as a result of the observations of the French Regulatory authority, the "Commission de Contrôle des Assurances" regarding primarily pre-1995 guaranteed interest rates. The percentage of policyholder participation in gains relative to net investment results was 79% in 1998 versus 76% in 1997. In group insurance, insurance benefits were impacted by adverse changes to the mortality tables in 1998 (FF 440 million). In addition, the interest rate for government obligations dropped leading to an actuarial interest rate of 3.25% (the interest rate used in establishing the liabilities for future policy benefits), resulting in a charge of FF 371 million on bodily injury actuarial reserves. In 1997, insurance benefits were adversely affected by reserve strengthening on a savings contract, "Triplé" due to inadequate investment returns. In 1998, a new investment strategy has mitigated certain risks related to such contracts leading to a profit of FF 170 million. Individual retirement products experienced an improvement in lapse rates leading to a reduction in insurance benefits of FF 258 million as compared to an increase in insurance benefits of FF 300 million in 1997. Such positive reserve development in 1998 was compensated by an increase in gross premiums for single premium contracts and products with lower fee assessments.

A French GAAP accounting pronoucement issued on December 29, 1998 relative to provisions for future administrative expenses became effective immediately. Despite the fact this pronoucement is conservative in nature, there was no need to record such reserves in 1998.

Reinsurance ceded results improved considerably since 1997 when losses of FF 675 million were incurred on the cancellation of a reinsurance contract by UAP Vie.

The ratio of general costs (acquisition costs, other insurance company expenses and claims handling expenses which are included as part of insurance benefits) to actuarial reserves was 2.12% in 1998 compared to 2.31% in 1997. The ratio of general costs to gross premiums increased to 15.1% versus 14.7% in 1997. The development of new cost accounting systems and the reallocation of administrative costs between life and property casualty insurance operations makes the comparison difficult between the two periods. Other general costs increased by 1.0%. Excluding costs related to the merging of operations, a 0.2% tax on life insurance premiums recorded in general costs for the first time in 1998, and despite the costs related to harmonizing benefits for AXA and UAP personnel, general costs excluding commissions decreased 5%.

Acquisition costs increased by FF 150 million and DAC declined by FF 144 million, primarily resulting from the decline in gross premiums on single premium products. Commissions declined by 4% in line with the drop in gross premiums. The increase in other acquisition costs of FF 70 million is primarily due to the reclassification of certain overhead costs.

VBI amortization increased by FF 43 million due to the particularly high level of realized gains in 1998. The VBI balance at December 31, 1998 totaled FF 2,746 million.

Income tax expense is increasing less rapidly than income. The 1997 income tax expense reflected the increase in statutory tax rates, which increased the net deferred tax liability by FF 68 million.

Net income increased sharply over 1997, climbing

FF 941 million to FF 1,753 million. The 1997 result was adversely affected by the negative results for reinsurance ceded, while the 1998 result reflected higher net investment results which allowed the group to record certain non-compulsory reserve strengthenings.

Year ended December 31, 1997 compared to year ended December 31, 1996

On a constant structural and methodological basis, gross premiums increased 6.1% compared to 1996 pro forma primarily due to growth of 14.5% at Alpha Assurances, 6.0% at AXA Assurances, 33.7% at Axiva, all historical AXA subsidiaries, and 71.7% at Théma Vie, a former UAP subsidiary which utilizes non-conventional distribution networks. Such increases were in large part due to increases in individual savings products and group retirement products. Premiums at UAP Collectives, a former UAP subsidiary underwriting group insurance, increased 2.0% to FF 16,053 million as a result of growth in group retirement products. This growth was tempered by increased selectivity in underwriting group health and disability income policies and the absence of growth in salaries in France which is the base of group life and health income premiums. UAP Vie, a former UAP subsidiary underwriting individual insurance, showed no growth in its gross premiums of FF 22,290 million due to a reduction in guaranteed interest rates on single premium policies which was offset, in part, by the success of new flexible premium products. The French life insurance companies gross premiums increased toward the end of 1997 when a tax increase for certain insurance contracts was announced. The new tax regulations became effective January 1, 1998 and therefore policyholders placed insurance before the new regulations became effective.

Net investment results increased to FF 21,256 million, of which FF 14,364 million was earned by former UAP subsidiaries. Historical AXA subsidiaries earned FF 6,893 million in 1997 compared to FF 5,557 million in 1996 primarily due to an increase in the amount of fixed income security investments.

Insurance benefits totaled FF 75,694 million, of which FF 48,864 million is attributable to former UAP subsidiaries while historical AXA subsidiaries accounted for FF 26,830 million compared to FF 23,779 million in 1996. Insurance benefits for historical AXA subsidiaries increased in proportion to the increase in gross premiums. For all French life insurance subsidiaries, 1997 was marked by a decrease in benefit payments in individual health, traditional life insurance, and loss of income coverage.

The negative results for reinsurance ceded is primarily the result of FF 675 million of losses incurred on the cancellation of a reinsurance contract by UAP Vie.

In 1997, acquisition costs represented 8.9% of gross premiums. For historical AXA subsidiaries, acquisition costs were 5.1% of gross premiums versus 5.4% in 1996 reflecting a decrease in commission rates in 1997. This ratio was 11.0% for former UAP subsidiaries reflecting the nature of their products and the higher cost of their salaried sales forces. Conforming the method of accounting for deferring acquisition costs in 1997 decreased acquisition expenses by FF 576 million.

For historical AXA subsidiaries, 1997 other insurance company expenses of FF 1,060 million were higher than 1996 (FF 935 million) due to the increase in gross premiums and the recording of a FF 43 million provision for restructuring costs. The ratio of general costs relative to actuarial reserves declined to 2.1% in 1997 from 2.3% in 1996. Such reduction was the results of cost control programs initiated for such subsidiaries.

Income tax expense of FF 364 million reflects the impact of the increase in statutory tax rates enacted in

1997. French income tax rates including a surtax increased from 36.7% to 41.7% effective January 1, 1997. A surtax of 15% was imposed for 1997 and 1998 and 10% for 1999 compared to the previous surtax of 10% for 1996. This change in tax rate increased the net deferred tax liability by FF 68 million.

Net income rose to FF 812 million of which FF 142 million was earned by former UAP subsidiaries. Historical AXA subsidiaries earned FF 670 million compared to FF 295 million in 1996. The increase for the historical AXA subsidiaries is principally the result of the increases in net investment results and gross premiums.

Analysis of Insurance General Account Investment Results

The following table summarizes the net investment results of the French Life Insurance Group for the principal categories of general account assets for the periods indicated. Certain investment assets of the French Life Insurance Group and associated net investment results are not included, and net investment income is not reduced for investment expenses or interest expense on short-term and long-term debt. Accordingly, the net investment results summarized in the following table are not directly comparable to the net investment results of the French Life Insurance Group discussed above.

French Life Insurance Group Net Investment Result by General Account Asset Category

	1998		1997		1996	
	Yield (a)	Amount	Yield (a)	Amount	Yield (a)	Amount
Fixed Maturities:						
Net investment income	5.59%	13,372	5.70%	12,681	7.35%	4,004
Net investment gains	0.17%	415	0.16%	349	0.73%	395
Net investment results	5.76%	13,787	5.86%	13,030	8.08%	4,399
Ending Assets		**242,524**		**236,149**		**63,530**
Real Estate:						
Net investment income	1.61%	626	3.93%	1,208	2.53%	51
Net investment gains (losses)	– 1.19%	(463)	– 0.21%	(66)	–2.04%	(41)
Net investment results	0.42%	163	3.72%	1,142	0.50%	10
Ending Assets		**38,325**		**30,732**		**2,069**
Equity Investments:						
Net investment income	3.86%	2,449	3.42%	1,932	1.91%	219
Net investment gains	11.85%	7,512	7.64%	4,313	4.01%	459
Net investment results	15.71%	9,961	11.06%	6,245	5.92%	678
Ending Assets		**70,368**		**55,525**		**10,024**
Policy Loans:						
Net investment income	6.16%	227	6.48%	214	7.05%	191
Ending Assets		**3,897**		**3,477**		**2,742**
Cash & Short Term:						
Net investment income	2.12%	401	3.52%	322	3.87%	240
Ending Assets		**18,952**		**13,656**		**4,887**
Total:						
Net investment income	4.73%	17,333	5.09%	16,465	6.12%	4,705
Net investment gains	2.04%	7,464	1.42%	4,596	1.06%	814
Net investment results	6.77%	24,797	6.51%	21,061	7.18%	5,520
ENDING ASSETS		**377,249**		**340,896**		**83,259**

(a) Yields are calculated on the basis of the average beginning and end of period asset carrying value for each asset category.

THE US LIFE INSURANCE GROUP

The following table sets forth certain summarized financial information for the US Life Insurance Group for the periods indicated.

(in FF millions, year ended December 31,)	**1998**	**1997**	**1996**
Gross premiums	60,221	51,629	37,966
Net investment results (a)	16,614	13,411	13,442
Total Revenues	**76,835**	**65,040**	**51,408**
Insurance benefits	(66,634)	(59,233)	(46,329)
Reinsurance ceded, net (b)	74	99	112
Acquisition expenses (c)	(3,488)	(3,131)	(2,812)
Other insurance company expenses	(2,420)	(2,451)	(2,101)
Amortization of goodwill, net	(3)	(3)	(3)
Total Benefits and Other Deductions	**(72,471)**	**(64,719)**	**(51,133)**
Income before income tax expense	4,364	321	275
Income tax (expense) benefit	(1,495)	295	(44)
Minority interests in income of consolidated subsidiaries	(1,211)	(237)	(88)
NET INCOME	**1,658**	**379**	**143**
Exchange rates (d)	5.90	5.99	5.24

(a) Includes investment income, net of investment expenses and interest expense on short-term and long-term debt, and net realized investment gains or losses.
(b Includes the net result of premiums, insurance benefits and claims and commissions ceded under reinsurance contracts.
(c) Acquisition expenses are net of changes in the unearned revenue reserve which is established for fees charged to contractholders that are not fully earned in the period assessed. Such amounts are recognized in net income over the periods benefited using the same assumptions and methods as are used for amortizing deferred acquisition costs.
(d) In 1998, AXA used the weighted average exchange rate to translate the results of operations while in 1997 and 1996, the year end exchange rate was used.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

On a constant exchange rate basis, gross premiums increased by 18.5%, primarily due to the development of individual insurance and annuity products, which outpaced the market and brought Equitable's market share in this line of insurance from 3.6% in 1997 to 4.4% for the nine months ended September 30, 1998. Individual insurance and annuity products accounted for 59.2% of 1998 gross premiums, an increase of 33.0% on a constant exchange rate basis. Income Manager, a series of individual retirement products launched in 1995, accounted for 26.4% of gross premiums in 1998 as compared to 15.5% in 1997. This success is notably due to distribution agreements signed at the end of 1997 with several securities firms and increased productivity from agents. Gross premiums for other retirement products increased by 4.4% on a constant exchange rate basis. Gross premiums remained stable for other individual life insurance products on a constant exchange rate basis, with the 4.3% increase in variable and interest sensitive life gross premiums partially offset by a 3.0% decline in traditional life product gross premiums.

Net investment results increased 25.9% compared to 1997 on a constant exchange rate basis, to FF 16,613 million. In 1997, in connection with a sales program initiated in 1997, Equitable Life reclassified FF 8,444 million of equity real estate from "held for production of income" to "held for sale". Since held for sale properties are carried at the lower of depreciated cost or estimated fair value, less disposition costs, the reclassification generated additions to valuation allowances of FF 3,350 million. Excluding the impact of the recording of these valuation allowances, 1998 net investment income was relatively stable as compared to that of 1997. In 1998, an additional FF 5,074 million was reclassified to "held for sale" leading to additions to valuation allowances of FF 513 million. In 1998, Equitable Life realized gains of FF 975 million on sales of equity real estate classified as "held for sale". The reclassification of equity real estate to "held for sale" led to a reduction in real estate depreciation expense of FF 373 million. At December 31, 1998, equity real estate designated as "held for sale" totaled FF 6,420 million. The gains realized on sales of equity real estate were partially offset by losses of FF 136 million realized on sales of debt securities as compared to gains of FF 567 million realized in 1997.

On a constant exchange rate basis, insurance benefits increased 14.3%, principally as a result of the increase in gross premiums and, to a lesser extent, due to deteriorating mortality experience which was particularly strong in 1997. These decreases were partially offset by the decrease in policyholder interest crediting rate.

On a constant exchange rate basis, acquisition costs excluding the change in DAC increased 21.6% primarily as a result of the 38.0% increase in new business gross premiums. Acquisition costs capitalized increased 20.1% on a constant exchange rate basis in line with the increase in acquisition costs excluding the change in DAC. The amortization of DAC totaled FF 2,065 million, an increase of 6.3% on a constant exchange rate basis. In 1997, DAC amortization decreased by FF 354 million due to the change in future estimated gross profit pattern related to income from equity real estate. Excluding the impact of this change, DAC amortization declined by 9.9% on a constant exchange rate basis due to favorable changes in estimates of persistency and interest spread for life and individual insurance and annuity products. Such changes reflect recent favorable experience.

On a constant exchange rate basis, other insurance company expenses remained relatively stable. Other insurance company expenses rose slightly in 1998 due to increases in marketing and information system costs. However, this increase was compensated by higher other insurance company expenses in 1997 due to a FF 250 million restructuring provision. The ratio of general costs to gross premiums decreased to 148% in 1998 from 12.4% in 1997 and the ratio of general costs to actuarial reserves increased to 1.54% in 1998 from 1.48% in 1997.

Income tax expense totaled FF 1,494 million in 1998 as compared to a income tax benefit of FF 295 million in 1997 that reflected the release of FF 450 million of tax reserves related to years prior to 1989.

AXA's economic interest in Equitable increased from 57.5% at December 31, 1997 to 58.5% at December 31, 1998 due primarily to The Equitable Holding Company's stock repurchase program. This increase in ownership generated goodwill of FF 449 million. Net income increased from FF 379 million in 1997 to FF 1,658 million in 1998. Foreign exchange fluctuations between the US dollar and French franc reduced net income FF 27 million. As stated above, in 1997, additions to valuation allowances for equity real estate reduced net income by FF 1,120 million, while the release of prior year tax provisions increased net income by FF 259 million. Excluding the impact of these non-recurring items, net income increased by FF 445 million due primarily to an increase in investment spread and the increase in fees received for variable annuity contracts.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

On a constant exchange rate basis, gross premiums increased 18.8% primarily due to the success of "Income Manager", a series of individual retirement products. Income Manager accounted for 78.8% of the 1997 gross premium increase and 15.5% of Equitable's gross premiums. Equitable created its own wholesale distribution company (EDI) to offer the Income Manager products to securities firms, financial planners, and banks.

Net investment results declined 12.8% on a constant exchange rate basis. Such decline was principally attributable to writedowns of real estate held for the production of income and additions to valuation allowances in the fourth quarter of 1997. Equitable announced in January 1998 its intention to accelerate the sale of assets from the real estate portfolio by disposing of certain properties over the following 12 to 15 months. In connection with this program, Equitable reclassified equity real estate from "held for the production of income" to "held for sale". Since "held for sale" properties are carried at the lower of depreciated cost or estimated fair value, less disposition costs, the reclassification generated additional valuation allowances in the fourth quarter of 1997. Also, the review of the equity real estate portfolio identified properties held for the production of income which were impaired as determined under SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". The impact of the reclassification and the SFAS No. 121 impairment writedowns totaled FF 3,350 million.

On a constant exchange rate basis, insurance benefits increased 11.7% principally as a result of the increase in gross premiums. Excluding the impact of the increase in gross premiums, insurance benefits declined as a result of a lower reserve increase on disability income (DI) and participating group annuity business and improved mortality experience on the larger inforce book of business for variable and interest sensitive life policies. However, 1997 and 1996's insurance benefits were significantly affected by certain actions. The loss provision for Guaranteed Investment Contracts ("GIC") and group non-participating Wind-up Annuities ("Wind-Up Annuities") was strengthened by FF 804 million in 1997 and FF 675 million in 1996. The principal factor in the 1997 reserve strengthening was the change in projected cash flows for equity real estate due to management's plan to accelerate the sale of equity real estate.

Also affecting 1996 was the adoption of SFAS No. 120, "Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts" which led to a decrease in the liability for future policy benefits of FF 1,226 million and an increase in DAC of FF 378 million.

On a constant exchange rate basis, acquisition costs increased 23.2% primarily as a result of higher commissions and variable expenses related to the increase in gross premiums. This increase led to a FF 901 million increase in DAC capitalization in 1997 which was partially offset by a FF 835 million increase in DAC amortization, excluding impacts from non-recurring events: writedowns and additions to valuation allowances for real estate in 1997, and the 1996 adoption of SFAS No. 120 and the 1996 DI reserve strengthening. The increase in DAC amortization is principally attributable to improved mortality and higher investment spreads on variable and interest sensitive products.

The 1997 income tax benefit reflected the release of approximately FF 450 million of tax reserves related to years prior to 1989.

Net income increased from FF 143 million in 1996 to FF 379 million in 1997. The impairments and valuation allowances recorded for real estate reduced net income by FF 1,120 million while the release of prior year tax provisions increased net income by FF 259 million. The 1996 results of operations were impacted by the FF 1,080 million net impact of adjustments to increase the liability for future policy benefits and the write-off of deferred acquisition costs, partially offset by the effects of the adoption of new accounting principles which had net positive impacts of FF 560 million. Excluding the impact of these non-recurring events, net income increased by 63.5% on a constant exchange rate basis primarily as a result of an improvement in investment yield and mortality experience and an increase in fees from individual life and variable annuity contracts.

Analysis of Insurance General Account Investment Results

The following table summarizes the net investment results of the US Life Insurance Group for the principal categories of general account assets for the periods indicated. Certain investment assets of the US Life Insurance Group and associated net investment results are not included, and net investment income is not reduced for investment expenses or interest expense on short-term and long-term debt. Accordingly, the net investment results summarized in the following table are not directly comparable to the net investment results of the US Life Insurance Group discussed above.

US Life Insurance Group Net Investment Result by General Account Asset Category

(in FF millions except percentages, year ended December 31,)	1998 Yield (a) (b)	1998 Amount (a)	1997 Yield (a) (c)	1997 Amount (a)	1996 Yield (a) (d)	1996 Amount (a)
Fixed Maturities:						
Net investment income	8.19%	10,904	8.65%	10,913	8.21%	8,578
Net investment gains	−0.10%	(136)	0.45%	567	0.35%	369
Net investment results	8.09%	10,768	9.10%	11,480	8.56%	8,947
Ending Assets		**128,109**		**138,036**		**114,176**
Real Estate (e):						
Net investment income	8.88%	1,163	5.82%	1,005	3.36%	664
Net investment gains (losses)	3.99%	522	−20.27%	(3,498)	−2.79%	(550)
Net investment results	12.87%	1,685	− 14.45%	(2,493)	0.57%	114
Ending Assets		**10,418**		**15,770**		**18,750**
Mortgage loans on real estate:						
Net investment income	8.94%	2,485	9.97%	2,845	9.38%	2,873
Net investment losses	0.23%	65	− 0.83%	(236)	− 0.55%	(169)
Net investment results	9.17%	2,550	9.14%	2,609	8.83%	2,704
Ending Assets		**27,974**		**27,621**		**29,463**
Equity Investments:						
Net investment income	12.38%	727	24.53%	1,510	19.18%	1,033
Net investment gains	1.96%	115	1.54%	95	2.32%	125
Net investment results	14.34%	842	26.07%	1,605	21.50%	1,158
Ending Assets		**4,449**		**7,299**		**5,014**
Policy loans:						
Net investment income	6.46%	1,473	7.53%	1,712	7.27%	1,426
Ending Assets		**20,869**		**24,712**		**20,753**
Cash & Short Term:						
Net investment income	9.36%	503	1.66%	32	9.08%	344
Ending Assets		**9,155**		**1,596**		**2,271**
Total:						
Net investment income	8.30%	17,255	8.89%	18,017	8.12%	14,918
Net investment gains	0.27%	566	− 1.52%	(3,072)	− 0.12%	(225)
Net investment results	8.57%	17,821	7.37%	14,945	8.00%	14,693
ENDING ASSETS		**200,974**		**215,034**		**190,427**

(a) Yields are calculated on the basis of the average beginning and end of period asset carrying value for each asset category. All amounts are converted into French francs from local currency at year-end exchange rates.

(b) On a constant exchange rate basis, the yields for 1998 would have been 7.95% for fixed maturities, 13.08% for real estate, 9.0% for mortgage loans on real estate, 14.19% for equity investments, 6.36% for policy loans, 8.97% for cash and short term investments and 8.43% for all general account investments.

(c) On a constant exchange rate basis, the yields for 1997 would have been 8.56% for fixed maturities, -13.39% for real estate, 8.51% for mortgage loans on real estate, 24.62% for equity investments, 7.07% for policy loans, 1.53% for cash and short term investment and 6.90% for all general account investments.

(d) On a constant exchange rate basis, the yield for 1996 would have been 8.31% for fixed maturities, 0.56% for real estate, 8.52% for mortgage loans on real estate, 20.74% for equity investments, 7.04% for policy loans, 8.66% for cash and short term investments and 7.74% for all general account investments.

(e) Real estate carrying values are shown, and real estate yields are calculated, net of third party debt and minority interests of FF 2,933 million of FF 5,659 million, and FF 4,710 million as of December 31, 1998, 1997 and 1996, respectively. Real estate investment income is shown net of operating expenses, depreciation, third party interest expense and minority interests. Third party interest expense and minority interests totaled FF 286 million, FF 362 million and FF 363 million for 1998, 1997 and 1996, respectively.

The UK Life Insurance Group

(in FF millions, year ended December 31,)	1998	1997	1996
Gross premiums	33,714	30,509	9,384
Net investment results [a]	13,207	11,478	3,654
Total Revenues	**46,921**	**41,987**	**13,038**
Insurance benefits	(40,010)	(36,008)	(10,593)
Reinsurance ceded, net [b]	(195)	(32)	(4)
Acquisition expenses [c]	(2,222)	(1,264)	(645)
Amortization of value of business inforce	(164)	(282)	–
Other insurance company expenses	(1,527)	(1,628)	(584)
Total Benefits and Other Deductions	**(44,118)**	**(39,214)**	**(11,826)**
Income before income tax expense	2,803	2,773	1,212
Income tax expense	(842)	(1,099)	(561)
Equity in income (loss) of unconsolidated subsidiary	–	–	–
Minority interests in income of consolidated subsidiaries	(558)	(360)	–
Net income	**1,403**	**1,314**	**651**
Exchange rates [d]	9.77	9.91	8.89

(a) Includes investment income, net of investment expenses and interest expense on short-term and long-term debt, and net realized investment gains or losses.
(b) Includes the net result of premiums, insurance benefits and claims and commissions ceded under reinsurance contracts.
(c) Acquisition expenses are net of changes in the unearned revenue reserve established for fees charged to contractholders that are not fully earned in the period assessed. Such amounts are recognized in net income over the periods benefited using the same assumptions and methods as are used for amortizing deferred acquisition costs.
(d) In 1998, AXA used the weighted average exchange rate to translate the results of operations while in 1997 and 1996, the year end exchange rate was used.

Year Ended December 31, 1998 Compared to Eear ended December 31, 1997

The rise in gross premiums, 12.4% on a constant exchange rate basis, was primarily related to individual single premium investment products, which increased 29.4% in a favorable investment climate. These products represented 34.2% of gross premiums in 1998 as compared to 29.6% in 1997. In individual retirement insurance, gross premiums rose by 4.4%, with a 6.6% decline in new business on a constant exchange rate basis due to increased competition. In response to this decline, which reached 13.6% in individual life insurance, AXA Sun Life launched new, more competitive products in June 1998, that began to have a positive impact on new business in the fourth quarter. In addition, new business in group retirement increased by 9.6% on a constant exchange rate basis.

Net investment results increased by 16.7% on a constant exchange rate basis. The increase was due to the particularly high level of gains realized on the sale of equity securities in 1998 (FF 3,907 million versus FF 1,838 million in 1997), as AXA Sun Life restructured its equity security portfolio in order to better diversify its holdings. The change in net investment results compared to 1997 also reflected FF 153 million in realized gains on real estate sales in 1998 versus FF 775 million in 1997.

The 12.7% increase in insurance benefits on a constant exchange rate basis was principally due to the 13.4% increase in total revenues. It should be noted that nearly all of the investment results on investments allocated to insurance contracts are reflected in insurance benefits.

In 1998, new accounting principles were adopted for the calculation of actuarial reserves for certain unit-linked products. The application of the previous calculation methods for such contracts, which amortized certain profits over the life of the contracts, did not reflect the economic results of such contracts as such calculation methods reflected losses when financial markets increased and gains when financial markets declined. The new method of accounting better reflects the contracts' economics. The reduction in the insurance benefits of FF 657 million was partially offset by additional DAC amortization of FF 332 million due to this change. The increase in net income for this change was FF 179 million. If such principles had been applied in 1997, net income would have increased by FF 72 million.

Excluding the effects of the change in accounting principle discussed above, acquisition costs net of the change in DAC increased by 51.7% on a constant exchange rate basis. Excluding the change in DAC, the increase was 1.3% primarily due to an increase in new business gross premiums (3.6% on a constant exchange rate basis). DAC increased 15.3% on a constant exchange rate basis primarily due to due to the growth in AXA Sun Life's DAC balance which was eliminated in the UAP purchase accounting. The growth in the DAC balance also led to an increase of 268% in DAC amortization.

On a constant exchange rate basis, other insurance company expenses, FF 1,527 million, decreased by 4.9% versus 1997. It should be noted the 1997 total included restructuring provisions related to the merger between Sun Life and AXA Equity and Law (FF 297 million). An additional FF 65 million provision was recorded in 1998. Despite the effect of synergies resulting from the restructuring, other insurance company expenses increased 11.6% on a constant exchange rate basis. Such increase was principally due to the impact of certain non-recurring costs such as year 2000 costs and publicity costs for the AXA trademark. The ratio of general costs to gross premiums decreased from 15.3% in 1997 to 13.4% in 1998, while the ratio of general costs to actuarial reserves declined from 1.48% in 1997 to 1.31% in 1998.

The 1998 amortization of VBI, recorded in connection with the acquisition of Sun Life, was FF 164 million compared to FF 282 million in 1997. This decrease is in line with previous estimates of future profit and also reflects a change in lapse assumptions made in 1998 on certain unit-linked contracts, which resulted in a decrease in amortization of approximately FF 50 million.

The 1998 income tax expense totaled FF 843 million. In the UK, life insurance companies are principally taxed based on investment income less certain deductible expenses. Accordingly, income tax expense does not vary directly with income before income tax expense.

Net income for the UK Life Insurance Group was FF 1,403 million, as opposed to FF 1,314 million in 1997. The negative impact of the Pound Sterling–-French franc exchange rate was approximately FF 20 million. The 1997 total reflected both the group share gain of FF 118 million realized on the sale of AXA Equity & Law International (Ile of Man) and the FF 69 million impact of the change in tax rates. Excluding these non-recurring events, net income increased FF 296 million due to an increase in gains realized by AXA Equity & Law in connection with the restructuring of its equity security portfolio (FF 182 million, group share) and the adoption of new actuarial reserve accounting principles for unit-linked contracts (FF 179 million, group share).

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

In 1997, AXA increased its life insurance operations in the UK with the addition of Sun Life in connection with the UAP purchase. Effective July 1, 1997, AXA Equity & Law, a historical AXA subsidiary, was acquired by Sun Life. As of October 1997, the new business of AXA Equity & Law is offered through a new entity, AXA Sun Life. The new business of Sun Life was offered through AXA Sun Life effective January 1, 1998.

Gross premiums totaled FF 30,509 million, of which FF 20,618 million was recorded by Sun Life, FF 411 million by AXA Sun Life, and FF 9,480 million was recorded by AXA Equity and Law. On a constant exchange rate and structural basis, gross premiums for the UK Life Insurance Group increased 15.4% compared to 1996 pro forma; 87% of the increase was related to individual retirement products.

The net investment result was FF 11,478 million of which FF 5,065 million was earned by AXA Equity and Law compared to FF 3,654 million in 1996. AXA Equity & Law's net investment results increase (28.5% on a constant exchange rate basis) is principally due to an increase of FF 591 million in gains realized on sales of equity securities which benefited from the strong UK financial markets and an increase of FF 326 million in gains realized on real estate sales.

Insurance benefits increased to FF 35,456 million of which FF 23,090 million was incurred by Sun Life, FF 11,950 million was incurred by AXA Equity & Law and FF 416 million by AXA Sun Life. On a constant exchange rate and structural basis, AXA Equity & Law's insurance benefits increased 12.0% principally as a result of the increase in gross premiums of 10.6% and net investment results of 28.5%. Net investment results affect insurance benefits and claims as certain UK insurance contracts, including those of Sun Life, share the investment results with policyholders.

Acquisition expenses and other insurance company expenses totaled FF 3,444 million of which FF 2,236 million was incurred by Sun Life, FF 478 million by AXA Sun Life, and FF 730 million by AXA Equity & Law. On a constant exchange rate basis, the UK Life Insurance group improved its ratio of general costs to gross premiums from 15.9% in 1996 to 15.3% in

1997. AXA Equity & Law has benefited from its continuing project to reduce costs and, in addition, certain cost efficiencies have been attained in connection with the merger. AXA Sun Life's other insurance company expenses included FF 297 million of restructuring provisions related to the merger with AXA Equity & Law which were principally comprised of relocation costs and professional consulting fees.

DAC amortization was incurred principally by AXA Equity & Law as Sun Life's deferred acquisition costs as of January 1, 1997 were eliminated in connection with purchase accounting. AXA Equity & Law DAC amortization decreased by FF 210 million due to the continuing effects of the change in amortization method which began in 1996. Prior to 1996, DAC was amortized over two years whereas it is now amortized over the estimated life of the contracts in proportion to estimated gross profits.

Income tax expense includes the positive FF 69 million effect of a change in legislation reducing the tax rate from 33% to 31%. In the UK, life insurance companies are principally taxed based on investment income less certain deductible expenses. Accordingly, income tax expense does not vary directly with income before income tax expense.

The increase in minority interests in income of consolidated subsidiaries is attributable to the acquisition of Sun Life which has a publicly-traded minority interest. In connection with the merger of AXA Equity & Law and Sun Life, AXA's ownership in both entities is currently 71.6%.

Net income for the UK Life Insurance Group was FF 1,314 million of which Sun Life earned FF 683 million, AXA Sun Life incurred a loss of FF 254 million, and AXA Equity & Law earned FF 885 million compared to FF 651 million in 1996. The increase in the net income of AXA Equity & Law is primarily attributable to the FF 118 million group share gain realized on the sale of AXA Equity and Law International (Isle of Man), the FF 69 million impact from the change in tax rates, the FF 210 million positive impact of the change in DAC amortization methods, and the positive FF 72 million impact of exchange rate fluctuations between the Pound Sterling and French Franc. These impacts were partially offset by the FF 132 million increase in minority interest in the income of AXA Equity and Law.

Analysis of Insurance General Account Investment Results

The following table summarizes the net investment results of the UK Life Insurance Group for the principal categories of general account assets for the periods indicated. Certain investment assets of the UK Life Insurance Group and associated net investment results are not included, and net investment income is not reduced for investment expenses or interest expense on short-term and long-term debt. Accordingly, the net investment results summarized in the following table are not directly comparable to the net investment results of the UK Life Insurance Group discussed above.

UK Life Insurance Group Net Investment Results by General Account Asset Category

(in FF millions except percentages, year ended December 31,)	1998 Yield (a) (b)	1998 Amount (a)	1997 Yield (a) (c)	1997 Amount (a)	1996 Yield (a) (d)	1996 Amount (a)
Fixed Maturities:						
Net investment income	6.93%	4,143	8.05%	4,005	7.88%	751
Net investment gains	2.64%	1,577	1.26%	625	2.83%	270
Net unrealized investment gains (losses)(e)	4.79%	2,867	2.02%	1,004	– 1.03%	(98)
Ending Assets		**63,116**		**56,473**		**9,552**
Real Estate:						
Net investment income	7.19%	1,012	7.83%	1,035	6.79%	393
Net investment gains (losses)	1.09%	153	5.86%	775	3.96%	229
Net unrealized investment gains (losses) (e)	– 0.11%	(15)	0.81%	107	– 5.07%	(293)
Ending Assets		**13,535**		**14,624**		**6,271**
Equity Investments:						
Net investment income	3.00%	2,879	4.08%	3,333	4.54%	1,426
Net investment gains (losses)	4.08%	3,907	2.25%	1,838	2.21%	696
Net unrealized investment gains (losses) (e)	2.57%	2,459	13.53%	11,044	4.95%	1,556
Ending Assets		**96,409**		**95,238**		**37,472**
Cash & Short Term:						
Net investment income	5.65%	202	1.26%	4	0.82%	4
Ending Assets		**6,688**		**458**		**82**
Total:						
Net investment income	4.73%	8,277	5.83%	8,437	5.51%	2,634
Net investment gains (losses)	3.22%	5,637	2.22%	3,238	2.52%	1,205
Net unrealized investment gains (losses) (e)	3.03%	5,311	8.36%	12,154	2.44%	1,165
ENDING ASSETS		**182,832**		**167,402**		**54,259**

(a) Yields are calculated on the basis of average beginning and end of period asset carrying value for each asset category. Amounts relating to the fair value of assets allocated to with-profits contracts are included in each asset category. All amounts are converted into French francs from local currency at year-end exchange rates.
(b) On a constant exchange rate basis, the yields for 1998 would have been 14.5% for fixed maturities, 9.48% for real estate, 11.45% for equity investments, 5.42% for cash and short term investments and 12.14% for all general account investments.
(c) On a constant exchange rate basis, the yields for 1997 would have been 10.79% for fixed maturities, 13.78% for real estate, 18.97% for equity investments, 1.22% for cash and short term investments and 15.63% for all general account investments.
(d) On a constant exchange rate basis, the yields for 1996 would have been 9.88% for fixed maturities, 9.98% for real estate, 6.32% for equity investments, 0.71% for cash and short term investments and 7.48% for all general account investments.
(e) Includes net unrealized investment gains (losses) on assets allocated to UK with-profits contracts.

Asia/Pacific Life Insurance Group

(in FF millions, year ended December 31,)	1998	1997	1996
Gross premiums	19,515	21,856	20,478
Net investment results [(a)]	1,371	6,980	4,486
Total Revenues	**20,886**	**28,836**	**24,964**
Insurance benefits	(17,678)	(22,492)	(20,299)
Reinsurance ceded, net [(b)]	(90)	(139)	(102)
Acquisition expense [(c)]	(947)	(860)	(951)
Amortization of value of business inforce	(504)	(438)	(446)
Other insurance company expenses	(2,104)	(2,047)	(2,047)
Amortization of goodwill, net	(26)	(52)	–
Total Benefits and Other Deductions	**(21,349)**	**(26,028)**	**(23,845)**
Income before income tax expense	(463)	2,808	1,119
Income tax expense	(121)	(1,753)	(428)
Equity in income (loss) of unconsolidated subsidiaries	55	174	112
Minority interests in income of consolidated subsidiaries	220	(913)	(643)
Net income	**(309)**	**316**	**160**
Exchange rates [(d)]	3.35	3.34	3.38

(a) Includes investment income, net of investment expenses and interest expense on short-term and long-term debt, and net realized investment gains or losses.
(b) Includes the net result of premiums, insurance benefits and claims and commissions ceded under reinsurance contracts.
(c) Acquisition expenses are net of changes in the unearned revenue reserve established for fees charged to contractholders that are not fully earned in the period assessed. Such amounts are recognized in net income over the periods benefited using the same assumptions and methods as are used for amortizing deferred acquisition costs.
(d) In 1998, AXA used the weighted average exchange rate to translate the results of operation while in 1997 and 1996, the year end exchange rate was used.

The following tables set forth certain summarized financial information for the Asia/Pacific Life Insurance Group by country for the periods indicated.

Gross Premiums

(in FF millions, year ended December 31,)	1998	1997	1996
Australia / New Zealand	13,486	16,990	16,044
Hong Kong	4,692	3,845	3,266
Korea	610	487	803
Singapore	291	285	246
Japan	436	249	119
TOTAL	**19,515**	**21,856**	**20,478**

Net Income

	Including Minority Interests			Group Share		
(in FF millions, year ended December 31,)	1998	1997	1996	1998	1997	1996
Australia / New Zealand	419	516	508	165	216	233
Hong Kong	(699)	882	536	(225)	269	168
Korea	(47)	(50)	(7)	(47)	(50)	(7)
Singapore	(12)	49	5	(12)	49	5
Japan	(190)	(168)	(239)	(190)	(168)	(239)
TOTAL	**(529)**	**1,229**	**803**	**(309)**	**316**	**160**

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Gross premiums; net income including minority interest; and net income are analyzed in detail below by country.

Total revenues declined by 23.4% on a constant exchange rate basis due to a 6.0% decrease in gross premiums and a 77.9% decrease in net investment results. The major restructuring of the equity securities portfolios of Asian subsidiaries resulted in significant realized losses due to the Asian financial market crisis in 1998.

Income before income tax expense, a loss of FF 438 million, declined by FF 3,298 million as a result of the decline in 1998 total revenues.

On a constant exchange rate basis, income tax expense decreased 92.9% on a constant exchange rate basis primarily as a result of the decline in National Mutual Life's net investment results. In Australia and New Zealand, non-traditional insurance products are primarily taxed on investment results less certain deductible expenses.

The significant decline in net income for the Asia/Pacific Life Insurance Group versus 1997 is primarily due to the negative impact of the Asian financial market crisis, estimated at FF 580 million (realized losses, unrealized losses on trading securities, and asset impairments). The financial crisis also prevented the group from realizing gains it would have otherwise realized. In addition, net income was impacted by a National Mutual provision for the restructuring of its operations in Australia and New Zealand (FF 33 million, group share).

Australia and New Zealand

Gross premiums declined 12.1% on a constant exchange rate basis after exclusion of FF 696 million in additional gross premiums received in March 1997 from policyholders that opted to purchase insurance coverage with proceeds obtained in connection with the demutualization. Such decline was primarily as a result of a 66% decrease in short-term savings products' gross premiums due to their volatility and the transfer of part of this portfolio to an asset manager. Such products represent 8.2% of 1998's gross premiums. Partially offsetting such decline was a 22.3% rise in internal replacements (internal transfers among products). Excluding these three non-recurring events, gross premiums declined 0.2% on a constant exchange rate basis. There was also 7.3% growth in disability products, in line with market trends. Group retirement products's gross premiums increased 7.5% as a result of a one point increase in mandatory employer contributions to pensions. These increases were compensated by the decline in traditional life insurance and savings products.

Net income for 1998 decreased by FF 51 million primarily as a result of the financial market crisis between September 30, 1997 and 1998. Note that National Mutual uses a fiscal year ended September 30. As a result, National Mutual 1998 results of operations presented above do not yet reflect the positive impacts of the recovery of financial market in the fourth quarter of 1998. Net investment results declined by 68.6% on a constant exchange rate basis, much of which is reflected in insurance benefits as most of the Australian products pass the investment risk and reward on to the policyholders. These events were partially offset by improved margins on term life and disability insurance products, an improvement in health insurance results due to an increase in premiums rates and an improvement in the administrative cost margin. The ratio of general costs (excluding the restructuring provision) to gross premiums increased from 15.3 % in 1997 to 18.5% in 1998 principally due to a decrease in gross premiums for short term savings products which have lower general costs relative to their gross premiums. Excluding the impacts of the three non-recurring events on gross premiums discussed above, the ratio of general costs to gross premiums increased from 23% in 1997 to 23.4% in 1998. In addition, net income was reduced by FF 33 million as a result of recording a restructuring provision.

Hong Kong

NM Asia, renamed AXA China Region in January 1999, increased gross premiums by 13.9% on a constant exchange rate basis compared to 1997 principally due to growth in individual savings and health products' gross premiums (14.2%) and group retirement products (22.8%). Despite the financial crisis, new business gross premiums for individual insurance products increased 3.6% due to the introduction of a new insurance product designed exclusively for women. This product accounted for 22.0% of new business gross premiums in 1998. However, new business gross premiums declined slightly due principally to a decline in group retirement products' new business. Such decline was as a result of the anticipation of the establishment of new government-mandated pension funds.

Net income was down sharply due to the downward trend in Asian financial markets. In 1997, AXA China Region recorded significant realized gains in its equity securities portfolio (FF 396 million, FF 132 million, group share). In 1998, in light of the downward trend in the financial markets that began in October 1997, AXA China Region sold most of its equity securities in connection with its restructuring of its investment portfolio, recording significant realized losses on Asian securities (FF 1,309 million, FF 436 million group share). Considering gains realized on other securities, the realized losses, net of gains, totaled FF 1,062 million (FF 354 million group share). In addition, due to a downward revision in investment yield assumptions, amortization of VBI increased by FF 144 million (FF 49 million, group share). Finally, AXA China Region continued to reduce general costs, which represented 23.1% of gross premiums in 1998, versus 24.9% in 1997.

South Korea

Dongbu AXA Life, proportionately consolidated at the 50% level, contributed gross premiums FF 610 million. Despite the major economic slowdown in 1998 and the reduction of its agency force, gross premiums remained stable on a constant exchange rate basis.

Dongbu AXA Life recorded a net loss of FF 47 million, compared with a net loss of FF 50 million in 1997. On a constant exchange rate basis, net income declined by 21.2% as a result of a reduction in personnel expenses and a decrease in investment impairments as compared to 1997. Such impacts were partially offset by the FF 50 million reduction in net income due to the impairment of the entire VBI balance.

In addition, the Company wrote off its entire balance of goodwill allocated to Dongbu (FF 93 million, group share).

Singapore

Gross premiums increased by 3.1% on a constant exchange rate basis to FF 291 million primarily due to increases in whole-life insurance and group insurance gross premiums of 27.5% and 58.3%, respectively. Conversely, unit-linked savings products declined by 37.4 %.

AXA Life recorded a loss of FF 12 million, versus net income of FF 49 million in 1997. The 1997 net income reflected the positive impact of actuarial assumption changes on insurance benefits and DAC amortization. The poor 1998 results reflect significant realized losses in connection with the restructuring of its equity securities portfolio in order to reduce its exposure to financial markets.

Japan

In 1998, gross premiums for AXA Life Japan totaled FF 436 million, versus FF 249 million in 1997. New business gross premiums increased by 38.3% on a constant exchange rate basis compared to 1997.

The net losses are attributable to the high level of general costs for an insurance company that is still in the start-up phase.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

The Asian financial crisis, which primarily began in the fourth quarter of 1997, has had an adverse effect on certain of AXA's investments and customers in the region. However, the effect of the crisis is not entirely reflected in the results of operations as the Australia/New Zealand operations and AXA China Region use a fiscal year ended September 30 and are consolidated as of that date in AXA's consolidated financial statements. For example, National Mutual Life and AXA China Region's trading securities, whose changes in fair value are recorded in net investment results, are recorded at their September 30, 1997 estimated fair values.

On a constant exchange rate basis, gross premiums increased 4.1% compared to 1996. Gross premiums and insurance benefits were both affected in 1996 by an internal replacement campaign in Australia and New Zealand. Internal replacements are transactions whereby an existing policy is “rolled over” into a new policy and the amount exchanged is recorded both as an insurance benefit paid and gross premium received.

On a constant exchange rate basis, net investment results increased 50.3% primarily as a result of an increase in realized and unrealized gains at AXA China Region and in Australia/New Zealand which benefited from the strong equity markets through September 30, 1997.

On a constant exchange rate basis, insurance benefits and claims increased by 8.2% primarily as a result of the increase in gross premiums and net investment results at AXA China Region. Net investment results affect insurance benefits and claims as certain Hong Kong insurance contracts share investment results with policyholders.

Acquisition expenses declined by 10.4% on a constant exchange rate basis principally as a result of the increase in the deferral of amortization costs, net of changes in the unearned revenue reserve. The increase in acquisition cost deferrals is related to certain insurance products sold by AXA China Region which pay commissions on a monthly basis. Commissions paid which relate to business sold before the September 1995 AXA China Region acquisition date are not deferred in accordance with purchase accounting principles. Therefore, as the portion of business sold after the acquisition increases, the amount of acquisition cost deferrals increases.

On a constant exchange rate basis, other insurance company expenses were stable relative to 1996 after elimination of the FF 90 million balance of start-up costs written off by AXA Japan in 1996 as a result of its change in accounting principle. Despite the increase in new business, such costs were controlled as a result of the continued benefits from National Mutual Life's cost cutting programs.

The increase in income tax expense is primarily attributable to improved net investment results. In Australia and New Zealand, non-traditional insurance products are principally taxed based on investment results less certain deductible expenses. Accordingly, income tax expense does not vary directly with income before income tax expense. In addition, 1996 income tax expense was reduced by the release of certain tax provisions established in 1995.

The German Life Insurance Group

The following table sets forth certain summarized financial information for the German Life Insurance Group for the periods indicated.

(in FF millions, year ended December 31,)	1998	1997	1996
Gross premiums [(a)]	16,373	17,003	1,151
Net investment results [(b)]	6,867	5,926	128
Total Revenues	**23,240**	**22,929**	**1,279**
Insurance benefits	(21,411)	(20,645)	(864)
Reinsurance ceded, net [(c)]	115	76	(9)
Acquisition expenses [(d)]	(1,039)	(1,305)	(381)
Amortization of value of business inforce	(58)	(60)	–
Other insurance company expenses	(624)	(761)	(100)
Total Benefits and Other Deductions	**(23,017)**	**(22,695)**	**(1,354)**
Income before income tax expense	223	234	(75)
Income tax expense	(137)	(169)	(6)
Minority interests in income of consolidated subsidiaries	(27)	(27)	
Net income [(a)]	**59**	**38**	**(81)**
Exchange rates [(e)]	3.35	3.34	3.38

(a) FF 579 million of gross premiums and FF 2 million of net income were earned by the Austrian and Hungarian subsidiaries in 1998.
(b) Includes investment income, net of investment expenses and interest expense on short-term and long-term debt, and net realized investment gains or losses.
(c) Includes the net result of premiums, insurance benefits and claims and commissions ceded under reinsurance contracts.
(d) Acquisition expenses are net of changes in the unearned revenue reserve which is established for fees charged to contractholders that are not fully earned in the period assessed. Such amounts are recognized in net income over the periods benefited using the same assumptions and methods as are used for amortizing deferred acquisition costs.
(e) In 1998, AXA used the weighted average exchange rate to translate the results of operations while in 1997 and 1996, the year end exchange rate was used.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

In 1997, gross premiums for the German Life Insurance Group included FF 1,297 for AXA Leben, which was sold in the first half of 1998.

AXA Colonia's 1998 gross premiums are as follows: on a constant exchange rate and structural basis, life insurance gross premiums (FF 12,849 million) increased by 2.5% while health insurance gross premiums (FF 2,945 million) grew by 8.7%. Due to the restructuring of its operations and distribution channels, AXA Colonia's life insurance gross premium growth was less than the German market and new business gross premiums declined. Health insurance operations, launched by AXA Colonia in 1996, outpaced the market due to Colonia Kranken's recent development of products which provide limited guarantees.

On a constant exchange rate and structural basis, net investment results in 1998 totaled FF 6,867 million, an increase of FF 1,117 million compared to 1997. Net investment results were comprised of investment income of FF 6,516 million and realized gains of FF 404 million. The strong increase in investment income was the result of gains realized to take advantage of the positive financial market climate. The relatively small amount of realized gains is due to the fact a large portion of the investment portfolios is actively managed within mutual funds ("spezial funds") and distributions are in the form of dividends, therefore the gains realized by these funds are included in net investment income. In 1997, provisions of FF 193 million, before policyholder interests, were recorded on Asian investments impaired as a result of the Asian financial crisis; in 1998, these provisions were strengthened by FF 19 million.

On a constant exchange rate and structural basis, insurance benefits rose by 9.8%. In life insurance, the 8.3% constant exchange rate basis increase in insurance benefits is in line with the rise in total revenues. In health insurance, despite the fact that paid claims rose in line with gross premiums, insurance benefits (FF 2,821 million) increased by 17.9% on a constant exchange rate basis due to the decrease in policy cancellations.

Acquisition expenses excluding the change in DAC decreased by 4.9% on a constant structural basis. The decline in new business gross premiums resulted in lower acquisition costs, which fell to 13.0% of gross premiums from 13.7% in 1997.

Other insurance company expenses declined by 6.4% on a constant structural basis due to a reduction in the workforce. On a constant structural basis, the 1998 ratio of general costs to gross premiums was 18.0% versus 19.1% in 1997, and the ratio of general costs to actuarial reserves was 2.34% compared to 2.58% in 1997.

After the amortization of VBI of FF 60 million, the VBI balance at December 31, 1998 was FF 1,333 million.

Net income increased by FF 17 million on a constant structural basis due to the increase in net investment results despite the increase in the participation by policyholders in statutory profits which went from 95.0% in 1997 to 95.2% in 1998.

Net income earned by the Austrian and Hungarian subsidiaries was FF 2 million as compared to FF 3 million in 1997.

Year Ended December 31, 1997 Compared to Year ended December 31, 1996

In 1997, AXA increased its life insurance operations in Germany as a result of the acquisition of AXA Colonia, a former UAP subsidiary. AXA Leben is a historical AXA subsidiary.

AXA Colonia and AXA Leben increased gross premiums by 8.9% for life insurance products to FF 15,213 million principally by developing its agent and broker distribution networks. In health insurance, AXA Colonia increased its gross premiums 15.5% on a constant exchange rate basis primarily as a result of introducing a new insurance product (Elementary) in 1997 and the development of reinsurance operations. AXA Leben's gross premiums totaled FF 1,297 million in 1997 compared to FF 1,151 million in 1996, an increase of 13.8% on a constant exchange rate basis. Such growth is in part due to the success of the introduction of its new retirement products.

Net investment results in 1997 totaled FF 5,926 million, of which FF 5,750 million was earned by AXA Colonia and FF 176 million by AXA Leben. Net investment results were primarily comprised of investment income of FF 5,955 million principally earned on the fixed maturity portfolio and realized losses of FF 29 million.

Insurance benefits increased to FF 20,645 million, of which FF 19,499 million was incurred by AXA Colonia and FF 1,146 million was incurred by AXA Leben compared to FF 864 million in 1996. AXA Leben's insurance benefits increased by 5.7% on a constant exchange rate basis which was less than the 13.8% increase in gross premiums due to improvements in mortality experience.

Acquisition costs represented 14.9% of gross premiums in 1997.

Other insurance company expenses totaled FF 761 million of which FF 94 million was incurred by AXA Leben versus FF 100 million in 1996. The 1997 ratio of general costs to gross premiums for both companies combined was 20.4% and the ratio of general costs to actuarial reserves was 2.9%.

Income tax expense of FF 169 million is large relative to income before income tax expense principally as a result of the fact VBI amortization is calculated on an after-tax basis.

Net income totaled FF 38 million, of which FF 40 million was earned by AXA Colonia, FF 3 million was earned by the Austrian and Hungarian subsidiaries, and a loss of FF 5 million was incurred by AXA Leben versus a loss of FF 81 million in 1996. As a result of German insurance regulations and the competitive nature of the German market, AXA Colonia currently distributes approximately 95% of its statutory profits to policyholders.

Analysis of Insurance General Account Investment Results

The following table summarizes the net investment results of the German Life Insurance Group for the principal categories of general account assets for the periods indicated. Certain investment assets of the German Life Insurance group and associated net investment results are not included, and net investment income is not reduced for investment expenses or interest expense on short-term and long-term debt. Accordingly, the net investment results summarized in the following table are not directly comparable to the net investment results of the German Life Insurance Group discussed above.

German Life Insurance Group Net Investment Results by General Account Asset Category

(in FF millions except percentages, year ended December 31,)	1998 Yield (a) (b)	1998 Amount	1997 Yield (a) (c)	1997 Amount	1996 Yield (a) (d)	1996 Amount
Fixed Maturities:						
Net investment income	5.63%	3,210	5.54%	3,086	7.43%	107
Net investment gains	0.07%	43			–	–
Net investment results	5.70%	3,253	5.54%	3,086	7.43%	107
Ending Assets		**58,894**		**56,966**		**1,630**
Equity Investments:						
Net investment income	6.62%	2,241	6.04%	1,697	4.85%	17
Net investment gains (losses)	0.69%	235	– 0.34%	(97)	0.74%	3
Net investment results	7.31%	2,476	5.70%	1,600	5.59%	20
Ending Assets		**37,375**		**30,982**		**381**
Real Estate:						
Net investment income	4.81%	330	4.73%	331		
Net investment gains (losses)	0.04%	3	– 0.05%	(3)		
Net investment results	4.85%	333	4.68%	328		
Ending Assets		**6,811**		**6,918**		
Mortgage Loans on Real Estate:						
Net investment income	5.66%	655	5.67%	643		
Ending Assets		**11,718**		**11,439**		
Policy Loans:						
Net investment income	7.35%	114	7.66%	130		
Ending Assets		**1,421**		**1,680**		
Cash & Short Term:						
Net investment income	2.95%	19	1.75%	22	1.93%	2
Ending Assets		**528**		**950**		**108**
Total:						
Net investment income	5.74%	6,856	5.57%	6,365	6.52%	124
Net investment gains (losses)	0.23%	281	– 0.09%	(100)	0.16%	3
Net investment results	5.97%	7,137	5.48%	6,265	6.68%	127
ENDING ASSETS		**124,553**		**116,970**		**2,132**

(a) Yields are calculated on the basis of average beginning and end of period asset carrying value for each asset category. All amounts are converted into French francs from local currency at year-end exchange rates.
(b) On a constant exchange rate basis, the yields for 1998 would have been 5.70% for fixed maturities, 4.84% for real estate, 7.32% for equity investments, 5.65% for mortgage loans, 2.95% for cash and short term investments and 5.97% for all general account investments.
(c) On a constant exchange rate basis, the yields for 1997 would have been 5.56% for fixed maturities, 4.71% for real estate, 5.70% for mortgage loans on real estate, 5.70% for equity investments, 1.76% for cash and short term investments and 5.54% for all general account investments.
(d) On a constant exchange rate basis, the total yields for 1996 would have been 7.49% for fixed maturities, 13.13% for real estate, 10.70% for mortgage loans, 5.62% for equity investments, 1.94 % for cash and short term investments and 6.72% for all general account investments.

The Belgium Life Insurance Group

The following table sets forth certain summarized financial information for the Belgium Life Insurance Group for the periods indicated.

(in FF millions, year ended December 31,)	1998	1997	1996
Gross premiums	6,045	5,560	933
Net investment results [a]	5,941	3,557	292
Total Revenues	**11,986**	**9,117**	**1,225**
Insurance benefits	(7,449)	(6,957)	(1,007)
Reinsurance ceded, net [b]	5	(71)	(2)
Acquisition expenses [c]	(557)	(488)	(73)
Amortization of value of business inforce	(437)	(22)	–
Other insurance company expenses	(606)	(293)	(140)
Total Benefits and Other Deductions	**(9,044)**	**(7,831)**	**(1,222)**
Income before income tax expense	2,942	1,286	3
Income tax expense	(43)	(55)	(2)
Minority interests in income of consolidated subsidiaries	(1,349)	(615)	–
Net income	**1,550**	**616**	**1**
Exchange rates [d]	0.163	0.162	0.164

(a) Includes investment income, net of investment expenses and interest expense on short-term and long-term debt, and net realized investment gains or losses.
(b) Includes the net result of premiums, insurance benefits and claims and commissions ceded under reinsurance contracts.
(c) Acquisition expenses are net of changes in the unearned revenue reserve established for fees charged to contractholders that are not fully earned in the period assessed. Such amounts are recognized in net income over the periods benefited using the same assumptions and methods as are used for amortizing deferred acquisition costs.
(d) In 1998, AXA used the weighted average exchange rate to translate the results of operations while in 1997 and 1996, the year end exchange rate was used.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Gross premiums rose 7.2% on a constant exchange rate basis versus 1997 primarily due to the growth in fourth quarter sales in anticipation of a reduction of guaranteed interest rates announced for 1999. The growth is notably a result of the rapidly expanding market for unit-linked products, which now account for 4.8% of gross premiums compared to 1.2% in 1997. In addition, sales of group insurance products increased by 41.0%, due to the launch of a new series of flexible premium retirement products that also allow flexibility in their choice of guarantees. However, growth for the Belgian subsidiaries remains lower than the growth in the Belgian market mainly due to the strong development of banking distribution channels in Belgium. Beginning in 1999, the Belgian Life Insurance Group should benefit from the distribution network of Banque Anhyp, acquired at the end of 1998.

Net investment results increased by FF 2,384 million due to the strong Belgian financial markets and the high level of gains realized in transactions associated with the acquisition of Royale Belge's minority interests.

In 1997, Royale Belge benefited from the realization of FF 563 million of non-taxable gains on the Banque Brussels Lambert (BBL) transaction.

The 7.0% increase in insurance benefits on a constant exchange rate is in line with the gross premiums growth. The policyholder percentage participation in statutory profits decreased slightly as compared to 1997.

In 1998, general costs rose FF 410 million versus 1997. Excluding the impact of a restructuring provision of FF 311 million, the ratio of general costs to gross premiums in 1998 was 18.5% (versus 18.2% in 1997), while the ratio of general costs to actuarial reserves was 2.21% (versus 2.18% in 1997).

The increase in VBI amortization was primarily due to the increase in realized gains which accounted for FF 401 million of the increase as VBI is amortized in relation to the recognition of profits. The balance of VBI at December 31, 1998 was FF 712 million.

The relatively insignificant amount of income tax expense relative to income before income tax expense is a result of the fact that gains realized on equity securities sales are not taxed. In addition, the non-deductibility of the restructuring provision resulted in a deferred tax asset of FF 123 million.

Following the purchase of minority interests, Royale Belge's net income in 1998 was calculated on the basis of AXA's economic interest of 98.7% over the last five months of the year versus 47.6% for the first seven months. In 1997, net income was marked by the realized gain on the Banque Bruxelles Lambert transaction (FF 268 million). Excluding these non-recurring events, Belgium's 1998 net income increase reflects FF 934 million of exceptional gains realized in connection with the Royale Belge minority interest acquisition, net of the impact on VBI amortization, and the establishment of a restructuring provision.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

The large increase in AXA's Belgian life insurance operations in 1997 was a result of the addition of Royale Belge acquired in connection with the UAP acquisition.

Analysis of Insurance General Account Investment Results

The following table summarizes the net investment results of the Belgium Life Insurance Group for the principal categories of general account assets for the periods indicated. Certain investment assets of the Belgium Life Insurance group and associated net investment results are not included, and net investment income is not reduced for investment expenses or interest expense on short-term and long-term debt. Accordingly, the net investment results summarized in the following table are not directly comparable to the net investment results of the Belgium Life Insurance Group discussed above.

Belgium Life Insurance Group Net Investment Results by General Account Asset Category

(in FF millions except percentages, year ended December 31,)	1998 Yield (a) (b)	1998 Amount	1997 Yield (a) (c)	1997 Amount	1996 Yield (a) (d)	1996 Amount
Fixed Maturities:						
Net investment income	5.86%	1,729	5.71%	1,524	7.26%	197
Net investment gains	0.38%	112	0.05%	13	0.34%	9
Net investment results	6.24%	1,841	5.76%	1,537	7.60%	206
Ending Assets		**31,014**		**27,987**		**3,115**
Equity Investments:						
Net investment income	3.54%	397	3.60%	443	5.31%	31
Net investment gains (losses)	28.49%	3,195	7.74%	952	5.44%	32
Net investment results	32.03%	3,592	11.34%	1,395	10.75%	63
Ending Assets		**9,794**		**12,632**		**620**
Real Estate:						
Net investment income	7.42%	118	6.21%	102	19.85%	25
Net investment gains (losses)	0.50%	8	–0.75%	(12)	–6.72%	(9)
Net investment results	7.92%	126	5.46%	90	13.13%	16
Ending Assets		**1,561**		**1,618**		**256**
Mortgage Loans on Real Estate:						
Net investment income	5.56%	467	6.60%	455	10.37%	26
Ending Assets		7,753		6,702		299
Policy Loans:						
Net investment income	14.53%	43	3.33%	28	0.34%	1
Ending Assets		273		282		153
TOTAL:						
Net investment income	5.52%	2,785	5.24%	2,568	7.10%	274
Net investment gains (losses)	6.40%	3,231	2.08%	1,019	0.79%	31
Net investment results	11.92%	6,016	7.32%	3,587	7.89%	305
ENDING ASSETS		**51,097**		**49,860**		**4,499**

(a) Yields are calculated on the basis of average beginning and end of period asset carrying value for each asset category. All amounts are converted into French francs from local currency at year-end exchange rates.

(b) On a constant exchange rate basis, the yields for 1998 would have been 6.23% for fixed maturities, 7.90% for real estate, 32.0% for equity investments, 5.56% for mortgage loans, 14.52% for cash and short term investments and 11.89% for all general account investments.

(c) On a constant exchange rate basis, the yields for 1997 would have been 5.78% for fixed maturities, 5.48% for real estate, 5.91% for mortgage loans on real estate, 11.41% for equity investments, 3.36% for cash and short term investments and 7.34% for all general account investments.

(d) On a constant exchange rate basis, the total yields for 1996 would have been 7.66% for fixed maturities, 13.13% for real estate, 10.70% for mortgage loans, 10.82% for equity investments, 0.34 % for cash and short term investments and 7.95% for all general account investments.

Other Life Insurance Group

AXA's Other Life Insurance Group principally includes AXA's life insurance businesses in the Netherlands, Luxembourg, Italy and Spain.

The following tables sets forth certain summarized financial information for the Other Life Insurance Group for the periods indicated.

(in FF millions, year ended December 31,)	1998	1997	1996
Gross premiums	14,342	14,571	4,395
Change in unearned premium reserve	(15)	–	–
Net investment results [(a)]	4,736	4,737	1,693
Total Revenues	**19,063**	**19,308**	**6,088**
Insurance benefits	(16,282)	(17,123)	(4,868)
Reinsurance ceded, net [(b)]	(52)	32	(27)
Acquisition expenses [(c)]	(769)	(646)	(307)
Amortization of value of business inforce	(235)	(48)	–
Other insurance company expenses	(785)	(705)	(252)
Total Benefits and Other Deductions	**(18,123)**	**(18,490)**	**(5,454)**
Income before income tax expense	940	818	634
Income tax expense	(448)	(301)	(175)
Equity in income (loss) of unconsolidated subsidiaries	(15)	5	–
Minority interests in income of consolidated subsidiaries	(96)	(69)	(16)
Net income	**381**	**453**	**443**
Exchange rates [(e)]	3.35	3.34	3.38

(a) Includes investment income, net of investment expenses and interest expense on short-term and long-term debt, and net realized investment gains or losses.
(b) Includes the net result of premiums, insurance benefits and claims and commissions ceded under reinsurance contracts.
(c) Acquisition expenses are net of changes in the unearned revenue reserve which is established for fees charged to contractholders that are not fully earned in the period assessed. Such amounts are recognized in net income over the periods benefited using the same assumptions and methods as are used for amortizing deferred acquisition costs.

Gross Premiums

(in FF millions, year ended December 31,)	1998	1997	1996 pro forma (a)	1996
The Netherlands	5,475	5,709	5,839	1,900
Luxembourg	3,593	3,165	2,767	819
Spain	2,066	2,063	1,612	794
Italy	1,813	2,312	1,741	725
Other countries	1,395	1,322	3,050	157
TOTAL	**14,342**	**14,571**	**15,009**	**4,395**

(a) To assist with the comparison to 1998 and 1997, 1996 pro forma reflects gross revenues as if AXA's acquisition of UAP occurred on January 1, 1996. Such column includes FF 1,798 million of gross premiums recorded by New Ireland which was sold in 1997.

Net Income

	Including Minority Interests			Group Share		
(in FF millions, year ended December 31,)	1998	1997	1996	1998	1997	1996
The Netherlands	320	170	307	259	146	306
Luxembourg	51	34	8	42	26	8
Spain	62	141	30	43	113	15
Italy	(22)	102	35	(22)	102	35
Other countries	66	75	79	59	66	79
TOTAL	**477**	**522**	**459**	**381**	**453**	**443**

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Gross premiums, net income including minority interests, and net income are analyzed in further detail below by country.

Total revenues decreased by FF 245 million versus 1997; however, gross premiums were up 2.9% on a constant methodological and exchange rate basis.

Income before income tax expense increased by FF 122 million. Insurance benefits decreased, particularly in the Netherlands due to a decrease in gross premiums and an improvement in underwriting estimates. General costs increased slightly primarily due to restructuring provisions recorded in the Netherlands. The increase in amortization of VBI (FF 235 million in 1998 versus FF 48 million in 1997) was due to large amount of realized gains in the Netherlands.

Net income declined FF 72 million primarily due to the declining contribution from the Italian and Spanish subsidiaries, partially offset by the growth in the Netherlands' contribution.

The Netherlands

Gross premiums for the life and health insurance operations in the Netherlands declined by 2.1% on a constant exchange rate and methodological basis, to FF 5,475 million, of which life insurance gross premiums totaled FF 4,345 million and health insurance gross premiums totaled FF 1,130 million. Life insurance gross premiums decreased by 0.6% on a constant exchange rate and methodological basis due to the lower level of single premium life and retirement product gross premiums recorded in 1998 as compared to 1997. Partially offsetting this decrease was the 7.0% growth on a constant methodological and structural basis in individual savings products, which represent approximately 51% of gross premiums, due to the continuing success of AXA Leven's Universal Life product. Gross health insurance premiums declined by 7.5% on a constant exchange rate basis. The 6% price increase in premium rates initiated at the beginning of 1998, which was higher than the market as a whole, resulted in a decrease in new business and a higher surrenders as compared to 1997.

Net income totaled FF 259 million, a FF 113 million increase over 1997. After the acquisition of Royale Belge's and AXA Nederland's minority interests, and subsequent to the internal legal entity restructuring, AXA's economic interest in UAP Nieuw Rotterdam and its subsidiary AXA Leven was 98.6%, compared to 67.3% and 71.6%, respectively, in 1997. The increase in net income is principally a result of the improvement in underwriting results and gains realized on sales of bonds despite its impact of increasing VBI amortization.

Luxembourg

Gross premiums increased to FF 3,593 million, of which FF 2,987 million was earned by PanEuroLife, and FF 543 million by AXA Luxembourg Vie. Gross premium growth in Luxembourg of 13.3% on a constant exchange rate basis was principally due to sales of separate account savings products which benefited from strong financial markets in 1998.

Net income increased FF 16 million over 1997 primarily due to the increase in AXA's economic interest in PanEuroLife following the acquisition of Royale Belge's minority interests. In January 1999, AXA sold PanEuroLife.

Spain

Gross premiums for AXA Aurora Vida increased by 0.1% on a constant exchange rate basis, totaling FF 2,066 million. In 1997, gross premiums were impacted by strong sales of single premium products, particularly savings-type retirement products. In 1998, the launch of a new individual savings indexed-linked contract positively affected gross premiums.

Net income declined by FF 70 million versus 1997, to FF 43 million. Until December 31, 1997, AXA's economic interest was 50% in AXA Aurora and 100% in UAP Iberica. Following the contribution of UAP Iberica securities to AXA Aurora, AXA's interest in its Spanish subsidiaries was brought to 70%. The decline was FF 55 million on a constant structural basis after giving effect to these changes in ownership percentages. The write-off of the entire VBI balance for entities acquired in connection with the UAP acquisition reduced net income by FF 29 million.

Italy

Eurovita, proportionately consolidated until 1997, is 30% owned by AXA Assicurazoni. Beginning in 1998, the entity is accounted for using the equity method. Eurovita gross premiums totaled FF 490 million in 1998.

Gross premiums decreased by 0.1% on a constant exchange rate and structural basis over 1997, to FF 1,813 million. In 1997, AXA Assicurazoni assumed certain risks underwritten by Eurovita. Excluding the impact of this item, gross premiums increased 5.3% compared to 1997 due to an increase in the productivity of general agents and initiation of distribution through financial advisors.

The decline in net income from FF 102 million in 1997 to a net loss of FF 22 million in 1998 was principally due to impairment of Latin American government bonds (FF 136 million) and a reserve strengthening recorded for pre-1998 issue years.

Other Countries

Gross premiums earned by life insurance subsidiaries in Portugal, Switzerland, Morocco and Canada totaled FF 1,395 million, an increase of 7.0% on a constant exchange rate basis compared to 1997. Gross premiums increased in all countries.

Net income was FF 59 million compared to FF 66 million in 1997, of which FF 38 million was earned by the Portuguese subsidiary, FF 11 million in Canada, FF 9 million in Morocco and FF 1 million in Switzerland.

Year Ended December 31, 1997 Compared to year ended December 31, 1996

Gross premiums increased by 10.6% on a constant exchange rate, structural and methodological basis compared to 1996 pro forma.

Net investment results of FF 4,737 million were primarily earned in the Netherlands (FF 2,089 million).

Despite the 1997 growth of the Other Life Insurance Group as a result of the UAP acquisition, net income remained relatively stable as compared to 1996 due to a non-recurring event in the Netherlands. AXA Leven's 1996 net income benefitted from a change in the method of calculating actuarial reserves (increase in net income of FF 180 million).

Property and Casualty Insurance Segment

Effective January 1, 1997, AXA combined for financial reporting purposes its assistance insurance activities (predominately in Western Europe) and its AXA Global Risks subsidiaries (subsidiaries which underwrite, on a global basis, large property and casualty insurance risks as well as marine, aviation and transport business) into a newly-created group, the Transnational Property and Casualty Insurance Group. In 1998, direct marketing subsidiaries (primarily in France, Germany and Spain) were reclassified out of this group and are now included in each respective country's results of operations. In the following discussion and analysis, the results of operations for the years ended December 31, 1997 and 1996 have been restated for comparative purposes to reflect the creation of this new group and the reclassification of direct marketing operations.

As a result of the materiality of UAP's German and Belgian property and casualty insurance operations, AXA established Germany and Belgium as separate property and casualty insurance groups for financial reporting purposes. Prior to 1997, Belgian property and casualty insurance operations were included in the Other Property and Casualty Insurance Group. AXA did not have significant property and casualty insurance operations in Germany prior to 1997. In the following discussion and analysis, the results of operations for 1997 and 1996 have been restated for comparative purposes to reflect the establishment of these new property and casualty insurance groups. AXA's Property and Casualty Insurance Segment is now comprised of the French Property and Casualty Insurance Group, the German Property and Casualty

Insurance Group, the Belgium Property and Casualty Insurance Group, the Other Property and Casualty Insurance Group, and the Transnational Property and Casualty Insurance Group.

The following tables set forth certain summarized financial information for the Property and Casualty Insurance Segment for the periods indicated.

Gross Premiums

(in FF millions, year ended December 31,)	1998	1997	1996 pro forma (a)	1996
France	27,412	27,740	28,110	11,261
Germany	17,411	18,457	19,118	67
Belgium	8,591	8,574	8,645	2,565
Other countries	24,576	24,521	24,516	9,729
Transnational	9,120	12,743	13,361	4,088
TOTAL	**87,110**	**92,035**	**93,750**	**27,710**

(a) To assist with the comparison to 1998 and 1997, 1996 pro forma reflects gross revenues as if AXA's acquisition of UAP occurred on January 1, 1996.

Net Income

	Including Minority Interests			Group Share		
(in FF millions, year ended December 31,)	1998	1997	1996	1998	1997	1996
France	1,112	1,099	551	1,112	1,099	543
Germany	850	549	(207)	546	316	(207)
Belgium	1,681	1,118	184	939	650	183
Other countries	247	429	374	109	286	319
Transnational	(652)	10	(321)	(642)	8	(313)
TOTAL	**3,238**	**3,205**	**581**	**2,064**	**2,359**	**525**

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

On a constant exchange rate and structural basis, consolidated gross premiums decreased 3.4% primarily a result of the more stringent underwriting standards employed in 1998 with the objective of increasing profitability. The lack of growth is also due to the competitive property and casualty markets in Europe, particularly in automobile and commercial insurance, which has resulted in a decline in premium rates. Despite this climate, the UK, Luxembourg, Portugal and Morroco recorded premium growth.

Excluding the Transnational Property and Insurance Casualty Group, 94.3% of the 1998 property and casualty gross premiums were earned in Europe, primarily by the French Property and Casualty Insurance Group (37.2%) the German Property and Casualty Insurance Group (23.7%) (which includes Austria and Hungary), and the Belgian Property and Casualty Insurance Group (11.7%).

The FF 2,064 million contribution of the Property and Casualty Insurance Group represented 20.6% of the total 1998 consolidated net income. Despite the strong increase in Belgian property and casualty subsidiaries, the 1998 contribution of the Property and Casualty Insurance Group declined by FF 295 million compared to 1997, primarily due to losses recorded by AXA Global Risks (a net loss of FF 561 million in 1998 versus net income of FF 104 million in 1997).

Direct marketing insurance, still in the start-up phase and building its insurance portfolio, recorded loss totaling FF 418 million, compared to FF 395 million in 1997. Net income for 1998 included direct marketing operations in Japan for the first time, which recorded a loss of FF 62 million due to start-up costs incurred by the company.

Excluding the Transnational Property and Casualty Group, net income was principally earned by the French Property and Casualty Group (41.1%), the Belgian Property and Casualty Group (34.7%) the German Property and Casualty Group (20.2%), and, whose 1997 contributions were 46.8%, 27.7%, and 13.5% respectively.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

On a constant exchange rate and structural basis, gross premiums decreased 0.4% compared to 1996 pro forma. The lack of growth is primarily a result of the competitive property and casualty insurance markets in Europe, particularly automobile insurance which has resulted in a decline in premium rates. Excluding the Transnational Property and Casualty Insurance Group, 94.4% of the 1997 property and casualty gross premiums were earned in Europe: primarily the French Property and Casualty Insurance Group (37.0%), the Germany Property and Casualty Insurance Group (24.7%) which includes Austria and Hungary, and the Belgium Property and Casualty Insurance Group (11.5%).

The contribution of the Property and Casualty Insurance Group represented 29.8% of the total 1997 consolidated net income.

Analysis by Property and Casualty Insurance Group

French Property and Casualty Insurance Group

(in FF millions, year ended December 31,)	1998	1997	1996
Gross premiums	27,412	27,740	11,261
Change in unearned premium reserve	60	230	(73)
Net investment results [(a)]	3,135	3,111	1,035
Total Revenues	**30,607**	**31,081**	**12,223**
Insurance benefits and claims	(21,153)	(21,281)	(8,213)
Reinsurance ceded, net [(b)]	(186)	(437)	(168)
Acquisition expenses	(3,838)	(3,907)	(1,480)
Other insurance company expenses	(3,582)	(3,564)	(1,579)
Amortization of goodwill, net	(2)	(3)	(3)
Total Benefits and Other Deductions	**(28,761)**	**(29,192)**	**(11,443)**
Income before income tax expense	1,846	1,889	780
Income tax (expense) benefit	(734)	(790)	(229)
Minority interests in income of consolidated subsidiaries	–	–	(8)
Net income	**1,112**	**1,099**	**543**
Of which :			
France (excluding direct marketing)	1,236	1,211	741
Direct marketing	(124)	(112)	(198)
	1,112	**1,099**	**543**

(a) Includes investment income, net of investment expenses and interest expense on short-term and long-term debt, and net realized investment gains or losses.
(b) Includes the net result of premiums, insurance benefits and claims and commissions ceded under reinsurance contracts.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

For the French Property and Casualty Group, 1998 was marked by several restructurings that resulted in the following insurance portfolio transfers:

- *AXA Global Risks transferred to AXA Courtage its commercial risks portfolio for French companies with less than 1,000 employees. Gross premiums and net income in 1997 for this segment totaled FF 968 million and FF 62 million, respectively.*
- *Alpha Conseil Vie Mutuelle transferred to AXA Conseil IARD its bodily injury portfolio. Gross premiums and net income in 1997 for this portfolio totaled FF 229 million and FF 14 million, respectively.*
- *Transfers to other AXA subsidiaries, the deconsolidation of certain entities and the former UAP IARD's sales of its foreign branch offices. Gross premiums in 1997 for these businesses totaled approximately FF 1,100 million.*

On a constant structural basis, gross premiums declined by 0.7% to FF 27,412 million. Automobile insurance gross premiums represented 43% of the group's gross premiums. Despite an increase of more than 50,000 contracts, personal automobile insurance gross premiums declined primarily due to competitive pressure. In property insurance, gross premiums declined by 1.4% due to a reduction in premium rates, particularly for commercial risks, as a result of competitive market pressures. General liability and construction gross premiums declined despite the rise in premium rates due to the adoption of a selective risk underwriting policy. Direct marketing gross premiums increased 28.3% to FF 598 million.

Net investment results were relatively unchanged compared to 1997. Realized gains (net of change in impairment reserves) declined by FF 246 million in 1998 primarily a result of 1997 investment sales in connection with the restructuring of the historical UAP portfolio which generated significant realized gains. Net investment income increased FF 288 million primarily as a result of an increase in fixed-income security investments.

Insurance benefits reflect an improvement of 0.7 points to 68.4% in the claims ratio excluding claims handling expenses for all accident years (68.0% in 1998 from 68.9% in 1997 excluding direct marketing insurance). Prior accident years' negative loss reserve development for catastrophe insurance increased by FF 229 million, net of reinsurance. In addition, reserve strengthening was recorded for foreign insurance originating from UAP IARD which was restructured in 1998. The claims ratio for the current accident year improved by 0.6 points in both individual and commercial insurance. In individual insurance, the strong results for the current accident year were the result of more stringent underwriting and claim cost control. In commercial insurance, 1998 was marked by less serious claims events.

The reinsurance ceded loss improved by FF 251 million primarily due to the transfer to Saint Georges Ré the loss incurred by UAP IARD's foreign business (FF 190 million) and the reinsurance recoveries on natural catastrophe claims, principally droughts. In addition, the policy regarding reinsurance has shifted toward non-proportional reinsurance.

The expense ratio (including direct marketing expenses) increased to 36.4% as compared to 35.7% in 1997. As is the case for the French Life Insurance Group, the development of new cost accounting systems and changes in the allocation of administrative costs between life and property and casualty insurance has made it difficult to compare costs between 1998 and 1997. Excluding the impact of costs related to merging operations, general costs decreased by 2.0%. The reduction in commission rates, excluding reinsurance assumed, is due to the continuing impact of an agreement reached with general agents at the end of 1996 to gradually decrease their commission rates. The combined ratio remained stable at 104.8% in 1998. Excluding the impacts of costs related to merging the operations and direct marketing operations, the ratio improved to 103.8% relative to 104.3% in 1997 (103.9% in 1998 excluding direct marketing operations).

Net income was FF 1,112 million of which direct marketing insurance recorded a net loss of FF 124 million while the other distribution channels recorded net income of FF 1,236 million. The contribution of the latter remained stable from 1997 to 1998, with underwriting results that remained solid. The loss in direct marketing insurance is in line with its business plan which forecasts losses until 2000.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

Effective January 1, 1997, the portfolio of UAP Incendie-Accidents, a former UAP subsidiary, was restructured according to distribution channel: a portion of the portfolio was transferred to AXA Assurances IARD for agent business, AXA Courtage for brokerage business, Théma IARD for specialized salaried sales network business and AXA Global Risks, part of the Transnational Property and Casualty Insurance Group, for international property and casualty risks. As a result of the restructuring of former UAP subsidiaries with historical AXA subsidiaries, comparable amounts between 1996 and 1997 for the historical AXA subsidiaries are not available.

Gross premiums totaled FF 27,740 million, a decrease of 1.5% on a constant exchange rate and structural basis. Such gross premiums were principally earned by the agent distribution channels (approximately 66.6% of gross premiums) while broker and specialized distribution channels accounted for approximately 18.5% and 4.4%, respectively, of gross premiums.

Net investment results increased to FF 3,111 million, principally earned on fixed maturities and equity securities (FF 1,783 million). In 1997, FF 1,282 million of the net investment results was realized on sales of fixed maturities and equity securities as a result of investment sales in connection with the restructurings discussed above.

The 1997 claims ratio for all accident years was 77.4%. Claims experience was favorable as a result of a decrease in automobile claims frequency and the absence of significant catastrophes in 1997. Partially offsetting these impacts were high average automobile bodily injury costs and certain significant claims in commercial property insurance, principally from the former UAP subsidiaries. In addition, the catastrophe equalization reserve increased by FF 464 million in 1997.

The increase in the reinsurance ceded loss reflects lower recoveries from reinsurance as less losses were incurred for property and catastrophe insurance.

Acquisition expenses and other insurance company expenses rose to FF 7,471 million. The expense ratio for the group was 24.6% compared to 27.6% for the historical AXA subsidiaries in 1996. For the former UAP subsidiaries, acquisition expenses were relatively low as a result of an agreement reached with their agents at the end of 1996 to gradually decrease their commission rates. In exchange, the agents received a settlement of FF 520 million which was recorded in the opening purchase balance sheet.

Analysis of Insurance General Account Investment Results

The following table summarizes the net investment results of the French Property and Casualty Insurance Group for the principal categories of general account assets for the periods indicated. Certain investment assets of the French Property and Casualty Insurance Group and associated net investment results are not included, and net investment income is not reduced for investment expenses or interest expense on short-term and long-term debt. Accordingly, the net investment results summarized in the following table are not directly comparable to the net investment results of the French Property and Casualty Insurance Group discussed above.

French Property and Casualty Insurance Group
Net Investment Results by General Account Asset Category

(in FF millions except percentages, year ended December 31,)	1998		1997		1996	
	Yield (a)	Amount	Yield (a)	Amount	Yield (a)	Amount
Fixed Maturities:						
Net investment income	6.39%	1,659	7.16%	1,606	6.21%	420
Net investment gains	1.09%	284	0.24%	54	– 0.19%	(13)
Net investment results	7.48%	1,943	7.40%	1,660	6.02%	407
Ending Assets		**26,004**		**24,176**		**9,404**
Real Estate:						
Net investment income	- 0.33%	(22)	– 5.28%	(220)	– 9.97%	(184)
Net investment gains	0.12%	8	– 0.26%	(11)	5.09%	94
Net investment results	- 0.21%	(14)	– 5.54%	(231)	– 4.88%	(90)
Ending Assets		**7,592**		**3,963**		**1,717**
Equity Investments:						
Net investment income	2.34%	299	2.76%	284	2.25%	180
Net investment gains	7.08%	906	12.22%	1,257	6.25%	500
Net investment results	9.42%	1,205	14.98%	1,541	8.50%	680
Ending Assets		**14,573**		**10,310**		**6,569**
Cash & Short Term:						
Net investment income	1.55%	62	2.99%	95	6.85%	95
Ending Assets		**1,123**		**4,552**		**1,027**
Total:						
Net investment income	4.07%	2,065	4.69%	1,930	2.91%	530
Net investment gains	2.33%	1,185	3.10%	1,265	3.19%	581
Net investment results	6.40%	3,250	7.79%	3,195	6.10%	1,111
Ending Assets		**50,768**		**44,122**		**18,910**

(a) Yields are calculated on the basis of the average beginning and end of period asset carrying value for each asset category.

German Property and Casualty Insurance Group

The following table sets forth certain summarized financial information for the German Property and Casualty Insurance Group for the periods indicated. Prior to the 1997 acquisition of AXA Colonia, a former UAP subsidiary, AXA did not have significant property and casualty insurance operations in Germany.

(in FF millions, year ended December 31,)	1998	1997	1996
Gross premiums (a)	17,411	18,457	67
Change in unearned premium reserve	134	72	-
Net investment results (b)	2,566	1,964	3
Total Revenues	**20,111**	**20,493**	**70**
Insurance benefits and claims	(13,545)	(13,646)	(82)
Reinsurance ceded, net (c)	124	(437)	(1)
Acquisition expenses	(2,532)	(2,603)	(113)
Other insurance company expenses	(2,717)	(2,687)	(103)
Total Benefits and Other Deductions	**(18,670)**	**(19,373)**	**(299)**
Income before income tax expense	1,441	1,120	(229)
Income tax expense	(600)	(601)	22
Equity in income (loss of unconsolidated entities)	9	30	–
Minority interests in income of consolidated subsidiaries	(304)	(233)	–
Net income	**546**	**316**	**(207)**
Of which:			
Germany (excluding direct marketing)	671	514	–
Sicher Direct	(197)	(256)	207
Austria and Hungary	72	58	–
	546	**316**	**(207)**
Exchange rates (d)	3.35	3.34	3.38

(a) In 1998, FF 1,191 million of gross premiums earned by the Austrian and Hungarian subsidiaries compared to FF 1,157 million in 1997.
(b) Includes investment income, net of investment expenses and interest expense on short-term and long-term debt, and net realized investment gains or losses.
(c) Includes the net result of premiums, insurance benefits and claims and commissions ceded under reinsurance contracts.
(d) In 1998, AXA used the weighted average exchange rate to translate the results of operations while in 1997 and 1996, the year end exchange rate was used.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Gross premiums totaled FF 15,824 million in Germany (excluding direct marketing insurance), a decline of 6.8% on a constant exchange rate basis. In a market marked by intense competitive pressures and more selective underwriting, gross premium declines for all lines of business but were sharpest in automobile and commercial risk insurance: gross premiums down 10% and 14%, respectively. Gross premiums at AXA Colonia's Austrian and Hungarian subsidiaries totaled FF 1,191 million, of which FF 1,019 million were earned in Austria and FF 172 million in Hungary, up 2.8% on a constant exchange rate basis due to the increase in its renewal business. Gross premiums for the direct marketing insurance subsidiary Sicher Direct were FF 395 million, up 13.1% on a constant exchange rate basis, with an increase of 57,538 contracts.

Net investment results rose by FF 573 million over 1997, to FF 2,566 million. Net investment income and net realized gains totaled FF 2,185 million and FF 352 million, respectively. The relatively small amount of realized gains is due to the fact a large portion of the investment portfolios is actively managed within mutual funds ("spezial funds") and distributions are in the form of dividends, therefore the gains realized by these funds are included in net investment income. Realized gains, net of provisions, increased by FF 260 million principally due to sales of equity securities not held in such funds.

Despite the decline in gross premiums, insurance benefits increased slightly up compared to 1997 due to the occurrence of significant claims during the period. Excluding direct marketing insurance, the claims ratio for the current accident year went from 87.6% in 1997 to 88.4% in 1998. Positive prior year loss reserve development remained constant as compared to 1997: FF 1,856 million in 1998 versus FF 1,774 million in 1997. The deterioration in the claims ratio for all accident years, from 75.3% in 1997 to 77.9% in 1998 (both ratios excluding direct marketing insurance) was primarily due to the decrease in the average premium. The equalization reserve was strengthened by FF 259 million in 1998 versus FF 304 million in 1997, bringing the total equalization reserve to FF 3,477 million at December 31, 1998.

The FF 561 million improvement in reinsurance ceded is attributable to reinsurance coverage of certain significant claims which occurred in third quarter 1998. In addition, AXA Colonia is gradually reorienting its reinsurance coverage policy toward the less expensive non-proportional treaties.

Acquisition expenses and other insurance company expenses, FF 5,220 million, remained stable as compared to 1997. The cost-cutting plan that has been in effect for several years continued to produce an impact, as reflected in lower personnel costs. However, excluding direct marketing insurance, the expense ratio increased from 27.7% in 1997 to 29.1% in 1998 due to the incidence of fixed costs incurred despite the lower gross premiums. The combined ratio excluding direct marketing insurance increased from 103.0% in 1997 to 104.8% in 1998 while the ratio including Sicher Direct went from 105.1% to 106.5%.

Net income for AXA Colonia increased by FF 171 million as compared to 1997 primarily due to the strong net investment results in 1998. The FF 59 million reduction of Sicher Direct's net loss was due to improved net investment results and declining administrative costs.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

Gross premiums for the German Property and Casualty Group decreased to FF 18,457 million, a decrease of 1.0% on a constant exchange rate basis compared to 1996 pro forma. Such decline is attributable to the sluggish German economy and the competitive German property and casualty markets which forced reductions in premium rates.

Net investment results totaled FF 1,964 million, of which FF 1,873 million was net investment income and FF 91 million was realized on sales of investments.

The 1997 claims ratio for the current accident year was negatively impacted by the decrease in the automobile premium rates discussed above and adverse weather conditions in 1997. The claims ratio for all accident years was 75.9%.

The 1997 expense ratio and combined ratio totaled 29.2% and 105.1%, respectively, reflecting the positive impact of cost-cutting programs at AXA Colonia which have reduced employee compensation costs and information system expenses.

ANALYSIS OF INSURANCE GENERAL ACCOUNT

The following table summarizes the net investment results of the German Property and Casualty Insurance Group for the principal categories of general account assets for the periods indicated. Certain investment assets of the German Property and Casualty Insurance Group and associated net investment results are not included, and net investment income is not reduced for investment expenses or interest expense on short-term and long-term debt. Accordingly, the net investment results summarized in the following table are not directly comparable to the net investment results of the German Property and Casualty Insurance Group discussed above.

German Property and Casualty Insurance Group
Net Investment Results by General Account Asset Category

(in FF millions except percentages, year ended December 31,)	1998 Yield (a) (b)	1998 Amount (a)	1997 Yield (a) (c)	1997 Amount
Fixed Maturities:				
Net investment income	5.80%	863	5.93%	827
Net investment gains	0.44%	65	0,25%	35
Net investment results	6.24%	928	6.18%	862
Ending Assets		**15,185**		**14,567**
Real Estate:				
Net investment income	5.69%	190	4.74%	181
Net investment gains	2.88%	96	0.37%	14
Net investment results	8.57%	286	5.12%	195
Ending Assets		**2,901**		**3,775**
Equity Investments:				
Net investment income	6.66%	1,058	5.56%	810
Net investment gains	0.37%	59	- 0.09%	(13)
Net investment results	7.03%	1,117	5.47%	797
Ending Assets		**17,096**		**14,666**
Cash & Short Term:				
Net investment income	4.24%	63	5.38%	45
Ending Assets		**1,681**		**1,108**
Total:				
Net investment income	6.03%	2,357	5.62%	1,985
Net investment gains	0.68%	265	0.10%	36
Net investment results	6.71%	2,622	5.72%	2,021
ENDING ASSETS		**38,835**		**36,249**

(a) Yields are calculated on the basis of average beginning and end of period asset carrying value for each asset category. All amounts are converted into French francs from local currency at year-end exchange rates.
(b) On a constant exchange rate basis, the yields for 1998 would have been 6.21% for fixed maturities, 8.57% for real estate, 7.02% for equity investments, 4.24% for cash and short term investments and 6.71% for all general account investments.
(c) On a constant exchange rate basis, the yields for 1997 would have been 6.20% for fixed maturities, 5.14% for real estate, 5.50% for equity investments, 5.39% for cash and short term investments and 5.74% for all general account investments.

Belgian Property and Casualty Insurance Group

The following table sets forth certain summarized financial information for the Belgian Property and Casualty Insurance Group for the periods indicated.

(in FF millions, year ended December 31,)	1998	1997	1996
Gross premiums	8,591	8,574	2,565
Change in unearned premium reserve	92	54	40
Net investment results [(a)]	3,727	2,788	571
Total Revenues	**12,410**	**11,416**	**3,176**
Insurance benefits and claims	(7,464)	(7,577)	(2,065)
Reinsurance ceded, net [(b)]	(20)	(56)	5
Acquisition expenses	(1,411)	(1,409)	(234)
Other insurance company expenses	(2,034)	(1,190)	(645)
Amortization of goodwill, net	(4)	(3)	(3)
Total Benefits and Other Deductions	**(10,933)**	**(10,235)**	**(2,942)**
Income before income tax expense	1,477	1,181	234
Income tax expense	204	(63)	(50)
Minority interests in income of consolidated subsidiaries	(742)	(468)	(1)
Net income	**939**	**650**	**183**
Exchange rates [(c)]	0.163	0.162	0.164

(a) Includes investment income, net of investment expenses and interest expense on short-term and long-term debt, and net realized investment gains or losses.
(b) Includes the net result of premiums, insurance benefits and claims and commissions ceded under reinsurance contracts.
(c) In 1998, AXA used the weighted average exchange rate to translate the results of operations while in 1997 and 1996, the year end exchange rate was used.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

In a market that grew slightly, gross premiums declined by 0.1% on a constant exchange rate and structural basis, to FF 8,591 million principally due to more selective underwriting. In addition, gross premiums were affected by the decrease in average premium rates in workers compensation insurance and commercial risks in a particularly competitive market. In automobile insurance, gross premiums remained stable.

Net investment results increased FF 938 million compared to 1997, to FF 3,726 million. In 1998, Royale Belge and AXA Belgium realized net gains of FF 1,872 million versus FF 821 million in 1997. The level of realized gains in 1998 was partly due to investment sales made in connection with the acquisition of Royale Belge's minority intersts whereby the Albert Frère Group agreed to reacquire certain of its shares held by Royale Belge. In 1997, the sale of Banque Bruxelles Lambert resulted in a realized gain of FF 572 million.

The decrease in insurance benefits was due to the 2.6 point improvement in the claims ratio for all accident years, which went from 88.9% in 1997 to 86.3% in 1998. In 1997, the claims ratio was impacted by the strengthening of claims reserves in connection with the run-off of reinsurance assumed on American liability policies. In 1998, annuity provisions were strengthened FF 91 million in connection with changes to mortality tables for workers' compensation beneficiaries and claims reserves were strengthened by FF 144 million for litigation insurance. Excluding workers' compensation and reinsurance assumed, the claims ratio for all accident years deteriorated from 79.5% in 1997 to 81.7% in 1998 due principally to poor claims experience in automobile insurance which experienced an increase in claims frequency and severity, a trend noted throughout the market.

Acquisition expenses and other insurance company expenses increased by FF 846 million, to FF 3,445 million as a result of the recording of a FF 834 million provision related to the restructuring of property and casualty operations in Belgium. Excluding this provision, the expense ratio was 31.4% versus 30.0% in 1997. Such decline is due to information system costs incurred in preparation for the euro and costs incurred preparing the restructuring plan.

In 1998, the Belgian subsidiaries recorded an income tax benefit of FF 202 million versus income tax expense of FF 63 million in 1997. The income tax gain was due to the non-deductibility of the restructuring provision, which resulted in the recording of a deferred tax asset of FF 335 million and the fact that gains realized on sales of equity securities are not taxed in Belgium.

Excluding the realized gain in 1997 on the Banque Bruxelles Lambert transaction of FF 272 million, the FF 561 million increase in net income is primarily attributable to the high level of realized gains on the sale of equity securities in 1998 partly offset by the establishment of a restructuring provision, accounting for an increase in net income of FF 292 million. In addition, the buyout of Royale Belge minority interests brought AXA's economic interest in Royale Belge in the last five months of 1998 to 98.7% versus 47.6% previously.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

In 1997, AXA increased its property and casualty insurance operations in Belgium with the acquisition of a controlling interest in Royale Belge.

Gross premiums totaled FF 8,574 million of which FF 6,111 million was earned by Royale Belge and FF 2,463 million by AXA Belgium compared to FF 2,565 million in 1996. On a constant exchange rate basis, gross premiums for both companies combined declined 2.3% compared to 1996 pro forma due to the competition in the Belgian automobile insurance market.

Net investment results increased to FF 2,788 million of which FF 2,125 million was earned by Royale Belge and FF 663 million was earned by AXA Belgium compared to FF 571 million in 1996. A gain of FF 572 million and FF 156 million, including minority interests, was realized by Royale Belge and AXA Belgium, respectively, on the BBL transaction.

The Group's 1997 claims ratio for all accident years was 88.9%. Excluding workers compensation and reinsurance assumed, the ratio was 81.4%. This ratio reflects the catastrophe equalization reserve and other regulatorily-required reserves which are intended to provision against potential future adverse claims experience but do not reflect actual incurred losses.

The 1997 AXA Belgium claims ratio for all accident years was 82.2% versus 78.6% in 1996. This ratio suffered from adverse European weather conditions in early 1997, poor underwriting results in the fire insurance line of business, and a reserve strengthening of FF 58 million for workers compensation as a result of changes in mortality assumptions. Excluding workers compensation, the claims ratio went from 70.0% in 1996 to 72.2% in 1997. The claims ratio for Royale Belge for all accident years was 91.5% in 1997 (85.2% excluding workers compensation and reinsurance assumed).

The ratio of general costs relative to gross premiums was 30.0% for the Belgian Property and Casualty Insurance Group. This ratio declined for AXA Belgium to 33.2% in 1997 from 34.1% in 1996 reflecting the positive impact of cost-cutting programs. This ratio was 28.8% for Royale Belge in 1997.

Income tax expense of FF 63 million was low relative to income before income tax expense as a result of the fact that gains realized on sales of equity securities and dividends received are generally not taxed in Belgium.

Net income rose to FF 650 million, of which FF 425 million was earned by Royale Belge and FF 225 million by AXA Belgium compared to FF 183 million in 1996. The result of Royale Belge was positively impacted by the FF 272 million gain realized on the BBL shares.

Analysis of Insurance General Account

The following table summarizes the net investment results of the Belgium Property and Casualty Insurance Group for the principal categories of general account assets for the periods indicated. Certain investment assets of the Belgium Property and Casualty Insurance Group and associated net investment results are not included, and net investment income is not reduced for investment expenses or interest expense on short-term and long-term debt. Accordingly, the net investment results summarized in the following table are not directly comparable to the net investment results of the Belgium Property and Casualty Insurance Group discussed above.

Belgian Property and Casualty Insurance Group
Net Investment Results by General Account Asset Category

(in FF millions except percentages, year ended December 31,)	1998 Yield (a) (b)	1998 Amount	1997 Yield (a) (c)	1997 Amount	1996 Yield (a) (d)	1996 Amount
Fixed Maturities:						
Net investment income	7.27%	1,450	7.35%	1,406	7.52%	450
Net investment gains	0.49%	97	0.22%	42	0.51%	30
Net investment results	7.76%	1,547	7.57%	1,448	8.03%	480
Ending Assets		**20,476**		**19,391**		**6,258**
Real Estate:						
Net investment income	7.63%	154	8.09%	173	2.28%	19
Net investment gains	0.25%	5	– 2.54%	(54)	– 4.60%	(39)
Net investment results	7.88%	159	5.55%	119	– 2.32%	(20)
Ending Assets		**1,972**		**2,064**		**682**
Equity Investments:						
Net investment income	3.29%	196	4.03%	248	3.01%	44
Net investment gains	30.99%	1,847	11.70%	722	1.90%	27
Net investment results	34.28%	2,043	15.73%	970	4.91%	71
Ending Assets		**5,402**		**6,518**		**1,503**
Cash & Short Term:						
Net investment income	7.60%	23	3.16%	17	3.66%	10
Ending Assets		**233**		**363**		**174**
Total:						
Net investment income	6.29%	1,907	6.61%	1,996	6.24%	559
Net investment gains	6.18%	1,873	2.72%	820	0.45%	40
Net investment results	12.47%	3,780	9.33%	2,816	6.69%	599
ENDING ASSETS		**30,250**		**30,370**		**8,937**

(a) Yields are calculated on the basis of average beginning and end of period asset carrying value for each asset category. All amounts are converted into French francs from local currency at year-end exchange rates.

(b) On a constant exchange rate basis, the yields for 1998 would have been 7.76% for fixed maturities, 7.87% for real estate, 34.27% for equity investments, 7.60% for cash and short term investments and 12.47% for all general account investments.

(c) On a constant exchange rate basis, the yields for 1997 would have been 7.61% for fixed maturities, 5.58% for real estate, 5.70% for mortgage loans on real estate, 15.81% for equity investments, 3.19% for cash and short term investments and 9.38% for all general account investments.

(d) On a constant exchange rate basis, the total yields for 1996 would have been 8.08% for fixed maturities, –2.34% for real estate, 4.94% for equity investments, 3.69% for cash and short term investments and 6.73% for all general account investments.

Other Property and Casualty Insurance Group

The Other Property and Casualty Insurance Group principally includes AXA's insurance operations in the United Kingdom, Italy, Spain, Canada, the Netherlands, Morocco, Portugal, Luxembourg, Switzerland and the countries in the Asia/Pacific region.

The following tables set forth certain summarized financial information for the Other Property and Casualty Insurance Group for the periods indicated.

(in FF millions, year ended December 31,)	1998	1997	1996
Gross premiums	24,576	24,521	9,729
Change in unearned premium reserve	(216)	(279)	(118)
Net investment results [(a)]	2,805	2,382	1,097
Total Revenues	**27,165**	**26,624**	**10,708**
Insurance benefits and claims	(19,470)	(18,490)	(6,875)
Reinsurance ceded, net [(b)]	279	(203)	(241)
Acquisition expenses	(4,754)	(4,468)	(1,696)
Other insurance company expenses	(2,697)	(2,839)	(1,277)
Amortization of goodwill, net	(50)	(23)	(20)
Total Benefits and Other Deductions	**(26,692)**	**(26,023)**	**(10,109)**
Income before income tax expense	473	601	599
Income tax expense	(232)	(183)	(239)
Equity in income (loss) of consolidated entities	6	11	14
Minority interests in income of consolidated subsidiaries	(138)	(143)	(55)
Net income	**109**	**286**	**319**

(a) Includes investment income, net of investment expenses and interest expense on short-term and long-term debt, and net realized investment gains or losses.
(b) Includes the net result of premiums, insurance benefits and claims and commissions ceded under reinsurance contracts.
(c) See "Glossary" for a description of the method by which claims and combined ratios are calculated.

The following table sets forth certain summarized financial information for the Other Property and Casualty Insurance Group by country for the periods indicated.

Gross Premiums

(in FF millions, year ended December 31,)	1998	1997	1996 pro forma (a)	1996
United Kingdom	5,936	5,759	4,818	1,449
Italy	5,786	5,808	5,684	1,593
Spain	4,371	4,467	4,428	2,488
Canada	3,555	3,748	3,765	3,765
The Netherlands	1,974	2,058	2,478	–
Morocco	393	390	323	–
Other countries	2,561	2,291	3,019	434
TOTAL	**24,576**	**24,521**	**24,515**	**9,729**

(a) To assist with the comparison of 1998 and 1997, 1996 pro forma reflects gross premiums as if AXA's acquisition of UAP occurred on January 1, 1996.

Net Income

	Including Minority Interests			Group Share		
(in FF millions, year ended December 31,)	1998	1997	1996	1998	1997	1996
United Kingdom	211	411	76	146	296	76
Italy	(191)	(220)	55	(191)	(219)	55
Spain	(43)	(51)	90	(16)	(4)	45
Canada	143	141	104	140	139	100
The Netherlands	(96)	51	–	(72)	34	–
Morocco	219	70	–	134	43	–
Other countries	4	27	49	(32)	(3)	43
TOTAL	**247**	**429**	**374**	**109**	**286**	**319**

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Total revenues increased by FF 542 million due to a 0.2% increase in gross premiums on a constant exchange rate basis and higher net investment results primarily related to the positive climate in the financial markets in 1998.

The FF 100 million decrease in income before income tax expense was mainly due to a combined ratio that increased from 108.0% to 110.9% in 1998. This increase was primarily attributable to a reserve strengthening recorded by AXA Insurance UK and in the Netherlands and FF 62 million of start-up costs incurred by direct marketing operations in Japan which began in 1998.

The Other Property and Casualty Group contributed net income of FF 109 million in 1998 versus FF 286 million in 1997. This decrease was due to losses recorded by direct marketing operations in Japan and reduction in AXA Insurance UK's and the Netherlands' contribution to net income partially compensated by the contribution from Morocco.

United Kingdom

Gross premiums increased 4.9% on a constant exchange rate and structural basis, to FF 5,936 million. Growth in the automobile insurance line of business, which represents 45.5% of gross premiums, was 13.9% on a constant exchange rate basis. This growth was led by a 44.8% constant exchange rate basis increase in direct marketing automobile insurance, which accounted 8.8% of 1998 gross premiums. This growth was offset by 20.5% declines in professional liability and construction insurance in a highly competitive market.

Net income for AXA Insurance UK was FF 146 million, a decrease of 50.1% on a constant exchange rate basis. This decline was primarily due to a deterioration in the combined ratio for all accident years, which rose to 106.5% in 1998 versus 100.6% in 1997. The 1997 claims ratio was unusually low as it reflected positive loss reserve development for years prior to 1997. Poor claims experience in 1998 was noted in automobile insurance. The expense ratio decreased slightly from 30.7% in 1997 to 30.6% in 1998. Net investment results increased 8.0% on a constant exchange rate basis.

Italy

AXA Assicurazioni gross premiums remained relatively stable at FF 5,786 million. In automobile liability insurance, which represents approximately 61% of gross premiums, despite a market-wide premium rate increase of approximately 10%; gross premiums declined slightly due to a contraction in the portfolio due to the closure of improfitable agencies. Gross premiums for other lines of business increased by 0.5%.

Net loss totaled FF 191 million versus FF 219 million in 1997. The combined ratio for all accident years remained high although it improved from 118.8% in 1997 to 115.6% in 1998. Current year claims experience improved due to the implementation of selective underwriting policies in 1997; however, the ratio for all accident years suffered from certain loss reserve strengthenings recorded for prior accident years on automobile liability and general liability insurance due to an unexpected increase in mandated settlement amounts. The improvement in the expense ratio from 29.3% in 1997 to 28.8% in 1998 was as a result of a decrease in the workforce.

Spain

On a constant exchange rate basis, gross premiums decreased 2.2%, totaling FF 4,371 million, of which FF 4,221 million was recorded by AXA Aurora Iberica and FF 150 million by Direct Seguros which began operations in 1997. Gross premiums for AXA Aurora

Iberica declined 4.3% on a constant exchange rate basis due to a decline in automobile insurance which was affected increased price competition and the implementation of more stringent underwriting standards. Regarding other matters, the restructuring of historical AXA and historical UAP businesses completed in 1998 did not have a negative impact on gross premiums and new automobile insurance products were launched in October 1998.

On a constant structural basis, AXA Aurora Iberica contributed FF 19 million, an increase of FF 16 million over 1997. Despite the increase in claim frequency and severity, the claims ratio for all exercise years improved from 81.3% in 1997 to 79.4% in 1998 due principally to the increase in the results of reinsurance ceded, net. The increase in the combined ratio from 110.5% in 1997 to 111.7% in 1998 is primarily due to a decrease in gross premiums and a reallocation of general costs from life insurance to property and casualty insurance. This deterioration was offset by significant realized gains on the sale of equity securities and real estate investments.

The net loss recorded by Direct Seguros, 50% owned by Banco Bilbao Vizcaya, was FF 35 million in 1998 as compared to FF 27 million in 1997. The loss declined due to the favorable impact of the recognition of a deferred tax asset of FF 33 million related to tax loss carryforwards. Such poor results were directly related to the incidence of business development costs.

Canada

On a constant exchange rate basis, gross premiums declined 0.4% in 1998. In a market that experienced rapidly declining gross premiums, AXA Canada was able to limit its decline due to the initiation of partnership agreements with new brokers. Without such agreements, the loss of its business would have been 4.3% on a constant exchange rate basis. In personal insurance, which accounts for 58% of the portfolio, gross premiums declined by 1.0% representing a decline of 1.3% in homeowner insurance partly offset by a 0.7% increase in automobile insurance gross premiums, both on a constant exchange rate basis. In commercial insurance, gross premiums increased by 1.8%.

At FF 140 million, net income was stable in 1998 compared to 1997. The claims ratio for all accident years improved from 68.8% in 1997 to 67.4% in 1998 despite the occurrence of claims related to frozen rainstorms in Canada which decreased net income by FF 47 million. The automobile insurance claims ratio improved markedly since the enactment of standardized claims settlement amounts in Ontario in November, 1996 which greatly reduced claims settlement periods. In addition, AXA Canada experienced significant positive loss reserve development in 1998 for prior accident years. The expense ratio remained constant at 35.1% while the combined ratio improved from 103.9% in 1997 to 102.5% in 1998.

The Netherlands

On a constant exchange rate basis, gross premiums declined by 4.3% on a constant exchange rate basis, to FF 1,974 million, due primarily to the movement in the maturity date of certain professional disability contracts from December 31, 1998 to January 1, 1999. Excluding the impact of this item, gross premiums declined by 1.3% on a constant exchange rate basis. Automobile insurance, which represents approximately 30% of gross premiums, increased 0.8% despite increased competitive pressures. Fire insurance gross premiums, which represent approximately 25% of total gross premiums, decreased by 7.6% due to the reduction in coinsurance gross premiums.

Net loss was FF 72 million in 1998 versus a profit of FF 34 million in 1997. As a result of the acquisition of Royale Belge minority interests, AXA's economic interest in this subsidiary increased to 98.6% as of

July 31, 1998 compared to 67.3% previously. Assessments of a guaranty fund established for potential Year 2000 claims reduced net income by FF 124 million. In addition, the strengthening of IBNR reserves in disability insurance reduced net income by FF 22 million and the establishment of certain reserves for policies written in the London market decreased net income by FF 28 million. As a result of these events, excluding brokerage business the claims ratio for all accident years increased from 68.4% in 1997 to 87.4% in 1998, while the combined ratio rose to 129.1% in 1998 versus 106.5% in 1997. Excluding the reserve strengthenings recorded in 1998, the claims ratio (excluding brokerage business) for all accident years and the combined ratio increased to 69.5% and 111.2%, respectively. These losses were partially offset by increases in the gains realized on the sale of equity securities and a FF 28 million gain realized upon the sale of a German branch by UAP Nieuw Rotterdam.

Morocco

Gross premiums for Al Amane increased 1.2% on a constant exchange rate basis to FF 393 million. This growth is principally the result of a large increase in fire insurance gross premiums and the development of bank distribution networks. In automobile insurance, the loss of several large contracts caused a loss in this line of business.

The FF 91 million increase in the contribution to net income is principally due to the increase in net investment results and an improvement in the claims ratio for all exercise years from 90.7% in 1997 to 63.2% in 1998. This increase was a result of a mandatory change in estimates used in calculating workers compensation insurance reserves. The combined ratio improved from 88.5% in 1998 from 115.0% in 1998.

Other Countries

Gross premiums decreased 1.3% in 1998 on a constant exchange rate basis to FF 2,561 million. Gross premiums were up in Portugal and Luxembourg and declined in Switzerland and in Asia. In Switzerland, the reduction in premiums is primarily a result of risk assumed on certain business underwritten by AXA Global Risks that was ultimately sold outside of the Group. Excluding this item, the Swiss gross premiums increased 3.2%. In Asia, the activity in Singapore and Hong Kong was affected by the financial market crisis.

The net loss recorded in 1998 totaled FF 32 million in 1998 compared to FF 3 million in 1997. Luxembourg earned FF 24 million versus FF 19 million in 1997. Portugal earned FF 28 million versus FF 20 million in 1997; and Switzerland earned FF 15 million versus FF 14 million in 1997, and losses of FF 99 million were recorded by the Asian subsidiaries versus FF 55 million in 1997.

A net loss of FF 62 million was recorded by direct marketing operations in Japan, the direct marketing insurance established in 1998 and expected to begin selling products in early 1999. The net loss of FF 37 million recorded by the other Asian subsidiaries as compared to a net loss of FF 55 million in 1997 was due to the impact of the financial crisis: significant losses were realized, particularly in connection with the restructuring of their equity security portfolios.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

On a constant exchange rate and structural basis, gross premiums grew by 0.2% compared to 1996 pro forma.

Insurance benefits and claims totaled FF 18,490 million of which FF 5,210 million was recorded in Italy, FF 3,904 million in the UK, and FF 3,386 million in Spain.

Net income for the group represented 21.1% of the net income of the Property and Casualty Insurance Segment.

Transnational Property and Casualty Insurance Group

The Transnational Property and Casualty Insurance Group principally includes the operations of AXA Global Risks and Assistance. AXA Global Risks is principally comprised of operations in the UK and France, and Assistance insurance is provided in Western Europe and AXA Cession. In addition, certain operations in run-off are included in this group, English and Scottish and St Georges Ré.

The following table sets forth certain summarized financial information for the Transnational Property and Casualty Insurance Group for the periods indicated.

(in FF millions, year ended December 31,)	1998	1997	1996
Gross premiums	9,120	12,743	4,088
Change in unearned premium reserve	639	97	(58)
Net investment results (a)	911	1,058	325
Total Revenues	**10,670**	**13,898**	**4,355**
Insurance benefits and claims	(10,647)	(10,471)	(3,255)
Reinsurance ceded, net (b)	1,431	(625)	(470
Acquisition expenses	(1,064)	(1,560)	(348)
Other insurance company expenses	(1,311)	(1,191)	(634)
Total Benefits and Other Deductions	**(11,591)**	**(13,847)**	**(4,707)**
Income before income tax expense	(921)	51	(352)
Income tax (expense) benefit	268	(42)	31
Equity in income (loss) of unconsolidated entities	1	1	-
Minority interests in income of consolidated subsidiaries	10	(2)	8
Net income	**(642)**	**8**	**(313)**

(a) Includes investment income, net to investment expenses and interest expense on short-term and long-term debt, and net realized investment gains or losses.
(b) Includes the net result of premiums, insurance benefits and claims and commissions ceded under reinsurance contracts.

Item 9

Gross Premiums

(in FF millions, year ended December 31,)	1998	1997	1996 pro forma (a)	1996
AXA Global Risks	7,190	10,916	11,577	3,566
Assistance	1,825	1,726	1,661	399
Other	105	101	123	123
TOTAL	**9,120**	**12,743**	**13,361**	**4,088**

(a) To assist with the comparison to 1998, 1997 and 1996 pro forma reflects gross revenues as if AXA's acquisition of UAP occurred on January 1, 1996.

Net Income

	Including Minority Interests			Group Share		
(in FF millions, year ended December 31,)	1998	1997	1996	1998	1997	1996
AXA Global Risks	(572)	105	(289)	(561)	104	(281)
Assistance	69	(25)	(31)	68	(26)	(31)
Other	(149)	(70)	(1)	(149)	(70)	(1)
TOTAL	**(652)**	**10**	**(321)**	**(642)**	**8**	**(313)**

YEAR ENDED 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Gross premiums, net income including minority interests, and net income are analyzed below in more detail by business.

AXA Global Risks

In 1998, financial results were affected by several portfolio transfers, in particular the transfer by AXA Global Risks to AXA Courtage of commercial risks for French companies with less than 1,000 employees and the sale of GIE Réunion Aérienne and Réunion Spatiale. The 1997 gross premiums for these businesses totaled FF 2,343 million.

On a constant exchange rate and structural basis, gross premiums declined 21.3% due to the worldwide decline in premium rates in all AXA Global Risks lines (particularly, aviation, marine, transport and large risk), the restructuring of treaties with other AXA companies, and more selective underwriting.

In 1998, AXA Global Risks recorded a net loss of FF 561 million versus a profit of FF 104 million in 1997.

AXA Global Risks SA in France recorded a net loss of FF 209 million, versus net income of FF 85 million in 1997, FF 62 million of which was transferred to AXA Courtage in 1998. Net income was reduced by FF 288 million and FF 60 million for reserve strengthenings recorded in the construction and legal liability lines of business, respectively. These events were partly offset by positive loss reserve development on property and casualty reinsurance due to the sale of GIE Réunion Aérienne (FF 77 million after tax) and other positive loss reserve development of FF 58 million. As a result of such events, the increase in the combined ratio to 124.6% in 1998 from 114.8% in 1997. Excluding reserve strengthening and the sale of GIE Réunion Aérienne, the combined ratio increased to 113.1% in 1998.

The net investment results, which included FF 263 million of realized gains, totaled FF 647 million versus FF 686 million in 1997.

Due to losses recorded in its marine and fire business, AXA Global Risks UK posted a net loss of FF 56 million in 1998, versus net income of FF 23 million in 1997.

The net loss recorded by AXA Global Risks US of FF 296 million as compared to a net loss of FF 3 million in 1997 resulted from FF 383 million of claims reserve strengthening for claims years prior to 1997 (FF 243 million group share). The availability of net loss carry-forwards gave rise to a deferred tax asset of FF 128 million. In addition, FF 83 million of losses were due to poor results in the transport line of business.

Assistance

On a constant exchange rate basis, premiums collected grew by 8.7%, to FF 2,030 million due to growth in international sales. Gross premiums increased 5.8% on a constant exchange rate basis to FF 1,825 million on a group share basis.

Net income totaled FF 67 million, an increase of FF 94 million as compared to 1997. This increase was primarily due to an increase in total revenues of FF 47 million, the recording of an increase in a provision for restructuring in 1997 and an increase in net investment results.

Other

AXA Cession, English & Scottish and St Georges Ré recorded 1998 net losses of FF 17 million, FF 67 million and FF 64 million, respectively.

AXA Cession's net income declined by FF 32 million versus 1997 primarily due to freezing rain claims in Canada which decreased net income by FF 60 million.

English & Scottish reduced its net loss due to the decline in the reserve strengthening recorded for pre-1992 business received from AXA Global Risk UK from FF 92 million in 1997 to FF 83 million in 1998.

St Georges Ré, consolidated for the first time in 1998, manages international business received from AXA Courtage and foreign branches of the former UAP Iard. The 1998 net loss was primarily due to claims reserve strengthening for all lines of business.

Year Ended 1997 Compared to Year Ended December 31, 1996

On a constant exchange rate and structural basis, gross premiums increased 1.8% compared to 1996 pro forma.

The FF 10,471 million in insurance benefits and claims were primarily incurred by AXA Global Risks (FF 9,079 million). The Transnational Property Casualty Insurance Group 1997 claims ratio for all accident years of 87.4% is significantly influenced by the underwriting results of AXA Global Risks whose comparable claims ratio was 90.6% compared to 100.1% in 1996. Such improvement was principally a result of the absence of significant claims similar to those which occurred in 1996, e.g., Crédit Lyonnais and Eurotunnel.

Reinsurance ceded, net, of FF 625 million was nearly all incurred by AXA Global Risks which has a high level of retrocessions in its marine, aviation and transport line of business.

The ratio of acquisition expenses to gross premiums was 12.3% for the Transnational Property and Casualty Insurance Group. The ratio was 11.7% for AXA Global Risks.

The ratio of general costs to gross premiums was 21.6%.

Reinsurance Segment

The Reinsurance Segment is principally composed of AXA Re. In 1997, AXA increased its reinsurance operations with the addition of Royale Belge Re, a former UAP subsidiary, which has ceased underwriting new business.

Gross Premiums

(in FF millions, year ended December 31,)	1998	1997	1996 pro forma (a)	1996
AXA Re	8,913	9,105	8,078	8,078
Other reinsurers	549	739	767	–
TOTAL	**9,462**	**9,844**	**8,845**	**8,078**

(a) To assist with the comparison to 1998 and 1997, 1996 pro forma reflects gross revenues as if AXA's acquisition of UAP occurred on January 1, 1996.

Net Income

	Including Minority Interests			Group Share		
(in FF millions, year ended December 31,)	1998	1997	1996	1998	1997	1996
AXA Re	864	816	598	824	794	579
Other reinsurers	204	39	–	110	19	–
TOTAL	**1,068**	**855**	**598**	**934**	**813**	**579**

AXA Re

(in FF millions, year ended December 31,)	1998	1997	1996
Gross premiums	8,913	9,105	8,078
Change in unearned premium reserve	(588)	(219)	(28)
Net investment results [(a)]	2,020	1,853	1,581
Total Revenues	**10,345**	**10,739**	**9,631**
Insurance benefits and claims	(7,228)	(6,254)	(6,062)
Reinsurance ceded, net [(b)]	1,002	(658)	(574)
Acquisition expenses	(2,635)	(2,150)	(1,839)
Other insurance company expenses	(387)	(397)	(291)
Amortization of goodwill, net	(29)	(59)	(29)
Total Benefits and Other Deductions	**(9,277)**	**(9,518)**	**(8,795)**
Income before income tax expense	1,068	1,221	836
Income tax expense	(204)	(405)	(238)
Minority interests in income of consolidated subsidiaries	(40)	(22)	(19)
Net income	**824**	**794**	**579**

(a) Includes investment income, net of investment expenses and interest expense on short-term and long-term debt, and net realized investment gains or losses.
(b) Includes the net result of premiums, insurance benefits and claims and commissions ceded under reinsurance contracts with unrelated third parties.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

The Reinsurance Segment is principally composed of AXA Re and Royale Belge Re, which ceased writing new business in 1998.

Reinsurance gross premiums, which account for 3.1% of AXA's gross premiums, decreased by 0.4% on a constant exchange rate basis.

The contribution to net income of FF 934 million represents 9.3% of consolidated 1998 net income, of which FF 824 million was earned by AXA Re. The strong growth from other reinsurers, principally Royale Belge Re, grew to FF 91 million primarily due to its improved net investment results and positive loss reserve development on prior accident years.

AXA Re

On a constant exchange rate basis, gross premiums rose by 1.6% to FF 8,913 million. In property and casualty reinsurance, which accounts for nearly 88% of total reinsurance gross premiums, increases in proportional reinsurance gross premiums offset the reductions in non-proportional reinsurance gross premiums due to a decline in premium rates. Excluding proportional retrocessions and on a constant exchange rate basis, gross premiums for property casualty reinsurance remained stable. In life reinsurance, gross premiums totaled FF 581 million, a 62.0% decline due to the termination in early 1998 of unprofitable US health reinsurance treaties.

The increase of FF 369 million in unearned premium reserves is principally due to the receipt of large proportional treaties at the end of 1998.

Net investment results, which rose by 9.0%, reflected a decrease in net investment income of FF 132 million due to the decrease in bond revenue caused by the drop in the US dollar – French franc exchange rate. Realized gains net of investment provisions increased to FF 794 million versus FF 486 million in 1997.

Insurance benefits and claims increased by 16.0%. Unlike 1997, AXA Re recorded several major claims in 1998, including Hurricane Georges in the Caribbean and frozen rainstorms in Canada, the cost of which totaled FF 1.7 billion before retrocessions. This deterioration in property and casualty insurance benefits and claims was partially offset by the absence of life reinsurance reserve strengthening in 1998 which totaled FF 240 million in 1997 and a reduction in the equalization reserve in 1998 of FF 260 million as compared to an increase of FF 44 million in 1998. In addition, there was positive loss reserve development and a favorable impact for foreign exchange rates in 1998.

Losses on retrocessions increased from FF 657 million in 1997 to FF 1,002 in 1998. In a competitive retrocession market, AXA Re increased catastrophe coverage in 1998 as it was able to retrocede certain risks at advantageous rates. Such increase allowed AXA Re to recover approximately FF 875 million related to retrocessions of risks associated with Hurricane Georges and the frozen rainstroms in Canada. In addition, AXA Re benefited from respectively rated contracts allowing them to recover losses on coverages greater than FF 650 million. The claims ratio for all accident years rose from 74.9% in 1997 to 85.5% in 1998.

General costs increased FF 481 million to FF 3,135 million. This increase was the result of the increase in commissions related to proportional reinsurance which has been growing since 1997. Proportional reinsurance has higher commission rates than other types of reinsurance. In addition, information system costs and personnel costs increased. Nevertheless, the expense ratio improved to 30.6% from 34.4% in 1997. The improvement was due to the recovery of commissions on the retrospectively-rated contracts discussed above.

The reduction of the income tax expense is due to the increase in net income for countries with low income tax rates.

Net income increased by FF 30 million due to the results of reinsurance ceded, net and the increase in net investment results. AXA Re, with a ratio of reserves to gross premiums of 334% and 337% in 1997 and 1998 (gross of retrocessions) maintained its conservative claims reserving policy. Moreover, the reserves recorded are approximately half of the investment portfolio's unrealized gains.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

On a constant exchange rate and structural basis, gross premiums were stable in 1997 relative to 1996. Reductions in non-proportional property and casualty reinsurance and marine reinsurance gross premiums were offset by increases in proportional property and casualty reinsurance and life reinsurance premiums. The life reinsurance increase was due to increased gross premiums in the United States. Total property and casualty reinsurance gross premiums of FF 7,279 million declined 6.0% on a constant exchange rate basis as a result of an overall decline in such market.

Net investment results increased FF 272 million due primarily to a FF 226 million increase in investment income which resulted from an increase in invested assets. Gains realized on sales of securities increased to FF 485 million from FF 461 million in 1996. This increase was significantly larger excluding the 1996 gains of FF 254 million realized on the Generali Midi Expansion and SCOR transactions discussed below.

Insurance benefits and claims, gross of reinsurance, increased 3.2% largely due to a result of the FF 240 million increase in claims reserves for health reinsurance, principally in the United States. The integration of the SPS Re business discussed above increased insurance benefits and claims by FF 216 million. Excluding this transfer, the claims ratio decreased by 0.4%.

Losses on retrocessions increased from FF 575 million in 1996 to FF 658 million in 1997 primarily due to the absence of major catastrophes in 1997 and the increase in excess of loss reinsurance coverage. Due to a competitive retrocession market, especially for non-proportional reinsurance, AXA Re increased catastrophe coverage as it was able to retrocede certain risks at advantageous rates.

The expense ratio increased to 32.9% in 1997 from 27.2% in 1996. Such higher costs reflected integration costs associated with SPS Re, an increase in life reinsurance activity in the United States and certain information system expenditures.

Net income increased principally as a result of the growth in investment income. In late 1997, AXA Re was merged with AXA Re Vie in order to better allocate capital resources and achieve other efficiencies.

Financial Services

In 1998, AXA changed certain of its segmentation in order to more closely align its segmentation with the basis used by management to evaluate group performance and to allocate resources. Previously, the Financial Services Segment was comprised of the US Financial Services Group and the International Financial Services Group. Since asset management has become increasingly more important to AXA both from a strategic and profitability perspective, AXA created the Asset Management Segment along with the Other Financial Services Segment. Prior years' amounts have been restated to reflect the changes in segmentation.

Asset Management Segment

The following tables set forth certain summarized financial information for the Financial Services Segment for the periods indicated.

Asset Management Revenues

(in FF millions, year ended December 31,)	1998	1997	1996
Alliance Capital [a]	7,427	5,914	4,741
AXA Investment Managers	875	524	134
National Mutual Funds Management	173	154	129
TOTAL	**8,475**	**6,592**	**5,004**

(a) Includes asset management revenues from Equitable Real Estate of FF 751 million and FF 341 million in 1997 and 1996, respectively.

Net Income

(in FF millions)	Total 1998	1997	1996	Group Share 1998	1997	1996
Alliance (a)	1,380	1,562	932	370	736	291
AXA Investment Managers	285	208	31	244	168	31
National Mutual Funds Management	18	37	17	8	19	8
TOTAL	**1,683**	**1,807**	**980**	**622**	**923**	**330**

(a) Includes net income from Equitable Real Estate of FF 98 million and FF 38 million in 1997 and 1996, respectively.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

The 1998 contribution of the asset management companies of FF 622 million represents 6.2% of net income, of which 59.5% was earned by Alliance Capital and 39.2% by AXA Investment Managers.

Net investment results are principally comprised of fees received for the management of the assets of AXA insurance companies, which record these fees as investment expenses. Such fees are eliminated in consolidation. Asset management fees earned for services provided to third parties are recorded as part of asset management revenues.

The FF 821 million increase in total revenues was the combined result of the FF 1,883 million increase in asset management revenues and a FF 1,062 million reduction in net investment results. In 1998, 87.6% of revenues from the Asset Management Segment, which accounts for 2.3% of AXA's total revenues, was earned in the United States. On a constant exchange rate basis and excluding revenues from Equitable Real Estate which was sold in 1997, revenues increased 40.3% primarily due to the growth in the fair value of assets under management in 1998, the measure by which fees are assessed. The growth in assets under management was due to an increase in customers and the growth of existing assets under management since January 1, 1998. The decline in net investment results is attributable to the FF 1,498 million gain realized in 1997 on the sale of Equitable Real Estate.

The amortization of goodwill, net totaled FF 25 million versus FF 772 million in 1997. In 1997, Alliance Capital Management reduced the recorded value of its subsidiary Cursitor Eaton by FF 725 million reflecting Alliance's view that its investment in Cursitor is impaired as a result of its continuing decline in assets under management and its reduced profitability since Cursitor Eaton was acquired in 1996.

Excluding the gain realized in 1997 on the sale of Equitable Real Estate (FF 588 million, group share) and the reduction in the recorded value relative to Cursitor Eaton (FF 215 million, group share), net income from the Asset Management Segment totaled FF 622 million, an increase of 23.1% on a constant exchange rate and structural basis. This increase was primarily due to a strong asset management market in 1998, despite its drop in the second half of the year.

Alliance Capital

The financial results presented above are comprised of the asset management company, Alliance L.P., and its holding companies. Equitable Real Estate was also held by such holding companies until it was sold in 1997.

Alliance Capital Management's 1998 asset management revenue was FF 7,427 million, an increase of 34.6% on a constant exchange rate and structural basis. This increase was the result of continuing growth in assets under management (31.1% since December 31, 1997) and a change in the character of assets under management. The proportion of mutual fund assets under management, which generate higher asset management fees than institutional accounts, increased 39.5% as compared to a 25.7% increase for institutional accounts in 1997. On a constant structural basis, 61.3% of the increase in assets under management is attributable to the investment appreciation while 38.7% is a result of the addition of new accounts.

Net income of Alliance LP totaled FF 578 million, an increase of FF 322 million as compared to 1997. Net income in 1997 was impacted by the FF 252 million reduction in the recorded value of Cursitor Eaton. (The impact on net income of the reduction in the recorded value of Cursitor Eaton was FF 215 million. The FF 252 million reduction in recorded value recorded by Alliance LP was partially offset by a tax credit of FF 37 million recorded by its holding companies.) In 1998, the contribution from Alliance Capital was reduced by FF 61 million due to changes in tax laws. Under prior tax law, Alliance, as a partnership, was generally not subject to federal income tax. Because Alliance units are publicly traded, Alliance would have been treated as a corporation for federal income tax purposes commencing January 1, 1998. Alliance utilized an option in 1998 whereby it maintained its partnership tax status while paying a 3.5% tax on partnership gross income. The decline of the US dollar reduced net income by FF 10 million. Excluding the impact of these items, net income rose by FF 141 million, 28.9% on a constant exchange rate and structural basis, due principally to the strong financial markets in 1998, despite their drop in the third quarter.

Net loss of the other entities totaled FF 208 million as compared to a gain of FF 453 million in 1997. Net income in 1997 included the FF 38 million contribution of Equitable Real Estate until its sale and the FF 588 million gain realized on its sale in June 1997. In 1998, net income includes a FF 72 million dilution gain related to the exercise of stock options. Excluding the impact of these items, net income decreased by FF 107 million principally due to the increase in 1998 of income tax expense resulting from the increase in Alliance LP's net income, the 1997 release of tax reserves, and the 1997 reduction of the recorded value of Cursitor Eaton.

AXA Investment Managers

Including revenues from AXA insurance companies eliminated upon consolidation, the asset management revenues of AXA Investment Managers totaled FF 1,303 million, an increase of 27.0% on a constant exchange rate and structural basis. Such growth was due to the 18.1% constant exchange rate growth of in assets under management of FF 124.6 billion and the more rapid growth of assets under management with higher fee rates. The latter was principally the result of the appreciation of assets managed for third parties, which grew by 37.7% on a constant exchange rate basis. The overall growth in assets under management is attributable to appreciation of asset values and the addition of new accounts which accounted for 40.2% and 59.8% of the growth, respectively.

Excluding revenues from AXA insurance companies eliminated upon consolidation, AXA Investment Managers asset management revenues totaled FF 875 million, a 50.1% increase on a constant exchange rate basis.

In 1998, net income increased by 44.4% on a constant exchange rate basis to FF 244 million compared to FF 168 million in 1997. This increase comes principally from the operational subsidiaries which increased their contribution to net income by 50.7% on a constant exchange rate basis to FF 92 million. These subsidiaries experienced growth in their asset management revenues of 25.5% on a constant exchange rate basis which outpaced the growth in their financial company expenses. This operational growth was partially offset by the AXA Investment Managers' holding company loss of FF 29 million, group share, which increased by FF 17 million as compared to 1997. This deterioration is due to AXA IM's policy to increase its financial company expenses to ensure global coordination of certain key functions such as strategic direction, equity and debt security analysis, and information systems.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

Asset Management revenues increased primarily as a result of the increase in asset management revenues at Alliance Capital. Alliance Capital experienced a 24.4% increase in revenues primarily as a result of increased investment advisory, asset management and service fees. In addition, fees for assets under management increased during 1997 on a constant exchange rate basis as the continued growth in assets under management for third parties was partially offset by the reduction in fees resulting from the sale of Equitable Real Estate. The Alliance Capital growth in assets under management in 1997 was principally due to market appreciation and mutual fund sales, offset by the decrease in assets under management at Cursitor, an investment management company Alliance Capital acquired in 1996.

Net investment results increased primarily as a result of the FF 1,498 million gain realized on the sale of Equitable Real Estate.

Financial company expenses increased as a result of the increase in asset management revenue.

In addition, 1997 was marked by the writedown of intangible assets related to Cursitor. In 1997, Alliance Capital reduced its recorded value of Cursitor by FF 725 million reflecting Alliance's view that its investment in Cursitor is impaired as a result of its continuing decline in assets under management and its reduced profitability. Cursitor's assets under management declined approximately 65% between the date of the acquisition and December 31, 1997.

Income tax expense increased in proportion to the increase in income before income tax expense after excluding the 1997 release of FF 132 million of tax reserves related to tax years prior to 1989.

Net income was affected by certain non-recurring items. Excluding the FF 588 million gain, group share, realized on the sale of Equitable Real Estate and the FF 215 million decline in net income resulting from the Cursitor writedowns, net income increased 30.7% on a constant exchange rate basis.

Other Financial Services Segment

The following table sets forth certain summarized financial information for the Other Financial Services Group for the periods indicated.

Other Financial Services Revenues

(in FF millions)	1998	1997	1996 pro forma (a)	1996
Europe:				
Real Estate	372	1,798	1,893	999
Other	4,549	4,893	5,665	1,768
Total Europe	**4,921**	**6,691**	**7,558**	**2,767**
United States (DLJ)	49,104	43,780	28,580	28,580
TOTAL	**54,025**	**50,471**	**36,138**	**31,347**

(a) To assist with the comparison to 1998 and 1997, 1996 pro forma reflects gross revenues as if AXA's acquisition of UAP occurred on January 1, 1996.

Net Income

	Total			Group Share		
(in FF millions)	1998	1997	1996	1998	1997	1996
Europe:						
Real Estate	72	204	(64)	52	145	(105)
Other	326	499	131	226	341	100
Total Europe	**398**	**703**	**67**	**278**	**486**	**(5)**
United States (DLJ)	2,057	2,366	1,391	855	1,006	625
TOTAL	**2,455**	**3,069**	**1,458**	**1,133**	**1,492**	**620**

DLJ

(in FF millions, year ended December 31,)	1998	1997	1996
Other financial services revenues	49,104	43,780	28,580
Net investment results (a)	717	1,166	854
Total revenues	**49,821**	**44,946**	**29,434**
Financial company expenses (b)	(46,590)	(41,301)	(27,243)
Amortization of goodwill	(31)	(47)	(21)
Income before income tax expense	**3,200**	**3,598**	**2,170**
Income tax expense	(1,143)	(1,232)	(779)
Minority interests in income of consolidated subsidiaries	(1,202)	(1,360)	(766)
NET INCOME	**855**	**1,006**	**625**
Exchange rates (c)	5.90	5.99	5.24

(a) Includes investment income, net of investment expenses, interest expense on short-term and long-term debt (other than interest expense on short-term trading instruments which is included in operating costs and other deductions), and net realized investment gains or losses.
(b) Includes interest expense on short-term trading instruments
(c) In 1998, AXA used the weighted average exchange rate to translate the results of operations while in 1997 and 1996, the year end exchange rate was used.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

In 1998, Other Financial Services Segment revenues accounted for 14.4% of AXA's consolidated gross revenues versus 13.9% in 1997, an increase of 12.1% on a constant exchange rate and structural basis. DLJ accounted for 91.5% of these revenues. The investment and real estate companies held by French insurance and reinsurance companies were excluded from consolidation, effective January 1, 1998. If the investment and real estate companies had been consolidated in 1998, they would have contributed FF 1,245 million to AXA's consolidated total revenues. In addition, both UIF and Foncière Vendôme were sold in the first half of 1998. Foncière Vendôme contributed FF 111 million to revenues in 1997.

Net income totaled FF 1,133 million, 11.2% of AXA's consolidated net income, of which 75.5% was earned by DLJ versus 67.4% in 1997.

Net income provided by the European subsidiaries was FF 278 million. If the investment and real estate companies that were deconsolidated in 1998 had been consolidated, they would have contributed FF 418 million to AXA's consolidated net income. It should be noted that approximately FF 200 million of this amount related to unusually high gains realized by investment management companies that manage investments for private third parties. If they had been deconsolidated in 1997, net income would have decreased by FF 202 million.

On a constant structural basis (excluding the impacts of the deconsolidation of investment and real estate companies and the sales of UIF, Foncière Vendôme and Fidéi), the contribution to net income increased FF 114 million. This increase was primarily due to an improvement in the net income of Sofapi, Holding Soffim, and Sofinad of FF 78 million due to the favorable resolution of a contentious case and a decrease in expenses related to outstanding balances.

Excluding the deconsolidation of the investment companies, the contribution of other companies decreased by FF 7 million to FF 226 million, of which Compagnie Financière de Paris earned FF 110 million, Banque Ippa earned FF 33 million, Colonia Bausprkasse earned FF 30 million, and Royale Belge Investissement earned FF 54 million.

On a constant exchange rate basis, revenue growth was 14.0% principally due to strong growth in the mergers and acquisitions market and to the growth in trading volume, which reached record levels in 1998. These positive trends were partly offset by the decline in revenues from private capital raising and investment banking activities caused by the increased volatility of equity markets in third quarter 1998 which affected trading security income and private placement activities.

Financial company expenses increased by 14.7% on a constant exchange rate basis, to FF 46,602 million in 1998. This increase was largely due to fixed compensation costs related to the increase in personnel costs and rental and start-up costs linked to the development of business, principally in Europe. The increase in variable costs was 12.0% on a constant exchange rate basis as compared to 1997.

Net income was FF 855 million, a decrease of FF 151 million compared to 1997. The decline in DLJ's net income was primarily due to markdowns on DLJ's fixed maturities and to losses incurred in emerging markets and the decline in income from fixed income security activity, and costs related to international development.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

Other financial services revenues decreased in Europe due principally to the decline in the revenues of Banque IPPA, which experienced a decrease in its trading activities.

Financial company expenses totaled FF 6,460 million, of which FF 3,023 million was incurred by Banque IPPA, a former UAP subsidiary, and FF 1,521 million was incurred in other banking activities. Such costs have been declining as a result of cost-cutting programs at Banque IPPA and the reduction in the activity at CEC, historical AXA subsidiary involved in leasing activities. CEC has not generated new business since 1995.

The increase in net income in 1997 was the result of the addition of companies acquired in the UAP acquisition.

On a constant exchange rate basis, other financial services revenue increased FF 15,200 million primarily as a result of DLJ's improved results. DLJ's revenues were higher in 1997 largely due to strong merger and acquisition activity, private capital raising, higher investment banking fees and the growth in trading volume on most major stock exchanges.

Financial company expenses increased FF 14,058 million on a constant exchange rate basis. This increase is largely due to DLJ's higher interest expense of FF 6,863 million, and their FF 2,214 million increase in compensation and commissions. The increase in compensation and commissions was attributable to the increase in investment banking and other financial services revenues as such costs are primarily performance-linked.

Holding Segment

The Holding Company Segment consists of AXA's non operating companies, including the Company, Equitable Companies Inc., National Mutual Holdings, and Sun Life and Provincial Holdings (Sun Life Holdings).

Net Income

(in FF millions, year ended December 31,)	Including Minority Interest 1998	1997	1996	Group Share 1998	1997	1996
The Company	(1,629)	(1,109)	473	(1,629)	(1,109)	473
AXA France Assurance	482	(58)	–	482	(58)	–
Equitable Holding Company	(61)	(292)	(320)	(36)	(174)	(195)
National Mutual Holdings	(205)	(161)	(182)	(99)	(73)	(93)
SLPH	(642)	(315)	–	(459)	(215)	–
Other holding companies	523	31	(43)	535	34	(42)
TOTAL	**(1,532)**	**(1,904)**	**(72)**	**(1,206)**	**(1,595)**	**143**

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Despite the increase in goodwill amortization from FF 85 million in 1997 to FF 421 million in 1998, net income before minority interests improved from a loss in 1997 of FF 1,904 million to FF 1,531 million in 1998 and net loss group share improved from FF 1,595 million to FF 1,206 million.

THE COMPANY

The Company recorded a net loss of FF 1,629 million as compared to FF 1,109 million in 1997. The 1998 net loss was principally comprised of the following items:

– *Negative net investment results after tax of FF 523 million, principally due to interest expense incurred by the Company in financing certain external growth, principally, the short-term financing of the acquisition of Royale Belge minority interests. In addition, such investment results include a FF 115 million (after tax) impairment provision for recording the office building at 25 avenue Matignon at its fair value.*

– *General costs, after tax of FF 430 million, increased FF 81 million compared to 1997, primarily due to increased costs related to the promotion of the AXA trademark worldwide.*

– *Amortization of goodwill, FF 363 million, an increase of FF 305 million. In 1997, The Company amortized into net income the remaining negative goodwill related to the acquisition of Equitable (FF 205 million). In 1998, the Company began amortizing goodwill related to the acquisition of Royale Belge (FF 69 million) and wrote off all goodwill related to Dongbu AXA Life in Korea (FF 93 million).*

– *Income tax expense of FF 200 million, mainly comprised of the of tax paid on the intercompany sale of consolidated subsidiaries AXA Belgium, AXA Luxembourg Vie and AXA Assurance Luxembourg to Royale Belge (FF 301 million).*

In 1997, net income included realized gains on the sale of equity securities held in Schneider and BNP, and a dilution gain recorded by the Company when Equitable Holding Company redeemed for shares of common stock subordinated debentures and preferred stock. These gains were partially offset by realized losses and impairments on real estate.

Other Holding Companies

The contribution of other holding companies to net income in 1998 was FF 423 million versus a net loss of FF 486 million in 1997. This significant change is attributable to the following variations:

- An increase in income from AXA France Assurance, which realized a gain on the sale of equity securities held in BNP in 1998 (FF 540 million),
- Equitable Companies Inc, which in 1998 recorded a FF 81 million dilution gain on the exercise of DLJ stock options. In addition, interest expense decreased as a result of the redemption of its subordinated debentures and preferred stock in August 1997.
- The decline in income from Sun Life & Provincial Holdings primarily due to an income tax charge of FF 351 million, group share, related to the sale of AXA Leven to AXA Nederland partially offset by the increase in investment results resulting from the investment of proceeds received on the sale of New Ireland Holdings.
- Colisée Excellence, included in the Other Holding Companies, which realized a gain on the sale of ordinary shares of the Company (FF 613 million).

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

The Company

Net income provided by the Company decreased sharply from 1996 which was marked by certain non-recurring gains. General operating expenses increased primarily as a result of the assumption of UAP holding company expenses including costs associated with the restructuring of former UAP subsidiaries, increased costs related to the promotion of the AXA trademark, and certain investment and tax provisions. In addition, goodwill amortization increased by FF 473 million in 1997. In 1997, the Company recorded goodwill amortization of FF 50 million related to the UAP acquisition and FF 205 million for the last half year of amortization of negative goodwill related to the Equitable acquisition as compared to FF 410 million in 1996. In 1996, gains of FF 188 million were realized on certain foreign currency swaps, a tax refund of FF 66 million was received in connection with certain mergers, and the sale of SCAC Delmas Vieljeux resulted in the release of a FF 113 million, after tax, reserve and the recognition of a FF 35 million gain.

Such decreases in 1997 income were offset by the FF 299 million dilution gain recorded by the Company when Equitable Holding Company redeemed for shares of common stock subordinated debentures and preferred stock, some of which were held by the Company. In addition, FF 439 million was realized on sale of equity securities held in BNP, a French bank, and Schneider, a French electrical equipment company.

Other Matters

Holocaust

AXA and certain of its affiliates have been named as defendants in two class actions filed in the Federal District court for the Southern District of New York in 1997 and 1998 related to Holocaust matters. On August 25, 1998, AXA, along with five other European insurers, signed a Memorandum of Understanding with certain US insurance regulators, non-governmental Jewish organizations, certain European regulators and certain European insurers agreeing to the establishment of an International Commission. The International Commission will conduct an investigatory process to determine the current status of policies issued to Holocaust victims between 1920 and 1945 and will establish a claims and valuation process designed to resolve unpaid insurance policies held by holocaust victims.

AXA is in the process of conducting a review of its principal European affiliates, e.g., France, Germany and Austria. The ultimate objective of this review is to identify relevant archives in order to assess the extent of unpaid policies issued to Holocaust victims by AXA (or its predecessors) between 1920 and 1945.

Assessing the extent of unpaid policies issued to Holocaust victims is complex due to the passage of time, incomplete records, restitution programs in Germany, payments to blocked accounts in France, currency devaluations, insurance portfolio transfers and nationalization of insurance companies. This assessment involves historical, actuarial, economic, regulatory and legal expertise, research and analysis. AXA has gone to great effort in this process using both internal and external resources.

Because of the significant uncertainties and complexities involved in resolving these matters, including the outcome of related ligitations, and the likelihood that these uncertainties and complexities will not be resolved in the near future, management is not in a position, at this time, to reasonably estimate AXA's ultimate exposure in this matter and therefore is unable to determine whether such amounts will be material to AXA's results of operations, liquidity or financial condition.

In 1998, the Company charged to income FF 15 million of costs incurred in this process. Such costs were predominately related to external legal advisors, external auditors, and contributions to the International Commission.

Year 2000

Preparation for the Year 2000 is a top priority for AXA. In 1995, AXA began preparing for this event when its global information technology (IT) department appointed an IT manager to oversee AXA's preparation for the Year 2000; foster synergies through the exchange of information, best practices and methodologies; and monitor the status of Year 2000 projects in all AXA subsidiaries. Year 2000 project managers were then named for all AXA subsidiaries. In 1996, investigations were launched with external providers to ensure that hardware and software used by AXA would be Year 2000 compliant. By 1997, substantially all of AXA's IT departments had allocated adequate human resources and budgets for their Year 2000 projects. In 1998, the projects were extended beyond the realm of information technology to encompass total preparation for Year 2000-related incidents.

Each subsidiary's state of preparedness is assessed in seven key areas: centrally managed technologies; administrative technologies e.g., building infrastructure technology and miscellaneous equipment; user resources, e.g., personal computers; customer relationships; distribution networks; other partners, (e.g. third parties involved in the claims settlement process); and relations with public institutions (e.g., government and regulatory agencies).

Under the auspices of the AXA Executive Committee, which has overall responsibility for the project, executive management for each subsidiary is charged with ensuring that information systems and procedures are Year 2000 compliant. In addition to preparing information systems for Year 2000 compliance, they are responsible for the development of Transitional Plans which define procedures before, during and after January 1, 2000 including contingency plans in the case of non compliance of AXA or third party systems. The Transitional Plans entail validating systems and procedures and defining alternative procedures in a variety of emergency situations. AXA has developed a centralized methodology to assist subsidiaries in the development of their Transitional Plans. This methodology is adapted to each segment and identifies critical factors and contingency procedures that should be considered in all plans.

At the request of the Audit Committee of AXA's Supervisory Board, an external consulting firm analyzed the year 2000 program management process at the holding company and subsidiary level. Their findings reveal that procedures are an example of "best practices" in the market and that AXA subsidiaries are on schedule to meet their deadlines.

AXA has developed a method for analyzing risk and measuring progress which has been adopted by all AXA subsidiaries. At December 31, 1998, systems compliance was estimated to have been 63% achieved and is expected to be fully achieved by June 30, 1999. Procedures related to Transition Plans are estimated to be 47% complete as of December 31, 1998 and are expected to be entirely complete by September 30, 1999.

At December 31, 1998, AXA's Year 2000 project costs totaled FF 2.1 billion (FF 1.3 billion, group share before tax) while estimated expenditures remaining to be incurred totaled FF 1 billion (FF 680 million, group share before tax). All such project costs directly relate to preparation for the Year 2000, including software modifications and external consulting costs. This estimate, which covers both IT and non-IT project tasks, is higher than those given as of December 31, 1997 and June 30, 1998, which were limited to IT expenditures.

INSURANCE RISKS RELATIVE TO THE YEAR 2000

Since 1997, AXA has worked with its subsidiaries in an attempt to limit the Year 2000 exposure related to insurance policies underwritten by AXA. AXA has taken steps to (i) provide information to clients on Year 2000 issues and the need to be Year 2000 compliant, (ii) review all relevant insurance policies (fire, property, business interruption, liability) to exclude or limit the scope of the most sensitive Year 2000 guarantees including those relating to software and hardware providers, and (iii) consider the advice of insurance specialists and lawyers in addressing such claims. Since early 1997, the risks insured by AXA subsidiaries, principally AXA Ré and AXA Global Risks, have taken into consideration risks associated with the Year 2000 and such companies have put in place measures to limit such risks.

To date, and in light of the actions already undertaken, the Company believes that its exposure to Year 2000 insurance risks is relatively limited. Nevertheless, policy claims are a possibility and the Company will put in place an organizational structure in the first half of 1999 for the purpose of verifying the legitimacy and proper management of, such claims.

The forward-looking statements under "Year 2000" should be read in conjunction with the disclosure set forth under "Forward-Looking Statements" in Item 9A. To the fullest extent permitted by law, the foregoing Year 2000 discussion is a "Year 2000 Readiness Disclosure" within the meaning of The Year 2000 Information Disclosure Act, 15 U.S.C. Sec. 1 (1998).

Liquidity and Capital Resources

The Company and each of its major operating subsidiaries are responsible for financing their operations consistent with their capitalization requirement and ratings. The Company, as the holding company for AXA, will from time to time, however, arrange for and participate in financing the operations of subsidiaries.

On a consolidated basis at December 31, 1998 and 1997, AXA's outstanding long-term financing and operating debt was FF 40.3 billion and FF 38.7 billion respectively, and short-term debt was FF 27.3 billion and FF 26.0 billion, respectively. Financing debt is primarily comprised of long-term and debt convertible into equity securities of the Company or one of its subsidiaries. Operating debt is comprised of borrowings, principally by financial services subsidiaries, to provide operational working capital.

In addition, AXA has obligations which are not characterized or classified in the consolidated balance sheet as debt or equity capital. These funds, referred to as mezzanine capital, amounting to FF 20,863 million and FF 18,296 million at December 31, 1998 and 1997, respectively, are comprised of certain subordinated debt and other debt reimbursable in shares. The amounts reimbursable in shares (mandatorily convertible bonds and notes) amounted to FF 3,111 million at December 31, 1998 and 1997. See notes 6, 7 and 8 of the Notes to the Consolidated Financial Statements.

At December 31, 1998, the aggregate principal payments required to be made on maturing operating and financing debt and mezzanine capital (other than mandatorily convertible bonds and notes) for 1999 and the succeeding four years are 5.4, 2.6, 6.4, 2.8 and 3.5 billion, respectively, and FF 19.5 billion thereafter.

The Company

As a holding company, the Company's principal sources of funds are dividends from subsidiaries and funds that may be raised through the issuance of debt or equity securities and bank or other borrowings. The Company has expanded its insurance businesses through a combination of acquisitions, joint ventures, direct investments and internal growth, funded primarily through a combination of exchanges of shares and proceeds from the sale of non-core businesses and assets, dividends received from operating subsidiaries, proceeds from the issuance of convertible debt securities, as well as borrowings (including from affiliates), and the issuance of new ordinary shares.

In February 1999, the Company issued subordinated convertible notes for euro 1.52 billion (FF 10.0 billion) to finance the growth of the Company or any of its subsidiaries and to strengthen the Company's consolidated financial structure. In particular, the proceeds could be used in connection with the financing of the acquisition of Guardian Royal Exchange (GRE) by Sun Life & Provincial Holdings (SLPH). The conversion into shares of all the notes issued would result in the issuance of 9,239,333 shares of AXA stock.

In June and July 1998, the Company acquired the minority interests of Royale Belge for FF 18,905 million. This acquisition was funded by the issuance of 9,556,915 new ordinary shares valued at FF 6,460 million, the exchange of the Company's treasury stock valued at FF 2,751 million, a cash payment of 9,694 million and the issuance of Certificates of Guaranteed Value (Certificates). The cash payment was funded by the sale of securities of Belgian and Luxembourg insurance subsidiaries to Royale Belge end the payment of extraordinary dividends of the Benelux holding companies to the Company. The Company also drew FF 1.2 billion on its existing line of credit and raised FF 2.5 billion through the issuance of commercial paper.

In addition, 2,706,571 newly created certificates of guaranteed value (Royale Belge Certificates) expiring in July 2001 were issued by the Company as part of this transaction. See further discussion under "Significant 1998 Events".

In 1997, the Company acquired UAP (see "Significant Acquisitions and Investments"). When UAP was acquired, the Company issued 128 million UAP Certificates maturing on July 1, 1999 to former shareholders of UAP Compagnie, of which 121.6 million Certificates were issued to outside investors. Holders of the UAP Certificates will receive, for each Certificate held as of July 1, 1999 an amount in French francs (not to exceed FF 80 per UAP Certificate) equal to the difference, if positive, between FF 392.50 and the reference price for one ordinary share. The reference price is equal to the average of the opening stock market prices for ordinary shares on the Paris stock exchange for the thirty trading days immediately preceding July 1, 1999. AXA has managed its risk related to the UAP Certificates either through repurchases or the use of hedging strategies. At December 31, 1998, 66% of AXA's exposure was hedged at a cost of FF 483 million, making AXA's maximum amount payable FF 591 million.

The Company anticipates that cash dividends received from operating subsidiaries will continue to cover its operating expenses including planned capital investment in existing operations, interest payments on its outstanding debt and mezzanine capital and dividend payments during each of the next three years. The Company expects future acquisitions and strategic investments will be funded from available cash flow remaining after payments of dividends, debt service and operating expenses, proceeds from future issues of debt and equity securities and proceeds from the sale of non-core assets and businesses. See "Sources of Liquidity" and "Use of Funds".

SOURCES OF LIQUIDITY

At December 31, 1998 and 1997, the Company had FF 578 million and FF 1,911 million, respectively, in cash and cash equivalents. The Company maintains standby committed credit facilities in aggregate amount of FF 13.9 billion of which FF 1,250 million was drawn as of December 31, 1998 (versus FF 13.5 billion of which FF 80 million was drawn as of December 31, 1997). Such credit facilities (at December 31, 1998) had an average remaining expiration period of approximately 2.5 years, with renewal periods equal to the original term of the facility at the Company's option.

The Company also maintains a FF 8.0 billion French commercial paper program and a FF 8.0 billion French medium term paper note program. As of December 31, 1998, approximately FF 3,307 million of commercial paper was outstanding with an average maturity of 20 days and approximately FF 1,529 million of medium term notes were outstanding with an average maturity of 5.2 years.

In 1998, the Company received FF 6,794 million in cash dividends compared to FF 3,164 million and FF 1,081 million in 1997 and 1996, respectively. These dividends principally are received from the Company's French and other European insurance subsidiaries. Cash dividends received by the Company in currencies other than French francs were approximately FF 5,162 million, FF 1,540 million and FF 593 million in 1998, 1997 and 1996, respectively. The significant increase in dividends received from 1997 to 1998 is due to the payment of large dividends by the Benelux subsidiaries in 1998 as part of the Royale Belge transaction. Certain of the Company's direct and indirect subsidiaries are subject to restrictions on the amount of dividends and debt repayments that can be paid to the Company and its affiliates (see Note 16 of Notes to the Consolidated Financial Statements). The Company does not believe that such restrictions constitute a material limitation on its ability to meet its obligations or pay dividends.

The Company's total debt outstanding at December 31, 1998 and 1997 was FF 9,337 million and FF 7,358 million, respectively, of which FF 434 million and FF 2,714 million, respectively, was related to 4.5% convertible debt securities issued in 1995 and maturing on January 1, 1999. Most holders thereof exercised their conversion option in 1998, resulting in the issue of 8,322,588 shares, increasing shareholders' equity by FF 2,182 million. At December 31, 1998, 1,538,291 convertible debt securities remained outstanding, the conversion of which would lead to the creation of 1,584,440 ordinary shares of the Company. As of March 15, 1999, an additional 680,263 bonds were converted into ordinary shares and 1,112 bonds were redeemed for cash. In the absence of a request for conversation before April 12, 1999, the remaining bonds (855,804 at March 15, 1999) would be redeemed in cash.

The Company's mezzanine capital is comprised of certain subordinated debt and other debt reimbursable in shares. The subordinated debt includes the subordinated perpetual step-up notes ("Perpetual Notes") issued in 1997. Debt reimbursable in shares principally includes the 6.0% AXA Notes with an aggregate principal amount of FF 1,851 million which, together with 4.1 million Certificates were issued in exchange for UAP Notes of the same aggregate principal amount and the 4.5% bonds which are mandatorily convertible into ordinary shares ("Mandatorily Convertible Bonds") issued in 1995 (see Note 8 in Notes to the Consolidated Financial Statements). Such amount includes FF 840 million of aggregate principal amount of the Mandatorily Convertible Bonds repurchased by subsidiaries of the Company in December 1996.

In 1998, the Company issued JPY 27 billion (FF 1.2 billion) of subordinated debt to finance start-up costs in connection with the establishment of its direct marketing insurance subsidiary in Japan (business license pending) as well to raise capital for AXA Japan Life, its Japanese life insurance subsidiary. This borrowing is redeemable after July 31, 2028, only at the Company's option.

In 1997, the Company issued approximately FF 6.2 billion aggregate principal amount of Perpetual Notes. The Perpetual Notes have no stated maturity date and are redeemable after December 2007, only at the Company's option. Annual interest is based on a floating index with an initial 60 basis point margin which increases to 210 basis points after December 2007. The floating index is PIBOR on the French franc tranche of FF 3.8 billion and LIBOR on the US tranche of US $ 400 million (FF 2.4 billion). Interest payments can be deferred under certain conditions that are specified in Note 8 of Notes to the Consolidated Financial Statements.

Uses of funds

The Company's principal uses of funds are the payment of operating expenses, the servicing of its debt obligations, the payment of dividends to shareholders and the acquisition of, and investment in, core businesses and assets.

Interest expense of the Company on short-term and long-term debt for 1998, 1997 and 1996 was FF 1,030 million, FF 878 million and FF 620 million, respectively. Annual interest expense of the Company is expected to be approximately FF 950 million in 1999, 2000 and 2001, assuming no additional repurchases or early redemptions of outstanding borrowings or mezzanine capital.

At the ordinary general meeting of shareholders of the Company to be held on May 5, 1999, the shareholders are expected to declare a cash dividend of approximately FF 3,906 million (euro 1.70, FF 11.15 per Share) in respect of 1998. This dividend compares with dividends paid to shareholders of FF 2,982 million (FF 9.00 per Share) in 1998 (in respect of 1997), FF 2,369 million (FF 7.50 per Share) in 1997 (in respect of 1996) and FF 1,222 million (FF 6.50 per Share) in 1996 (in respect of 1995). All dividends in respect of 1997 and 1996 were paid in cash. For dividends paid in 1996 (in respect of 1995), the Board of Directors proposed and each shareholder could determine the portion of the annual dividend that each shareholder would have the option of receiving in additional Shares. Dividends to shareholders in 1996 (in respect of 1995) were 67.9% paid in Shares.

In 1993, the Company began financing a direct marketing operation in France. This operation was financed by capital contributions which on a cumulative basis through December 31, 1998 amounted to approximately FF 920 million, of which FF 226 million was paid in 1998.

Following the establishment of direct marketing operations in France, the Company began direct market-

ing operations in Germany (1994) and Spain (1996). The cumulative amount invested in Sicher Direct's direct marketing sales in Germany as of December 31, 1998 was FF 562 million, of which FF 136 million was invested in 1998. In 1998, 1997 and 1996, amounts invested by AXA and BBV in Direct Seguros were FF 117 million, FF 60 million and FF 60 million, respectively.

In 1998, the Company fully subscribed to its Japanese subsidiary's capital increase of FF 116 million for the purpose of funding the development of its direct marketing insurance operations in Japan.

Over the next three years, the Company plans to invest additional amounts of approximately FF 200 million FF 150 million and FF 700 million in direct marketing insurance operations in France, Germany and Japan, respectively. In addition, AXA Aurora Polar plans to invest FF 100 million in Direct Seguros in 1999.

In Japan, the Company has established a life insurance subsidiary that commenced operations in 1995. The total amount to be invested in this subsidiary is estimated at JPY 37 billion (FF 1.7 billion), of which approximately JPY 18 billion (FF 887 million) has been invested as of December 31, 1998 and approximately JPY 9 billion (FF 436 million) of which is scheduled to be invested in 1999 through 2000, approximately JPY 10 billion (FF 490 million) of which is scheduled to be invested in 2001 through 2003.

Between 1992 and 1996, the Company or its subsidiaries made capital contributions of approximately FF 582 million to AXA Global Risks UK. AXA Global Risk UK's obligations under its policies written in the London market are guaranteed by the Company. To the extent that AXA Global Risks UK fails to make payments on amounts due and payable under such policies, the Company has agreed to pay such amounts. During 1997, English and Scottish Maritime and General Insurance Company Limited ("English and Scottish"), an indirect wholly owned subsidiary of AXA, reinsured all the business written by AXA Global Risks UK prior to 1992. As part of this reinsurance transaction, the Company contributed FF 202 million in 1997 to the direct holding company of English and Scottish. Management believes additional losses, if any, will be funded with additional capital contributions (or possibly loans) from the Company or its subsidiaries. Losses recorded by English and Scottish were financed in 1998 through a FF 66 million capital increase fully subscribed to by the Company.

Equitable Companies Incorporated

At December 31, 1998 and 1997, Equitable Companies Incorporated ("Equitable Holding Company") held cash and short-term investments and US Treasury securities of approximately FF 1,032 million and FF 672 million, respectively. In addition to income from these liquid assets, the Equitable Holding Company's primary sources of liquidity also included payments from its subsidiaries in respect of the Equitable Holding Company's SECT (Stock Trust to fund employee benefit and compensation programs) distributions, dividends on the Donaldson, Lufkin & Jenrette (DLJ) common stock held by Equitable Holding Company and dividends, distributions or sales proceeds from less liquid investment assets. Other potential sources of liquidity for Equitable Holding Company include the sale of DLJ common stock held by Equitable Holding Company, the issuance of additional securities by Equitable Holding Company and dividends from Equitable Life. The latter are currently subject to restrictions set under New York Insurance Law. Since the demutualization, Equitable Holding Company has not received dividends from Equitable Life. In 1999, Equitable Life expects to review with the New York Insurance Department the potential for paying a dividend to Equitable Holding Company.

In April 1998, Equitable Holding Company issued US

$ 250 million (FF 1,400 million) of 6 1/2 % Senior Notes due in 2008 and US $ 350 million (FF 1,960 million) of 7% Senior Notes due in 2028.

Dividends paid by DLJ to Equitable Holding Company in 1998, 1997 and 1996 were FF 69 million, FF 70 million and FF 61 million, respectively. In July 1998, DLJ sold an aggregate of 5 million newly issued shares, of which 1.8 million were subscribed to by Equitable Holding Company, Equitable Life, and AXA Holdings Belgium for US $ 110 million (FF 620 million), US $ 90 (FF 504 million), and US $ 100 (FF 560 million), respectively.

In 1998, Equitable began a stock repurchase program. See further discussion above under "Significant 1998 events".

Equitable Holding Company's cash requirements include debt service, operating expenses, taxes and dividends on its common stock. Management of Equitable Holding Company believes that the primary sources of liquidity described above are sufficient to meet its cash requirements for several years.

National Mutual Holdings

At December 31, 1998 and 1997, National Mutual Holdings ("NMH") held cash and short-term investments of FF 103 million and FF 100 million, respectively. In addition to these amounts, National Mutual Holdings' primary source of liquidity is dividends from its subsidiaries. It also has a credit line of A$ 525 million (FF 1,744 million) of which A$ 90 million (FF 299 million) had been drawn as of December 31, 1998 (see Note 6 of the Notes to the Consolidated Financial Statements). National Mutual Holdings' primary use of funds is dividend payments to its shareholders, interest expense on its debt and general operating expenses of the holding company.

In 1998, NMH received A$ 719 million (FF 2,379 million) in dividends from its subsidiaries. Of the amount A$ 320 million (FF 1,063 million) was a non-recurring dividend from its subsidiary National Mutual Life Association ("NMLA") paid subsequent to NMLA's 1996 contribution to NMH of its equity interest in AXA China Region. In connection with this restructuring, NMLA received A $ 113 million and A $ 286 in 1996 and 1997, respectively, from NMH in consideration for a portion of NMLA's direct and indirect equity interest in AXA China Region.

Sun Life & Provincial Holdings

At December 31, 1998, and 1997, SLPH held cash and short-term investments of FF 1,726 million and FF 169 million, respectively. Due in December 2001, the balance of the syndicated loan issued in December 1996 totaled FF 2,849 million at December 31, 1998 as opposed to FF 3,031 million at December 31, 1997 (see Note 6 of the Notes to the Consolidated Financial Statements).

In early 1999, AXA announced its intention to acquire GRE (see further discussion above and at "Events Subsequent to December 31, 1998"). SLPH could finance such transaction through the issuance of new SLPH shares valued at approximately £1.2 billion based on their closing price on January 29, 1999, with the remainder financed in cash. AXA has arranged a committed bank facility for £ 2.2 billion and will make available an equivalent amount to SLPH to fund the cash portion of the offer of which FF 10 billion would come from the proceeds of the subordinated convertible note issuance (discussed above) and the remaining portion from available lines of credit.

Insurance subsidiaries

The principal sources of funds for AXA's insurance operations are premiums, investment income and proceeds from sales of invested assets and repayments or maturities of debt security principal. The major uses of *these funds are to pay policyholder benefits, claims and claims expenses, policy surrenders and other operating expenses and to purchase investments.*

The liquidity of insurance operations is affected by, among other things, the overall quality of AXA's investments and the ability of AXA to realize the carrying value of its investments in accordance with contractual maturities. The liquidity needs of the Life Insurance Segment can also be affected by fluctuations in the level of surrenders and withdrawals. See "Business-Life Insurance-Surrenders and Withdrawals".

For an analysis of AXA's General Account Insurance Portfolio, see "Business-Insurance Investments". The liquidity needs of the Property and Casualty Insurance Segment and the Reinsurance Segment can be affected by the level of claims experienced. See "Business-Property and Casualty Insurance and Reinsurance Claims Reserves".

LIFE INSURANCE

AXA's investment strategy is designed to match the yields and estimated duration of its investments with expected payments on its policies. AXA regularly monitors the valuation and duration of its assets, market conditions which might affect the level of surrenders and withdrawals on its life insurance policies and changes in projected immediate and long-term cash needs and adjusts its investment portfolios to reflect such considerations.

United Kingdom

The level of benefits paid on AXA Sun Life's with-profits contracts is determined based in part on unrealized investment gains. If benefit payments and operating expenses with respect to with-profit contracts and other general account products exceed cash flows from premiums and investment assets in the general account, AXA Sun Life would have to sell additional assets or otherwise fund the shortfall. Historically, cash flows from premiums and investment assets in the general account have exceeded benefit payments and operating expenses. Therefore, it has not been necessary to sell additional assets in order to meet obligations with respect to with-profit contracts. However, should the cash flow trends reverse, the majority of AXA Sun Life's investment assets are readily marketable.

United States

One source of liquidity for Equitable Life is dividends from Alliance Capital. Such dividends amounted to FF 671 million, FF 753 million and FF 536 million for the years ended 1998, 1997 and 1996, respectively.

During 1998, Equitable received proceeds of US $ 1.34 billion (FF 7.5 billion) on the sale of equity real estate in connection with a sales program. The remaining balance of equity real estate classified as "held for sale" was FF 6.4 billion at December 31, 1998.

PROPERTY AND CASUALTY INSURANCE AND REINSURANCE

AXA's property and casualty insurance and reinsurance operations have generated positive cash flows from operating activities in each of the past five years. These positive cash flows, along with that portion of the investment portfolio that is held in cash and highly liquid securities, have historically been sufficient to meet the liquidity requirements of AXA's property and casualty insurance and reinsurance operations. In the event of large catastrophic or other losses, AXA property and casualty operations would be able to liquidate their investment portfolio, a large portion of which is invested in listed securities, if necessary to pay claims.

SOLVENCY MARGINS AND RISK BASED CAPITAL

EU regulations, French law and the laws in other European countries in which the Company's principal European subsidiaries operate require life and prop-

erty and casualty insurance companies to maintain a minimum solvency margin. The primary objective of the solvency margin is to protect policyholders. Each of AXA's French and other European subsidiaries is in compliance with its applicable solvency requirements. Efforts have begun in France to define a consolidated solvency margin requirement for insurance companies. There is no formally established completion date for this project and results are not expected near term.

Since 1998, French law requires that insurance companies furnish a solvency report to its external auditors, which contains certain required information such as an analysis of the company's ability to meet all its obligations in both the medium and long term.

In addition, a European Directive dated October 27, 1998, requires beginning for the year ended December 31, 2001, a consolidated solvency calculation. Each member state must define the specific procedures which will comply with such directive.

US life insurers, including Equitable Life, are subject to certain risk based capital ("RBC") guidelines. These guidelines provide a method to measure the adjusted statutory capital (as defined) a life insurance company should have for regulatory purposes. Equitable Life was above its target RBC ratios at December 31, 1998.

At December 31, 1998, FF 621 million (or 3.5%) of the aggregate statutory capital and surplus of Equitable Life and its subsidiaries resulted from surplus relief reinsurance. The level of surplus relief reinsurance was reduced by approximately FF 303 million in 1998, following a reduction of approximately FF 321 million in 1997.

Australian insurers, including National Mutual, are subject to capital adequacy and solvency margin requirements. Under the standards, the assets of the statutory fund are required at all times to exceed the aggregate of the fund's best estimate of policy liabilities, the solvency or capital adequacy margin and any liabilities attributable to the fund. The solvency and capital adequacy margins are calculated based on a formula which contains variables for expenses, inflation, investment earnings, death, disability claims, surrenders, premium dormancy and policyholder options, distribution of assets among investment categories, and the matching of specific categories of assets and liabilities. National Mutual exceeded its capital adequacy and solvency margin requirements at December 31, 1998.

Asset Management

Alliance Capital

Alliance Capital's principal sources of liquidity are cash flows from operations, proceeds from the sale of newly issued Alliance Capital Units and borrowings from lending institutions. As a result of the continued growth of its business and the use of deferred sales charge options on its mutual funds, Alliance Capital may require additional capital from time to time. Alliance maintains a five-year floating rate revolving credit facility and a US $425 million (FF 2,379 million) commercial paper program. Borrowings under the facility and the commercial paper program may not exceed US $425 million (FF 2,379 million) in the aggregate. At December 31, 1998, Alliance Capital had US $179.5 million (FF 1,005 million) in commercial paper outstanding; there were no borrowings outstanding under the credit facility.

Other Financial Services

DLJ

DLJ reported total assets as of December 31, 1998 of US $ 72.3 billion (FF 404.6 billion). DLJ's assets are highly liquid, including principally securities inventories and collateralized receivables. Such receivables include agreements and securities borrowed, both of which are secured by US government and agency securities, and marketable corporate debt and equity securities. A relatively small percentage of total assets is fixed or held for a period longer than one year. A significant portion of DLJ's borrowing is matched to the interest rate and expected holding period of the corresponding assets. DLJ monitors overall liquidity by tracking the extent to which unencumbered marketable assets exceed short-term unsecured borrowings.

DLJ's overall capital needs are continually reviewed to ensure that its capital base can appropriately support the anticipated needs of its businesses and meet the regulatory capital requirements of its subsidiaries. DLJ has been active in raising additional long-term financing, including the US $ 650.0 million (FF 3,602 million) of 6 1/2% senior notes, US $ 450.0 million (FF 2,519 million) aggregate principal amount of senior secured notes, US $ 350.0 million (FF 1,959 million) medium-term notes and US $ 250.0 million (FF 1,400 million) 6% senior notes issued in 1998. DLJ repaid in 1998 its US $ 325.0 million (FF 1,819 million) senior subordinated revolving credit agreement and terminated the related facility.

In January 1998, DLJ issued an initial 3.5 million shares of fixed/adjustable rate cumulative preferred stock, Series B, with a liquidation preference of US $ 50 per share, a US $ 175.0 million (FF 980 million) aggregate liquidation value. Also, in January 1998, DLJ commenced a US $ 1.00 billion (FF 5.6 billion) commercial paper program. At December 31, 1998, US $ 30.9 million (FF 173 million) of notes were outstanding under this program.

DLJ historically has satisfied its needs for funds primarily from capital (including long-term debt), internally generated funds, uncommitted lines of credit, free credit balances in customers' accounts, master notes and collateralized borrowings primarily consisting of bank loans, repurchase agreements and securities loaned. Short-term funding generally is obtained at rates related to federal funds, LIBOR and money market rates. Other borrowing costs are negotiated depending upon prevailing market conditions. DLJ has a US $ 2.8 billion (FF 15.7 billion) revolving credit facility. There were no borrowings outstanding under this agreement at December 31, 1998.

Other Financial Services in Europe

AXA's European financial services subsidiaries must comply with various French and European regulations that require each to maintain, depending on its area of activity (bank, credit establishment or other), a minimum liquidity ratio or a minimum risk ratio. At December 31, 1998, each of AXA's financial services subsidiaries was in compliance with its applicable ratio.

Consolidated Cash Flows

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Net cash provided by operating activities was FF 84,927 million for the year ended December 31, 1998 as compared to FF 81,423 million for the year ended December 31, 1997. The increase in net cash provided by operations was mainly attributable to the increase in insurance cash flows resulting from broker-dealer activities in the financial services operations. These increases were offset in part by the increase in cash used by the repurchase and resale agreements activity.

Net cash used by investing activities in 1998 was FF 70,104 million compared to net cash used of FF 67,905 million in 1997. The increase in cash used by investing activities primarily stems from the increase in the invested assets of the insurance activities.

Net cash received by financing activities amounted to FF 731 million in 1998 compared to net cash provided of FF (176) million in 1997. In 1998, there was a FF 1,225 million net addition to short-term financing, compared to FF 1,860 million net addition in 1997. Cash provided by additions to long-term debt to FF 18,020 million in 1998 from FF 11,417 million in 1996 and repayments of debt increased to FF 13,857 million in 1998 from FF 9,313 million in 1997.

In 1998, additions to the long-term debt included the FF 7,519 million of senior debt issued by DLJ and approximately FF 3,340 million issued by Equitable. The new funds were used primarily to reimburse maturing debt and to finance business growth, notably at DLJ. The new funds were used primarily to finance business growth, notably DLJ, and to finance the Equitable stock repurchase program.

The net impact of foreign exchange was a FF 985 million increase in net cash in 1998 compared to FF 977 million in 1997. The net addition to cash due to change in scope of consolidation decreased to negative FF 163 million in 1998 from FF 13,650 million in 1997.

The operating, investing and financing activities described above, as well as the impact of foreign exchange and change in scope of consolidation, resulted in an increase in cash and equivalents of FF 53,832 million in 1998 as compared to an increase of FF 27,581 million in 1997.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

Net cash provided by operating activities was FF 81,423 million for the year ended December 31, 1997 as compared to FF 25,284 million for the year ended December 31, 1996. The increase in net cash provided by operations was mainly attributable to the increase in insurance cash flows resulting from the higher volume of business arising from the UAP acquisition and from broker-dealer activities in the financial services operations. These increases were offset in part by the increase in cash used by the repurchase and resale agreements activity.

Net cash used by investing activities in 1997 was FF 67,905 million compared to net cash used of FF 46,486 million in 1996. The increase in cash used by investing activities primarily stems from the increase in the invested assets of the insurance activities partially offset by the higher volume of sales in 1997 compared to 1996 due to the alignment of the UAP investment portfolio with AXA's investment strategy.

Net cash used by financing activities amounted to FF 176 million in 1997 compared to net cash provided of FF 5,602 million in 1996. In 1997, there was a FF 1,862 million net addition to short-term financing, compared to FF 152 million net addition in 1996. Cash provided by additions to long-term debt increased to FF 11,417 million in 1997 from FF 6,997 million in 1996 and repayments of debt increased to FF 9,313 million in 1997 from FF 6,861 million in 1996.

In 1997, additions to the long-term debt included the FF 6,197 million Perpetual Note issued by the Company and approximately FF 3,644 million issued by DLJ. The new funds were used primarily to reimburse maturing debt and to finance business growth, notably at DLJ. Further, this increase in cash was offset by a higher net dividends payments resulting from the increased number of shares outstanding after the UAP acquisition.

The net cash provided in 1996 related mainly to the issuance of ordinary shares for FF 7,095 million, principally the French Rights Offering completed by the Company in February 1996 and the stock dividends. The 1996 repayments of debt included the repayment of the FF 2,300 million Finaxa loan.

The net impact of foreign exchange was a FF 977 million increase in net cash in 1997 compared to FF 1,715 million in 1996. The net addition to cash due to change in scope of consolidation increased to FF 13,262 million in 1997 from FF 1,210 million in 1996. The significant 1997 net addition was due predominately to the acquisitions of UAP.

The operating, investing and financing activities described above, as well as the impact of foreign exchange and change in scope of consolidation, resulted in an increase in cash and equivalents of FF 27,581 million in 1997 as compared to FF 12,675 million in 1996.

Reconciliation of French GAAP to US GAAP

There are several differences between French and US generally accepted accounting principles which can result in material adjustments for US GAAP purposes, although the net effect of such differences may not result in a material difference between French GAAP and US GAAP consolidated net income. For a discussion of the differences between French GAAP and US GAAP which materially affect the determination of AXA's net income and shareholders' equity, see Notes 24 and 25 of Notes to the Consolidated Financial Statements. Included therein is also a condensed balance sheet and income statement prepared in accordance with US GAAP. All the differences between French GAAP and US GAAP provided in this discussion are net of income tax expense.

Net income in accordance with US GAAP, by segment, in 1998 and 1997 was as follows:

Consolidated 1998 Net Income

(in FF millions)	US GAAP	Adjusted (a)	French GAAP
Life Insurance	1,047	5,696	6,495
Property and Casualty Insurance	2,213	2,213	2,064
Reinsurance	936	936	934
Total Insurance and Reinsurance	**4,196**	**8,845**	**9,493**
Financial Services	1,734	1,734	1,755
Holdings	(1,020)	(1,020)	(1,206)
TOTAL	**4,910**	**9,559**	**10,042**

(a) US GAAP except for adjustments for the increase in net unrealized gains on assets allocated to UK with-profits contracts.

Consolidated 1997 Net Income

(in FF millions)	US GAAP	Adjusted (a)	French GAAP
Life Insurance	(2,066)	4,188	3,928
Property and Casualty Insurance	2,841	2,841	2,360
Reinsurance	823	823	812
Total Insurance and Reinsurance	**1,598**	**7,852**	**7,100**
Financial Services	2,208	2,208	2,415
Holdings	(1,774)	(1,774)	(1,595)
TOTAL	**2,032**	**8,286**	**7,920**

(a) US GAAP except for adjustments for the increase in net unrealized gains on assets allocated to K with-profits contracts.

YEAR ENDED DECEMBER 31, 1998

Consolidated net income determined under French GAAP was FF 10,042 million compared to FF 4,910 million under US GAAP for the year ended December 31, 1998. Consolidated net income under US GAAP was less than consolidated net income determined in accordance with French GAAP primarily due to the negative impact under US GAAP of the difference between the two bases of accounting for assets allocated to UK with-profits contracts. The increase in French GAAP net income relative to US GAAP adjusted net income is explained as follows:

The Life Insurance Segment's net income is higher under French GAAP than US GAAP due principally to the elimination under US GAAP of FF 365 million of gains realized on treasury share sales by life insurance entities and the impact of a higher US GAAP carrying value for AXA Leben which reduced the gain realized its sale by FF 388 million.

The Property and Casualty Insurance Segment's net income under US GAAP is slightly higher than French GAAP principally due to the elimination under US GAAP of FF 109 million increase in equalization reserves.

The Holding Segment loss is lower under US GAAP due to the mark-to-market gain realized on the Royale Belge Certificates of FF 217 million.

On an overall basis, other items had significant impacts, although partially offsetting, on the US and French GAAP net income. Certain restructuring provisions recorded under French GAAP do not qualify under US GAAP leading to an increase in US GAAP net income of FF 656 million. This impact was partially offset by FF 445 million of additional amortization expense recorded under US GAAP principally due to the fact that a large majority of goodwill from the UAP acquisition was charged directly to retained earnings and reserves and is not amortized through a charge to net income. Other purchase accounting adjustments, principally for the UAP acquisition, reduced US GAAP net income by an additional FF 474 million.

YEAR ENDED DECEMBER 31, 1997

Consolidated net income determined under French GAAP was FF 7,920 million compared to FF 2,032 million under US GAAP for the year ended December 31, 1997. Consolidated net income under US GAAP was FF 5,888 million less than consolidated net income determined in accordance with French GAAP primarily due to the negative impact on consolidated net income under US GAAP from the difference between the two bases of accounting for assets allocated to UK with-profits contracts (approximately FF 6,254 million). Net income under US GAAP except for the adjustment related to UK with-profits contracts amounted to FF 8,286 million. This increase in adjusted US GAAP net income of FF 366 million when compared to French GAAP net income is due to the positive impacts arising from the differences in the scope of consolidation (FF 1,117 million) which principally correspond to the consolidation of mutual funds controlled by AXA and the elimination of catastrophe equalization reserves (FF 532 million). These positive impacts were offset by the difference in accounting for business combinations which resulted in an additional charge under US GAAP of FF 713 million (FF 448 million of which was related to the amortization of goodwill from the acquisition of UAP), the elimination of intercompany realized gains and gains realized on the sale of treasury shares amounting to FF 385 million and an additional charge for stock option plans of FF 410 million.

For the year ended December 31, 1997, the Life Insurance Segment, the Property and Casualty Insurance Segment, the Reinsurance Segment, the Financial Services Segment and the Holding Companies Segment accounted for 49.6%, 29.8%, 10.3%, 30.5% and (20.2)%, respectively, of AXA's consolidated net income determined in accordance with

French GAAP and 50.5%, 34.2%, 9.9%, 26.0% and (21.3)%, respectively, of AXA's consolidated net income determined in accordance with US GAAP except for adjustment for the impact of the difference between French and US GAAP accounting for assets allocated to with-profits contracts in the UK Life Insurance Group.

The Life Insurance Segment's net income is higher under US GAAP as adjusted primarily due to the consolidation of mutual funds (FF 468 million). Net income of the Property and Casualty Insurance Segment determined in accordance with US GAAP is higher than under French GAAP principally due to the consolidation of Mutual Funds (FF 516 million) and the elimination of catastrophe equalization reserves of FF 494 million offset by additional goodwill amortization of FF 449 million. Under French GAAP, the large majority of goodwill from the UAP transaction was charged directly to retained earnings and reserves and is not periodically amortized in income each year. Net income of the Financial Services Segment is lower under US GAAP principally due to the differences in accounting for acquisitions which resulted in an additional charge under US GAAP of FF 212 million compared to French GAAP.

YEAR ENDED DECEMBER 31, 1996

Consolidated net income determined under French GAAP was FF 3,809 million compared to FF 2,154 million under US GAAP for the year ended December 31, 1996. Consolidated net income under US GAAP was FF 1,655 million less than consolidated net income determined in accordance with French GAAP primarily due to the negative impact on consolidated net income under US GAAP of differences between the two bases of accounting for assets allocated to UK with-profits contracts (FF 1,081 million). Other differences between the two bases of accounting include differences in the calculation of liabilities for future policy benefits of FF 2,047 million, principally from the United Kingdom, which was partially offset by the positive impact of deferred acquisition costs (FF 288 million), and catastrophe equalization reserves (FF 316 million), differences in the scope of consolidation (FF 295 million) which principally corresponds to the consolidation of mutual funds controlled by AXA and the elimination of intercompany transactions (FF 333 million).

For the year ended December 31, 1996, the Life Insurance Segment, the Property and Casualty Insurance Segment, the Reinsurance Segment, the Financial Services Segment and the Holding Companies Segment accounted for 42.3%, 13.8%, 15.2%, 24.9% and 3.8%, respectively, of AXA's consolidated net income determined in accordance with French GAAP and 15.7%, 28.8%, 26.6%, 29.6% and (0.7)%, respectively, of AXA's consolidated net income determined in accordance with US GAAP except for adjustment for the impact of the difference between French and US GAAP accounting for assets allocated to with-profits contracts in the UK Life Insurance Group. After this adjustment US GAAP net income is lower for The Life Insurance Segment principally because of the positive impact of adjustments to the liability for future policy benefits (approximately FF 2,047 million) under French GAAP resulting from changes in assumptions for certain contracts in the UK Life Insurance Group. These changes in assumptions did not affect the US GAAP consolidated US GAAP net income resulting in lower net income when compared to French GAAP. The Property and Casualty Insurance Segment's net income determined in accordance with US GAAP is higher than under French GAAP primarily due to the 1996 change in French GAAP accounting policy whereby start-up cost are no longer deferred (FF 136 million), and the difference in the treatment of investments in AXA shares. Net income for the Reinsurance Segment determined in accordance with US GAAP is higher than under French GAAP principally due to the elimination of catastrophe equalization reserves (approximately FF 258 million).

Item 9A: Qualitative and Quantitative Disclosures About Market Risk

Risk Management

Insurance Operations

In an effort to protect and enhance shareholder value, AXA actively manages its exposures to market risks. Risk exposures are reduced through effective asset-liability management and prudent and diversified underwriting and investing. Primary responsibility for risk management rests with the local subsidiaries which know best their respective products, clients and risk profile. This approach allows subsidiaries to react in a timely manner to changes in financial markets, insurance cycles, and economic and political environments.

AXA's exposure to market risk is greatly minimized as a result of the nature of its operations. By virtue of AXA's geographic diversification, the impact of local economic and insurance cycles is lessened. In addition, a large proportion of AXA's insurance operations consist of products where the majority of the investment risk is borne by the policyholders. Such products provide AXA shareholders with predictable income and reduced risk. Risks attributable to policyholders are also actively managed to ensure that such risks are prudent and satisfy policyholder risk and reward objectives.

Life Insurance. *Of the total life insurance liabilities for future policyholder benefits (including separate account and UK with-profits contracts) at December 31, 1998, approximately 38% were in respect of participating contracts whereby the insured participates in the earnings or surplus of the insurance company through the distribution of policyholder dividends. Under such contracts, the degree of risk and reward for AXA shareholder's is reduced as typically more than 85% of earnings are distributed to policyholders.*

At December 31, 1998, UK with-profit contracts and separate account-type policies, whereby substantially all investment risk and reward is transferred to the policyholders, represented 8% and 34%, respectively, of the total liabilities for future policy benefits. Amounts due to policyholders are generally based on the fair value of the investments supporting such products.

At December 31, 1998, interest sensitive products or policies with long-term fixed pay-out patterns represented 20% of the total liabilities for future policy benefits. interest sensitive products earn income primarily from the spread between investment income, largely earned on investment grade fixed-income securities, and interest credited to policyholder account values. AXA strives to maintain this spread by adjusting interest credited rates at contractually-specified intervals. AXA's ability to adjust interest crediting rates may be constrained by competitive forces and minimum guaranteed crediting rates, if any. Interest rate risk is further reduced by managing the duration and maturity structure of each investment portfolio in relation to the estimated duration of the liabilities it supports. Proceeds from policies with long-term fixed pay-out patterns, e.g., GIC's, annuities in the pay-out phase, and disability income policies, are predominately invested in highly-rated fixed-income securities with the objective of matching their durations to the underlying liabilities.

As a result of the diversity of insurance products and regulatory environments in which AXA operates, different methods of asset-liability management are utilized by different subsidiaries. Most of these methods fall into two major categories: duration analyses or sensi-

tivity analyses. Duration analysis is primarily used for interest sensitive products and policies with long-term fixed payout patterns. AXA uses duration analysis to create a portfolio of predominately fixed income securities that immunizes the company to the risk of changes in interest rates. Sensitivity analyses are primarily used for participating products and simulate the impact of certain market fluctuation scenarios on future cash flows, fair values, or forecasted earnings. Many of these sensitivity analyses are performed for local regulatory purposes. The goal of such analyses is to ensure AXA is able to provide policyholders adequate returns while complying with regulatory requirements.

Property Casualty Insurance and Reinsurance. Generally, management of market risk is less critical for property and casualty insurance and reinsurance as the amounts and timing of claims do not vary significantly with interest rates or other market changes that affect the underlying investments. In addition, premiums on new and renewal property and casualty business provide substantial liquidity for claims and operating expenses allowing certain funds to be invested in growth-oriented investments that are not constrained as to duration e.g., equity securities and real estate. Accordingly, AXA's property and casualty and reinsurance operations generally have a higher proportion of their investment portfolios invested in equity securities and real estate than AXA's life insurance operations.

FINANCIAL SERVICES

AXA's financial services activities are conducted primarily by DLJ. DLJ monitors its market and counterparty risk on a daily basis through a number of control procedures designed to identify and evaluate the various risks to which DLJ is exposed. DLJ established an independent risk oversight function to principally oversee risk policies and risk monitoring. This department is assisted by a Risk Committee comprised of senior professionals from each of the operating and key administrative groups. The Risk Committee's objective is to update risk policies as appropriate and improve monitoring capabilities throughout DLJ.

DLJ has established various committees to help senior management manage risk associated with investment banking and merchant banking transactions. These committees review potential clients and engagements, use experience with similar clients and situations, analyze credit for certain commitments and analyze DLJ's potential role as a principal investor. DLJ seeks to control the risks associated with its banking activities by a thorough review by the various committees of the details of all transactions prior to accepting an engagement.

From time to time, DLJ makes investments in certain merchant banking transactions or other long-term corporate development investments. DLJ's Merchant Banking Group has established several investment entities, each of which has formed its own investment committee. These committees make all investment and disposition decisions with respect to potential and existing portfolio companies.

DLJ often acts as principal in customer-related transactions in financial instruments which expose DLJ to market risk. DLJ also engages in proprietary trading and arbitrage activities and makes dealer markets in certain securities, mortgages, and derivatives. In addition, DLJ's Emerging Markets Group trades a variety of securities and as such, DLJ may be required to maintain certain amounts of inventories in order to facilitate customer order flow. DLJ covers its exposure to market risk by limiting its net long or short position by selling or buying similar instruments and by utilizing various derivative financial instruments in exchange-traded and OTC markets.

Trading activities generally result in the creation of inventory positions. Position and exposure reports are prepared daily by each of the business groups engaged in trading activities. The corporate accounting group prepares a consolidated summarized position report indicating both long and short exposure, along with approved limits, which enables senior management to control inventory levels and monitor results of the trading groups.

In addition to position and exposure reports, DLJ produces a daily revenue report for each of the business groups. Daily revenue is reviewed for various risk factors and is independently verified by the corporate accounting group. The daily revenue reports, together with the position and exposure reports, enable senior management to monitor and control the overall activity of the trading groups.

DERIVATIVES

AXA uses derivatives in its insurance and financial services operations to manage customer and shareholder exposures to interest rates, currency exchanges rates, security and other price risks. See Note 14 of the Notes to the Consolidated Financial Statements for information regarding AXA's use of derivatives, including a discussion of DLJ's primary market and credit risk exposures and their methods of managing such risks.

Sensitivity Analyses

NON-TRADING ACTIVITIES

AXA performs sensitivity analyses to quantify the exposure of certain instruments to interest rate, equity market and foreign currency exchange risks for purposes of the French Commission des Opérations de Bourse (the "COB") (Bulletin 221 and Recommendation 8901) and the Securities Exchange Commission (Release No. 7386) disclosure requirements. Such sensitivity analyses quantify the potential loss in terms of estimated fair value or future earnings under certain scenarios of reasonably possible adverse changes in financial markets. The sensitivity analyses estimate risk exposure and, therefore, potential net gains are ignored. Instruments within the scope of the analyses include debt and equity securities, mortgage, policy and other loans, debt, on- and off-balance sheet derivatives, and life insurance, property and casualty insurance, and reinsurance contracts. In accordance with SEC regulations, real estate is not included within the scope of the analyses.

Such analyses include AXA's material insurance, financial services (except DLJ which is discussed under Trading below) and holding operations in France, the US, the UK, Belgium, Germany, Australia, and Hong Kong. Such subsidiaries account for approximately 80% of the total AXA investment assets within the scope this analysis and approximately 95% of AXA's total life, property and casualty, and reinsurance liabilities. For purposes of interest rate sensitivity analyses, yield curve shifts were made relative to the yield curves prevailing in the country in which the subsidiary operates.

For purposes of the sensitivity analyses, fair values were estimated in accordance with the valuation methods described in Note 3.8 of the consolidated financial statements. However, financial statement disclosures include only insurance contracts defined as "investment" insurance contracts, i.e., those with insignificant mortality and morbidity risk, while the sensitivity analyses include all insurance contracts. For insurance contracts with mortality and morbidity provisions, the portion of estimated fair value attributed to such provisions is considered to be *unaffected by changes in interest rates or equity markets.*

The fair values of property and casualty, reinsurance and non-participating life insurance contracts were estimated using a discounted cash flow approach. Such fair values, which vary with changes in the estimated discount rate, were considered to be sensitive to interest rate changes but unaffected by equity market changes. For property and casualty and reinsurance contracts, no changes were made in the estimates of claims' amounts and timing as a result of changes in interest rates or equity markets.

For participating life insurance contracts, the fair value was considered to be the greater of 1.) the fair value of the assets designated to support such policies or 2.) the future cash flows discounted using the guaranteed minimum interest rate, if any. For interest sensitive life insurance contracts, a discounted cash flow approach was used. As is the case with most variable rate liabilities, interest-sensitive life insurance contracts' fair values were not significantly affected by market changes as future crediting rates can be adjusted, subject to guaranteed minimum interest rates, if any, to reflect market changes.

Interest Rate Risk. *The estimated potential exposure due to a 100 basis point parallel shift upward in the December 31, 1998 and 1997 yield curves would result in an estimated net fair value loss for all items within the scope of the analyses of approximately FF 1,400 million and FF 1,800 million, respectively, before minority interest allocations and tax effects.*

Equity Market Risk. *The estimated potential exposure to a 10% decline in the value of December 31, 1998 and 1997 equity markets would result in an estimated fair value loss for all items within the scope of the analyses of FF 8,000 million and FF 7,800 million, respectively, before minority interest allocations and tax effects. A 20% decline would result in fair value losses of approximately FF 15,900 million at December 31, 1998. Note that the equity security unrealized gain, gross of policyholder interests, was approximately FF 49 billion at December 31, 1998.*

In both 1998 and 1997, the potential loss from equity market fluctuations was larger than the loss resulting from interest rate changes. The impact of interest rate fluctuations on interest sensitive investments was accompanied by offsetting comparable fair value changes in the related insurance liabilities. On the other hand, the impact of equity market declines on equity securities was accompanied by smaller changes in the estimated fair value of insurance liabilities since liabilities were generally estimated using a discounted cash flow approach and were mostly unaffected by equity market fluctuations. Only participating life insurance contracts and separate accounts reflected fair value changes related to equity market declines.

This impact was more evident in property and casualty insurance as no change in property and casualty liability fair values was assumed as a result of equity market movements. Moreover, as discussed above under Risk Management, equity securities comprise a relatively large proportion of such investment portfolios.

Foreign Exchange Rate Risk. *The potential exposure to a 10% adverse fluctuation of December 31, 1998 and 1997 foreign exchange rates would be a 1998 and 1997 French GAAP earnings loss of FF 550 million and FF 580 million, respectively, before minority interest allocations and tax effects.*

In order to calculate the largest potential exposure to foreign currency fluctuations, all material combinations of foreign currency fluctuations were analyzed. The analyses revealed the adverse scenario for AXA in terms of French GAAP earnings would be a decline in all currencies relative to the Euro currencies. The potential 1998 French GAAP earnings impact includes both the potential transaction losses on all the balance sheet instruments within the scope of the analyses and potential impact of translating foreign subsidiary earn-

ings into French Francs at a lower rate. For simplicity purposes, it was assumed that 1999 foreign subsidiary earnings were identical to their 1998 earnings. The positive impacts of currency fluctuations on foreign subsidiaries generating losses was not considered.

Limitations. *The above analyses do not consider that assets and liabilities are actively managed and that there are strategies in place to minimize the exposure to market fluctuations. For example, as market indices fluctuate, management could take certain actions including selling investments, changing investment portfolio allocation, and adjusting bonuses credited to policyholders. In addition, such sensitivity analyses do not consider the affect of market changes on new business generated in the future, primarily insurance premiums, which are a critical and integral component of future profitability. AXA and its competitors would likely reflect adverse market changes in the pricing of new business. Therefore, management believes actual losses as a result of financial market fluctuations of the magnitudes analyzed would be less than these potential estimated losses.*

Other limitations on the sensitivity analyses include: the use of hypothetical market movements which do not represent management's view of future market changes; the assumption that interest rates in all countries move identically; the assumption that all global currencies move in tandem against the euro; and the lack of correlation of interest rates, equity markets and foreign currency exchange rates. In addition, the analyses do not include certain significant items such as real estate, DAC and VBI. These factors limit the ability of these analyses to accurately predict the impact of future market movements on fair values and future earnings.

TRADING ACTIVITIES

In 1997, DLJ developed a company-wide Value-at-Risk ("VAR") model. This model used a variance-covariance approach with a confidence interval of 95% and a one-day holding period, based on historical data for one year. DLJ has made changes to the model in the course of 1998. In response to the volatile and illiquid markets of the third quarter of 1998, which departed markedly from the normal stastitical distributions that underlie the variance-covariance approach, DLJ has estimated VAR by using an historical simulation model based on two years of weekly historical data, a 95% confidence interval, and a one-day holding period. The effect of this change in approach was not material. The VAR number is the statistically expected maximum loss on the fair value of DLJ's market sensitive instruments for 19 of 20 trading days. In other words, on 1 out of every 20 trading days, the loss is expected to be statistically greater than the VAR number. However, the model does not indicate how much greater.

VAR models are designed to assist in risk management and to provide senior management with one probabilistic indicator of risk at the firm level. VAR numbers should not be interpreted as a predictor of actual results. DLJ's VAR model has been specifically tailored for its risk management needs and to its risk profile.

DLJ's VAR model includes the following limitations: a daily VAR does not capture the risk inherent in trading positions that cannot be liquidated or hedged in one day; VAR is based on historical market data and assumes the past trading patterns will predict the future; all inherent market risks cannot be perfectly modeled; and correlations between market movements can vary, particularly in times of market stress.

DLJ believes that a company-wide VAR analysis is an important advance in its risk management but is aware of the limitations inherent in any statistical analysis. Because a VAR model is not a sufficient tool to measure and monitor market risk, DLJ will continue to use other risk management measures such as stress testing, independent review of position and trading limits and daily revenue reports.

Total company-wide VAR was approximately FF 123 million and FF 65 million at December 31, 1998 and 1997, respectively. The company-wide VAR is less than the sum of the individual components below due to the benefit of diversification. The VAR for the three main components of market risk, expressed in terms of theoretical fair values had the following VAR:

December 31, (in FF millions)	1998	1997
Interest rate risk	90	46
Equity risk	62	47
Foreign currency	–	7

The increase in value at risk in 1998 over 1997 is due largely to the dramatic increase in volatility across a broad range of financial instruments.

Forward-Looking Statements

AXA's management has made in this report, and from time to time may make in its public filings and press releases as well as in oral presentations and discussions, forward-looking statements concerning AXA's operations, economic performance and financial condition. Forward-looking statements include, among other things, discussions concerning AXA's potential exposure to market risks, as well as statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions, as indicated by words such as "believes," "estimates," "intends," "anticipates," "expects," "projects," "should," "probably," "risks," "target," "goals," "objectives," or similar expressions. AXA claims the protection afforded by the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and assumes no duty to update any forward-looking statement. Forward-looking statements are subject to risk and uncertainties. Actual results could differ materially from those anticipated by forward-looking statements due to a number of important factors including those discussed elsewhere in this report and in AXA's other public filings, press releases, oral presentations and discussions and the following: (i) the intensity of competition from other financial institutions, (ii) secular trends and AXA's experience with respect to mortality, morbidity, persistency and claims experience; (iii) AXA's ability to develop, distribute and administer competitive products and services in a timely, cost-effective manner; (iv) AXA's visibility in the market place and the financial and claims paying ratings of its insurance subsidiaries; (v) the effect of changes in laws and regulations affecting AXA's businesses, including changes in tax laws affecting insurance and annuity products; (vi) the volatile nature of the securities business, the future results of DLJ and Alliance and the potential losses that could results from DLJ's merchant banking activities as a result of its capital intensive nature; (vii) market risks related to interest rates, equity prices, derivatives, foreign currency exchange and credit; (viii) the volatility of returns from AXA's equity investments; (IX) AXA's ability to develop information technology and management information systems to support strategic goals while continuing to control costs and expenses; (X) the costs of defending litigation and the risk of unanticipated material adverse outcomes in such litigation; (XI) changes in accounting and reporting practices; (XII) the performance of others on whom AXA relies for distribution, investment management, reinsurance and other services; (xiii) AXA's access to adequate financing to support its future business and (xiv) the effect of any future acquisitions.

INFORMATION PERTAINING TO THE AXA/PARIBAS RELATIONSHIP

In the information memorandum published in connection with the competing public bids initiated by Société Générale and the BNP on Paribas, the latter disclosed the existence of a May 17, 1989 agreement concerning their cross shareholdings that was entered into on that date by the Compagnie financière de Paribas (which has since become Paribas) and the Mutuelles Unies (which has since become the Mutuelles AXA). This agreement provided, in particular, that "Throughout the term of the agreement, any change in the shareholding of one of the parties thereto shall be submitted to the approval of the other".

In addition, Paribas stated that it did not exclude the possibility of enforcing this agreement when the BNP bid was made, thereby intending to reserve the option of stripping AXA Group companies of their right to freely tender their Paribas shares in the bid initiated by the BNP.

In a statement dated May 4,1999, the Commission des Opérations de Bourse (the "COB") "considered, in the interest of ensuring equal footing of the competing bidders during the bid period as well transparency in the marketplace, that by not disclosing such agreements from the outset of the takeover bid, albeit friendly, launched by Société Générale on Paribas, as is required by regulations in force, or at the latest when the BNP initiated unsolicited bids, both Société Générale and Paribas had waived the right to enforce the content of these agreements throughout the duration of the bidding under way".

This statement is consistent with AXA's view that the Company is free to tender its Paribas shares in the bid of its choice in the interest of AXA shareholders. More generally, AXA reserves its position as to the validity, the enforceability and the effects of this agreement.

Item 10: Directors and Officers of Registrant

Executive Board

The Company's business is managed by an Executive Board (Directoire) currently consisting of three members.

The table below sets forth the names of the members of the Executive Board, the dates of their initial appointment as members, the expiration dates of their current terms and their current principal occupation or employment.

Name	Initially Appointed	Term Expires	Principal Occupation or Employment
Claude Bébéar	1997	2000	Chairman of the Executive Board of the Company
Gérard de La Martinière	1997	2000	Chief Financial Officer
Michel Pinault	1997	2000	Executive Board Secretary

The members of the Executive Board are appointed by the Supervisory Board for a period of three years. The members of the Executive Board need not be shareholders; however, they must be individuals. The Supervisory Board must appoint one of the members of the Executive Board as Chairman.

Under French law, the Executive Board has management responsibility for the Company and broad authority to take actions in the name of the Company, within the scope of the corporate purpose, and subject to the authority expressly reserved by law to the shareholders and the Supervisory Board.

Item 10

Supervisory Board

The Supervisory Board supervises management of the Company by the Executive Board and has the responsibility of making whatever ongoing checks and inspections it deems appropriate and of reviewing such documents as it deems necessary or appropriate for the performance of its duties.

The Supervisory Board consists of the following 21 members:

Name	Initially Appointed	Term Expires	Principal Occupation or Employment
Antoine Bernheim	1997	1999	General Partner of Lazard Frères & Cie
Jacques Calvet	1997	2003	Former Chairman of the Executive Board of Peugeot SA
Henri de Clermont-Tonnerre	1997	1999	Chairman of the Supervisory Board of Qualis SCA
David Dautresme	1997	2003	General Partner of Lazard Frères & Cie
Guy Dejouany	1997	1999	Honorary Chairman of Vivendi
Paul Desmarais	1997	1999	Chairman and Chief Executive Officer of Power Corporation
Jean-René Fourtou	1997	2003	Chairman and Chief Executive Officer of Rhône-Poulenc
Michel François-Poncet	1997	2003	Chairman of the Supervisory Board of Paribas
Jacques Friedmann	1997	2003	Chairman of the Supervisory Board of the Company
Patrice Garnier	1997	1999	Director of Finaxa
Anthony J. Hamilton	1997	2001	General Partner of Fox-Pitt Kelton
Henri Hottinguer	1997	2003	Vice-Chairman of Financière Hottinguer
Richard Jenrette	1997	2001	Senior advisor of Donaldson Lufkin & Jenrette
Henri Lachmann	1997	2001	Chairman and Chief Executive Officer of Schneider SA
Gérard Mestrallet	1997	2003	Chairman and Chief Executive Officer of Suez Lyonnaise des Eaux
Friedel Neuber	1997	2001	Chairman of the Executive Board of Westdeutsche Landesbank
Alfred von Oppenheim	1997	2003	Chairman of Bank Oppenheim
Michel Pébereau	1997	2001	Chairman and Chief Executive Officer of Banque Nationale de Paris
Didier Pineau-Valencienne	1997	2001	Honorary Chairman of Schneider SA
Bruno Roger	1997	2001	General Partner of Lazard Frères & Cie
Simone Rozès	1997	1999	First honorary President of Cour de Cassation

Mr. Jean-Louis Beffa resigned from his position on the Supervisory Board of the Company on May 6, 1998.

Executive Officers

The table below sets forth the names of the executive officers of the Company, their current principal position within AXA and the years of their initial designation as executive officers of the Company.

Name	Current positions	Executive officer since
Claude Bébéar	Chairman of the Executive Board	1989
Jean-Luc Bertozzi	Executive Officer of AXA Assurances	1998
Donald Brydon	Chief Executive of AXA Investment Manager Europe	1997
Henri de Castries	Financial Services and Insurance Activities in the United States, Germany, Benelux and the United Kingdom	1991
John Chalsty	Chairman of Donaldson, Lufkin & Jenrette	1996
Françoise Colloc'h	Group Human Resources, Communication and Synergies	1991
Jacques Deparis	Executive Officer of AXA Courtage	1998
Michael Hegarty	Vice-Chairman and Chief Operating Officer of Equitable Companies Inc	1998
Tony Killen	Managing Director of National Mutual Holdings	1998
Claas Kleyboldt	Chairman of the Executive Board of AXA Colonia Konzern AG	1997
Gérard de La Martinière	Chief Financial Officer. Insurance activities in Asia/Pacific	1991
Edward Miller	Chief Executive Officer of Equitable Companies Inc. Chief of Information Systems Policy	1997
Jean-Marie Nessi	Chairman and Chief Executive Officer of AXA Réassurance	1998
François Pierson	Executive Officer of AXA Conseil	1998
Michel Pinault	Secretary of the Executive Board	1997
Claude Tendil	Chairman and Chief Executive Officer – French Insurance Activities, Transnational activities and insurance, Southern Europe, the Middle East, Africa and South America insurance activities	1989
Dave Williams	Chairman of Alliance Capital Management	1997
Mark Wood	Managing Director of AXA Sun Life	1997

Supervisory Board Committees

The Supervisory Board has established four sub-committees: the Audit Committee, the Finance Committee, the Compensation Committee and the Selection Committee.

Each committee issues recommendations, proposals and opinions on matters falling within its mandate, and each is empowered to undertake such reviews as it deems necessary to shed light on Supervisory Board proceedings. Outside participants may be invited to meetings at the discretion of the members of these Committees.

Reports on committee findings are delivered by Committee Chairmen at the ensuing Supervisory Board meeting.

The Audit Committee is composed of six members: Simone Rozès, Chairman - Henri de Clermont-Tonnerre - David Dautresme - Patrice Garnier - Alfred von Oppenheim - Bruno Roger.

The role of the Audit Committee is to examine the Company's interim and annual financial statements before they are presented to the Supervisory Board, as well as other financial documents of the Company in connection with the accounts for each reporting period. The Committee is also consulted on the selection of the Company's Independent Auditors and reviews the independent auditors' audit plan, the results of their audits, their recommendations and planned follow-up steps. Events that may expose AXA to material risks are referred to the Audit Committee by the Executive Board or the independent auditors. The Audit Committee is also informed of accounting practices in force at AXA, and it reviews projected changes in accounting policy or method.

The Audit Committee also reviews the program and aims of the AXA's Central Audit Department and reports produced by this department or by firms the latter may mandate. It may, at its discretion, request that internal and external audits be carried out.

The Audit Committee may also examine any and all matters it deems appropriate and report to the Supervisory Board.

The Audit Committee met three times in 1998.

***The Finance Committee** is composed of seven members: Jacques Friedmann, Chairman - Antoine Bernheim - Michel François-Poncet - Gérard Mestrallet - Alfred von Oppenheim - Michel Pebereau - Didier Pineau-Valencienne.*

The Finance Committee reviews proposed sales of securities, assets or real estate when the sale price exceeds the authority delegated to the Executive Board by the Supervisory Board.

In addition, the Finance Committee examines all proposed material financial transactions involving AXA that are proposed by the Executive Board, as well as the broad outlines governing AXA's asset management policy and, more generally, all issues that pertain to AXA's investment management policy.

The Finance Committee held five meetings in 1998.

***The Compensation Committee** is composed of four members: Henri Hottinguer, Chairman - Guy Dejouany - Paul Desmarais - Patrice Garnier.*

The Compensation Committee recommends compensation levels for the Chairman of the Supervisory Board and the members of the Executive Board, the amount of directors' fees to be submitted to the approval of the Annual General Meeting of the Shareholders, as well as Company stock subscription and purchase options granted to members of the Executive Board.

The Compensation Committee reviews all Executive Board recommendations pertaining to the principles and procedures governing the compensation of AXA executives and on all Company stock subscription and purchase options granted to AXA employees.

The Committee is informed by the Executive Board of compensation levels set by the Boards of the Company's subsidiaries.

The Compensation Committee met twice in 1998.

***The Selection Committee** is composed of six members: Henri de Clermont Tonnerre, Chairman - Jacques Calvet - Jean-René Fourtou - Henri Lachmann - Gérard Mestrallet - Michel Pébereau.*

The Selection Committee recommends nominees to the Supervisory Board and the Executive Board, nominates their respective Chairman and Vice Chairman and other members as well as Chairmen of all Sub-Committees of the Supervisory Board. The Committee examines proposals by the Chairman of the Executive Board to prepare for the succession of members of said Board.

The Selection Committee is kept informed of appointments of AXA's principal executives and officers, in particular the members of the Executive Committee.

The Selection Committee met once in 1998.

Item 11: Compensation of Directors and Officers

The aggregate compensation (including pension contributions) of the members of the Executive Board of the Company and the executive officers of AXA (22 persons including three Board members and four persons who are note presently serving) who served during 1998 paid or accrued in 1998 by the Company or its subsidiaries was FF 264,496,860.

The aggregate compensation of the members of the Supervisory Board of the Company as directors' fees paid or accrued in 1998 by the Company (totalling 22 persons, including one person who is not presently serving) was FF 4,300,000.

As an incentive for management to improve profitability, AXA has increased the variable portion of management's compensation by linking a portion of such compensation to AXA's profitability. A significant portion of the compensation of the executive officers of the Company included above consists of bonuses paid pursuant to individualized employment arrangements. These bonuses are based on the financial performance of AXA and of the companies under the supervision of the executive officer, as well as individual performance. In addition, many of the Company's subsidiaries have bonus or profit-sharing plans or other arrangements under which certain of the Board members and executive officers of the Company received a portion of their compensation.

Item 12: Options to Purchase Securities from Registrant or Subsidiaries

At March 1, 1999, options to purchase a total of 8,725,041 Shares from the Company were outstanding representing 2.49% of the share capital. The number of Shares subject to outstanding options together with the exercise prices and expiration dates of such options were as follows:

Number of Shares Subject to Options	Exercice Price per Share (€)	Exercice Price per Share (FF)	Expiration Date
0	70.46	462.18	October 18, 1998
0	17.40	114.15	January 10, 1999
26,596	21.53	141.21	June 28, 1999
7,724	24.95	163.69	October 23, 2001
378,340	45.73	300.00	November 3, 2001
273,017	22.77	149.36	January 28, 2002
389,468	19.57	128.35	October 26, 2002
265,980	40.02	262.50	May 13, 2003
1,795,397	35.88	235.34	April 12, 2004
1,068,357	33.52	219.90	March 28, 2005
833,662	40.86	268.00	July 9, 2006
1,282,500	49.09	322.00	January 21, 2007
50,000	60.08	394.11	September 29, 2007
2,354,000	95.95	629.40	April 19, 2008

At March 1, 1999, outstanding options to purchase 2,508,332 Shares were held by the members of the Executive Board and the executive officers of the Company as a group (18 persons). Outstanding options to purchase 100,000 Shares were held at such date by the members of the Supervisory Board of the Company (21 persons).

Item 13: Interest of Management in Certain Transactions

For a description of certain transactions between AXA and the Mutuelles AXA, see Item 4 "Relationships with the Mutuelles AXA" and Note 20 of Notes to the Consolidated Financial Statements.

The name "AXA" and the AXA trademark are owned by FINAXA, which in the second quarter of 1996 granted AXA a non-exclusive license in all the countries in which AXA and its subsidiaries operate. The annual cost to AXA for this license is FF 5 million in 1998. At March 1, 1999, AXA granted 7 sublicenses.

Items 14, 15, 16, 17

Part II

Item 14: Description of Securities to be Registered

Not applicable

Part III

Item 15: Defaults upon Senior Securities

None

Item 16: Changes in Securities and Changes in Security for Registered Securities

None

Part IV

Item 17: Financial Statements

Not applicable

Item 18: Financial Statements

See the financial statements on page F-1 through F-101

Item 19: Financial Statements and Exhibits

(a) Financial statements

The following financial statements are filed as part of this Annual Report, together with the report of the independent accountants.

AXA AND SUBSIDIARIES

SCHEDULES:

(b) Exhibits

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Item 19

Report of independent accountants

To the Shareholders of AXA:

We have audited the accompanying consolidated balance sheets of AXA ("the Company") and its subsidiaries as of December 31, 1998, 1997 and 1996 and the related consolidated statements of income, of shareholders' equity, and of cash flows for each of the three years in the period ended December 31, 1998, all expressed in French Francs. These financial statements have been reformatted and reclassified in a manner different from that presented under French financial statement presentation practices to reflect a reporting format for insurance companies more familiar to readers in the United States, but in all other respects follow accounting principles generally accepted in France. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in France, which are substantially similar to those in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of the Company and its subsidiaries at December 31, 1998, 1997 and 1996 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with accounting principles generally accepted in France.

As described in Note 2-1 of the Notes to the Consolidated Financial Statements, the Company changed its methods of accounting for certain items as discussed therein.

Accounting principles generally accepted in France vary in certain material respects from accounting principles generally accepted in the United States. The application of the latter would have affected the determination of consolidated net income expressed in French Francs for each of the three years in the period ended December 31, 1998 and the determination of consolidated shareholders' equity and consolidated financial position also expressed in French francs at December 31, 1998, 1997 and 1996 to the extent summarized in Notes 24 and 25 of Notes to the Consolidated Financial Statements.

Paris, France

March 17, 1999

Befec – Price Waterhouse
(Member of Pricewaterhouse Coopers)

Gérard Dantheny *Catherine Pariset*

AXA - Consolidated Balance Sheets

December 31 (in FF millions)	1998	1997
Assets		
Investments: (Note 3)		
Fixed maturities	743,608	690,434
Equity investments	206,347	184,619
Mortgage, policy and other loans	148,140	134,034
Real estate	88,071	100,056
Assets allocated to UK with-profits contracts	122,748	116,216
Trading account securities	92,087	129,009
Securities purchased under resale agreements	133,706	151,270
Investments in companies accounted for by the equity method	7,827	13,544
Total Investments	**1,542,534**	**1,519,182**
Cash and equivalents	68,357	53,832
Broker-dealer related receivables	193,634	168,922
Deferred acquisition costs (Note 5)	38,812	35,868
Value of purchased business inforce (Note 5)	15,912	18,682
Goodwill (Note 5)	11,692	5,702
Accrued investment income	18,169	17,648
Other assets	133,959	142,142
Separate Account assets	501,280	452,364
TOTAL ASSETS	**2,524,349**	**2,414,342**

Consolidated balance sheet information in euro (a)

December 31, (in euro millions)	1998	1997
TOTAL ASSETS	384,835	368,064
of which:		
Total Investments (including separate account assets)	311,577	300,560

(a) The 1998 and 1997 euro amounts were converted using the French Franc – euro exchange rate established on January 1, 1999. See Note 1.

See Notes to the Consolidated Financial Statements

AXA - Consolidated Balance Sheets (continued)

December 31, (in FF millions)	1998	1997
Liabilities		
Future policy benefits and other policy liabilities	861,091	859,521
UK with-profits contract liabilities	122,748	116,502
Insurance claims and claims expenses	203,393	195,374
Unearned premium reserve	28,223	27,887
Securities sold under repurchase agreements	225,797	219,883
Broker-dealer related payables	148,418	156,198
Short-term and long-term debt:		
Financing debt (Note 6)	27,220	28,569
Operating debt (Note 7)	40,328	36,157
Accrued expenses and other liabilities	221,823	178,777
Separate Account liabilities	501,294	452,002
Total Liabilities	**2,380,335**	**2,270,870**
Commitments and contingencies (Notes 14 and 15)		
Minority interests (Note 13)	34,353	46,506
Subordinated debt (Note 8)	17,752	15,185
Mandatorily convertible bonds and notes (Note 8)	3,111	3,111
Shareholders' Equity		
Ordinary shares, FF 60 nominal value, 400.29 million and 381.35 million shares authorized, 350.29 million and 331.35 million shares issued and outstanding	21,017	19,881
Capital in excess of nominal value	33,574	25,621
Retained earnings and reserves (Notes 2, 9 and 15)	34,206	33,168
Total Shareholders' Equity	**88,797**	**78,670**
TOTAL LIABILITIES, MINORITY INTERESTS, SUBORDINATED DEBT, MANDATORILY CONVERTIBLE BONDS AND NOTES, AND SHAREHOLDERS' EQUITY	**2,524,349**	**2,414,342**

Consolidated balance sheet information in euro (continued) (a)

December 31, (in euro millions)	1998	1997
TOTAL LIABILITIES, MINORITY INTERESTS, SUBORDINATED DEBT, MANDATORILY CONVERTIBLE BONDS AND NOTES, AND SHAREHOLDERS' EQUITY	**384,835**	**368,064**
of which:		
Total Shareholders' Equity	**13,537**	**11,993**
Liabilities for Insurance Benefits (net of reinsurance)	**261,717**	**251,737**

(a) The 1998 and 1997 euro amounts were converted using the French Franc – euro exchange rate established on January 1, 1999. See Note 1.

See Notes to the Consolidated Financial Statements

AXA - Consolidated Statements of Income

	Year ended December 31, (in FF millions except per share amounts)			Year ended December 31, (in euro (a) millions except per share amounts)		
	1998	1997	1996	1998	1997	1996
Revenues						
Gross premiums	309,406	307,546	130,838	47,169	46,885	19,946
Asset Management and other financial services	62,505	57,082	36,368	9,529	8,702	5,544
Change in unearned premium reserve	212	(8)	(236)	32	(1)	(36)
Net investment results (Note 4)	92,284	84,044	35,407	14,069	12,812	5,398
Total Revenues	**464,407**	**448,664**	**202,377**	**70,798**	**68,398**	**30,852**
Benefits, claims and other deductions						
Insurance benefits and claims	326,793	316,647	134,291	49,819	48,273	20,473
Reinsurance ceded, net (Note 10)	(2,497)	3,519	1,489	(381)	536	227
Acquisition expenses (Note 21)	32,279	30,100	12,451	4,921	4,589	1,898
Other insurance company expenses (Note 21)	23,477	22,497	10,687	3,579	3,430	1,629
Financial and holding company expenses (Note 21)	59,362	54,166	34,756	9,050	8,258	5,299
Amortization of goodwill, net (Note 5)	613	1,051	(163)	93	160	(25)
Total Benefits, Claims and Other Deductions	**440,027**	**427,980**	**193,511**	**67,082**	**65,246**	**29,501**
Income before income tax expense	24,380	20,684	8,866	3,717	3,153	1,352
Income tax expense (Note 12)	(8,018)	(7,797)	(2,900)	(1,222)	(1,189)	(442)
Minority interests in income of consolidated subsidiaries	(6,390)	(5,264)	(2,098)	(974)	(802)	(320)
Equity in (loss) income of unconsolidated entities	70	297	(59)	11	45	(9)
NET INCOME	**10,042**	**7,920**	**3,809**	**1,531**	**1,207**	**581**
Net Income Per Ordinary Share:						
Basic	29.65	24.34	20.36	4.52	3.71	3.10
Diluted	27.83	22.84	18.31	4.24	3.48	2.79

(a) The 1998 and 1997 euro amounts were converted using the French Franc – euro exchange rate established on January 1, 1999. See Note 1.

See Notes to the Consolidated Financial Statements

AXA - Consolidated Statements of Shareholders' Equity

(in FF millions except number of shares)	Ordinary Shares Number in millions	Ordinary Shares Nominal Value	Capital in Excess of Nominal Value	Retained Earnings and Reserves	Total
Balance at January 1, 1996	**164.43**	**9,866**	**6,360**	**17,165**	**33,391**
Rights offering	23.62	1,417	4,413	–	5,830
Stock dividends	3.10	186	648	(834)	–
Cash dividends	–	–	–	(323)	(323)
Exercise of stock options	0.78	47	75	–	122
Employee stock subscription	0.30	19	59	–	78
Conversion of bonds	0.90	53	178	–	231
Transition allowance	–	–	–	102	102
Impact of currency fluctuations	–	–	–	1,597	1,597
Net income	–	–	–	3,809	3,809
Balance at December 31, 1996	**193.13**	**11,588**	**11,733**	**21,516**	**44,837**
Issuance of Ordinary Shares for UAP acquisition	122.70	7,362	11,110	14,658	33,130
Cash dividends	–	–	–	(2,504)	(2,504)
Exercise of stock options	1.55	93	131	–	224
Conversion of bonds	13.97	838	2,647	–	3,485
Goodwill from UAP acquisition	–	–	–	(10,765)	(10,765)
Transition allowance	–	–	–	21	21
Effect of restructurings	–	–	–	(426)	(426)
Effect of intercompany sales of consolidated subsidiaries	–	–	–	54	54
Impact of currency fluctuations	–	–	–	2,694	2,694
Net income	–	–	–	7,920	7,920
Balance at December 31, 1997	**331.36**	**19,881**	**25,621**	**33,168**	**78,670**
Cumulative effect of change in accounting principle stock-options	–	–	–	(441)	(441)
Issuance of Ordinary Shares for Royale Belge acquisition	9.56	573	5,887	–	6,460
Cash dividend	–	–	–	(2,791)	(2,791)
Exercice of Stock Options	1.05	63	384	–	447
Conversion of bonds	8.32	500	1,682	–	2,182
Goodwill from Royale Belge acquisition	–	–	–	(2,548)	(2,548)
Impact of currency fluctuations				(3,202)	(3,202)
Effect of restructurings	–	–	–	534	534
Purchase accounting adjustments	–	–	–	(555)	(555)
Net income	–	–		10,042	10,042
Balance at December 31, 1998	**350.29**	**21,017**	**33,574**	**34,207**	**88,798**

See Notes to the Consolidated Financial Statements

AXA - Consolidated Statements of Cash Flows

(in FF millions)	1998	1997	1996
	Years Ended December 31,		
Net income	**10,042**	**7,920**	**3,809**
Adjustments to reconcile net income to net cash provided by operating activities:			
Net realized investment gains	(23,647)	(16,095)	(5,768)
Minority interests in income	6,390	5,264	2,098
Depreciation and amortization expense	2,600	5,477	2,098
Change in insurance liabilities	67,768	64,379	27,385
Net change in trading activities and broker-dealer receivables and payables	(32,492)	(28,888)	(12,417)
Net change in repurchase agreements	6,633	27,702	1,043
Other	47,633	17,391	6,927
Net cash provided by operating activities	**84,927**	**83,150**	**25,175**
Cash flows from investing activities:			
Maturities and sales:			
Fixed maturities	276,468	307,426	115,160
Equity investments	134,756	150,144	107,633
Real estate	10,535	10,393	7,907
Loans and other	18,771	22,824	9,221
Purchases:			
Fixed maturities	(338,278)	(395,958)	(164,600)
Equity investments	(147,149)	(142,284)	(110,933)
Real estate	(4,575)	(4,700)	(4,119)
Loans and other	(17,921)	(13,103)	(5,494)
Net purchases of property and equipment	(2,711)	(2,647)	(1,261)
Net cash used in investing activities	**(70,104)**	**(67,905)**	**(46,486)**
Cash flows from financing activities:			
Net change in short-term debt	1,225	1,860	152
Additions to long-term debt	15,453	5,220	5,923
Repayments of long-term debt	(13,857)	(9,313)	(6,861)
Additions to mezzanine capital	2,567	6,197	1,074
Issuance of ordinary shares	(606)	350	7,095
Dividends	(4,051)	(4,490)	(1,781)
Net cash provided by (used in) financing activities	**731**	**(176)**	**5,602**
Net impact of foreign exchange fluctuations	(985)	977	1,715
Change in cash due to change in scope of consolidation	(163)	13,650	1,210
Change In Cash due to reclassifications	119	–	–
Cash and equivalents beginning of year	53,832	24,136	36,920
Cash and Equivalents End of Year	**68,357**	**53,832**	**24,136**
Supplemental cash flow information :			
Interest Paid	29,554	28,977	17,951
Income Taxes Paid	4,716	8,199	2,310

See Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1 - Financial Statement Presentation

AXA, a French société anonyme (the "Company" and, together with its consolidated subsidiaries, "AXA"), is the holding company for an international group of insurance and related financial services companies. AXA's most significant non-French operations are conducted through The Equitable Companies Incorporated ("Equitable Holding Company" and, together with its consolidated subsidiaries, "Equitable") and its subsidiaries in the United States ("US"), National Mutual Holdings Limited ("National Mutual Holdings" and, together with its consolidated subsidiaries, "National Mutual") and its subsidiaries in Australia and other countries in the Asia/Pacific area, Sun Life and Provincial Holdings ("Sun Life Holding" and, together with its consolidated subsidiaries, "AXA Sun Life") and its subsidiaries in the United Kingdom ("UK"), AXA Colonia Konzern AG ("AXA Colonia Holdings" and, together with its consolidated subsidiaries, "AXA Colonia") and its subsidiaries principally in Germany and Austria, and the Royale Belge Group and its subsidiaries principally in Belgium. The principal companies included in the consolidated financial statements are identified in Note 22.

In June 1996, AXA listed American Depositary Shares ("ADS") on the New York Stock Exchange. Each ADS represents one-half of an AXA ordinary share. In connection with this listing, 4.6 million AXA ordinary shares were sold by subsidiaries of the Company in a public offering in the US and internationally outside of France.

The consolidated financial statements of AXA have been translated into English from those published in French and include additional disclosures required by the US Securities and Exchange Commission ("SEC"). In all other respects the consolidated financial statements follow French generally accepted accounting principles ("GAAP"). French GAAP is based on the French Law of January 3, 1985 and its Décret of application regarding consolidation; French insurance regulatory Décrets Nos. 94-481 and 94-482 of June 8, 1994, and the related Order (Arrêté) of June 20, 1994, implementing European Union Directive No. 91/674 (Third Insurance Directive) of December 19, 1991, (collectively, the "New Regulation"); Décret No. 95-153 of February 7, 1995 and its related Arrêté of April 19, 1995, modifying certain claims reserves calculations, and French Banking Regulation Rule 91-02. Note 24 summarizes the material differences between French and US GAAP affecting AXA's consolidated net income and shareholders' equity.

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Amounts presented in euro for 1998, 1997 and 1996 were converted using the French franc - euro exchange rate of 6.55957 established on January 1, 1999, the first day of the euro's existence. In order to depict the same trends and relationships among AXA's financial amounts, AXA's reported consolidated financial statement amounts expressed in French francs, which include the effects of translating the financial statements of companies outside of France into French francs, were translated into euro. An alternative approach would have been to translate the financial statements of each respective country directly into euro using the exchange rate applicable for that particular currency; however, such approach would have altered reported trends. AXA's amounts reported in euro for 1998, 1997 and 1996 may not be comparable to euro amounts reported by other companies, both French and non-French.

The foreign exchange transition allowance recorded in equity for subsidiaries operating in euro member-state countries was FF 225 million. Such amounts will continue to be recorded as a reduction of equity until such subsidiaries are sold.

National Mutual uses a fiscal year ending September 30 and is consolidated as of that date in AXA's consolidated financial statements.

Certain reclassifications have been made in the amounts presented for prior periods to conform these periods with the current presentation.

2 - Significant Accounting Policies

2-1 - Accounting and Disclosure Changes

The balance sheets of companies outside of France are translated into French francs using the foreign currency exchange rates at year end. The impact of exchange rate fluctuations on shareholders' equity is recorded directly to retained earnings and reserves included in consolidated shareholders' equity. In 1998, AXA changed its policy related to the conversion of non-French income statements to conform with most international bases of accounting. The 1998 statements of income of companies outside of France are translated into French francs using the average foreign currency exchange rates while the year-end rates were used in 1997 and 1996. The increase in 1998 net income as a result of this change was FF 231 million. If the average foreign currency exchange rate was used in 1997 and 1996, net income would have decreased by FF 134 million and FF 3 million, respectively.

In 1998, AXA adopted SFAS No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits", which revises current footnote disclosure requirements for employer's pension and other retiree benefits. No change in pension and other postretirement benefits accounting principles was made as a result of the adoption of SFAS No. 132.

In 1998, AXA adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". This statement establishes standards for the way public business enterprises report information about operating segments in financial statements issued to shareholders. It also establishes standards for disclosures about products and services, geographic areas and major customers. Generally, financial information is required to be reported on the basis used by management for evaluating segment performance and deciding how to allocate resources to segments. In 1998, AXA changed certain of its segmentation in order to more closely align its segmentation with the basis used by management to evaluate group performance and to allocate resources. Prior years' amounts have been restated to reflect the changes in segmentation.

Previously, the Financial Services Segment was comprised of the US Financial Services Group and the International Financial Services Group. Since asset management has become increasingly more important to AXA both from a strategic and profitability perspective, AXA created the Asset Management Segment along with the Other Financial Services Segment.

In addition, as a result of AXA's acquisition of the Royale Belge minority interests, see Note 2.2, AXA significantly increased its participation in the insurance operations in Belgium in 1998 and consequently, created the "Belgian Life Insurance Group". Previously, such business was included in the Other Life Insurance Group.

In 1998, AXA adopted SFAS No. 130, "Reporting Comprehensive Income". This statement establishes standards for reporting and displaying comprehensive income and its components in a full set of general purpose financial statements. This statement requires that an enterprise classify items of other comprehensive income (i.e. other than net income) by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and reserves in the equity section of a balance sheet. See Note 25.3.

In 1998, as a result of a recommendation made by the Commission des Opérations de Bourse ("COB"), the French stock exchange authority, AXA changed its method of accounting for certain stock option plans. Under the new method of accounting, compensation expense is recorded over the vesting period based on the excess of the market value of the underlying stock over the exercise price of the options. The cumulative effect of this change in accounting principle was FF 441 million which represents associated goodwill at December 31, 1997 (FF 177 million) and compensation expense that should have been recorded in 1997 (FF 264 million). Such amount was recorded as a reduction of shareholders' equity as of January 1, 1998. The total stock compensation expense recorded in 1998 was FF 122 million.

Effective January 1, 1998, AXA began accounting for investment and real estate companies owned directly or indirectly by French life insurance subsidiaries using the cost method in order to improve financial statement presentation. Previously, the financial statement presentation differed depending on whether assets were held directly by insurance companies or indirectly through investment or real estate companies. If held indirectly, the assets of such entities and the related income would appear in the financial services segments rather than the insurance segments. The change in accounting method better reflects the insurance companies' economic purpose for holding such entities. If such companies were consolidated in 1998, the impact on consolidated net income and gross premiums would have been FF 418 million (FF 200 million of which were realized gains) and FF 1,245 million, respectively. Net income for such entities was FF 202 million in 1997.

In June 1996, the FASB issued SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". SFAS No. 125 specifies the accounting and reporting requirements for transfers of financial assets, the recognition and measurement of servicing assets and liabilities and extinguishments of liabilities. SFAS No. 125 became effective for transactions occurring after December 31, 1996 and was applied prospectively. In December 1996, the FASB issued SFAS No. 127, "Deferral of the Effective Date of Certain Provisions of FASB Statement No. 125", which deferred for one year the effective date of provisions relating to secured borrowings and collateral and transfers of financial assets that are part of repurchase agreements, dollar-roll, securities lending and similar transactions. Neither SFAS No. 125 nor SFAS No. 127 had a material impact on AXA's US reporting subsidiaries or on its US GAAP results as reported in Note 25.

In 1996, AXA's US life insurance subsidiaries changed their method of accounting for long-duration participating life insurance contracts in accordance with the provisions prescribed by Statement of Financial Accounting Standards ("SFAS") No. 120, "Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts" which prescribes the methods of accounting for annual and terminal dividends and specifies that amortization of deferred acquisition costs is a constant percentage of estimated gross profits from the contracts. The effect of this change was to increase 1996 net income by FF 634 million after income tax expense of FF 561 million and minority interests of FF 409 million.

As of January 1, 1996, AXA's non-European subsidiaries implemented SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", which requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. The adoption of this statement by Equitable, AXA's only non-European subsidiary for which there is a cumulative effect upon adoption, resulted in the release of existing valuation allowances of FF 1,099 million and recognition of impairment losses of FF 1,075 million on real estate held and used. Implementation of the impairment requirements relative to assets to be disposed of resulted in a charge for the cumulative effect of an accounting change of FF 113 million, net of an income tax benefit of FF 61 million, due to the writedown to fair value of building improvements relating to facilities being vacated by Equitable beginning in 1996.

Prior to January 1, 1996 pre-operating costs incurred in creating a company for the development of new insurance activities or commencement of new insurance activities within an existing subsidiary were capitalized and amortized over five years from the date when activities commenced. Such costs included primarily market research and the recruiting and training of new sales personnel. Effective January 1, 1996 such costs are charged to income as incurred in order to better distinguish the results of future operations. As a result, unamortized pre-operating costs at January 1, 1996 of FF 276 million, before income tax expense of FF 46 million, were charged to income in 1996.

Application of Accounting Methods

In 1998, the UK Life Insurance Group adopted a new method of calculating liabilities for future policy benefits on certain unit-linked products. This change resulted in a decrease in liabilities for future policy benefits of FF 657 million and additional DAC amortization of FF 332 million. The increase in net income was FF 179 million.

Effective January 1, 1997, deferred acquisition costs for new business written by European (other than UK) life insurance subsidiaries include all costs which vary with and are primarily related to the production of new business. In addition, such deferred acquisition costs for universal life and investment type products are amortized over the expected average life of the contracts as a constant percentage of estimated gross profits from the contracts. Previously, these deferred acquisition costs were subject to regulatory limitations and amortized in proportion to anticipated premiums. The new methods provide a better matching of revenue and expense. The effect of this change was to increase 1997 net income after tax by FF 101 million.

In 1996, AXA Leven in the Netherlands changed its method of calculating liabilities for future policy benefits using assumptions which better reflect the experience of that subsidiary. This change resulted in an increase in net income of FF 180 million.

2-2 - Acquisitions

2-2.1- UAP and Royale Belge Minority Interests

On January 24, 1997, pursuant to a public exchange offer, AXA acquired 91.37% of the outstanding shares of UAP, a French holding company for a group of insurance and related financial services companies. Under the terms of the offer, AXA exchanged two of its ordinary shares and two certificates of guaranteed value ("UAP Certificates") for five UAP shares. For 91.37% of the outstanding UAP shares, AXA exchanged 123.9 million Certificates and ordinary shares of which 111.1 million ordinary shares were newly issued and 12.8 million ordinary shares were held by AXA subsidiaries. In addition, AXA issued 2,057 6.0% notes with an aggregate principal amount of FF 1,851 million and 4.1 million

Certificates in exchange for 2,057 UAP notes with an aggregate principal amount of FF 1,851 million (see Notes 5, 8 and 14-2).

On May 12, 1997, the merger of UAP with and into the Company, with the Company surviving, was approved by the respective shareholders of UAP and the Company. Pursuant to the terms of the offer, AXA acquired the remaining 8.63% of UAP by issuing two AXA ordinary shares for five UAP shares. AXA issued approximately 11.6 million new ordinary shares in connection with this transaction.

The UAP acquisition was accounted for using the purchase method of accounting. The UAP purchase price, which did not include an amount for the UAP Certificates, was determined based on UAP's statutory net equity per share (FF 270) on December 31, 1996 for the newly issued shares and AXA's carrying value (FF 295) for the treasury shares held by AXA subsidiaries. The total purchase price of approximately FF 36,897 million was FF 12,219 million greater than the value of UAP's acquired identifiable net assets, as adjusted in purchase accounting (see Note 2-4), all of which is attributed to goodwill. In accordance with article D 248-3 of the February 17, 1986 French law and the recommendation of the COB Bulletin No. 210 of January 1988, goodwill resulting from an acquisition which is associated with the issuance of new shares can be charged directly to retained earnings and reserves. Accordingly, FF 10,765 million of goodwill was directly charged to retained earnings and reserves in 1997 (see Notes 2-4.2 and 24-2). As a result of purchase accounting adjustments made in 1998, the amount charged directly to retained earnings and reserves increased to FF 11,267 million. The annual UAP goodwill amortization expense not recorded in the results operations as a result of this accounting totals FF 365 million. The consolidated financial statements include the accounts of UAP and the results of UAP's operations since January 1, 1997.

The following financial information compares 1997 actual results with 1996 pro forma results. The 1996 pro forma results were prepared from the historical French GAAP financial statements of AXA and UAP with such adjustments as necessary to present the results of operations as if the UAP acquisition had occurred on January 1, 1996. However, the unaudited 1996 pro forma results of operations are not necessarily indicative of the results of operations that would have occurred had the UAP acquisition been consummated on January 1, 1996. In addition, UAP's historical application of French GAAP differs in certain material respects from that of AXA. It was not practicable for management to quantify the effect of such conforming accounting adjustments for pro forma purposes. Accordingly, the 1996 pro forma results of operations do not give effect to conforming AXA and UAP's French GAAP accounting policies. Effective January 1, 1997 in conjunction with the purchase for former UAP subsidiaries, the application of French GAAP by the former UAP and historical AXA subsidiaries was conformed.

Year ended December 31,	**Pro Forma (Unaudited)**	
(in FF millions except share data)	**1997**	**1996**
Total Revenues	448,664	418,264
Income before exceptional items (a)	–	1,751
Net Income (Loss) (a)	7,920	(2,091)
Net Income (Loss) per ordinary Share (in FF)		
Basic	24.34	(11.18)
Diluted	22.84	(11.39)

(a) In preparing its 1996 consolidated financial statements, UAP took into consideration impacts resulting from the change in ownership announced in November 1996 and recorded such effects as exceptional charges.

In connection with the acquisition of UAP, AXA began a series of restructurings in order to achieve efficiencies in countries where duplicate operations existed. Pursuant to such restructurings, on July 2, 1997, Sun Life Holding acquired AXA Equity & Law Life Assurance ("AEL") and AXA Equity and Law Investment Managers, previously wholly-owned subsidiaries of AXA, in exchange for newly issued Sun Life Holding shares with a fair value of FF 6,838 million. Sun Life Holding also acquired AXA Insurance in exchange for newly issued Sun Life Holding shares with a fair value of FF 694 million. These transactions were among consolidated companies, therefore the net assets were transferred at historical cost and AXA recorded a charge of FF 426 million to retained earnings and reserves representing an additional allocation to minority interests.

In 1998, AXA acquired 51.1% of the outstanding shares of Royale Belge which increased its ownership interest in Royale Belge to 98.7% as of December 31, 1998. The transaction was accomplished with transactions in May and June, 1998 in which approximately 13.6 million ordinary shares were exchanged, of which 9.6 million ordinary shares with a fair value of FF 6,460 million were newly issued and approximately 4.0 million ordinary shares with a fair value of FF 2,751 million were held by AXA subsidiaries. In addition, AXA issued 2.7 million certificates of guaranteed value ("Royale Belge Certificates") and paid FF 9,694 million in cash.

The acquisition of Royale Belge's minority interests was accounted for using the purchase method of accounting. The purchase price, which did not include an amount for the Royale Belge Certificates, was FF 18,905 million. The carrying value of the acquired portion of identifiable net assets was 11,449 million and the resulting goodwill was FF 7,456 million. In accordance with article D 248-3 of the February 17, 1996 French law and COB Bulletin No. 210 of January, 1998, goodwill associated with the issuance of new shares of FF 2,548 million was charged directly to retained earnings and reserves. The annual goodwill amortization expense not recorded in the results of operations as a result of this accounting totals FF 84 million.

In connection with the acquisition of Royale Belge's minority interests, a series of restructurings began in Belgium, the Netherlands, and Luxembourg. In addition, other unrelated restructurings continued in France, Italy and Spain. Such restructurings led to an income tax expense of FF 652 million related to subsidiary transfers. In addition, a FF 215 million increase in retained earnings and reserves was recorded representing an allocation from minority interests.

In October 1997, Sun Life Holding agreed to sell to Bank of Ireland its 83% shareholding in New Ireland Holdings, for IR £ 123 million (approximately FF 1.05 billion). This sale was effective in December, 1997 and no gain or loss was recognized on this transaction.

2-2.2 - CURSITOR

In February 1996, Alliance Capital Management L.P. ("Alliance") acquired the operations of Cursitor-Eaton Asset Management Company and Cursitor Holding Limited (collectively, "Cursitor") in exchange for approximately FF 833 million consisting of FF 494 million in cash, 1.76 million of Alliance publicly-traded units with an aggregate value of FF 211 and US $ 22 million (FF 113 million) in notes which are payable rateably over the next four years and substantial additional consideration to be determined at a later date. A gain of approximately FF 108 million was recognized in 1996 as a result of the issuance of Alliance Units in this transaction.

In June 1997, Alliance reduced the recorded value of goodwill and contracts associated with the acquisition of Cursitor by FF 725 million before reduction of FF 449 million attributable to minority interests and FF 60 million attributable to income tax. This charge reflects Alliance's view that its investment in Curistor was impaired as a result of Cursitor's continuing decline in assets under management and its reduced profitability.

2-2.3 - Other

In July 1998, AXA invested approximately US $ 300 million (FF 1.8 billion) in DLJ. This investment was made jointly by AXA Holdings Belgium, Equitable Holding and Equitable Life in the amounts of US $ 100 million, US $ 110 million and US $ 90 million, respectively. The acquisition resulted in FF 369 million of goodwill, group share, which will be amortized over 30 years.

In October 1998, Royale Belge acquired ANHYP, a Belgian bank, in exchange for ordinary shares with a fair value of FF 3,553 million resulting in approximately FF 478 million of goodwill which will be amortized over 30 years. As a result of the acquisition, total assets increased by FF 61.4 billion of which FF 40.9 billion was bonds and FF 17.7 billion of loans.

2-3 - Consolidation

AXA's principles of consolidation are generally as follows:

Companies in which AXA exercises controlling influence are fully consolidated. Controlling influence is generally presumed when AXA directly or indirectly holds at least 40% of the voting rights and no other shareholder directly or indirectly holds a percentage greater than AXA.

Companies in which AXA directly or indirectly holds at least 20% of the voting rights and for which AXA and other shareholders have agreed to exercise joint controlling influence are proportionately consolidated.

Companies in which AXA exercises significant influence are accounted for by the equity method. Significant influence is presumed when AXA directly or indirectly holds at least 20% of the voting rights or when significant influence is exercised through an agreement with other shareholders.

Companies in which AXA's controlling or significant influence is likely to be temporary are not consolidated or accounted for by the equity method. The investment in such companies is accounted for at estimated fair value, less costs to sell.

In preparing the consolidated financial statements, the effect of transactions among consolidated companies generally is eliminated. In accordance with French insurance regulations, realized gains or losses on sales of assets, other than shares of subsidiaries, from or to a consolidated European insurance company are not eliminated if the assets were supporting or are intended to support future policy benefits and other policy liabilities. Further, a loss on sale resulting from a reduction in the value of the asset which is deemed to be permanent is not eliminated. The portion of intercompany gains or losses realized on the sale of a subsidiary's shares which are included in the calculation of policyholder dividends is not eliminated.

2-4 - Purchase Accounting and Goodwill

Business combinations generally are accounted for as purchases. For insurance company acquisitions after December 31, 1992, assets other than certain fixed maturities and non-insurance liabilities of the acquired company are generally recorded at their estimated fair value. Insurance liabilities are maintained at historical value if the basis for measuring such value is consistent with French accounting principles. Fixed maturities for which the acquired company has the positive intent and ability to hold until maturity are maintained at historical amortized cost and amortized over their remaining life. For non-insurance company acquisitions, assets and liabilities are maintained at their historical cost, except for real estate which is recorded at estimated fair value. If information becomes available that necessitates an adjustment to purchased assets or liabilities, such adjustments can be made before the end of the fiscal year that follows the year of the acquisition. Such adjustments to purchase accounting values are made through increasing or decreasing goodwill. If the related goodwill was charged directly to retained earnings and reserves, such purchase accounting adjustments will correspondingly increase or decrease retained earnings and reserves.

Certificates of guaranteed value ("Certificates") are not recorded as part of acquisition purchase prices and are off-balance sheet liabilities until the maturity date. Cash payments at maturity, if any, to the Certificate holders and any amounts paid to purchase and retire Certificates prior to their maturity will increase the existing goodwill asset, net of accumulated amortization as if such goodwill was recorded at the date of acquisition. The accumulated amortization is recorded through an immediate charge to earnings.

Acquisitions of minority interests are accounted for using the purchase method of accounting with the exception that the acquired portion of assets and liabilities is not recorded at estimated fair value at the minority interest acquisition date. Rather, the carrying values used for the acquired portion of assets and liabilities are the same as those used before the minority interest acquisition.

2-4.1 - Value of Purchased Insurance Business Inforce

In conjunction with purchase accounting an identifiable intangible asset is recorded, in certain cases, for the present value of future profits of purchased insurance business inforce. The value of business inforce represents the value of estimated future profits from insurance contracts existing at the date of acquisition. The future profits are estimated using actuarial assumptions based on anticipated experience determined as of the purchase date, discounted at rates which range from 12% to 15%. The value of purchased business inforce is amortized over the remaining lives of the underlying contracts in proportion to the earnings on the contracts, generally not in excess of 25 years. The value of purchased business inforce is subject to recoverability testing at the end of each accounting period.

2-4.2 - Goodwill

Goodwill is measured as the difference between the purchase price and the net carrying value of the acquired company, as adjusted. If the adjusted net carrying value of the acquired company is greater than the purchase price, the estimated fair value adjustment for real estate is decreased to the extent necessary to eliminate such excess. Any excess remaining after full elimination of the adjustment is recorded as a negative goodwill liability. Currently, negative goodwill is amortized over a maximum of five years.

The UAP and Royale Belge minority interest goodwill charged directly to retained earnings and reserves are subject to notional amortization over a period of 30 years. The remaining goodwill has been recorded as an asset and will be amortized over 30 years.

The total UAP goodwill has been notionally allocated to the UAP subsidiaries acquired based on the difference between their net assets as adjusted through purchase accounting and the value attributed to each subsidiary at the date of acquisition. Upon subsequent sale of a subsidiary, all unamortized goodwill notionally attributed to such subsidiary is eliminated through a charge to net income.

Goodwill related to other insurance company acquisitions is amortized over a period generally not greater than 30 years. In determining the period of amortization, AXA considers the estimated period to be benefited as well as the size of the local market share held by the acquired company.

The purchase accounting described in this note has been in place for years beginning after December 31, 1992. Prior to that date, the assets (other than real estate which was adjusted to fair value) and liabilities of purchased companies was generally maintained at historical costs. Thereafter, the application of purchase accounting progressed toward the policy currently in place. The most significant acquisition prior to this period was Equitable Holding Company.

In May 1998, Equitable's Board of Directors authorized a stock repurchase program pursuant to which it may repurchase up to eight million shares of its common stock from time to time in the open market or through privately negotiated transactions. In September, the holding company's board of directors increased the number of shares authorized under the stock repurchase program to 15 million. At December 31, 1998 Equitable has repurchased 4.6 million shares of common stock representing approximately 2% of its capital at a cost of $ 247.1 million (FF 1,383 million). Such repurchases increased AXA's ownership in Equitable and resulted in goodwill of FF 449 million which will be amortized over 30 years.

2-5 - Valuation of Investments

2-5.1 - Insurance company investments

Policies regarding investment assets of AXA Sun Life are described in Note 2-5.2 and policies regarding Separate Account assets are described in Note 2-5.3. Policies regarding use of derivative financial instruments are described in Note 2-5.5.

Fixed maturity securities are stated at amortized cost, less valuation allowances. Purchase premium or discount is amortized over the life of the security. Generally, valuation allowances are recorded for declines in the value of a specific fixed maturity security that are deemed to be permanent. In the case of AXA's non-European subsidiaries, the amortized cost of fixed maturity securities is written down for impairments in value deemed to be other than temporary.

Equity investments are stated at cost. For a decline in the estimated fair value of a specific equity investment that is deemed to be other than temporary, AXA's European subsidiaries record a valuation allowance and AXA's non-European subsidiaries directly write down the equity investment.

Policy loans are stated at unpaid principal balances.

Mortgage loans on real estate are stated at principal balances, net of unamortized discounts and valuation allowances. Impairment measurement is based on the present value of expected future cash flow, discounted at the loan's effective interest rate, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

Real estate, including real estate acquired in satisfaction of debt, is stated at depreciated cost, less valuation allowances. Real estate acquired in satisfaction of debt is valued at estimated fair value at the date of foreclosure. For AXA's European subsidiaries, valuation allowances on all classifications of real estate are recorded for a decline in the value of a property that is deemed to be other than temporary. In determining whether or not a decline in the estimated fair value is other than temporary, AXA considers the length of time and extent to which the estimated fair value has declined, the market conditions and the ability of AXA to retain the asset for a period sufficient to recover any such decline. For AXA's non-European subsidiaries, valuation allowances are recorded only for real estate held for sale and are computed using the lower of current estimated fair value, net of disposition costs, or depreciated cost. AXA considers current fair value to be equal to the anticipated sales price for those cases where a sale is in negotiation. Impaired real estate held and used by AXA's non-European subsidiaries is written down to fair value with the impairment loss included in net investment gains or losses.

In the case of AXA's European subsidiaries, an additional valuation allowance is recorded for equity or real estate investments if, and to the extent that, the combined estimated fair value of the equity investment and real estate portfolios is lower than their combined cost, less any specific valuation allowances. No such additional valuation allowance was required at December 31, 1998, 1997 or 1996.

Trading account securities are stated at estimated fair value based principally on quoted market prices or on quoted market prices of comparable securities. Unrealized investment gains and losses are included in investment results. For AXA's European insurance subsidiaries, in accordance with the European Directive, specific designation as a trading portofolio is not available.

Cash and equivalents include cash on hand, amounts due from banks and highly liquid debt instruments with an original maturity of less than one year.

2-5.2 - AXA Sun Life

The investment assets of AXA Sun Life (excluding Separate Account assets) are reported proportionately at either estimated fair value or historical cost. The proportion of investment assets allocated to UK with-profits contracts is reported at estimated fair value, with the change in estimated fair value of such assets netted with the corresponding change in liability for UK with-profits contracts included in insurance benefits and claims (see Note 2-7.3). The remaining proportion of investment assets is valued using the accounting policies described in Note 2-5.1.

2-5.3 - Separate Account Assets

Certain life insurance contracts when issued are linked with specific pools of assets (France: assurance à capital variable ("ACAV") and assurance à capital variable immobilier ("ACAVI"), US: Separate Accounts and UK and Australia: unit-linked funds) and the contractholder assumes substantially all of the investment risks and rewards of the associated assets. The assets supporting these contracts are generally segregated and not subject to claims of creditors which may arise out of the companies' other business. For these contracts, the future policy benefits are based on the estimated fair value of the associated assets, and the Company reports such assets at their estimated fair value. Investment results of these assets are netted with the change in future policy benefits included in insurance benefits and claims.

2-5.4 - Financial Services Investments

Trading account securities are stated at estimated fair value based principally on quoted market prices or on quoted market prices of comparable securities. Unrealized investment gains and losses are included in investment banking and other financial services revenue.

Fixed maturities and equity investments not considered trading account securities and real estate generally are stated at the lower of cost or fair value, determined on an individual security and property basis, except in France. In France such investments are stated using the accounting policies described in Note 2-5.1.

Long-term corporate development investments, principally private equity investments, of AXA's US brokerage subsidiary held through Donaldson Lufkin & Jenrette Inc. ("DLJ"), are carried at estimated fair value. Changes in valuation are reflected in net investment results.

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (resale agreements) are treated as financing arrangements and are carried at the contract amounts reflective of the amounts at which the securities will be subsequently reacquired or resold as specified in the respective agreements. Interest is accrued on such contract amounts and is included in broker-dealer related receivables or payables in the consolidated balance sheets. AXA generally takes possession of the underlying assets purchased under agreements to resell and obtains additional collateral when the estimated fair value falls below the contract value. Repurchase and resale agreements with the same counterparty and same maturity date that settle through the US Federal reserve system and which are subject to master netting agreements are presented net in the consolidated financial statements. The weighted average interest rates on securities sold under repurchase agreements were 4.89% and 6.04% at December 31, 1998 and 1997, respectively.

For AXA's European subsidiaries, real estate loans are considered impaired if it is probable or certain the loan is not fully or partially collectible, the interest or principal is past due more than six months, the estimated fair value of the collateral is less than the outstanding loan balance or the loan amount is in dispute. The valuation allowance for risk of loss, after consideration of all guarantees and collateral, is calculated on a loan by loan basis as the difference between the unpaid principal and interest amounts and the estimated fair value of the collateral.

2-5.5 - Derivative Financial Instruments

Derivative financial instruments designated to hedge a specific asset, liability or net investment and deemed highly effective in offsetting the hedged item's changes in estimated fair value or cash flows are recorded on the accrual method. Under such method, gains and losses of effective hedges are deferred and recognized in net investment results generally over the life of the hedged asset or liability with amounts recorded in the category corresponding to the hedged item.

Gains and losses, realized and unrealized, on hedges of foreign currency risk of net investments in certain foreign subsidiaries are recorded in shareholders' equity along with the related foreign currency translation adjustments.

Derivative financial instruments used for trading activities and derivatives not effective as or not designated as a hedge are generally presented as receivables or payables from broker-dealers in the consolidated balance sheets and stated at estimated fair value with the changes in fair value recorded currently in net investment results.

The estimated fair value is determined based on quoted market prices, dealer quotes, pricing models or others methods determined by management based on amounts estimated to be realized on settlement, assuming current market conditions and an orderly and reasonable disposition. Fair value of option contracts includes unamortized premiums which are deferred and amortized over the life of the option contracts on a straight-line basis or are recognized through the change in the fair value of the option in net investment income. The notional amount of equity swap contracts, and forward and futures contracts are treated as off-balance sheet items.

2-6 - Recognition of Revenue and Related Expenses

2-6.1 - Life Insurance

Gross premiums from all types of life insurance contracts, including Separate Account contracts and contracts with insignificant mortality or morbidity risk, are generally recognized as revenue when due. When premiums are recognized, liabilities for future policy benefits are recorded, with the result that benefits and expenses are matched with such revenue and profits are recognized over the life of the contracts.

2-6.2 - Property and Casualty Insurance and Reinsurance

Property and casualty insurance and reinsurance gross premiums, including estimates of premiums written but not reported, are generally recognized as revenue over the terms of the related contracts. An unearned premium reserve is established to cover the unexpired portion of written premiums. The unearned premium reserve generally is calculated by pro rata methods, based on the proportion of insurance still inforce at year end.

2-6.3 - Financial Services Gross Revenue

Investment banking and other financial services revenue principally includes gross revenue from banking activities, including investment banking and brokerage income; fees earned from asset management; real estate companies gross rental income and gains or losses from real estate development companies' sales activities.

2-6.4 - Net investment results

Net investment results are comprised of net investment income and realized investment gains and losses. Real Estate depreciation expense is recorded as a reduction of related investment income for all insurance operations. For non-insurance operations, real estate depreciation expense is recorded in financial and holding company expenses. Net investment results exclude net investment results of Separate Account assets and net investment results related to certain US participating group annuity contracts. Current period income or loss of unconsolidated partnership or real estate joint venture interests is included in net investment results. Realized investment gains and losses are determined principally on a specific identification basis. Intercompany investment results eliminated in consolidation are reallocated in the presentation of segment investment results. The intercompany transactions relate primarily to intercompany loans and commissions paid and received for asset management.

Valuation allowances are netted against the asset categories to which they apply. Changes in valuation allowances are included in realized investment gains or losses except those related to the operational activity of certain European financial services subsidiaries which are included in financial and holding company expenses and those related to the Transition Allowance. Amounts recorded in the Transition Allowance are released from retained earnings and reserves upon full or partial sale of the asset, recoveries in value of the asset or periodic depreciation of the asset. If releases of the Transition Allowance result in a gain, such gain is excluded from the income and credited directly to retained earnings and reserves. Any gain or loss in excess of the Transition Allowance is immediately recognized in net income.

2-7 - Liability for Insurance Benefits

2-7.1 - General Policies

For traditional life insurance contracts (i.e., those with significant mortality risk), the liability for future policy benefits is calculated in accordance with the applicable regulatory and accounting rules on the basis of actuarial assumptions as to investment yields, mortality, morbidity and expenses. In general, for AXA's European subsidiaries, except the UK and the Netherlands, the actuarial assumption for mortality is specified by legislation, the assumption for interest is the rate guaranteed in the contract, and contracts are assumed to remain inforce until their contractual maturity date or the death of the insured. The actuarial assumptions for AXA's other subsidiaries are established at date of policy issue based on the subsidiaries' experience, with a margin for adverse deviation. Interest rates used in establishing the liabilities for future policy benefits range from 2.25% to 13.5%.

The liability for universal life and investment-type contracts is the balance that accrues to the benefit of the contractholders, which balance represents an accumulation of gross premium payments plus credited interest less expense and mortality charges and withdrawals.

Certain regulations require the use of an interest rate that is different than the contractual interest rate which can lead to an increase in the liability for insurance benefits, notably in a decreasing interest rate environment. In all cases, if actual experience indicates that future yields, principally investment income, will not be sufficient to cover guaranteed interest rates, additional liabilities are recorded.

A portion of life insurance issued by AXA is in the form of participating insurance. A participating contract gives the contractholder a right to a share of the profits earned on the group of contracts in which the contract is included. Participation rights of participating contracts issued by AXA vary by contract and by the country in which the contract is issued. Liabilities are established for participation rights whether or not such amounts have been credited to the policyholders. Of AXA's liabilities at December 31, 1998 for future life insurance policy benefits, including UK with-profits contract liabilities and Separate Account liabilities, approximately 71% were for participating contracts.

2-7.2 - PARTICIPATING BUSINESS

French life insurers are required by regulation to allocate for the benefit of participating policyholders at least 85% of annual investment results on assets attributable to such policyholders plus at least 90% of other profits. Many contracts specify higher percentages. Amounts allocated must be credited to such policyholders within eight years.

The business of Equitable includes a Closed Block of participating policies established in connection with the demutualization of The Equitable Life Assurance Society of the United States ("Equitable Life"). Under the terms of the demutualization, liabilities for certain participating policies inforce at the date of demutualization together with an amount of assets were segregated into the Closed Block for the purpose of determining policyholder dividends. The maximum contribution from the Closed Block which may inure to the benefit of Equitable Life's shareholders was determined at the time the Closed Block was established. For most individual participating policies issued by Equitable Life after its demutualization, Equitable Life is subject to regulations which require it to pay policyholder dividends equal to at least 90% of statutory profits (measured before policyholder dividends) attributable to participating products. The liability for annual policyholder dividends is recorded as earned and terminal dividends are accrued in proportion to gross margins over the life of the contract.

National Mutual Life is generally required to allocate for the benefit of participating policyholders at least 80% of the profit attributable to such policyholders; for the benefit of investment account policyholders, it is required to allocate 100% of investment results to such policyholders.

In accordance with AXA Sun Life's Laws and Regulations and AXA Equity & Law's ("AEL") Articles of Association, transfers from the insurance business fund to the shareholders' fund may not exceed one-ninth of the bonuses credited to with-profits contracts and other participating policies. There is no required minimum or maximum level of bonuses.

Certain subsidiaries of AXA Colonia are required by regulation to allocate to their policyholders at least 90% of the profit of the respective subsidiaries.

2-7.3 - UK WITH-PROFITS CONTRACT LIABILITIES

UK with-profits contracts are participating life insurance contracts which provide for the sharing of investment performance and other company experience with contractholders. Benefit amounts paid for UK with-profits contracts reflect, in part, the estimated fair value of assets allocated to the contracts. Accordingly, the liability for these contracts (including terminal bonuses) fluctuates with the estimated fair value of assets, as well as management's assessment of the future level of benefits to be paid. Terminal bonuses are the principal way UK with-profits contracts fulfill the objective of providing for the policyholders' reasonable expectations.

The UK statutory "fund for future appropriation" is an account required by regulation representative of the solvency margin. This fund, which absorbs the market value fluctuations of the insurance company's assets, is available to support the statutory liabilities for future policyholder benefits, including terminal bonuses related to with-profits contracts. AXA records a portion of the statutory fund for future appropriations as part of the with-profits contracts liability for future policyholder benefits in its consolidated financial statements. The balance of the statutory fund for future appropriations is transferred to retained earnings and reserves. In this regard, retained earnings and reserves include an additional amount compared to the UK statutory accounting.

2-7.4 - Insurance Claims and Claims Expenses

A liability for insurance claims and claims expenses is recorded by life insurance companies for incurred claims; however, such liability generally pertains to property and casualty insurance entities.

The liability for insurance claims and claims expenses is based upon estimates of the expected losses and unexpired risks for all lines of business and takes into consideration management's judgement on the anticipated level of inflation, regulatory risks and the trends in claims.

The liability includes reported claims, claims incurred but not reported and claims expenses. Estimates of expected losses are developed using past experience and the trends of claims reported to date and consider the different settlement patterns of each line of business. The liability is undiscounted, except as described below.

A French insurance regulatory decree, dated December 20, 1996, updated mortality tables used in France in the calculation of the liability for insurance claims and claims expenses for certain lines of automobile and liability insurance. Insurance companies have until January 1, 2001 to record their reserves using the new mortality tables. In addition, the accounting standard also defined the maximum discount rate to be used for disability claims under liability policies for which a final settlement has been agreed upon: 2.75% and 3.35% at December 31, 1998 and 1997, respectively. The reserve strengthening recorded as a result of this accounting standard was FF 112 million in 1998 and FF 307 million in 1997. The reserve strengthening yet to be recorded is FF 377 million at December 31, 1998.

2-7.5 - Other Liabilities for Insurance Benefits

2-7.5.1 - Unearned Premium Reserve

In property and casualty insurance and reinsurance, the unearned premium reserve represents premiums which have been collected with respect to future insurance coverage.

2-7.5.2 - Reserve for Outstanding Risks

A reserve for outstanding risks is established (in addition to the unearned premium reserve) for contracts for which the premiums collected are expected to be insufficient to cover future claims and claims expenses. Such liability is recorded net of acquisition costs as part of the claim and claim expense liability.

2-7.5.3 - Catastrophe Equalization Reserves

As permitted by regulation in certain of the countries in which AXA operates, AXA establishes "catastrophe equalization reserves" in its property and casualty insurance and reinsurance operations. Catastrophe equalization reserves are established by line of business in accordance with the local regulation and defer a portion of income to future periods to be earned when future catastrophic losses, such as hail, nuclear incidents, storms, floods and pollution liability occur. Subject to regulatory limitations, amounts added to or subtracted from the catastrophe equalization reserves are determined by management.

In Germany, such reserve is calculated by line of insurance based on regulatory factors that reflect estimates of future catastrophe losses based on claims experience over the last 15 years.

2-8 - Deferred Acquisition Costs

2-8.1 - Life Insurance

The costs of acquiring new business that vary with and are primarily related to the production of new business are specifically identified and deferred by establishing an asset which is amortized in subsequent years. The acquisition costs are subject to recoverability testing at the time of policy issue and loss recognition testing at the end of each accounting period. For traditional life and annuity policies with life contingencies (except for certain participating policies of Equitable) deferred acquisition costs are amortized in proportion to anticipated premiums. For universal life and investment-type contracts, and certain participating policies of Equitable, deferred acquisition costs are amortized over the expected average life of the contracts as a constant percentage of estimated gross profits from the contracts. Estimates of gross profits are reviewed at the end of each accounting period and the cumulative effect of any changes in estimated gross profits impacting the amortization of deferred acquisition costs is immediately recognized in income.

Fees charged to contractholders for future services that are not fully earned in the period assessed are reported as a reduction of deferred acquisition costs. These unearned revenue amounts are recognized in net income over the periods benefited using the same assumptions and methods as are used for amortizing deferred acquisition costs.

Prior to January 1, 1997, costs of acquiring new business in AXA's European (other than in the UK) life insurance subsidiaries were subject to regulatory limitations and amortized in proportion to anticipated premiums in a manner consistent with the establishment of the liability for future policy benefits. For business written in the UK before January 1, 1996, deferred acquisition costs were amortized over two years, which approximated the average period during which front-end loads were deducted from premiums received.

2-8.2 - Property and Casualty Insurance and Reinsurance

The costs of acquiring new business are generally specifically identified and an asset is recorded for such amounts and amortized over the life of the related contracts (generally one year). In cases where acquisition costs are not specifically identified, the asset is calculated based on various percentages established by regulation in the countries in which AXA operates to reflect the costs incurred to acquire the business, principally commissions. The amount of deferred acquisition costs estimated not to be recoverable is charged to expense and the asset is reduced. AXA does not anticipate future investment results in determining whether deferred acquisition costs are recoverable.

2-9 - Property and Equipment

Real estate owned and occupied by AXA is included in other assets and is depreciated on a straight-line basis over the estimated useful life of the buildings, ranging from 20 to 50 years. Computer related assets are also included in other assets.

2-10 - Income Taxes

AXA's French insurance subsidiaries, Equitable and, where permitted, other subsidiaries each file individually consolidated income tax returns; other companies file separate income tax returns. Current income tax expense is charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year. Deferred income tax assets and liabilities are recorded based on the differences between financial statement carrying amounts and income tax bases of assets and liabilities and for net operating loss carryforwards, if any, using enacted income tax rates and laws expected to be applicable when such differences reverse. Valuation allowances are recorded for deferred tax assets that are not expected to be realized.

2-11 - Other Costs and Expenses

2-11.1 - Restructuring Costs

Pursuant to a defined plan, liabilities for restructuring operations are established for costs such as severance payments and other staff reduction expenses, costs associated with closing a branch office and costs associated with changing the name of acquired entities.

Restructuring liabilities established in purchase accounting only pertain to acquired operations which are planned to be restructured as a result of the acquisition. Adjustments to the provision after the acquisition date are recorded as adjustments to purchase accounting (see Note 2.4) with the exception that excess provisions are never recorded in the results of operations.

Liabilities for restructuring costs not related to an acquired company are established through a charge to net income in the period the restructuring plan is defined and approved. Subsequent to the establishment of the restructuring provision, any adjustment to the provision is recorded in the results of operations.

2-11.2 - Employee Benefit Plans

All of AXA's employee benefit plan liabilities, including those for which insurance premiums were paid to AXA companies, are recorded as liabilities.

For the large employee benefit plans, a liability is established in accordance with FAS No. 87, Employers' Accounting for Pensions, FAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, and FAS No. 112, Employers' Accounting for Postemployment Benefits, with the following two exceptions. For AXA Equity and Law, a transition asset should have been recorded at the date of adoption of FAS No. 87 and then amortized over 15 years, the estimated average service life of employees. Under FAS No. 87, if the liability is less than the excess of the accumulated benefit obligation over the fair value of plan assets, an additional minimum pension liability must be recorded net of tax as a reduction to shareholders' equity.

Other postretirement plans are accounted for according to local statutory accounting principles.

2-11.3 - Euro Expenses

Costs related to the implementation of the euro are generally recorded as expense when incurred.

2-12 - Treasury Shares

The holding of a parent company's shares by the Company or its subsidiaries ("treasury shares") is accounted for as an investment in equity securities if the treasury shares are considered held for sale. However, if the treasury shares are considered as held for investment purposes, they are accounted for as a reduction of shareholders' equity. At December 31, 1998 and 1997, AXA held for sale 3.6 million and 6.4 million, respectively, of ordinary shares of the Company which had a cost basis of FF 1,698 million and FF 2,098 million, respectively, and a fair value of FF 2,953 million and FF 2,984 million, respectively.

For the year ended December 31, 1998, the Company recognized a gain of FF 1,054 million net of tax and for the year ended December 31, 1997, the Company recognized a gain of FF 243 million.

2-13 - Stock-Based Compensation

AXA uses the intrinsic value-based method of accounting for compensatory stock option incentive plans. Under such method, compensation expense is recorded only if the current market price of the underlying stock exceeds the exercise price of the options on the date both the number of options and exercise price are known. The compensation expense is recognized over the employees' service period which is generally considered to be the vesting period of the options. No compensation expense is recorded for the Company's stock option incentive plans or its employee stock purchase plans.

For AXA's stock option incentive plans where an employee may receive cash in lieu of stock, compensation expense is recorded over the vesting period based on the excess of market value of the underlying stock over the exercise price of the options. Estimates are revised each period taking into consideration market value changes in the underlying stock.

2-14 - New Accounting Pronouncements

In March 1998, the AICPA issued SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". SOP 98-1 requires capitalization of external and certain internal costs incurred to obtain or develop internal-use computer software during the application development stage. AXA intends to adopt the provisions of SOP 98-1 effective January 1, 1999 for both French and US GAAP purposes. The adoption of SOP 98-1 is not expected to have a material impact on AXA's consolidated financial statements.

In October 1998, the FASB issued SFAS No. 134, "Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise", which amends existing accounting and reporting standards for certain activities of mortgage banking enterprises and other enterprises that conduct operations that are substantially similar to the primary operations of a mortgage banking enterprise. This statement is effective for the first fiscal quarter beginning after December 15, 1998. This statement is not expected to have a material impact on AXA's consolidated financial statements.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which establishes accounting and reporting standards for derivative instruments, including derivatives embedded in other contracts, and for hedging activities. It requires all derivatives to be recognized on the balance sheet at fair value. The accounting for changes in the fair value of a derivative depends on its intended use. Derivatives not used in hedging activities must be adjusted to fair value through earnings. Changes in the fair value of derivatives used in hedging activities will, depending on the nature of the hedge, either be offset in earnings against the change in fair value of the hedged item attributable to the risk being hedged or recognized in other comprehensive income until the hedged item affects earnings. For all hedging activities, the ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

SFAS No. 133 requires adoption in fiscal years beginning after June 15, 1999 and permits early adoption as of the beginning of any fiscal quarter following issuance of the statement. Retroactive application to financial statements of prior periods is prohibited. AXA expects to adopt the SFAS No. 133 effective January 1, 2000. Adjustments resulting from initial adoption of the new requirements will be reported in a manner similar to the cumulative effect of a change in accounting principle and will be reflected in net income or accumulated other comprehensive income based upon existing hedging relationships, if any. Management currently is assessing the impact of adoption.

In late 1998, the AICPA issued SOP 98-7, Deposit Accounting: Accounting for Insurance and Reinsurance Contracts that Do Not Transfer Insurance Risk". This SOP, effective for fiscal years beginning after June 15, 1999, provides guidance to both the insured and insurer on how to apply the deposit method of accounting when it is required for insurance and reinsurance contracts that do not transfer insurance risk. The SOP does not address or change the requirements as to when deposit accounting should be applied. SOP 98-7 applies to all entities and all insurance and reinsurance contracts that do not transfer insurance risk except for long-duration life and health insurance contracts. This SOP is not expected to have a material impact on AXA's consolidated financial statements.

In December 1997, the AICPA issued SOP 97-3, "Accounting by Insurance and Other Enterprises for Insurance-Related Assessments". SOP 97-3 provides for assessments related to insurance activities and requirements for disclosure of certain information. SOP 97-3 is effective for financial statements issued for periods beginning after December 31, 1998. Restatement of previously issued financial statements is not required. SOP 97-3 is not expected to have a material impact on consolidated financial statements.

3 - Investments

3-1 - Fixed Maturities and Equity Securities

The following tables provide additional information relating to fixed maturities and equity investments:

(in FF millions)	31 December 1998				
	Carrying Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed Maturities:					
French government	196,840	196,850	28,706	890	224,656
Foreign governments	225,759	225,518	21,119	1,061	245,817
Local governments	52,464	52,354	4,940	120	57,284
Government controlled corporations	54,584	54,368	4,514	123	58,975
Private corporations	214,173	209,822	21,916	7,671	228,418
Mortgage-backed securities	14,423	14,404	398	19	14,802
Other	7,055	7,269	693	88	7,660
Assets allocated to UK with-profits contracts	(21,690)	(17,602)	–	–	(21,690)
Total Fixed Maturities	**743,608**	**742,983**	**82,286**	**9,972**	**815,922**
Equity Securities and Mutual Funds :					
Equity securities	165,506	133,192	33,001	4,006	194,501
Mutual funds	105,931	106,463	12,245	585	117,591
Assets allocated to UK with-profits contracts	(86,510)	(55,613)	–	–	(86,510)
Total Equity Securities and Mutual Funds	**184,927**	**184,042**	**45,246**	**4,591**	**225,582**
Other unconsolidated affiliates	21,420				
Total equity investments	**206,347**				

(in FF millions,)	31 December 1997 Carrying Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed Maturities:					
French government	188,929	188,844	11,531	237	200,223
Foreign governments	203,166	201,535	12,582	589	215,159
Local governments	18,812	18,818	1,023	35	19,800
Government-controlled corporations	54,523	54,490	2,307	466	56,364
Private Corporations	221,418	220,853	10,504	707	231,215
Mortgage-backed securities	13,793	13,798	308	16	14,085
Other	7,547	7,524	176	131	7,592
Assets allocated to UK with-profits contracts	(17,754)	(16,534)	-	-	(17,754)
Total Fixed Maturities	**690,434**	**689,328**	**38,431**	**2,181**	**726,684**
Equity Securities and Mutual Funds :					
Equity securities	194,192	162,450	22,347	2,427	214,112
Mutual funds	58,204	58,776	7,742	102	65,844
Assets allocated to UK with-profits contracts	(85,575)	(57,137)	-	-	(85,575)
Total Equity Securities and Mutual Funds	**166,821**	**164,089**	**30,089**	**2,529**	**194,381**
Other unconsolidated affiliates	17,798				
TOTAL EQUITY INVESTMENTS	**184,619**				

The difference between estimated fair value and carrying value of investments constitutes unrealized investment gains or losses. If realized, certain of these gains or losses would be subject to minority interests, taxes and participation by policyholders.

The contractual maturity of fixed maturities is shown below:

(in FF millions)	31 December 1998 Amortized Cost	Estimated Fair Value
Due in one year or less	43,899	44,522
Due after one year through five years	232,948	248,273
Due after five years through ten years	269,187	299,094
Due after ten years	200,482	231,182
Mortgage-backed securities	14,404	14,802
Other	(335)	(261)
Assets allocated to UK with-profits contracts	(17,602)	(21,690)
TOTAL	**742,983**	**815,922**

Fixed maturities not due at a single maturity date have been included in the above table in the year of final maturity. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. At December 31, 1998, approximately 36% of fixed maturities are due from French borrowers, 18% from US borrowers, with no other country representing more than 10% of the borrowings.

3-2 - Mortgage, Policy and Other Loans

The carrying value of mortgage, policy and loans was FF 75,158 million, FF 27,806 million and FF 45,174 million, respectively, at December 31, 1998 and FF 70,095 million, FF 31,378 million and FF 32,561 million, respectively, at December 31, 1997. Approximately 37.2%, 24.7% and 31.2% of AXA's mortgage loans, at December 31, 1998, are secured by real estate located in the United States, Germany and Belgium, respectively.

At December 31, 1998 and 1997, Equitable's impaired mortgage loans (as defined under SFAS No.114) with provisions for losses had an amortized cost of FF 1,050 million and FF 2,443 million, respectively, and provisions for losses of FF 227 million and FF 578 million, respectively, and impaired mortgage loans with no provisions for losses had an amortized cost of FF 138 million and FF 26 million, respectively. Impaired mortgage loans with no provision for losses are loans where the fair value of the collateral or the net present value of the loan equals or exceeds the recorded investment. Interest income earned on impaired loans where the colateral value is used to measure impairment is recorded on a cash basis. Interest income on impaired loans where the present value method is used to measure impairment is accrued on the net carrying value of the loan at the interest rate used to discount the cash flows. Changes in the present value attributable to changes in the amount or timing of expected cash flows are reported as investment gains or losses. During the years ended December 31, 1998, 1997 and 1996, Equitable's average recorded investment in impaired mortgage loans was FF 1,792 million, FF 2,675 million and FF 4,408 million, respectively. Interest income recognized on these impaired mortgage loans totaled FF 121 million, FF 187 million and FF 314 million, for the years ended December 31, 1998, 1997 and 1996, respectively, including FF 32 million, FF 70 million and FF 158 million, respectively, recognized on a cash basis.

3-3 - Real Estate

AXA's investment in real estate is through both direct ownership and through investments in real estate joint ventures. Depreciation on real estate is computed using the straight-line method over the estimated useful lives of the properties, which generally range from 20 to 50 years. Accumulated depreciation on investment real estate was FF 7,397 million and FF 8,539 million at December 31, 1998 and 1997, respectively. Depreciation expense on such real estate totaled FF 1,289 million, FF 1,836 million and FF 1,149 million for the years ended December 31, 1998, 1997 and 1996, respectively.

At December 31, 1998 and 1997, Equitable owned FF 3,898 million and FF 5,902 million, respectively, of real estate acquired in satisfaction of debt. For the years ended December 31, 1998, 1997 and 1996, real estate of FF 46 million, FF 912 million and FF 498 million, respectively, was acquired in satisfaction of debt.

As of December 31, 1998 and 1997, the carrying value of real estate held for sale amounted to FF 8,733 million and FF 18,077 million, respectively.

3-4 - Trading Account Securities

The cost of trading account securities held by financial services companies at December 31, 1998 and 1997 was FF 75,727 million and FF 100,003 million, respectively. The increase in net unrealized gains (losses) on trading securities held by financial service companies included in earnings was FF (1,144) million, FF 264 million and FF 360 million during 1998, 1997 and 1996, respectively. At December 31, 1998 and 1997, the cost of trading account securities held by the insurance companies was FF 17,423 and FF 26,938 million, respectively. The increase in net unrealized gains (losses) on trading securities held by insurance companies included in earnings was FF (1,354) million and FF 1,369 million during 1998 and 1997, respectively.

3-5 - Investment Valuation Allowance

Investment valuation allowances, which have been deducted in arriving at investment carrying values as presented in the consolidated balance sheets, and changes thereto are shown below (amounts included in other changes relate principally to changes in the scope of consolidation and the impact of changes in foreign currency exchange rates on opening balances):

1998 (in FF millions)	Balance at January 1,	Additions	Deductions	Other Changes	Balance at December 31,
Fixed maturities	55	520	(211)	98	462
Mortgage loans	1,363	518	(1,805)	5,834	5,910
Real estate	4,593	1,835	(2,322)	(940)	3,166
Equity investments	1,309	885	(949)	2,478	3,723
Total	**7,320**	**3,758**	**(5,287)**	**7,470**	**13,261**

1997 (in FF millions)	Balance at January 1,	Additions	Deductions	Other Changes	Balance at December 31,
Fixed maturities	82	–	(32)	5	55
Mortgage loans	878	671	(931)	745	1,363
Real estate	1,745	3,054	(598)	392	4,593
Equity investments	811	882	(487)	103	1,309
Total	**3,516**	**4,607**	**(2,048)**	**1,245**	**7,320**

1996 (in FF millions)	Balance at January 1,	Additions	Deductions	Other Changes	Balance at December 31,
Fixed maturities	62	4	–	16	82
Mortgage loans	1,105	393	(658)	38	878
Real estate	2,809	746	(2,014)	204	1,745
Equity investments	1,316	612	(508)	(609)	811
Total	**5,292**	**1,755**	**(3,180)**	**(351)**	**3,516**

For the years ended December 31, 1998, 1997 and 1996, net reductions to valuation allowances of FF 1,009 million, FF 316 million and FF 123 million respectively, were included in financial and holding company expenses.

At December 31, 1998, the carrying values of investments held for the production of income which were non-income producing for the twelve months preceding the consolidated balance sheet date were FF 407 million of fixed maturities, FF 35 million of mortgage loans and FF 27 million of real estate.

Equitable has restructured or modified the terms of certain fixed maturity and mortgage loan investments. The investment portfolio, based on amortized cost, includes FF 881 million and FF 2,275 million at December 31, 1998 and 1997, respectively, of restructured fixed maturities and mortgage loans. Gross interest income that would have been recorded in accordance with the original terms of these restructured fixed maturities and mortgage loans amounted to FF 83 million, FF 224 million and FF 396 million for the years ended December 31, 1998, 1997 and 1996, respectively. Gross interest income on these fixed maturities and mortgage loans included in net investment results aggregated FF 65 million, FF 171 million and FF 307 million for the years ended December 31, 1998, 1997 and 1996, respectively.

3-6 - Companies Accounted for by the Equity Method

An analysis of carrying value and contribution to net income of equity method investments is shown below:

1998 (in FF millions)	Carrying Value at January 1,	Additions	Deductions	Other Changes	Exchange Rate Differences	Carrying Value at December 31,	Contribution to Net Income
SIMCO	3,713	–	(3,713)	–		–	–
UIF	1,353	–	(1,353)	–		–	–
AXA Colonia subsidiaries:							
– General Re-CKAG	4,274	–	–	14		4,288	–
– Colonia Baltica	237	–	–	(14)		223	–
NMLA Subsidiaries:							
– National Commercial Union	453	–	(16)	19	(101)	355	19
– NM Home Loans Trust	505	6	–	–	(113)	398	–
– NM Property Trust	582	–	(24)	49	(130)	477	49
– Ticor	323	–	–	19	(72)	270	19
– Other NMLA subsidiaries	1,658	202	(31)	(44)	(370)	1,415	(33)
Other subsidiaries under FF 200 million each	446	78	(116)	1	(8)	401	16
Total	**13,544**	**286**	**(5,253)**	**44**	**(794)**	**7,827**	**70**

1997 (in FF millions)	Carrying Value at January 1,	Additions	Deductions	Other Changes	Carrying Value at December 31,	Contribution to Net Income
SIMCO	–	2,292	–	1,421	3,713	64
UIF	–	1,363	–	(10)	1,353	30
AXA Colonia subsidiaries:						
– General Re-CKAG	–	4,274	–	–	4,274	–
– Colonia Baltica	–	237	–	–	237	11
NMLA Subsidiaries:						
– Enemelay Investments	479	–	–	(479)	–	–
– National Commercial Union	368	–	–	85	453	87
– NM Home Loans Trust	484	–	–	21	505	–
– NM Property Trust	528	25	–	29	582	48
– Ticor	629	–	–	(306)	323	–
– Other NMLA subsidiaries	863	259	–	536	1,658	39
Other subsidiaries under FF 200 million each	278	155	–	13	446	18
TOTAL	**3,629**	**8,605**	–	**1,310**	**13,544**	**297**

During the years ended December 31, 1998, 1997 and 1996, AXA received FF 128 million, FF 155 million and FF 6 million, respectively, of cash dividends from companies accounted for by the equity method.

3-7 - INVESTMENTS IN UNCONSOLIDATED AFFILIATES

The following table sets forth an analysis of entities accounted for using the cost method:

Carrying value of significant investments in unconsolidated affiliates

(in FF millions)	Historical Cost Less Valuation Allowance	Shareholders[1] Equity	Latest Fiscal Year Net Income Amount	Latest Fiscal Year Net Income Year	Fiscal Year End	Ownership percentage
Banco Bilbao Vizcaya	521	36,972	6,445	1998	12/31/98	1.24%
Banimmo	558	813	(10)	1998	12/31/98	100.00%
Banque Worms	1,144	1,676	(162)	1998	12/31/98	100.00%
BNP	3,452	65,115	7,309	1998	12/31/98	6.86%
Cantenac Brown	223	62	2	1998	12/31/98	100.00%
Millenium Entertainment Partners	204	1,328	4	1998	12/31/98	14.34%
Paribas	3,376	52,141	6,575	1998	12/31/98	5.41%
RB Patrimonium	534	531	–	1998	12/31/98	100.00%
Schmidt Bank	216	1,556	45	1998	12/31/98	6.29%
Schneider	1,211	24,242	2,680	1998	12/31/98	4.05%
SCI Pichon Longueville	434	168	2	1998	12/31/98	100.00%
Sté Nationale d'Investissement	251	1,414	166	1998	12/31/98	10.61%
Suduiraut	214	91	–	1998	12/31/98	100.00%
Total	**12,338**					
Shareholdings under FF 200 million each	9,082					
TOTAL	**21,420**					

(1) Shareholders' equity is AXA's portionate share and is before inclusion of the latest year's net income.

3-8 - Disclosures About Fair Value of Financial Instruments

Financial instruments that are subject to fair value disclosure requirements, unless otherwise noted herein, are carried in the consolidated financial statements at amounts that approximate fair value based on quoted market prices, if available, estimated discounted cash flow, or quoted market prices of comparable instruments. The fair value information for AXA's significant derivative activity is included in Note 14. Estimates of fair value do not reflect any premium or discount that could result from offering for sale at one time AXA's entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized gains or losses. In many cases, the disclosed fair value estimates cannot necessarily be realized in immediate settlement of the instruments and therefore do not necessarily represent values for which these instruments could have been sold at the date of the consolidated balance sheet.

3-8.1 - Fixed maturities and equity investments

For publicly-traded fixed maturities and equity investments, estimated fair value is determined using quoted market prices. For fixed maturities without a readily ascertainable market value, AXA has generally estimated fair value using a discounted cash flow approach, including provisions for credit risk, generally based upon the assumption such securities will be held to maturity. Fair value for equity investments which do not have a readily ascertainable market value has been estimated by AXA generally based on financial and other information, including reference to quoted prices for similar securities. At December 31, 1998 and 1997, fixed maturities and equity investments without a readily ascertainable market value having an amortized cost of FF 105,577 million and FF 105,558 million, respectively, had an estimated fair value of FF 114,160 million and FF 108,868 million, respectively.

3-8.2 - Mortgage, policy and other loans

Fair values of mortgage, policy and other loans are estimated by discounting future contractual cash flows using interest rates at which loans with similar characteristics and credit quality would be originated. Fair values of mortgage loans on real estate in the process of foreclosure and problem mortgage and other loans are limited to the estimated fair value of the underlying collateral, if lower than the estimated discounted cash flows.

3-8.3 - Insurance investment contracts

The estimated fair value of insurance investment contracts having contract values determined by the value of underlying assets is measured at the estimated fair value of such assets. The estimated fair value of other insurance investment contracts is determined by discounting estimated contractual cash flows at current market interest rates.

3-8.4 - Short-term and long-term debt

The carrying amount of short-term borrowings approximates its fair value. The fair value of long-term debt is determined using published market values, where available, or contractual cash flows discounted at market interest rates reflecting the credit worthiness of the Company or subsidiary issuing the debt. The estimated fair value for non-recourse mortgage debt is determined by discounting contractual cash flows at a rate which takes into account the level of current market interest rates and collateral risk. The estimated fair values for recourse mortgage debt are determined by discounting contractual cash flows at a rate based upon current interest rates of other companies with credit ratings similar to those of the Company or the subsidiary issuing the debt.

3-8.5 - Estimated Fair Value of Financial Instruments

The estimated fair values of financial instruments for which carrying value differs from estimated fair value are as follows:

December 31, (in FF millions)	1998 Carrying Value	1998 Estimated Fair Value	1997 Carrying Value	1997 Estimated Fair Value
Financial Assets:				
Fixed maturities	743,608	815,923	690,434	726,684
Equity investments	206,347	255,573	184,619	218,543
Mortgage, policy and other loans	148,140	155,567	134,034	138,757
Financial Liabilities:				
Insurance investment contracts	1,227,588	1,285,666	1,014,649	1,019,432
Short-term and long-term debt	67,548	68,109	64,726	67,123
Mezzanine Capital	20,863	24,779	18,296	19,341

4 - Net Investment Results

The sources of net investment results are summarized as follows:

	Years Ended December 31,											
	Insurance			Financial Services (a)			Holding Companies			Total		
(in FF millions)	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Net investment income:												
Fixed maturities	45,049	43,701	17,841	41	32	–	248	200	106	45,338	43,933	17,947
Equity investments	10,997	11,034	3,202	33	135	33	168	290	81	11,198	11,459	3,316
Mortgage, policy and other loans	8,012	8,545	5,296	–	1	–	17	12	–	8,029	8,558	5,296
Real estate	5,417	5,678	3,075	(9)	4	–	18	17	–	5,426	5,699	3,075
Other investment income	5,552	5,273	3,891	47	109	101	741	732	631	6,340	6,114	4,623
Investment expenses (b)	(5,557)	(5,693)	(3,101)	79	(123)	(136)	(2,225)	(1,998)	(1,381)	(7,703)	(7,814)	(4,618)
Net Investment Income	**69,470**	**68,538**	**30,204**	**191**	**158**	**(2)**	**(1,033)**	**(747)**	**(563)**	**68,628**	**67,949**	**29,639**
Realized investment gains (losses):												
Fixed maturities	3,268	2,210	1,163	–	–	–	(5)	8	–	3,263	2,218	1,163
Equity investments	18,471	10,331	2,436	1,030	2,888	842	2,076	621	42	21,577	13,840	3,320
Mortgage, policy and other loans	(203)	(317)	(161)	–	–	(26)	74	(3)	(1)	(129)	(320)	(188)
Real estate	341	(2,807)	(332)	(53)	(135)	350	(109)	77	29	179	(2,865)	47
Other	(1,341)	3,245	1,265	(21)	(39)	(50)	128	16	211	(1,234)	3,222	1,426
Net Realized Investment Gains:	**20,536**	**12,662**	**4,371**	**956**	**2,714**	**1,116**	**2,164**	**719**	**281**	**23,656**	**16,095**	**5,768**
Net Investment Results Before Intersegment Eliminations	**90,006**	**81,200**	**34,575**	**1,147**	**2,872**	**1,114**	**1,131**	**(28)**	**(282)**	**92,284**	**84,044**	**35,407**
Interest credited to policyholders	(55,590)	(52,307)	(23,655)	–	–	–	–	–	–	(55,590)	(52,307)	(23,655)
Investment Spread Before Intersegment Elimination	**34,416**	**28,893**	**10,920**	**1,147**	**2,872**	**1,114**	**1,131**	**(28)**	**(282)**	**36,694**	**31,737**	**11,752**
Intersegment eliminations	(613)	(297)	(711)	934	668	670	(321)	(371)	41	–	–	–
INVESTMENT SPREAD (b)	**33,803**	**28,596**	**10,209**	**2,081**	**3,540**	**1,784**	**810**	**(399)**	**(241)**	**36,694**	**31,737**	**11,752**

(a) Amounts do not include the investment income of financial services which is included in the investment banking and other financial services revenues line in the consolidated income statements. Also, depreciation expense related to real estate held by AXA's real estate companies is included in financial and holding company expenses, not in investment expenses.

(b) Includes interest expense incurred by AXA's three insurance segments and its holding company segment of FF 3,807 million, FF 3394 million and FF 2279 million for the years ended December 31, 1998, 1997 and 1996, respectively. Interest expense incurred by AXA's financial services segment relating to financing short-term trading and other operational activity is included in financial and holding company expenses and is not included in the calculation of "investment spread" for the financial services or holding company segments.

In May 1998, AXA sold its participation in Foncière Vendome and UIF for approximately FF 2.3 billion.

In September 1998, AXA sold its interest in FIDEI for FF 112 million.

In July 1998, SLPH sold its branch AXA Leben for FF 440 million resulting in a gain of FF 57 million, net of tax.

Writedowns of fixed maturities at Equitable amounted to FF 569 million, FF 100 million and FF 232 million for the years ended December 31, 1998, 1997 and 1996, respectively. There were no real estate writedowns in 1998. Writedowns of real estate amounted to FF 1,564 million and FF 189 million for the years ended December 31, 1997 and 1996, respectively.

In November 1997, Royale Belge exchanged its interest in Banque Bruxelles Lambert ("BBL"), a bank holding company, for a direct interest in ING, an insurance holding company which purchased BBL. AXA recognized a gain, which was not taxable, of FF 540 million as a result of this exchange.

In August 1997, AXA sold a portion of its interest in CIPM (owned 92.5% by AXA and 5.0% by Mutuelles AXA) to SIMCO, a real estate company owned 33.4% by AXA, for cash amounting to FF 3.9 billion. The portion of CIPM sold by SIMCO represents 61% of CIPM. Concurrently, SIMCO made a public offer to purchase the remaining 2.5% of CIPM. Subsequently, in November 1997, CIPM was merged into SIMCO and AXA's interest in SIMCO increased to approximately 45%. There was no significant gain or loss recognized as a result of this transaction.

In August 1997, Equitable Holding Company redeemed in full its 6.125% subordinated debentures (see Note 6) and all outstanding shares of its series C and E preferred stock in exchange for approximately 32.5 million shares of newly issued common stock. AXA received approximately 15.9 million shares in exchange for its ownership of Series E preferred stock. As a result of this transaction, AXA recognized a gain of FF 356 million. In addition, this transaction reduced AXA's ownership interest in Equitable Holding Company from 60.5% at June 30, 1997 to 57.5% when considered together with the reduction in AXA's ownership interest of AEL.

In June 1997, AXA sold its 34.81% interest in FINEXTEL for FF 458 million. There was no significant gain or loss recognized as a result of this transaction.

In 1997, AEL sold its Isle of Man subsidiary and recognized an after tax gain of FF 118 million.

In June, 1997, Equitable Life sold its subsidiary Equitable Real Estate (excluding two subsidiaries) for FF 2,397 million consisting of FF 1,798 million in cash and a US $ 100.0 million (FF 599 million) 7.4% note maturing in eight years. A gain of FF 973 million, net of tax of FF 524 million, was recognized on this transaction. Equitable Life entered into long-term advisory agreements whereby Equitable Real Estate will continue to provide Equitable Life substantially the same investment and real estate management services for substantially the same fees as provided prior to the sale.

In May 1996, Midi Participations, of which the only asset was AXA ordinary shares, was merged into AXA. Simultaneous with the merger, Assicurazioni Generali SPA ("Generali") exchanged approximately 10 million ordinary shares of AXA for AXA's 40% indirect interest in Generali-Midi Expansion, a holding company controlled by Generali. A pretax gain of FF 357 million was recognized as a result of this transaction.

In 1996, the Bolloré Technologies Group launched a tender offer for the minority interest of its subsidiary SCAC Delmas Vieljeux (SDV). AXA, which held a 17.67% stake in SDV, tendered its shares in the offer. In connection with this transaction, AXA released FF 115 million in valuation allowances previously held on SDV securities and, in addition, realized an after-tax capital gain of FF 35 million.

French Savings Contracts

French Savings Contracts (ACAV and ACAVI) are supported by investments in the form of mutual funds or real estate funds (collectively referred to as funds) generally established by AXA. Real estate funds consist of non-listed real estate companies or real estate joint ventures. The funds issue shares at fair value, which form the underlying investments of French Savings Contracts.

When AXA establishes a fund, the insurance company's General Account contributes cash or other assets, generally in the form of securities or real estate, to the fund and receives all of the shares of the fund in return. When securities or real estate assets are contributed to the funds, a gain or loss is recognized corresponding to the difference between the estimated fair value of the securities or real estate transferred and AXA's historical carrying value of such assets at the date of transfer.

When French Savings Contracts are issued, shares of the funds supporting such French Savings Contracts are transferred from the General Account to the corresponding Separate Account on a first-in, first-out basis and a gain or loss is recognized by AXA through its General Account for the difference between the fair value of the fund shares and their carrying value. Annual fund income is credited to the contractholders and additional fund shares are transferred from the General Account to the Separate Account for such income. At contract maturity or redemption, fund shares are transferred back to the General Account, for cash, at fair value and a new cost basis in such shares held in the General Account is established. Such shares are generally held in the General Account as equity investments or real estate, as appropriate, pending issuance of new French Savings Contracts or increases in balances for existing French Savings Contracts; such shares can also be held for investment, be sold or be redeemed at fair value by the issuing fund. Fair value of fund shares is determined annually or more frequently for real estate funds and daily for mutual funds.

5 - Intangible assets

5-1 - Goodwill

Analysis of Goodwill by company

(in FF millions)	December 31, 1996 Carrying Value	Year Ended December 31, 1997 Structural Changes (a)	Currency Changes	Amorti-zation	December 31, 1997 Carrying Value	Year Ended December 31, 1998 Structural Changes (a)	Currency Changes	Amorti-zation	December 31, 1998 Carrying Value	Years Remaining
Acquired Companies										
Abeille Réassurance	247	–	–	(28)	219	–	–	(30)	189	7
Alliance Capital Management	101	(110)	14	(5)	–	159	(5)	(10)	144	26
Anhyp	–	–	–	–	–	478	–	–	478	30
Axa Assurances Iard SA	697	–	–	(37)	660	–	–	(37)	623	17
Axa Belgium	279	–	(3)	(14)	262	–	–	(3)	259	19
Axa Colonia	–	–	–	–	–	258	–	–	258	30
Axa Equity & Law	272	–	–	(14)	258	–	–	(14)	244	18
AXA Sime Investment Holding	45	99	–	(22)	122	–	–	(25)	97	4
Boréal	173	–	15	(22)	166	–	(18)	(21)	127	6
Cursitor (b)	809	(55)	117	(753)	118	–	(8)	(7)	103	18
D.L.J.	282	368	40	(47)	643	380	(41)	(37)	945	26
Equitable	–	–	–	–	–	449	–	(4)	445	30
Lor Finance	–	186	–	(9)	177	–	–	(177)	–	–
National Mutual Holdings	637	–	–	(34)	603	–	–	(33)	570	17
Royale Belge	–	–	–	–	–	4,908		(68)	4,840	30
Shields	343	–	50	(11)	382	–	(25)	(11)	346	26
UAP	–	1,454	–	(48)	1,406	–	–	(48)	1,358	28
UAP Nederland	–	–	–	–	–	133	–	(29)	104	30
Victoire Belgium	138	–	(2)	(17)	119	–	–	(2)	117	6
Goodwill under FF 100 million each (c)	644	110	15	(202)	567	114	1	(237)	445	–
Total	**4,667**	**2,052**	**246**	**(1,263)**	**5,702**	**6,879**	**(96)**	**(793)**	**11,692**	

(a) Structural changes includes additional acquisitions, sales of acquired companies and other revisions to goodwill.
(b) Includes a write-off of goodwill amounting to FF 725 million for the year ended December 31, 1997.
(c) Structural changes in 1998 concern entities principally in Portugal.

Net amortization of goodwill (excluding goodwill recorded in shareholders' equity) is summarized as follows:

Years ended December 31, (in FF millions)	1998	1997	1996
Goodwill from fully consolidated subsidiaries	(793)	(1,263)	(383)
Goodwill from companies accounted for by the equity method	(5)	(5)	(5)
Negative goodwill (Equitable)	–	205	410
Other negative goodwill	8	12	141
Charge against retained earnings and reserves (a)	177	–	–
Total amortization of goodwill, net	**(613)**	**(1,051)**	**163**

(a) Amount relates to a change in AXA's method of accounting for stock options, as recommended by the COB.

Goodwill Recorded In Shareholders' Equity

Goodwill, net of notional amortization, recorded in retained earnings and reserves totaled FF 12,741 million and FF 10,353 million at December 31, 1998 and 1997, respectively. Such goodwill was impacted in 1998 by the following: the acquisition of Royale Belge's minority interests which resulted in additional goodwill of FF 2,548 million being charged to retained earnings and reserves; purchase accounting adjustments which increased such goodwill by FF 249 million; and notional amortization which totaled FF 409 million. The 1998 purchase accounting adjustments for holding companies, primarily related to the Company, of FF 306 million did not impact goodwill recorded in retained earnings and reserves.

5-2 - Deferred Acquisition Costs

Deferred acquisition costs related to property and casualty insurance and reinsurance amounted to FF 4,725 million, FF 4,830 million and FF 2,426 million at December 31, 1998, 1997 and 1996, respectively. Deferred acquisition costs related to life insurance and the changes thereto are as follows:

Years ended December 31, (in FF millions)	1998	1997	1996
Deferred acquisition costs	35,412	23,692	20,678
Unearned revenue reserve	(4,374)	(1,580)	(1,169)
Balance beginning of year:	**31,038**	**22,112**	**19,509**
Costs capitalized	10,600	11,342	4,007
Interest accrued	1,707	1,326	779
Amortization expense	(5,541)	(4,199)	(3,397)
Net change in unearned revenue reserve	(1,961)	(2,575)	(331)
Other	(1,756)	3,032	1,545
Balance end of year:	**34,087**	**31,038**	**22,112**
Comprised of :			
Deferred acquisition cost	40,086	35,412	23,692
Unearned revenue reserve	(5,999)	(4,374)	(1,580)

5-3 - Value of Purchased Business Inforce

The value of purchased business inforce for AXA's life insurance companies and changes thereto is as follows:

	Years Ended December 31,		
(in FF millions)	**1998**	**1997**	**1996**
Balance beginning of year	**18,682**	**6,832**	**8,056**
Additions from acquisitions	–	12,382	34
Interest accrued	1,109	1,459	495
Amortization expense	(2,637)	(2,420)	(904)
Other	(1,242)	429	(849)
Balance end of year	**15,912**	**18,682**	**6,832**

Amortization of the value of purchased business inforce, net of accrued interest, expected to be recorded in each of the next five years is FF 563 million, FF 642 million, FF 639 million, FF 633 million and FF 666 million. Such amounts are best estimates based on assumptions regarding anticipated future experience of the purchased business. Accordingly, such amounts are subject to adjustment each year to reflect actual experience.

6 - Financing Debt

Long-term and short-term financing debt consist of the following:

December 31, (in FF millions)	1998	1997
Short-term Financing Debt (A)	**8,575**	**4,911**
Long-Term Financing Debt:		
The Company:		
Convertible Notes, 4.5% due 1999 (B)	434	2,714
Medium Term Bonds, 6.5% due 1998 (C)	–	1,384
Medium Term Notes, 3.3% to 8.2%, due 1999 through 2005	1,264	1,164
AXA Colonia:		
Redeemable Notes, 6%	1,696	–
Finaxa Belgium:		
Loan, 5.1575% and 6.62%, due through 2000	390	389
The Equitable Companies Incorporated:		
Senior Notes, 7% due 2028 (D)	1,945	–
Senior Notes, 6.5% due 2008 (D)	1,395	–
Senior Notes, 9.0% due 2004 (E)	1,679	1,798
Senior Exchange Notes, 6.75% to 7.30% due 2000 through 2003 (F)	1,198	1,462
National Mutual Holding:		
Bilateral Loan Facility, 5.40% due 2000 (G)	299	1,090
Sun Life Holding:		
Syndicated loan, variable due 2001 (H)	2,849	3,031
Wholly-owned and Joint venture Real Estate (Equitable):		
Mortgage Notes, 5.87% to 12.00% due through 2006	3,265	6,789
National Mutual Life:		
Deferrable Loan Agreement, 5.78%, due 2001 (I)	–	1,211
Other financial services subsidiaries:		
Real estate Mortgage Notes, variable, due through 2003	417	594
Other financing debt (under FF 500 million each)	**1,813**	**2,032**
Total Long-Term Financing Debt	**18,644**	**23,658**
TOTAL LONG-TERM AND SHORT-TERM FINANCING DEBT	**27,219**	**28,569**

6-1 - SHORT-TERM FINANCING DEBT

(A) -- The Company maintains standby committed credit facilities at December 31, 1998 with an average expiration period of approximately three years in an aggregate amount of FF 15.9 billion of which FF 3.2 billion was outstanding as of December 31, 1998. These committed credit facilities consist of several different credit lines with interest rates based on the Paris Interbank Offered Rate ("PIBOR"). At December 31, 1998, three-month PIBOR was 3.245%. In addition, a quarterly or semiannual commitment fee is paid on the average daily unused amounts. The Company also maintains a FF 8 billion French commercial paper program. As of December 31, 1998, FF 3.3 billion of commercial paper was outstanding under the program with an average maturity of 20 days. The committed credit facilities and the commercial paper program are available for general corporate purposes and support the liquidity of the Company.

6-2 - LONG-TERM FINANCING DEBT

Several of the long-term debt agreements of AXA's subsidiaries have restrictive covenants related to their total amount of debt, net tangible assets and other matters. Management believes that the subsidiaries are in compliance with all material debt covenants.

(B) -- In April 1995, the Company issued FF 2,665 million principal amount of 4.5% convertible notes (the "Notes") at FF 270 per Note. Each Note is convertible at the holder's option into 1.03 ordinary shares (subject to certain antidilution adjustments). Unless previously converted or purchased by the Company, the Notes are required to be redeemed by the Company on January 1, 1999 at 110.19% of their principal amount. At December 31, 1998, 1,538,291 Notes remained outstanding, the conversion of which would lead to the creation of 1,584,440 ordinary shares of the company.

(C) -- In 1994, UAP issued to Konsortium Oppenheim 6.5% fixed interest Deutsche Mark Bonds with an aggregate principal amount of DM 407 million (FF 1,366 million). The note matured in September 1998.

(D) -- In 1998, Equitable Holding Company completed an offering under its existing shelf registration of US $ 350 million (FF 1,945 million) 7% Senior Debentures due 2028 and US $ 250 (FF 1,395 million) 6.5% Senior Notes due 2008.

(E) – In December, 1994, Equitable Holding Company completed a public offering of US $ 300 million (FF 1,679 million) principal amount of senior notes having a fixed interest rate of 9.0% and maturing in 2004.

(F) -- In 1993, Equitable Holding Company issued notes which include US $ 125 million (FF 700 million) principal amount of 6.75% Series I Senior Notes due 2000 and US $ 179 million (FF 1,002 million) principal amount of 7.30% Series II Senior Notes due 2003.

(G) -- In June 1995, National Mutual Holdings entered into a five year unsecured bilateral Australian dollar bank loan facility agreement with a number of banks (the "Agreement") for a total amount available of AUS $ 375 million (FF 1,246 million). The interest rates on amounts outstanding under the Agreement are based on the average buying rates quoted on Reuters page BBSY for nominated interest periods plus an average margin of 0.311% and approximated 5.30% at December 31, 1998. An annual commitment fee of 0.13% is paid on the unused balance.

(H) -- In December 1996, Sun Life Holdings entered into a five-year, floating rate, syndicated loan agreement in the amount of UK £ 300.0 million (FF 2,849 million). The interest rate on the outstanding balance is based on LIBOR plus 15 basis points. Sun Life Holdings has arranged interest rate swaps on the full amount of the borrowing, fixing the interest rate at an average rate of 7.48% through November 2001.

(I) -- In October 1997, National Mutual Life renegotiated its deferrable facilities agreement for a five-year period with an option for a further five years. As part of these negociations, the facility became subordinated and was accordingly reclassified as subordinated debt.

At December 31, 1998, aggregate maturities of long-term debt, including long-term financing debt, operating debt (see Note 7), and subordinated debt (see Note 8-1) based on required principal payments at maturity for 1999 and the succeeding four years are FF 4,494 million, FF 1,334 million, FF 3,240 million, FF 338 million and FF 2,143 million, respectively, and FF 7,095 million thereafter.

7 - Operating Debt

Long-term and short-term operating debt consist of the following:

December 31, (in FF millions)	1998	1997
Short-Term Operating Debt (A)	**18,686**	**21,125**
Long-Term Operating Debt:		
DLJ :		
Senior Notes, 6% due 2001 (B)	1,398	–
Senior Notes, floating rate due 2005 (C)	2,519	–
Senior Notes, 6.5% due 2008	3,602	–
Senior Notes, 6.875% due 2005 (D)	2,787	2,982
Medium Term Notes, 5.625%, due 2016 (E)	1,397	1,496
Senior Subordinated Revolving Credit, 6.688% due 2000	–	1,948
Global floating rate Notes, 5.905% due 2002 (F)	1,950	2,085
Medium Term Notes, 6.28%-6.90%, due 2007 (F)	1,389	1,485
Medium Term Notes, 5.402%-9.991%, due through 2002 (G)	1,671	1,198
Medium Term Notes, 6.15%-6.28% due 2003 (E)	836	–
Structured Notes, various, due through 2012	–	741
Compagnie Financière de Paris: variable, due 2003	720	749
AXA Banque: variables, due through 2001	1,920	1,240
Colonia Bausparkasse	909	–
Other operating debt (under FF 500 million each)	544	1,108
Total Long-Term Operating Debt	**21,642**	**15,032**
TOTAL LONG-TERM AND SHORT-TERM OPERATING DEBT	**40,328**	**36,157**

7-1 - Short-Term Operating Debt

(A) -- AXA's US subsidiaries maintain bank credit facilities aggregating US $ 2,775 billion (FF 15,534 billion) with interest rates based on external indices and commercial paper programs aggregating US $ 1,925 million (FF 10,776 million) to fund short-term working capital needs and facilitate the securities settlement process. At December 31, 1998 there were no amounts outstanding under these bank credit facilities and FF 1,178 million outstanding under the commercial paper programs.

At December 31, 1998 and 1997, DLJ had short-term borrowings from banks and other financial institutions of US $ 617 million (FF 3,452 million) and US $ 1,418 million (FF 8,499 million), respectively. Such borrowings are generally demand obligations at interest rates approximating US Federal funds rates and are generally used to finance securities inventories, to facilitate the securities settlement process and to finance securities purchases by customers on margin. In addition, such borrowings include structured notes with maturities of less than one year.

In January 1998, DLJ commenced a US $ 1.0 billion commercial paper program. At December 31, 1998, DLJ had $ 30.9 million (FF 173 million) in commercial paper outstanding.

7-2 - Long-Term Operating Debt

(B) – In 1998, DLJ issued US $ 250 million of 6% Senior Notes that mature in 2001 from a US $ 1 billion shelf registration established in 1997. To convert these fixed rate notes into floating rate notes based upon the LIBOR, DLJ entered into a swap transaction.

(C) – DLJ Issued Senior Secured and Senior Subordinated Secured Floating Rate Notes for US $ 200.0 million (FF 1,119 million) and US $ 250.0 million (FF 1,400 million) due March 15, 2005 and September 15, 2005, respectively. These notes are collateralized by a portfolio of investments, primarily senior bank debt valued at US $ 441.0 million. Senior bank debt consists of interests in senior corporate debt, including term loans, revolving loans and other corporate debt.

(D) -- In October 1995, DLJ completed an offering of US $ 500 million (FF 2,787 million) aggregate principal amount of 6.875% senior notes due November 1, 2005. Interest is payable semi-annually. The senior notes are not redeemable by DLJ prior to maturity and are not entitled to any sinking fund.

(E) -- In February 1996, DLJ completed a public offering of US $ 250 million (FF 1,397 million) aggregate principal amount of 5.625% Medium Term Notes due 2016. The notes are payable by DLJ, in whole or in part, at the option of the holder on February 15, 2001. In 1998, DLJ completed an offering in the aggregate principal amount of US $ 150 million (FF 836 million) for medium term notes due in 2003.

(F) -- In August 1997, DLJ filed a shelf registration statement which enables DLJ to issue up to US $ 1.0 billion (FF 5,994 million) aggregate principal amount senior or subordinated debt securities. DLJ commenced a program for an offering of up to US $ 500.0 million (FF 2,799 million) medium term notes due nine months or more from the date of issuance. At December 31, 1998, there was US $ 248.1 million (FF 1,389 million) Medium Term Notes outstanding under this program at a fixed rate of 6.94%. In accordance with this registration statement, DLJ also issued

US $ 350.0 million (FF 1,950 million) Global Floating Rate Notes due in September 2002. Such notes bear interest at LIBOR plus 25 basis points and are redeemable by DLJ in whole or in part on or after September 2000. DLJ has entered into an interest rate swap transaction to convert such notes to a 6.94% fixed rate note.

(G) -- In April 1997, DLJ commenced a program for the offering of up to US $300.0 million (FF 1,798 million) of medium term notes under a previously filed shelf registration statement. At December 31, 1998 and 1997, US $ 300 million (FF 1,671 million) and US $ 200 million (FF 1,198 million) notes were outstanding under this program, respectively.

8 - Mezzanine Capital

8-1 - Subordinated Debt

In accordance with the French insurance code, debt for which reimbursement is subordinated to other creditors in the event of a company's liquidation, insolvency or bankruptcy and which has an original maturity date of at least five years (notice period of at least five years in the case of perpetual debt) is considered mezzanine capital.

Subordinated debt consists of the following:

December 31, (in FF millions)	1998	1997
The Company:		
Perpetual Notes, variable (A)	6,048	6,197
Yen Perpetual Notes, variable (B)	1,334	–
Equitable Life:		
Surplus Notes, 6.95% scheduled to mature 2005 (C)	2,236	2,394
Surplus Notes, 7.70% scheduled to mature 2015 (C)	1,118	1,197
DLJ:		
Subordinated Exchange Notes, 9.58% due 2003 (D)	1,148	1,229
Redeemable Preferred Stock, through 2001 (E)	3,219	2,397
Banque IPPA:		
Subordinated Notes, variable, through 2004 (F)	823	904
National Mutual Life:		
Deferrable Loan Agreement, variable rate due 2001 (G)	941	–
Other subordinated debt (under FF 500 million each)	885	867
Total	**17,752**	**15,185**

(A) -- In December 1998, the Company issued approximately FF 6,048 million aggregate principal amount of subordinated perpetual step-up notes ("Perpetual Notes"). The Perpetual Notes have no stated maturity date and are redeemable after December 2007 only at the Company's option. The Perpetual Notes were issued in two tranches, one in US dollars for US $ 400 million (FF 2,248 million) and one in French Francs for FF 3,800 million.

Annual interest for the first 10 years includes a 60 basis points margin over a floating index and is payable quarterly. Such margin increases to 210 basis points thereafter. The floating index is the three-month LIBOR for the US dollar tranche and the three-month PIBOR for the French Franc tranche. Annual interest payments can be deferred if no dividends are declared on ordinary shares or to comply with regulatory solvency margins.

(B) -- On June 5, 1998, the Company issued ¥ 27,000 million (FF 1.2 billion) principal amount of subordinated perpetual step-up notes (the "Yen Perpetual Notes"). The Yen Perpetual Notes have no stated maturity date are and redeemable after July 31, 2028 only at the Company's option.

(C) -- In December 1995, Equitable Life issued US $ 400 million (FF 2,236 million) of surplus notes having an interest rate of 6.95% scheduled to mature in 2005 and US $ 200 million (FF 1,118 million) of surplus notes having an interest rate of 7.7% scheduled to mature in 2015. Payments of interest on or principal of the surplus notes are subject to prior approval by the New York Insurance Department.

(D) -- In October 1996, DLJ exercised its option under the terms of its Cumulative Exchangeable Preferred Stock agreement issued in October 1993 to exchange 2.05 million shares outstanding (of the 2.25 million shares originally issued) for US $ 205.0 million (FF 1,148 million) in aggregate principal amount of 9.58% Subordinated Exchange Notes due 2003. The notes are redeemable, in whole or in part, at the option of DLJ at any time.

(E) -- During the third quarter of 1996, DLJ and its wholly-owned trust, DLJ Capital Trust I (the "Trust") completed an offering from a shelf registration of US $ 200 million (FF 1,120 million) of the Trust's 8.42% mandatorily redeemable preferred securities. The only assets of the Trust at December 31, 1996 were US $ 200 million of 8.42% Junior Subordinated Debentures of DLJ due 2046. The Junior Subordinated Debentures are redeemable by DLJ, in whole or in part, on or after August 31, 2001.

On November 19, 1996, DLJ issued 4.0 million shares of Fixed/Adjustable Rate Cumulative Preferred Stock, Series A, with a liquidation preference of US $ 50 per share. Dividends on the preferred stock are cumulative and payable quarterly at a rate of 5.94% per annum through November 30, 2001. Thereafter, the dividend rate will be adjusted based on various indices, not to be less than 6.44% nor higher than 12.44%. The preferred stock is redeemable, in whole or in part, at the option of DLJ, on or after November 30, 2001.

In January 1998, DLJ issued an initial 3.5 million shares of fixed/adjustable rate cumulative preferred stock, Series B, with a liquidation preference of US $ 50 per share, a US $ 175.0 million (FF 822 million) aggregate liquidation value.

(F) -- Banque IPPA, a subsidiary of Royale Belge, issued BF 6.6 billion (FF 1.1 billion) aggregate principal amount renewable subordinated debt. The renewable subordinated debt has scheduled maturity dates between 1997 and 2004 and is renewed automatically unless the credit worthiness of the bank deteriorates. Interest is payable annually at interest rates which vary between 5.420% and 9.875%.

(G) *-- In October 1997, National Mutual Life renegotiated its deferrable facilities agreement for a five-year period with an option for a further five years. As part of these negociations, the facility became subordinated and was accordingly reclassified as subordinated debt. Interest on the facility is based on the average buying rates quoted on Reuters page BBSY for nominated interest periods plus an average margin of 0.53 %. The interest rate for amounts outstanding at December 31, 1998 was 5.5%.*

DLJ established a program in 1997 for the offering from time to time of up to US $ 300.0 million (FF 1,798 million) of senior subordinated debt securities or preferred stock.

8-2 - Mandatorily Convertible Bonds and Notes

In October 1995, in connection with its acquisition of Abeille Ré, the Company issued FF 2,100 million aggregate principal amount of 4.5% Mandatorily Convertible Bonds. In December 1996, the Company and certain of its subsidiaries repurchased for cash FF 840 million of aggregate principal amount of the Mandatorily Convertible Bonds. The Mandatorily Convertible Bonds outstanding at December 31, 1998 are mandatorily convertible into an aggregate of 7.08 million ordinary shares (subject to certain antidilution adjustments) on December 31, 2000, of which 2.83 million ordinary shares will be owned by subsidiaries of the Company which repurchased the Mandatorily Convertible Bonds.

In January 1997, in conjunction with the acquisition of UAP, AXA issued FF 1,851 million aggregate principal amount of 6.0% Notes ("AXA Notes"). The AXA Notes are mandatorily convertible into 4.1 million ordinary shares on January 1, 2000 unless earlier conversion is requested by the holders.

9 - Employee Benefit Plans

9-1 - Pension Plans

AXA sponsors a variety of pension benefit and retirement indemnity plans covering the majority of AXA employees and, at Equitable, certain life insurance agents. The specific features of these plans vary in accordance with the regulations of the country in which employees are located, although they are, in general, based on a cash balance formula or years of service and salary earned in the last year or years of employment and are non-contributory. In addition, AXA made payments towards defined contribution pension plans of FF 31 million and FF 25 million for the years ended December 31, 1998 and 1997, respectively. Royale Belge set up a defined contribution plan on April 1, 1998, for its new employees; its employer contribution varies from 1% to 10% of employee salary, based on years of service.

Pension costs for AXA's benefit plans are actuarially determined based on assumed discount rates (generally between 6.0% and 7.0%) and are calculated, in general, using the projected unit credit method, except for AEL and Equitable. AEL determines pension costs using the attained age actuarial cost method and a discount rate of 9%. Equitable determines pension costs using the years of service actuarial benefit method and a discount rate of 7.0% and 7.25% at December 31, 1998 and 1997, respectively. Equitable also recorded, as a reduction of its shareholders' equity, an additional minimum pension liability of FF 158 million and FF 104 million, net of income tax, at December 31, 1998 and 1997, respectively, under US GAAP. This liability which primarily represents the excess of the accumulated benefit obligation over the fair value of plan assets and accrued pension liability is not recorded under French GAAP. The French and the German subsidiaries also recorded an additional minimum pension liability of FF 123 million, net of income tax, at December 31, 1998.

The following information for AXA's significant pension plans is provided in accordance with the requirements of SFAS No. 87, "Employers' Accounting for Pensions."

Components of net periodic pension cost for AXA's major pension plans are as follows:

Years ended December 31, (in FF millions)	1998	1997	1996
Service cost	780	744	363
Interest cost on projected benefit obligations	1,955	1,938	854
Expected return on assets	(2,083)	(2,803)	(1,234)
Net amortization and deferrals	141	900	195
NET PERIODIC PENSION COST	**793**	**779**	**178**

The funded status of AXA's major pension plans is as follows:

As of December 31, (in FF millions)	1998	1997
Accumulated benefit obligation	(26,214)	(25,873)
Plan assets at fair value	25,641	24,768
Projected benefit obligation	(30,081)	(28,562)
Plan assets (less than) projected benefit obligation	(4,440)	(3,794)
Unrecognized prior service cost	163	(20)
Unrecognized net loss from past experience different from that assumed	811	677
Unrecognized net obligation (asset) at transition	(43)	(48)
(ACCRUED) PREPAID PENSION COST	**(3,509)**	**(3,185)**

The following table sets forth the reconciliation of the above projected benefit obligation and fair value of plan assets:

(in FF millions)	1998	1997
Change in benefit obligation		
Benefit obligation, beginning of year	28,562	12,741
Service cost	780	744
Interest cost	1,955	1,938
Amendments	174	13
Actuarial loss	1,666	305
Acquisitions	181	12,511
Benefits paid	(1,816)	(1,615)
Foreign currency exchange rate changes	(1,421)	1,925
Benefit obligation, end of year	**30,081**	**28,562**
Change in plan assets		
Plan assets at fair value, beginning of year	24,768	12,733
Actual return on plan assets	3,358	3,234
Contributions	755	1,037
Acquisitions	181	7,209
Benefits paid, fees and taxes	(1,689)	(1,541)
Foreign currency exchange rate changes	(1,732)	2,096
Plan assets at fair value, end of year	**25,641**	**24,768**

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets and accrued pension liability were FF 6,659 million, FF 5,907 million, and FF 584 million, respectively, as of December 31, 1998 and FF 5,522 million, FF 4,970 million, and FF 717 million, respectively, as of December 31, 1997.

Plan assets in the amount of FF 3,094 million and FF 2,572 million at December 31, 1998 and 1997, respectively, for pension plans sponsored by the Company and its French and certain other European subsidiaries are represented by investment contracts issued by consolidated life insurance subsidiaries for which AXA carries an equal amount as a liability for future policy benefits. Other plan assets consist primarily of investments in corporate and government debt and equity securities, equity real estate, and shares of mutual funds managed by a subsidiary of Equitable.

Assumed discount rates and rates of increase in remuneration used in calculating the projected benefit obligations together with long term rates of return on plan assets vary according to the economic conditions of the country in which the pension plans are situated.

The following table sets forth the ranges for the major economic assumptions:

	1998	1997
Discount rate	2.5% to 10.0%	4.0% to 10.0%
Rate of increase in remuneration	2.5% to 5.0%	3.0% to 5.5%
Rate of return on plan assets	4.5% to 10.25%	6.0% to 10.25%

9-2 - Postretirement Benefits Other Than Pensions

Effective January 1, 1994, AXA made available a partial early retirement plan for eligible employees in France which was extended to December 31, 1999. Eligibility is based on attained age, years of service and management approval. Once approved, the employee receives 70% of his current salary, for a period not exceeding five years, and AXA retains the right to call back the employee, if necessary. A provision for the total payment anticipated under this plan is made when an employee is approved as a participant. For the years ended December 31, 1998, 1997 and 1996, AXA recorded expense of FF 52 million, FF 75 million and FF 45 million, respectively, for benefits under this plan.

AXA provides, principally at Equitable, certain medical and life insurance benefits ("postretirement benefits") to qualifying employees, managers and agents who retire after having met certain age and service requirements. The life insurance benefits are related to age and salary at retirement.

The expected costs of providing postretirement benefits are accrued during the years employees earn such benefits. AXA funds postretirement benefits costs as the benefits are utilized, and made postretirement benefits payments of FF 193 million, FF 120 million and FF 105 million for the years ended December 31, 1998, 1997 and 1996, respectively.

Net periodic postretirement benefits costs include the following components:

Year ended December 31, (in FF millions)	1998	1997	1996
Service cost	35	34	28
Interest cost on accumulated postretirement benefits obligation	216	221	184
Expected return on assets	(5)	(4)	–
Net amortization and deferrals	(23)	11	12
Net periodic postretirement benefits costs	**223**	**262**	**224**

The following table sets forth the postretirement benefits plans' status, reconciled to amounts recognized in AXA's consolidated balance sheet:

As of December 31, (in FF millions)	1998	1997
Accumulated postretirement benefits obligation	(3,115)	(3,224)
Plan assets at fair value	53	59
Plan assets (less than) accumulated postretirement benefits obligation	**(3,062)**	**(3,165)**
Unrecognized prior service cost	(180)	(244)
Unrecognized net loss from past experience different from that assumed and from changes in assumptions	723	847
Accrued postretirement benefits costs	**(2,519)**	**(2,562)**

The following table sets forth the reconciliation of the above accumulated postretirement benefits obligation and fair value of plan assets:

(in FF millions)	1998	1997
Change in benefit obligation		
Benefit obligation, beginning of year	3,224	2,053
Service cost	35	34
Interest cost	216	221
Actuarial loss	32	(56)
Acquisitions	–	262
Contributions and benefits paid	(192)	399
Foreign currency exchange rate changes	(200)	311
Benefit obligation, end of year	**3,115**	**3,224**
Change in plan assets		
Plan assets at fair value, beginning of year	59	–
Actual return on plan assets	(36)	3
Contributions	223	475
Acquisitions	–	56
Benefits paid	(193)	(475)
Plan assets at fair value, end of year	**53**	**59**

The assumed health care cost trend rate used in measuring the accumulated postretirement benefits obligation in 1998 was 8.0%, gradually declining to 2.5% in the year 2009, and in 1997 was 8.75%, gradually declining to 2.75% in the year 2009. The discount rate used in determining the accumulated postretirement benefits obligation was 7.0% and 7.25% at December 31, 1998 and 1997, respectively.

If the health care cost trend rate assumptions were increased by 1%, the accumulated postretirement benefits obligation as of December 31, 1998 would be increased by 4.83%, representing an 4.57% increase on the sum of the service cost and interest cost. If the health care cost trend rate assumptions were decreased by 1%, the accumulated postretirement benefits obligation as of December 31, 1998 would be decreased by 5.6%, representing an 5.4% decrease on the sum of the service cost and interest cost.

10 - Reinsurance agreements

In the normal course of business, AXA seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results through reinsurance. AXA limits the effect of catastrophic events and certain other risks on the results of its property and casualty insurance subsidiaries by reinsuring against such events and risks on a non-proportional excess of loss basis. AXA also reinsures its non-French property and casualty insurance business against aggregate losses by line of business, primarily using non-proportional excess of loss contracts. AXA's life insurance subsidiaries reinsure individual mortality risks in excess of amounts which vary by subsidiary, based on the subsidiaries' financial position. AXA also assumes certain levels of risk in various areas of exposure from other insurance companies or reinsurers. Reinsurance assumed activity is included with direct insurance activity.

The components of reinsurance ceded, net, as presented in the consolidated statements of income, are summarized as follows:

	Life Insurance			Property and Casualty Insurance			Reinsurance			Total		
(in FF millions)	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Gross premiums	(3,514)	(4,519)	(1,230)	(7,907)	(12,184)	(2,723)	(2,160)	(2,282)	(928)	(13,581)	(18,985)	(4,881)
Change in unearned premium reserve	619	2,757	320	(689)	(384)	15	158	282	(66)	88	2,655	269
Insurance benefits and claims	2,515	2,550	742	8,699	8,429	1,415	1,673	1,040	244	12,887	12,019	2,401
Other operating costs and expenses	383	(1,818)	128	1,525	2,381	418	1,195	229	176	3,103	792	722
Reinsurance ceded, net	**3**	**(1,030)**	**(40)**	**1,628**	**(1,758)**	**(875)**	**866**	**(731)**	**(574)**	**2,497**	**(3,519)**	**(1,489)**

(in FF millions)	**1998**	**1997**	**1996**
Life Insurance Segment:			
Direct premiums	203,819	196,588	92,899
Reinsurance assumed	9,015	9,079	2,151
Reinsurance ceded	(3,514)	(4,519)	(1,230)
Net Life Insurance Premiums	**209,320**	**201,148**	**93,820**
Property and Casualty Insurance Segment:			
Direct premiums written	83,939	89,420	27,019
Reinsurance assumed	3,171	2,615	692
Reinsurance ceded	(7,907)	(12,183)	(2,724)
Net Property and Casualty Premiums Written	**79,203**	**79,852**	**24,987**
Direct premiums earned	84,581	89,586	26,791
Reinsurance assumed	3,238	2,622	711
Reinsurance ceded	(8,576)	(12,586)	(2,701)
Net Property and Casualty Premiums Earned	**79,243**	**79,622**	**24,801**
Reinsurance Segment:			
Direct premiums written	410	456	395
Reinsurance assumed	9,052	9,388	7,682
Reinsurance ceded	(2,160)	(2,283)	(927)
Net Reinsurance Premiums Written	**7,302**	**7,561**	**7,150**
Direct premiums earned	450	448	393
Reinsurance assumed	8,545	9,179	7,654
Reinsurance ceded	(2,022)	(2,028)	(960)
Net Reinsurance Premiums Earned	**6,973**	**7,599**	**7,087**

AXA evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. Significant reinsurance amounts recoverable on paid and unpaid losses are secured by letters of credit or assets deposited with AXA or in trusts on behalf of AXA. A contingent liability exists with respect to reinsurance ceded should the reinsurers be unable to meet their obligations.

At December 31, 1998 and 1997, accounts receivable from reinsurers totaled FF 5,926 million and FF 6,074 million, respectively; accounts payable to reinsurers totaled FF 6,821 million and FF 8,457 million, respectively; and cash deposits from reinsurers totaled FF 11,776 million and FF 11,759 million, respectively.

11 - Insurance Liabilities

The property and casualty and reinsurance (AXA Re) reserves for insurance claims and claims expenses and changes thereto are as follows:

December 31, (in FF millions)	1998	1997	1996
Reserve for Claims and Claims Expenses, Before Reinsurance			
Beginning of Year	**154,287**	**56,854**	**53,858**
Changes in scope of consolidation and claims reserve portfolio transfers (a)	(891)	90,041	(1,106)
Effect of changes in foreign currency exchange rates	(1,809)	2,702	1,357
Life and other reinsurance	(72)	748	581
	151,515	**150,345**	**54,690**
Claims and Claims Expenses:			
Provision attributable to the current year	80,035	72,688	22,530
Increase (decrease) in provision attributable to prior years (b)	(8,918)	(5,077)	559
Total Claims and Claims Expenses	**71,117**	**67,611**	**23,089**
Payments:			
Claims and claims expenses attributable to current year	(34,909)	(28,971)	(8,584)
Claims and claims expenses attributable to prior years (c)	(29,752)	(34,698)	(12,512)
Total Payments	**(64,661)**	**(63,669)**	**(21,096)**
Other	–	–	171
Total Reserve for Claims and Claims Expenses, Before	**157,971**	**154,287**	**56,854**
Reinsurance End of the Year			
Catastrophe equalization reserves (d)	6,645	6,571	1,655
Other claims reserves (e)	16,012	15,397	2,333
Reinsurance ceded	(23,954)	(24,744)	(6,191)
NET RESERVE FOR CLAIMS AND CLAIMS EXPENSES, END OF YEAR	**156,674**	**151,511**	**54,651**

(a) Reserve for claims and claims expenses of subsidiaries purchased or sold, as of the date of the transaction, reserve for claims and claims expenses acquired or disposed of on a portfolio basis, as of the date of transfer, and other items affecting the reserve balance which have no effect on net income.
(b) Includes an increase in provision of FF 3,133 million for the year ended December 31, 1997 related to the subsidiaries purchased in the UAP acquisition.
(c) Includes claims payments of FF 21,556 million for the year ended December 31, 1997 related to the subsidiaries purchased in the UAP acquisition.
(d) The increase in catastrophe equalization reserves was FF 136 million, FF 1156 million and FF 480 million for the years ended December 31, 1998, 1997 and 1996, respectively.
(e) Includes reserves for disability annuities and future claims for construction insurance.

During the fourth quarter 1996, Equitable completed loss recognition studies and certain cash flow projections related to its life insurance future policyholder benefits and other policyholder liabilities. These analyses included revisions in prior actuarial assumptions, including investment returns. As a result, a premium deficiency reserve was established for participating group annuity contracts and conversion annuities which decreased post-tax income before minority interest FF 248 million; the reserves for disability income business were strengthened and related deferred acquisition costs were eliminated which, together, decreased post-tax income before minority interests FF 1,090 million and the allowance for expected future losses related to the business operations of guaranteed interest contracts and group non-participating wind-up annuities (collectively, GIC business) was increased which reduced post-tax income before minority interests FF 439 million. Management believes that such provisions and reserves are adequate as adjusted; however, their determination requires numerous estimates and involves subjective judgements. Accordingly, there can be no assurances that the loss provisions and reserves will be sufficient to provide for future liabilities. The GIC business allowance for future losses was increased again for the year ended December 31, 1997 resulting in a reduction of post-tax income before minority interest of FF 523 million.

In France, new mortality tables were introduced in 1993 for group insurance annuities and individual retirement products. The impact of adopting the mortality tables is spread over 15 years (from 1993 to 2007). At December 31, 1998, FF 114 million of the impact remains to be recorded.

12 - Income Taxes

A summary of the income tax (expense) benefit in the consolidated income statements is shown below:

Years ended December 31, (in FF millions)	1998	1997	1996
French income tax (expense) benefit:			
Current	(1,235)	(407)	(555)
Deferred	(930)	(1,559)	194
Total	**(2,165)**	**(1,966)**	**(361)**
Foreign income tax (expense) benefit:			
Current	(5,985)	(7,451)	(3,116)
Deferred	132	1,620	577
Total	**(5,853)**	**(5,831)**	**(2,539)**
GRAND TOTAL	**(8,018)**	**(7,797)**	**(2,900)**

In December, 1997 the French finance law No. 97-1026 was adopted, effective January 1, 1997. This new French finance law increased the base tax rate to 36 2/3% from 33 1/3% and imposed a surtax (calculated on the historical base tax rate of 33 1/3%) of 15% for 1997 and 1998, 10% for 1999 and none thereafter. Deferred taxes related to the new surtax have been provided for temporary differences which are expected to reverse prior to December 31, 1999 at the rate in effect (based on enacted rates) when the temporary difference is expected to reverse.

The provisions for income taxes are different from the amounts determined by multiplying income before income tax expense by the French statutory income tax rate (41 2/3% in 1997 and 36 2/3% in 1995 and 1996). The sources of differences from the statutory rate and the tax effect of each are as follows:

Years ended December 31, (in FF millions)	1998	1997	1996
Income tax (expense) at statutory rate	(9,509)	(8,619)	(3,251)
Investments	2,370	2,652	951
Operating expenses and other	208	(2,471)	(248)
Utilization of losses carried forward	(509)	(434)	19
Tax rate differentials	(578)	1,075	(371)
INCOME TAX (EXPENSE)	**(8,018)**	**(7,797)**	**(2,900)**

The French finance law for 1995 enacted a 10% surtax effective January 1, 1995 resulting in an effective tax rate of 36 2/3% in 1996 and 1995. As indicated during the Parliamentary debates, this surtax was deemed to be exceptional and temporary and subject to repeal as early as 1998. The CNC in its Opinion No. 95-10 dated November 24, 1995 determined that deferred taxes recorded relating to the 1995 Finance law 10% surtax should be limited to the temporary differences which will reverse prior to December 31, 1997 and required disclosure in the notes to the consolidated financial statements of the estimated amount of deferred taxes relating to this surtax which will reverse after this date. Due to the 1997 change in legislation, the deferred tax liability of FF 116 million relating to temporary differences which were scheduled to reverse on or after January 1, 1998 (as calculated at December 31, 1996) was recorded during 1997 and is included above as part of the change in enacted tax rates.

The components of the net deferred income tax asset and net deferred income tax liability are as follows:

	December 1998			
	Net Deferred Income Tax Asset		Net Deferred Income Tax Liability	
(in FF millions)	Deductible	Taxable	Deductible	Taxable
Investments	4,801	737	924	(17,467)
Insurance operations (a)	553	133	263	(2,881)
Compensation and related benefits	7,496	462	1,917	(1,309)
Other	1,029	572	1,743	(2,085)
TOTAL	**13,879**	**1,904**	**4,847**	**(23,742)**

(a) Policy acquisition costs, policy reserves and reinsurance.

(in FF millions)	December 31, 1997 Net Deferred Income Tax Asset Deductible	Taxable	Net Deferred Income Tax Liability Deductible	Taxable
Investments	4,113	(2,535)	1,120	(16,244)
Insurance operations (a)	716	(741)	132	(4,113)
Compensation and related benefits	6,703	(537)	1,445	(1,066)
Other	2,260	(504)	2,986	(1,936)
TOTAL	**13,792**	**(4,317)**	**5,683**	**(23,359)**

(a) Policy acquisition costs, policy reserves and reinsurance.

Deferred income tax expense results from changes in temporary differences in the basis of assets and liabilities for financial reporting and income tax purposes.

The sources of these differences and the tax effects of each are as follows:

Years ended December 31, (in FF millions)	1998	1997	1996
Investments	(52)	32	429
Insurance operations (a)	(777)	(917)	9
Compensation and related benefits	(73)	540	75
Operating expenses	–	(1)	1
Other	105	407	257
TOTAL	**(797)**	**61**	**771**

(a) Policy acquisition costs, policy reserves and reinsurance.

At December 31, 1998 there were net operating loss carryforwards for tax purposes approximating FF 1,112 million of which FF 400 million will expire by 2007 and the remainder will be available indefinitely. At December 31, 1998 the UK, Italy and US comprise 64%, 19% and 14% of the loss carryforwards, with balances of FF 397 million, FF 207 million and FF 154 million, respectively. These net operating loss carryforwards are included in income tax returns that are subject to examination by various tax authorities.

The tax authorities in various jurisdictions have examined income tax returns and have proposed certain adjustments which are being contested. Management believes settlement of the contested amounts will have no material adverse effect on the consolidated financial position or results of operations of AXA, taken as a whole.

13 - Minority Interests

Changes in minority shareholders' interests are summarized as follows:

Years ended December 31, (in FF millions)	1998	1997	1996
Minority interests at January 1,	46,506	20,546	18,385
1998 Acquisitions (principally Royale Belge)	(15,251)		
Additions from UAP acquisition	–	19,110	–
Minority interests in income of consolidated subsidiaries	6,390	5,264	2,098
Dividends paid by consolidated subsidiaries	(1,234)	(1,995)	(652)
Internal Restructurings	(215)	426	–
Impact of foreign currency fluctuations on minority interests	(2,331)	2,552	1,071
Other changes	488	603	(356)
Interests at December 31,	**34,353**	**46,506**	**20,546**

14 - Commitments and Contingent Liabilities

14-1 - Derivative Financial Instruments

14-1.1 - Trading activities

AXA's Other Financial Services Segment, principally through DLJ, is party to a variety of option, forward, and futures contracts in its derivative activities. All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. Exposure to market risk is managed in accordance with risk limits set by management by buying or selling instruments or entering into offsetting positions.

Option writing. As part of customer accommodations, AXA's financial services operations write options contracts specifically designed to meet customer needs. Substantially all of these contracts are written by DLJ. As a writer of OTC option contracts, DLJ receives a cash premium at the beginning of the contract period and bears the risk of unfavorable changes in the value of the financial instruments underlying the option. Options written do not expose DLJ to credit risk since they obligate DLJ (not its counterparty) to perform. With respect to the financial instruments underlying these options, DLJ makes a determination that credit exposures are appropriate for the particular counterparty with whom business is conducted. DLJ generally covers its market risk associated with its options business by purchasing or selling cash or other derivative financial instruments on a proprietary basis. Such purchases and sales may include debt and equity securities, futures and forward contracts and options. DLJ reviews the creditworthiness of the counterparties of such covering transactions. Future cash requirements for options written are equal to the fair value of the options. Option contracts are typically written for a duration of less than thirteen months and are included in the consolidated balance sheets at fair value.

Options contracts are substantially covered by the following financial instruments which DLJ has purchased or sold on a proprietary basis and are reflected in the table below at either the underlying notional (contract) amounts for derivative instruments or at market value for cash instruments:

	December 31,	
(in FF millions)	1998	1997
US government, mortgage-backed securities and option thereon	19,011	22,613
Foreign sovereign debt securities	497	438
Forward rate agreements	212	–
Future contracts	425	1,313
Equities and other	8,365	8,031
TOTAL	**28,510**	**32,395**

The trading revenues from option writing activity (net of related interest expense) were approximately FF 443 million, FF 509 million and FF 373 million for the years ended December 31, 1998, 1997 and 1996, respectively. The fair value of options is measured by the unamortized premiums and the intrinsic value determined from various pricing sources. The average monthly fair value of the options was approximately FF 1,703 million and FF 1,338 million for the years ended December 31, 1998 and 1997, respectively. The fair values of options were approximately FF 2,223 million and FF 1,177 million at December 31, 1998 and 1997, respectively, and were included as liabilities in the consolidated balance sheets.

Forward and futures trading. AXA's Other Financial Services Segment, principally through DLJ, also enters into forward purchase and sale contracts for mortgage-backed securities and foreign currencies, futures contracts on equity-based indices, foreign currencies and other financial instruments, as well as options on futures contracts. Such activities are classified as trading; however, certain transactions are for the purpose of risk management. Forward contracts generally call for the purchase or sale, on a delayed settlement basis, of debt securities or currencies or other financial instruments. Futures contracts are exchange-traded contracts which settle daily and generally call for the purchase or sale of a financial instrument at a specified future date at a specified price. Market risk for a forward or futures contract is the movement of price on the notional value of the contract. Cash requirements at inception equal the original margin on futures contracts. Generally, no cash is required at inception for forward contracts. The cash requirement at settlement is equal to the notional value of the contract for a forward contract and the daily changes in market value for a futures contract. The performance of forward contracts is dependent on the financial reliability of the counterparty and exposes AXA to credit risk. AXA monitors credit exposure of forward contracts by limiting transactions with specific counterparties, reviewing credit limits and adhering to internally established credit extension policies. Futures contracts and options on futures contracts are exchange-traded financial instruments that generally do not represent exposure to credit risk due to daily cash settlements of the change in market value with the exchanges. The credit risk with the futures exchange is limited to the net positive change in the market value for a single day.

The notional or market value of these contracts are as follows:

December 31,	1998		1997	
(in FF millions)	Purchased	Sold	Purchased	Sold
Forward contracts at notional value	230,939	222,615	118,991	170,907
Futures contracts and options on futures contracts at market value	6,961	8,996	5,922	16,584

The following is a summary of the value of these contracts included in the consolidated financial statements as of and for the years ended December 31, 1998 and 1997.

December 31, (in FF millions)	1998	1997
Forward contracts:		
Average fair value of asset (liability) during the period	12	12
Unrealized gains included in assets at end of period	1,472	336
Unrealized losses included in liabilities at end of period	1,506	300
Futures contracts:		
Average fair value of asset (liability) during the period	(135)	6
Unrealized gains included in assets at end of period	22	–
Unrealized losses included in liabilities at end of period	6	14

Average fair values during the period were computed using month-end averages. The fair values of futures contracts are measured by reference to quoted market prices. Fair values of forward contracts are estimated on the basis of dealer quotes, pricing models or quoted prices for financial instruments with similar characteristics. Generally, futures and forward contracts are entered into for periods of 90 days or less. The remaining maturities for all options, forwards and futures are less than 13 months.

Net trading gains (losses) on forward contracts were FF 41 million, FF (31) million and FF 204 million and net trading gains (losses) on futures contracts were FF (507) million, FF (144) million and FF 41 million for the years ended December 31, 1998, 1997 and 1996, respectively.

Financial instruments with off-balance sheet risk. In the normal course of business, DLJ's customer, trading and correspondent clearance activities involve the execution, settlement and financing of various securities and financial instrument transactions. These activities may expose DLJ to off-balance-sheet risk in the event the other party to the transaction is unable to fulfill its contractual obligations. DLJ limits this risk by requiring customers and counterparties to maintain margin collateral that is in compliance with regulatory and internal guidelines. Additionally, with respect to DLJ's correspondent clearing activities, introducing correspondent brokers are required to guarantee the performance of their customers in meeting contractual obligations.

DLJ's financing and securities settlement activities involve DLJ using securities as collateral in support of various secured financing sources. In the event the counterparty does not meet its contracted obligation to return securities used as collateral, DLJ may be exposed to the risk of reacquiring the securities at the prevailing market prices to satisfy its obligations. DLJ controls this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure.

Concentration of credit risk. *As a securities broker and dealer, DLJ is engaged in various securities trading and brokerage activities servicing a diverse group of US and non-US corporations, governments, institutional and individual investors. A substantial portion of these transactions are collateralized. DLJ's exposure to credit risk associated with the non performance of these counterparties in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile securities markets, credit markets and regulatory changes. All counterparties are reviewed on a regular basis to establish appropriate exposure limits for a variety of transactions. In certain cases, specific transactions are analyzed to determine the amount of potential exposure that could arise, and the counterparty's credit is reviewed to determine whether it supports such exposure. In addition to the counterparty's credit status, DLJ analyzes market movements that could affect exposure levels. DLJ considers four main factors that may affect trades in determining trading limits: the settlement method; the time it will take for a trade to settle (i.e., the maturity of the trade); the volatility that could affect the value of the securities involved in the trade; and the size of the trade. In addition to determining trading limits, DLJ actively manages the credit exposure relating to its trading activities by entering into master netting agreements when feasible; monitoring the creditworthiness of counterparties and the related trading limits on an ongoing basis; requesting additional collateral when deemed necessary; diversifying and limiting exposure to individual counterparties and geographic locations; and limiting the duration of exposure. In certain cases, DLJ also may close out transactions or assign them to other counterparties when deemed necessary or appropriate to mitigate credit risks.*

DLJ's customer securities activities are transacted on either a cash or margin basis. In margin transactions, DLJ extends credit to the customer, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customer's account. DLJ seeks to control risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. DLJ monitors required margin levels daily and, pursuant to such guidelines, requires the customers to deposit additional collateral, or reduce positions, when necessary.

At December 31, 1998, AXA was not invested in "hedge funds"; however in the United States certain alternative funds are held that utilize trading strategies that may be leveraged, and attempt to protect against market risk through a variety of methods, including short sales, financial futures, options and other derivative instruments.

14-1.2 - Risk management activities

AXA uses interest rate swap contracts to manage its exposure to interest rate fluctuations. Interest rate swap contracts allow AXA to raise long-term borrowings at floating rates and swap them into fixed rates that are lower than those available to AXA if fixed-rate borrowings were obtained directly. Under interest rate swap contracts, AXA agrees with other parties to exchange, at specified intervals, fixed-rate and floating-rate interest amounts calculated by reference to an agreed-upon notional principal amount. AXA is exposed to the credit risk of the counterparty to the extent that amounts are due AXA if the swap contract was terminated currently, but has no credit risk related to notional principal amounts. The notional amounts do not represent the amounts actually exchanged by the parties and thus are not a measure of AXA's exposure under these interest rate swap contracts. Gains and losses related to interest rate swap transactions are amortized as yield adjustments over the remaining *life of the underlying hedged security and are reflected in net investment income.*

The notional amount of interest rate swaps outstanding at December 31, 1998 and 1997 was FF 97,143 million and FF 92,821 million, respectively. The unexpired terms at December 31, 1998 and 1997 generally range from less than one year to five years. At December 31, 1998, the cost of terminating outstanding interest rate swaps in a loss position was FF 150 million, and the unrealized gain on outstanding swaps in a gain position was FF 1,392 million. AXA currently has no intention of terminating these contracts prior to maturity. During 1998, 1997 and 1996, net gains (losses) of FF 134 million, FF (101) million and FF 57 million, respectively, were recorded in connection with interest rate swap activity.

Equitable Life has an interest rate cap program designed to hedge crediting rates for interest sensitive individual annuity contracts. Interest rate caps are option-like agreements where the seller agrees to pay to the counterparty an amount equal to the differential, based on a notional amount, between the interest rate of the specified index and the interest rate cap. The outstanding notional amounts at December 31, 1998 and 1997 of contracts purchased were FF 47,303 million and FF 43,453 million, respectively, and of contracts sold were FF 7,137 million and FF 5,244 million, respectively. The net premium paid by Equitable Life on these contracts was FF 307 million and is being amortized ratably over the contract periods ranging from one to five years. Income and expense resulting from this program are reflected as an adjustment to interest credited to policyholders' account balances. In addition, the French insurance companies use interest rate caps to hedge interest rate fluctuations. At December 31, 1998, the notional amount of purchased interest rate caps was FF 95,668 million. The related net annual premium was FF 165 million with a weighted average duration of between seven and ten years. In conjunction with the issuance of the Perpetual Notes described in Note 8.2, the Company entered into interest rate caps designed to hedge the exposure to rising interest rates. The annual premium amount of FF 27 million is amortized on a straight line basis over the life of the contracts, approximately 10 years. The notional amount of the contracts is FF 3,800 million.

The notional value of options written by insurance companies was FF 2,705 million and FF 8,301 million in 1998 and 1997, respectively. The net premiums received related to these written options were FF 121 million and FF 201 million in 1998 and 1997, respectively. Although generally used in connection with AXA's investment operations and considered part of risk management activities, written options are generally accounted for as a trading activity and thus are stated at estimated fair value with changes in fair value recorded currently in net investment results.

National Mutual uses foreign currency forward contracts to hedge its translation exposure of investments in certain foreign subsidiaries. Such forward contracts are commitments to buy or sell currency at a specified rate on a future date. The notional amount of such contracts was FF 1,661 million and FF 3,116 million at December 31, 1998 and 1997, respectively.

At December 31, 1998, the notional value of interest rate derivatives, foreign exchange derivatives and equity derivatives was FF 396,327 million, FF 10,244 million, and FF 1,536 million, respectively. The market value of such derivatives was FF 582 million.

14-2 - Other Commitments

In the normal course of business, AXA principally through its financial services subsidiaries, enters into letters of credit for the purpose of facilitating certain financing transactions and for securing various margin requirements. Additionally, financial guarantees are provided to customers and other financial institutions. Such commitments are noted in the following table:

As of December 31, (in FF millions)	1998 Received	1998 Given	1997 Received	1997 Given
Commitments to finance:				
Financial institutions	*1,908*	*2,656*	*10,918*	*2,697*
Customers	*568*	*7,566*	*313*	*5,881*
Guarantees:				
Financial institutions	*1,640*	*6,607*	*1,374*	*1,180*
Customers	*6,417*	*3,310*	*4,872*	*2,375*
Other:				
Pledged assets	*2,543*	*3,080*	*1,083*	*13,778*
Collaterized commitments	*42,516*	*5,050*	*11,761*	*9*
Letters of credit	*1,152*	*8,113*	*466*	*5,571*
Commitments for future construction	–	*1,288*	–	*9*
Commitments related to construction	*4*	*731*	*21*	*1,283*
Other	*172*	*6,496*	*316*	*6,021*
Certificates of Guaranteed Value				
UAP Certificates	–	*9,601*	–	*9,602*
Royale Belge Certificates	–	*541*	–	–
TOTAL	***56,920***	***55,039***	***31,124***	***48,406***

In connection with the UAP acquisition (see Note 2-2.1), AXA issued 121.6 million UAP Certificates to third parties. Holders of the UAP Certificates will receive, for each Certificate held as of July 1, 1999 an amount in French francs (not to exceed FF 80 per UAP Certificate) equal to the difference, if positive, between FF 392.50 and the reference price for one ordinary share. The reference price will be equal to the average of the opening stock market prices for ordinary shares on the Paris stock exchange for the 30 trading days immediately preceding July 1, 1999 during which ordinary shares of the Company will have been quoted on such exchange.

At December 31, 1998, the outstanding UAP Certificates had no intrinsic value as the Company ordinary share price quoted on the Paris stock exchange was in excess of FF 392.50. The aggregate maximum exposure for outstanding UAP Certificates, after consideration of hedging strategies put in place, was FF 591 million at December 31, 1998 based on the UAP Certificate's trading price of FF 2.65 on that date.

In connection with the acquisition of the Royale Belge minority interests, AXA issued 2,706,571 million Royale Belge Certificates to former Royale Belge shareholders. The holders of the Royale Belge Certificates will receive an amount in French francs (not to exceed FF 200 per certificate) equal to the difference, if positive, between FF 800 and the reference price for one ordinary share. The reference price will be equal to the average of the closing stock market prices for ordinary shares on the Paris stock exchange for the 40 trading days immediately preceding July 31, 2001. The Royale Belge Certificates will be retired if the closing stock market price for ordinary shares on the Paris stock exchange is greater than or equal to FF 900 during five trading days within any ten consecutive trading day period.

At December 31, 1998, the outstanding Royale Belge Certificates had no intrinsic value. The aggregate market value of outstanding Royale Belge Certificates was FF 73 million at December 31, 1998 based on the Royale Belge Certificates trading price of FF 27 on that date.

In addition to the amounts provided in the tables above, Equitable has provided, from time to time, certain guarantees or commitments to affiliates, investors and others. These arrangements include commitments, under certain conditions: to make capital contributions of up to FF 800 million to affiliated real estate joint ventures; to provide equity financing to certain limited partnerships of FF 1,608 million under existing loan or loan commitment agreements. DLJ has outstanding commitments, expiring March 16, 2000 to finance FF 840 million to third parties to be secured by mortgage loans. At December 31, 1998 unfunded commitments under this facility amounted to FF 414 million. In addition, DLJ enters into commitments in connection with the origination and syndication of senior debt of non-investment grade borrowers for which unfunded senior loan commitments outstanding amounted to FF 3,300 million at December 31, 1998. DLJ also has commitments to invest on a side-by-side basis with merchant banking partners of FF 4,019 million. Management believes Equitable will not incur any material losses as a result of these commitments.

Equitable is the obligor under certain structured settlement agreements which it has entered into with unaffiliated insurance companies and beneficiaries. To satisfy its obligations under these agreements, Equitable owns single premium annuities issued by previously wholly owned life insurance subsidiaries. Equitable has directed payment under these annuities to be made directly to the beneficiaries under the structured settlement agreements. A contingent liability exists with respect to these agreements should the previously wholly owned subsidiaries be unable to meet their obligations. Management believes the risk that Equitable will be required to satisfy those obligations is remote.

14-3 - Environmental Pollution and Asbestos Exposures

AXA has issued insurance policies and assumed reinsurance for coverages related to environmental pollution and asbestos exposure. The insurance companies have been and continue to be involved in disputes regarding policy coverage and judicial interpretation of legal liability for potential environmental and asbestos claims, principally in the US. AXA has received and continues to receive notices of potential insurance and reinsurance claims asserting environmental and asbestos losses under insurance policies issued or reinsured by AXA. Such claim notices are frequently merely precautionary in nature. There are significant uncertainties that affect the insurance companies' ability to estimate future losses for these types of claims and there are a number of issues now being litigated which may ultimately determine whether and to what extent insurance coverage exists. Additionally, possible changes in the US Comprehensive Environmental Response, Compensation and Liability Act of 1980 (commonly referred to as "Superfund") could affect the liabilities of policyholders and insurers relating to environmentally impaired sites covered by Superfund. Resolution of these uncertainties may ultimately result in additional claim losses.

AXA has made cumulative payments under insurance and reinsurance contracts related to environmental and asbestos claims of approximately FF 556 million, FF 487 million and FF 227 million as of December 31, 1998, 1997 and 1996, respectively, relating to claims expenses. Such amounts include payments made by former UAP subsidiaries only subsequent to the acquisition of UAP. As of December 31, 1998 and 1997, AXA has claim liabilities of FF 958 million and

FF 927 million, respectively, for reported insurance and reinsurance claims and additional incurred but not reported (IBNR) claim liabilities of FF 2,118 million and FF 1,880 million, respectively related to environmental pollution and asbestos claims. The 1998 payments and IBNR liabilities primarily relate to Belgium, Germany and the Netherlands. The IBNR liabilities are estimated and regularly evaluated based on information received by management. AXA carefully monitors potential claims for which it has received notice. When estimates are revised, AXA increases or decreases claims liabilities attributable to prior years for such claims. These increases or decreases are reflected in the results of operations for the period in which the estimates are changed.

15 - Litigation

On August 25, 1998, AXA signed a Memorandum of Understanding with certain US insurance regulators, non-governmental Jewish organizations, certain European regulators and certain European insurers agreeing to the establishment of an International Commission. The International Commission will conduct an investigatory process to determine the current status of policies issued to Holocaust victims between 1920 and 1945 and will establish a claim and valuation process designed to resolve unpaid insurance policies.

AXA and certain of its affiliates have been named as defendants in two class actions filed in the Federal District court for the Southern District of New York in 1997 and 1998 related to Holocaust matters.

AXA is in the process of conducting a review of its principal European affiliates. The ultimate objective of this review is to identify relevant archives in order to assess the extent of unpaid policies issued to Holocaust victims by AXA (or its predecessors) between 1920 and 1945.

Assessing the extent of unpaid policies issued to Holocaust victims is complex due to the passage of time, incomplete records, restitution programs, payments to blocked accounts, currency devaluations, insurance portfolio transfers and nationalization of insurance companies. This assessment involves historical, actuarial, economic, regulatory and legal expertise, research and analysis.

Because of the significant uncertainties and complexities involved in resolving these matters, including the outcome of related ligitation, and the likelihood that these uncertainties and complexities will not be resolved in the near future, management is not in a position, at this time, to reasonably estimate AXA's ultimate exposure in this matter and therefore, is unable to determine whether such amounts will be material to AXA's results of operations, liquidity or financial condition.

A number of lawsuits have been filed against life and health insurers in the US involving insurers' sales practices, alleged agent misconduct, failure to properly supervise agents and other matters. Some of the lawsuits have resulted in the award of substantial judgements against other insurers (including material amounts of punitive damages) or in substantial settlements. Equitable Life and its subsidiaries in the past have been involved in such lawsuits, and continue to be periodically named as a defendant in such lawsuits, including lawsuits which are currently pending. Life insurers in the United Kingdom, including AXA Sun Life, are also subject to governmental scrutiny regarding their sales practices. In some jurisdictions, juries have substantial discretion in awarding punitive damages. To date no such lawsuit has resulted in an award or settlement of any material amount against AXA.

In addition, a number of lawsuits have also been filed against DLJ and its subsidiaries involving alleged violations of various US securities laws in connection with DLJ's and its subsidiaries' conduct of its invest-

ment banking, securities trading and brokerage activities. Some of these lawsuits have been brought on behalf of various alleged classes of claimants, and certain of these claimants seek significant or unspecified amounts of damages. Although the outcome of any lawsuit cannot be predicted with certainty, particularly in the early stages of an action, management believes that the ultimate resolution of the ongoing lawsuits referred to in this and the preceding paragraph should not have a material adverse effect on the consolidated financial position of AXA, taken as a whole. Due to the nature of such lawsuits, particularly when in their early stages, management cannot make an estimate of loss, if any, or predict whether or not such lawsuits will have a material adverse effect on the consolidated results of operations of AXA, taken as a whole, in any particular period. In addition, the Company and certain of its subsidiaries are defendants in various legal actions and proceedings of a character normally incident to their business, including actions arising from insurance activities, such as disputes with respect to claims and coverages, and actions arising from investment activities, particularly actions arising from the ownership or management of real estate investments. Some of the actions and proceedings seek specific amounts of damages that are significant while others seek damages of unspecified amounts. While the ultimate outcome of such litigation cannot be predicted with certainty, management believes the resolution of these actions and proceedings will not result in losses that would have a material adverse effect on the consolidated financial position or results of operations of AXA, taken as a whole.

16 - Leases

AXA has entered into operating leases for office space and certain other assets, principally data processing equipment and office furniture and equipment. Future minimum payments under non cancelable leases for 1999 and the succeeding four years are FF 1,821 million, FF 1,645 million, FF 1,451 million, FF 1,278 million and FF 351 million, respectively, and FF 14,306 million thereafter. Future minimum sublease rental income on nonconcelable leases for 1999 and the succeeding four years are FF 40 million, FF 34 million, FF 18 million, FF 18 million and FF 14 million, respectively.

At December 31, 1998, future minimum rental income on noncancelable operating leases for wholly owned real estate investments for 1999 and the succeeding four years are FF 1,924 million, FF 1,750 million, FF 1,547 million, FF 1,352 million and FF 508 million, respectively, and FF 4,454 million thereafter.

17 - Dividend Restrictions and Minimum Capital Requirements

The Company is not subject to legal restrictions on the amount of dividends it may pay to its shareholders provided that earnings and accumulated earnings available for distribution are sufficient. However, certain of the Company's subsidiaries, principally insurance companies, are subject to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise to the Company.

In most cases, the amounts available for dividends from the Company's insurance subsidiaries are limited to the accumulated earnings calculated using the subsidiaries' historical statutory basis of accounting. These amounts can be further limited based on the discretion of the insurance regulators in each country in which AXA operates. In some cases, amounts available for dividends are also subject to regulatory capital adequacy tests, individual subsidiary restrictions contained in company by-laws or approval of the company chief actuary.

In accordance with European Union directives, insurance companies organized in European Union member countries are required to maintain minimum solvency margins which must be supported by capital, retained earnings and reserves, including unrealized appreciation or depreciation on securities and, in France or as approved by local regulators for certain other countries, unrealized capital gains on real estate as reported in regulatory filings. AXA's insurance business in other countries, most notably the United States and Australia, and DLJ are also subject to capital adequacy and solvency margin regulations. At December 31, 1998, management believes AXA's subsidiaries are in compliance with all applicable solvency and capital adequacy margin requirements.

18 - Earnings per Share

The calculation of basic earnings per share ("EPS") assumes no dilution and is based on the weighted average ordinary shares outstanding for the period. The calculation of diluted EPS reflects the dilution that would have occurred if potential ordinary shares had been issued and shared in the net income of the Company, if the effect of the potential ordinary shares would have been dilutive.

Years ended December 31, (in FF millions except ordinary shares in millions)	1998 Ordinary Shares	1998 Net Income	1997 Ordinary Shares	1997 Net Income	1996 Ordinary Shares	1996 Net Income
Net income	338.74	10,042	325.35	7,920	187.10	3,809
Effect of dilutive securities:						
Dilutive securities issued by subsidiaries	–	(108)	–	(138)	–	(40)
Stock options	4.12	–	2.53	–	2.37	–
Convertible Notes	7.62	11	9.91	68	9.91	74
Redeemable bonds	4.11	65	4.11	65	–	–
Mandatorily Convertible Bonds	7.08	55	7.08	55	7.08	60
Convertible Bonds	–	–	–	–	13.98	133
NET INCOME ATTRIBUTABLE TO ORDINARY SHARES AND POTENTIALLY DILUTIVE SECURITIES	**361.67**	**10,065**	**348.98**	**7,970**	**220.44**	**4,036**

19 - Stock Options

Executive officers and other key employees may be granted options to purchase ordinary shares of the Company at a price generally between 90% and 100% of the market price of the ordinary shares at the date of grant. Options have a maximum term of ten years and generally become exercisable in instalments of 25% per year on each of the second through fourth anniversaries of the grant date with the final 25% on either the fifth or ninth anniversary.

A summary of the status of the Company's stock options for 1998, 1997, and 1996 is presented below:

(in FF millions)	1998		1997		1996	
	Shares	Price (a)	Shares	Price (a)	Shares	Price (a)
Outstanding January 1,	**7,107,697**	**249.38**	**6,628,628**	**202.47**	**6,352,012**	**193.01**
UAP Stock Option Plans	–	–	857,072	304.70	–	–
Granted	2,358,000	629.40	1,350,000	324.67	975,672	268.00
Exercised	(443,586)	267.21	(1,583,762)	147.27	(779,822)	157.13
Cancelled	(81,237)	283.15	(144,241)	248.10	(109,136)	209.52
Adjustment (b)	–	–	–	–	189,902	187.55
Outstanding December 31,	**8,940,874**	**348.41**	**7,107,697**	**249.38**	**6,628,628**	**202.47**
Options exercisable at year end	2,746,209	235.28	1,739,020	244.17	2,087,298	159.52
Options available for future grants	774,781		3,132,781		2,587,732	

(a) Price refers to weighted average exercisable price in French Francs.
(b) Anti-dilution adjustment arising from the Company's priority subscription rights offering in February 1996 (see Note 18).

Stock options issued to AXA employees, outstanding at December 31, 1998 and exercisable at such date are as follows:

Exercisable Until	Exercise Price	31 December 1998 Number Outstanding	Number Exercisable
January 10, 1999	114.15	107,281	107,281
June 28, 1999	141.21	26,596	26,596
October 23, 2001	163.69	7,724	1,932
November 3, 2001	300.00	404,040	404,040
January 28, 2002	149.36	278,599	123,285
October 26, 2002	128.35	389,468	–
May 13, 2003	262.50	266,760	73,224
April 12, 2004	235.34	1,849,230	1,317,904
March 28, 2005	219.90	1,078,764	512,289
July 9, 2006	268.00	839,412	179,658
January 21, 2007	322.00	1,285,000	–
September 29, 2007	394.11	50,000	–
April 19, 2008	629.40	2,358,000	–
		8,940,874	**2,746,209**

Under a separate variable option plan, in 1996 AXA granted key managers options which vest over five years to acquire approximately 2 million shares of a wholly-owned subsidiary which has as its principal asset bonds which are exchangeable into 21,523,125 National Mutual Holdings shares. The shares under option would represent 25% of the shares issued by the subsidiary, if and when such options are exercised. Any shares acquired by exercising options are nontransferable and the holders have certain rights to put the shares to AXA for a price based on the equivalent market price of National Mutual Holdings common stock at the date when put.

Under a separate variable option plan, in 1992 AXA granted key managers options to acquire approximately 3.5 million shares of a substantially wholly-owned subsidiary which has as its principal asset shares of common stock of Equitable Holding Company. Options vest over time and are exercisable at FF 43.84 per share generally commencing in 1996. The original number of shares under option would represent 25% of the shares issued by the subsidiary, if and when such options were exercised. Any shares acquired by exercising options are nontransferable and the holders have certain rights to put the shares to AXA for a price based on the equivalent market price of Equitable Holding Company common stock at the date when put. At December 31, 1998, the outstanding balance of options was 804,000.

Total employee stock-based compensation cost charged to earnings was FF 122 million, FF 210 million and FF 14 million for the years ended December 31, 1998, 1997 and 1996, respectively.

20 - Related Party Transactions

The Company and its subsidiaries are parties to cost sharing arrangements with the Mutuelles AXA through intercompany partnerships ("GIEs"). The GIEs accumulate costs, such as salaries and benefits, training, information systems, product development and marketing, and allocate the costs among the respective companies on the basis of actual use of the specific service, to the extent practicable, and, to the extent not practicable, in proportion to such factors as the relative gross premiums or general expenses of the companies participating in the specific GIE. Management believes the allocation methods are reasonable. Costs allocated to AXA under these arrangements were FF 958 million, FF 3,617 million and FF 3,441 million for the years ended December 31, 1998, 1997 and 1996, respectively.

In addition to the cost sharing agreements between AXA and the Mutuelles AXA, cash management functions of the Company and its French subsidiaries and of the Mutuelles AXA are performed through a GIE. At December 31, 1998 and 1997, FF 20,228 million and FF 22,844 million, respectively, of cash and cash equivalents were deposited with this GIE.

The underwriting results of the property and casualty business generated in France by insurance brokers are allocated between one of the Company's subsidiaries and one of the Mutuelles AXA, through a GIE, under a coinsurance agreement. The agreement allocates underwriting results based on premiums written and is subject to modification to reflect changes in business activity. Total premiums subject to this agreement were FF 5,737 million, FF 2,031 million and FF 2,161 million for the years ended December 31, 1998, 1997 and 1996, respectively, of which FF 4,974 million, FF 1,219 million and FF 1,297 million, respectively, were allocated to AXA.

On May 22, 1996, AXA and Finaxa, owner of the AXA trademark, entered into a Licensing Agreement pursuant to which Finaxa granted the Company a non-exclusive license (the "AXA License") to use the AXA trademark in the jurisdictions in which AXA currently operates and in any additional jurisdictions in which the AXA trademark is registered. AXA is obligated to pay Finaxa pursuant to the AXA License an annual fee of FF 5 million as well as 50% of any net royalties the Company receives from sublicenses.

Effective January 1, 1996, AXA purchased bodily injury and certain property casualty lines of business from the Mutuelles AXA for consideration of FF 26 million, the estimated fair value of the net assets acquired. The fair value of assets received was approximately FF 2,000 million.

In 1996, Finaxa entered into an agreement with Generali, an indirect shareholder of the Company, whereby Midi Participations, a then direct holding company of the Company, was merged with the Company resulting in Generali obtaining a direct interest in the Company. Simultaneously with the merger, Generali exchanged approximately 10 million ordinary shares of the Company for the Company's indirect interest in one of Generali's holding companies.

21 - Business Segment Information

AXA has five operating business segments: life insurance, property and casualty insurance, reinsurance, asset management and other financial services. Segment information is also provided for AXA's holding segment which consists of its non-operating holding companies. The financial information for AXA's business segments is presented on a French GAAP basis consistent with the consolidated financial statements presented herein.

Under the French GAAP presentation, transactions with reinsurers are combined and presented net, whereas under the US format such transactions are generally presented gross; under the French presentation intersegment transactions are eliminated whereas under the US format intersegment transactions are generally presented gross; certain investment expenses under the French format are included in other operating costs and expenses rather than the US presentation which generally includes all investment expenses in revenue as a reduction of net investment results; and under the French format goodwill amortization generally is not reflected in the operating segment as under the US requirement but rather it is included in the holding segment.

21-1 - Segment Financial Statement Presentation

	December 31,	
(in FF millions)	1998	1997
Assets:		
Life Insurance	1,680,172	1,606,045
Property and Casualty Insurance	221,622	214,371
Reinsurance	40,126	39,724
Asset Management	9,550	1,173
Other Financial Services	548,777	529,097
Holding	24,102	23,932
TOTAL	**2,524,349**	**2,414,342**

Results of Operations	Year Ended December 31, 1998						
(in FF millions)	Property and Life Insurance	Casualty Insurance	Asset Reinsurance	Other Financial Management	Services	Holding	Total
Revenues							
Gross premiums	212,834	87,110	9,462	–	–	–	309,406
Investment banking and other financial services	–	–	–	8,475	54,025	5	62,505
Change in unearned premium reserve	(30)	709	(467)				212
Net investment results	73,871	13,144	2,378	1,217	864	810	92,284
Total Revenues	**286,675**	**100,963**	**11,373**	**9,692**	**54,889**	**815**	**464,407**
Benefits, claims and other deductions							
Insurance benefits and claims	246,853	72,279	7,661	–	–	–	326,793
Reinsurance ceded, net	(3)	(1,628)	(866)	–	–	–	(2,497)
Acquisition expenses	15,876	13,599	2,804	–	–	–	32,279
Other insurance company expenses	10,724	12,336	417	–	–	–	23,477
Financial and holding company expenses	–	–	–	7,249	51,143	970	59,362
Amortization of goodwill, net	29	61	29	25	48	421	613
Total Benefits, Claims and Other Deductions	**273,479**	**96,647**	**10,045**	**7,274**	**51,191**	**1,391**	**440,027**
Income (loss) before income tax expense	13,196	4,316	1,328	2,418	3,698	(576)	24,380
Income tax (expense) benefit	(3,716)	(1,094)	(260)	(735)	(1,243)	(970)	(8,018)
Minority interests in income (loss) of consolidated subsidiaries	(3,025)	(1,174)	(134)	(1,061)	(1,322)	326	(6,390)
Equity in income (loss) of unconsolidated entities	40	16	–	–	–	14	70
NET INCOME	**6,495**	**2,064**	**934**	**622**	**1,133**	**(1,206)**	**10,042**

Results of Operations	Year Ended December 31, 1997						
(in FF millions)	Property and Life Insurance	Casualty Insurance	Asset Reinsurance	Other Financial Management	Services	Holding	Total
Revenues							
Gross premiums	205,667	92,035	9,844	–	–	–	307,546
Investment banking and other financial services	–	–	–	6,592	50,471	19	57,082
Change in unearned premium reserve	35	174	(217)	–	–	–	(8)
Net investment results	67,345	11,303	2,255	2,353	1,187	(399)	84,044
Total Revenues	**273,047**	**103,512**	**11,882**	**8,945**	**51,658**	**(380)**	**448,664**
Benefits, claims and other deductions							
Insurance benefits and claims	238,152	71,465	7,030	–	–	–	316,647
Reinsurance ceded, net	1,030	1,758	731	–	–	–	3,519
Acquisition expenses	13,807	13,947	2,346	–	–	–	30,100
Other insurance company expenses	10,584	11,471	442	–	–	–	22,497
Financial and holding company expenses	–	–	–	5,661	47,014	1,491	54,166
Amortization of goodwill, net	55	29	59	772	51	85	1,051
Total Benefits, Claims and Other Deductions	**263,628**	**98,670**	**10,608**	**6,433**	**47,065**	**1,576**	**427,980**
Income (loss) before income tax expense	9,419	4,842	1,274	2,512	4,593	(1,956)	20,684
Income tax (expense) benefit	(3,446)	(1,679)	(419)	(705)	(1,599)	51	(7,797)
Minority interests in income (loss) of consolidated subsidiaries	(2,224)	(846)	(42)	(884)	(1,577)	309	(5,264)
Equity in income (loss) of unconsolidated entities	179	42	–	–	75	1	297
NET INCOME	**3,928**	**2,359**	**813**	**923**	**1,492**	**(1,595)**	**7,920**

Results of Operations (in FF millions)	Year Ended December 31, 1996 Property and Life Insurance	Casualty Insurance	Asset Reinsurance	Other Financial Management	Services	Holding	Total
Revenues							
Gross premiums	95,050	27,710	8,078	–	–	–	130,838
Investment banking and other financial services	–	–	–	5,005	31,346	17	36,368
Change in unearned premium reserve	1	(209)	(28)	–	–	–	(236)
Net investment results	29,252	3,031	1,581	889	895	(241)	35,407
Total Revenues	**124,303**	**30,532**	**9,631**	**5,894**	**32,241**	**(224)**	**202,377**
Benefits, claims and other deductions							
Insurance benefits and claims	107,739	20,490	6,062	–	–	–	134,291
Reinsurance ceded, net	40	875	574	–	–	–	1,489
Acquisition expenses	6,741	3,871	1,839	–	–	–	12,451
Other insurance company expenses	6,158	4,238	291	–	–	–	10,687
Financial and holding company expenses	–	–	–	4,493	29,737	526	34,756
Amortization of goodwill, net	5	26	29	108	27	(358)	(163)
Total Benefits, Claims and Other Deductions	**120,683**	**29,500**	**8,795**	**4,601**	**29,764**	**168**	**193,511**
Income (loss) before income tax expense	3,620	1,032	836	1,293	2,477	(392)	8,866
Income tax (expense) benefit	(1,370)	(465)	(238)	(313)	(834)	320	(2,900)
Minority interests in income (loss) of consolidated subsidiaries	(750)	(56)	(19)	(650)	(838)	215	(2,098)
Equity in income (loss) of unconsolidated entities	112	14	–	–	(185)	–	(59)
NET INCOME	**1,612**	**525**	**579**	**330**	**620**	**143**	**3,809**

21-2 - ADDITIONAL SEGMENT INFORMATION

Information described as "Insurance" represents the life insurance, property and casualty insurance and reinsurance segments combined. Information described as "Financial Services" includes the asset management and other financial services segments combined.

21-2.1 - ANALYSIS OF CONSOLIDATED INVESTED ASSETS

(in FF millions)	Insurance Carrying Value	Insurance Fair Value	Financial Services Carrying Value	Financial Services Fair Value	Holding Carrying Value	Holding Fair Value	Total Carrying Value	Total Fair Value
			December 31, 1998					
Fixed maturities	674,803	743,572	65,342	68,768	3,463	3,583	743,608	815,923
Equity investments	192,473	235,994	7,578	7,655	6,296	11,924	206,347	255,573
Mortgage, policy and other loans	101,875	109,302	45,347	45,347	918	918	148,140	155,567
Real estate (a)	84,562	86,837	2,092	2,116	1,417	1,348	88,071	90,301
Assets allocated to UK with-profits contracts	122,748	122,748	–	–	–	–	122,748	122,748
Trading account securities	17,423	17,423	74,664	74,664	–	–	92,087	92,087
Securities purchased under resale agreements	–	–	133,706	133,706	–	–	133,706	133,706
Investments in companies accounted for by the equity method	4,521	4,521	60	60	3,246	3,246	7,827	7,827
Subtotal Investments	**1,198,405**	**1,320,397**	**328,789**	**332,316**	**15,340**	**21,019**	**1,542,534**	**1,673,732**
Cash and equivalents	57,512	57,512	9,736	9,736	1,109	1,109	68,357	68,357
Separate Account assets	501,280	501,280	–	–	–	–	501,280	501,280
TOTAL CASH AND INVESTED ASSETS	**1,757,197**	**1,879,189**	**338,525**	**342,052**	**16,449**	**22,128**	**2,112,171**	**2,243,369**

(a) Real estate assets are subject to periodic expert valuation based on local legal requirements. Such expert valuations are based on a number of techniques including comparative studies and capitalization of income. Fair value of real estate amounts for Equitable have been set equal to the carrying value of real estate as there are no local legal requirements to disclose fair values.

(in FF millions)	Insurance Carrying Value	Insurance Fair Value	Financial Services Carrying Value	Financial Services Fair Value	Holding Carrying Value	Holding Fair Value	Total Carrying Value	Total Fair Value
			December 31, 1997					
Fixed maturities	664,771	699,616	22,813	24,154	2,850	2,914	690,434	726,684
Equity investments	171,114	200,431	6,447	6,707	7,058	11,405	184,619	218,543
Mortgage, policy and other loans	103,528	108,251	29,874	29,874	632	632	134,034	138,757
Real estate (a)	82,998	84,578	16,485	14,743	573	424	100,056	99,745
Assets allocated to UK with-profits contracts	116,216	116,216	–	–	–	–	116,216	116,216
Trading account securities	28,923	28,923	100,086	100,086	–	–	129,009	129,009
Securities purchased under resale agreements	–	–	151,270	151,270	–	–	151,270	151,270
Investments in companies accounted for by the equity method	5,058	5,058	5,239	4,852	3,247	3,247	13,544	13,157
Subtotal Investments	**1,172,608**	**1,243,073**	**332,214**	**331,686**	**14,360**	**18,622**	**1,519,182**	**1,593,381**
Cash and equivalents	44,150	44,150	6,672	6,672	3,010	3,010	53,832	53,832
Separate Account assets	452,364	452,364	–	–	–	–	452,364	452,364
TOTAL CASH AND INVESTED ASSETS	**1,669,122**	**1,739,587**	**338,886**	**338,358**	**17,370**	**21,632**	**2,025,378**	**2,099,577**

(a) Real estate assets are subject to periodic expert valuation based on local legal requirements. Such expert valuations are based on a number of techniques including comparative studies and capitalization of income. Fair value of real estate amounts for Equitable have been set equal to the carrying value of real estate as there are no local legal requirements to disclose fair values.

(in FF millions)	December 31, 1998 Life Insurance Carrying Value	Life Insurance Fair Value	Casualty Insurance Carrying Value	Casualty Insurance Fair Value	Reinsurance Carrying Value	Reinsurance Fair Value	Total Carrying Value	Total Fair Value
Fixed maturities	564,300	621,276	90,594	101,150	19,909	21,146	674,803	743,572
Equity investments	136,707	165,496	52,329	66,295	3,437	4,203	192,473	235,994
Mortgage, policy and other loans	95,428	102,656	6,217	6,417	230	229	101,875	109,302
Real estate (a)	67,361	68,630	16,413	17,467	788	740	84,562	86,837
Assets allocated to UK with-profits contracts	122,748	122,748					122,748	122,748
Trading account securities	17,423	17,423	–	–	–	–	17,423	17,423
Investments in companies accounted for by the equity method	3,045	3,045	1,476	1,476	–	–	4,521	4,521
Subtotal Investments	**1,007,012**	**1,101,274**	**167,029**	**192,805**	**24,364**	**26,318**	**1,198,405**	**1,320,397**
Cash and equivalents	46,623	46,623	9,235	9,235	1,654	1,654	57,512	57,512
Separate Account assets	501,280	501,280	–	–	-	–	501,280	501,280
TOTAL CASH AND INVESTED ASSETS	**1,554,915**	**1,649,177**	**176,264**	**202,040**	**26,018**	**27,972**	**1,757,197**	**1,879,189**

(a) Real estate assets are subject to periodic expert valuation based on local legal requirements. Such expert valuations are based on a number of techniques including comparative studies and capitalization of income. Fair value of real estate amounts for Equitable have been set equal to the carrying value of real estate as there are no local legal requirements to disclose fair values.

(in FF millions)	December 31, 1997 Life Insurance Carrying Value	Life Insurance Fair Value	Casualty Insurance Carrying Value	Casualty Insurance Fair Value	Reinsurance Carrying Value	Reinsurance Fair Value	Total Carrying Value	Total Fair Value
Fixed maturities	554,891	583,740	89,159	94,256	20,721	21,620	664,771	699,616
Equity investments	121,895	142,126	46,029	54,646	3,190	3,659	171,114	200,431
Mortgage, policy and other loans	97,254	101,681	6,200	6,496	74	74	103,528	108,251
Real estate (a)	69,684	69,653	13,151	14,703	163	222	82,998	84,578
Assets allocated to UK with-profits contracts	116,216	116,216					116,216	116,216
Trading account securities	28,923	28,923	–	–	–	–	28,923	28,923
Investments in companies accounted for by the equity method	3,567	3,567	1,491	1,491	–	–	5,058	5,058
Subtotal Investments	**992,430**	**1,045,906**	**156,030**	**171,592**	**24,148**	**25,575**	**1,172,608**	**1,243,073**
Cash and equivalents	29,196	29,196	12,475	12,475	2,479	2,479	44,150	44,150
Separate Account assets	452,364	452,364	–	–	–	–	452,364	452,364
TOTAL CASH AND INVESTED ASSETS	**1,473,990**	**1,527,466**	**168,505**	**184,067**	**26,627**	**28,054**	**1,669,122**	**1,739,587**

(a) Real estate assets are subject to periodic expert valuation based on local legal requirements. Such expert valuations are based on a number of techniques including comparative studies and capitalization of income. Fair value of real estate amounts for Equitable have been set equal to the carrying value of real estate as there are no local legal requirements to disclose fair values.

21-2.2 - Analysis of consolidated insurance reserves:

	December 31,							
	Life Insurance		Property and Casualty Insurance		Reinsurance		Total	
(in FF millions)	1998	1997	1998	1997	1998	1997	1998	1997
Accumulated premium reserves	872,933	871,630	23,749	25,489	6,897	5,549	903,579	902,668
Less reinsurance ceded	(11,842)	(12,109)	(1,105)	(2,248)	(1,318)	(903)	(14,265)	(15,260)
Accumulated premium reserves, net of reinsurance ceded (a)	**861,091**	**859,521**	**22,644**	**23,241**	**5,579**	**4,646**	**889,314**	**887,408**
Claim reserves	47,281	44,327	158,709	154,208	23,179	23,381	229,169	221,916
Less reinsurance ceded	(1,822)	(1,799)	(20,274)	(22,223)	(3,680)	(2,520)	(25,776)	(26,542)
Claim reserves, net of reinsurance ceded	**45,459**	**42,528**	**138,435**	**131,985**	**19,499**	**20,861**	**203,393**	**195,374**
UK with-profits contract liabilities	122,748	116,502	–	–	–	–	122,748	116,502
Separate Account liabilities	501,294	452,002	–	–	–	–	501,294	452,002
TOTAL INSURANCE RESERVES, NET OF REINSURANCE CEDED	**1,530,592**	**1,470,553**	**161,079**	**155,226**	**25,078**	**25,507**	**1,716,749**	**1,651,286**

(a) Accumulated premium reserves, net of reinsurance ceded, of the life insurance segment are presented in the consolidated balance sheet as future policy benefits. Accumulated premium reserves, net of reinsurance ceded of the property and casualty and the reinsurance segments are presented in the consolidated balance sheet as unearned premium reserves.

21-2.3 - Life Insurance Deferred Acquisition Costs

	As of and for the Year Ended December 31, 1998							
(in FF millions)	France	US	UK	Asia / Pacific	Germany	Belgium	Other	Total
Deferred acquisition costs	2,271	25,431	3,010	2,112	1,435	139	1,014	35,412
Unearned revenue reserve	(1,587)	(1,910)	(399)	(47)	–	(15)	(416)	(4,374)
Balance beginning of year:	**684**	**23,521**	**2,611**	**2,065**	**1,435**	**124**	**598**	**31,038**
Expenses capitalized	1,583	3,410	2,234	1,352	1,313	172	536	10,600
Interest accrued	226	854	426	58	87	11	45	1,707
Amortization expense	(227)	(2,814)	(1,538)	(443)	(325)	(35)	(159)	(5,541)
Net change in unearned revenue reserve	(1,150)	(270)	(405)	(30)	–	(13)	(93)	(1,961)
Other	38	(1,567)	(139)	(166)	(38)	–	116	(1,756)
Balance end of year:	**1,154**	**23,134**	**3,189**	**2,836**	**2,472**	**259**	**1,043**	**34,087**
Comprised of:								
Deferred acquisition costs	3,762	25,188	3,967	2,902	2,472	287	1,508	40,086
Unearned revenue reserve	(2,608)	(2,054)	(778)	(66)	–	(28)	(465)	(5,999)

21-2.4 - Value of Purchased Business Inforce

(in FF millions)	France	UK	Asia/Pacific	Germany	Belgium	Other	Total
	December 31, 1998						
Balance beginning of the year	**2,900**	**5,289**	**6,804**	**1,386**	**1,147**	**1,156**	**18,682**
Additions from acquisitions							–
Interest accrued	268	470	152	85	69	65	1,109
Amortization expense	(422)	(627)	(559)	(138)	(504)	(387)	(2,637)
Other	–	(319)	(1,014)	–	–	91	(1,242)
Balance end of year	**2,746**	**4,813**	**5,383**	**1,333**	**712**	**925**	**15,912**

21-2.5 - Analysis of Consolidated Insurance Net Investment Results

	Years Ended December 31,											
	Life Insurance			Property and Casualty Insurance			Reinsurance			Total		
(in FF millions)	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
Net Investment Income:												
Fixed maturities	37,838	36,409	15,440	5,935	5,951	1,645	1,276	1,341	756	45,049	43,701	17,841
Equity investments	8,882	9,127	2,780	2,041	1,811	357	74	96	65	10,997	11,034	3,202
Mortgage, policy and other loans	7,612	8,004	5,216	387	534	74	13	7	6	8,012	8,545	5,296
Real estate	4,914	5,315	3,135	509	353	(66)	(6)	10	6	5,417	5,678	3,075
Other	4,578	4,682	3,252	834	418	295	140	173	344	5,552	5,273	3,891
Investment expenses	(4,594)	(4,872)	(2,893)	(868)	(720)	(167)	(95)	(101)	(41)	(5,557)	(5,693)	(3,101)
Net Investment Income	**59,230**	**58,665**	**26,930**	**8,838**	**8,347**	**2,138**	**1,402**	**1,526**	**1,136**	**69,470**	**68,538**	**30,204**
Net realized investment gains (losses):												
Fixed maturities	2,190	1,659	1,048	655	256	107	423	295	8	3,268	2,210	1,163
Equity investments	14,291	7,529	1,335	3,623	2,642	685	557	160	416	18,471	10,331	2,436
Mortgage, policy and other loans	(172)	(273)	(159)	(33)	(43)	-	2	(1)	(2)	(203)	(317)	(161)
Real estate	220	(2,787)	(409)	118	(79)	77	3	59	-	341	(2,807)	(332)
Other	(1,158)	3,130	1,236	(139)	87	(10)	(44)	28	39	(1,341)	3,245	1,265
Net Realized Investment Gains:	**15,371**	**9,258**	**3,051**	**4,224**	**2,863**	**859**	**941**	**541**	**461**	**20,536**	**12,662**	**4,371**
Net Investment Result Before Intersegment Eliminations	**74,601**	**67,923**	**29,981**	**13,062**	**11,210**	**2,997**	**2,343**	**2,067**	**1,597**	**90,006**	**81,200**	**34,575**
Interest credited to policyholders	(55,590)	(52,307)	(23,655)	-	-	-	-	-	-	(55,590)	(52,307)	(23,655)
Investment Spread Before Intersegment Elimination	**19,011**	**15,616**	**6,326**	**13,062**	**11,210**	**2,997**	**2,343**	**2,067**	**1,597**	**34,416**	**28,893**	**10,920**
Intersegment eliminations	(730)	(578)	(729)	82	93	34	35	188	(16)	(613)	(297)	(711)
INVESTMENT SPREAD	**18,281**	**15,038**	**5,597**	**13,144**	**11,303**	**3,031**	**2,378**	**2,255**	**1,581**	**33,803**	**28,596**	**10,209**

21-2.6 - Miscellaneous reserves (included in accrued expenses and other liabilities)

(in FF millions, Decembre 31,)	1998	1997
Deferred taxes	18,895	17,676
Retirement Liabilities	13,721	13,006
Provision for restructuring costs	3,669	2,713
Accrued expenses	1,496	1,466
SCI and other related liabilities	664	1,251
Other liabilities	3,187	3,698
Total	**41,632**	**39,810**

The provision for restructuring costs and charges there to are as follows:

(in FF millions)		Addition to Existing Provisions		Release of	Excess Provision		New Provisions			
1998	January 1,	Purchase Accounting Adjustment	Expense	Provision via Payments	Purchase Accounting Adjustment	Income	Purchase Accounting Adjustment	Expense	Exchange Rate Impact	December 31,
Provision Established in Purchase Accounting	1,994	353	217	(616)	(25)	(2)	–	–	(1)	1,920
Other provisions	719	–	–	(421)	–	–	–	1,500	(49)	1,749
Total	**2,713**	**353**	**217**	**(1,037)**	**(25)**	**(2)**	**–**	**1,500**	**(50)**	**3,669**

(in FF millions)		Addition to Existing Provisions		Release of	Excess Provision		New Provisions			
1997	January 1,	Purchase Accounting Adjustment	Expense	Provision via Payments	Purchase Accounting Adjustment	Income	Purchase Accounting Adjustment	Expense	Exchange Rate Impact	December 31,
Provision Established in Purchase Accounting	2,047	2	–	(228)	–	(4)	–	191	(15)	1,994
Other provisions	443	–	254	(242)	–	–	–	200	64	719
Total	**2,490**	**2**	**254**	**(470)**	**–**	**(4)**	**–**	**391**	**49**	**2,713**

The FF 956 million increase in restructuring provisions in 1998 as compared to 1997 was principally attributable restructuring provisions recorded in Belgium.

21-2.7 - Analysis of Operating Costs and Expenses

(in FF millions)	December 31, 1998 Life Insurance	Property and Casualty Insurance	Reinsurance	Total Insurance	Asset Management	Other Financial Services	Holding	Total
Salaries and benefits	(11,266)	(10,499)	(399)	(22,164)	(2,445)	(13,767)	(130)	(38,506)
Depreciation and amortization	(428)	(566)	(6)	(1,000)	(105)	(592)	(34)	(1,731)
Commissions	(12,449)	(15,471)	(2,526)	(30,446)	–	–	–	(30,446)
Others (a)	(4,643)	(5,010)	(453)	(10,106)	(4,699)	(36,784)	(806)	(52,395)
Total	**(28,786)**	**(31,546)**	**(3,384)**	**(63,716)**	**(7,249)**	**(51,143)**	**(970)**	**(123,078)**
Insurance claims expenses	(1,732)	(5,416)	(114)	(7,262)				
Acquisition costs	(15,876)	(13,599)	(2,804)	(32,279)				
Other insurance company expenses	(10,724)	(12,336)	(417)	(23,477)				
Investments Management costs	(454)	(195)	(49)	(698)				
TOTAL	**(28,786)**	**(31,546)**	**(3,384)**	**(63,716)**				

(a) Includes VBI amortization expense, DAC amortization and other external costs. For financial services segments, the costs principally include bank administration expenses.

(in FF millions)	December 31, 1997 Life Insurance	Property and Casualty Insurance	Reinsurance	Total Insurance	Asset Management	Other Financial Services	Holding	Total
Salaries and benefits	(10,408)	(10,477)	(314)	(21,199)	(2,116)	(12,053)	(38)	(35,406)
Depreciation and amortization	(544)	(545)	(26)	(1,115)	(100)	(713)	(66)	(1,994)
Commissions	(12,015)	(16,342)	(2,440)	(30,797)	–	–	–	(30,797)
Others (a)	(3,541)	(3,909)	(141)	(7,591)	(3,463)	(34,230)	(1,387)	(46,671)
Total	**(26,508)**	**(31,273)**	**(2,921)**	**(60,702)**	**(5,679)**	**(46,996)**	**(1,491)**	**(114,868)**
Insurance claims expenses	(1,684)	(5,650)	(107)	(7,441)				
Acquisition costs	(13,807)	(13,947)	(2,346)	(30,100)				
Other insurance company expenses	(10,584)	(11,471)	(442)	(22,497)				
Investments Management costs	(433)	(205)	(26)	(664)				
TOTAL	**(26,508)**	**(31,273)**	**(2,921)**	**(60,702)**				

(a) Includes VBI amortization expense, DAC amortization and other external costs. For financial services segments, the costs principally include bank administration expenses.

(in FF millions)	December 31, 1996							
	Life Insurance	Property and Casualty Insurance	Reinsurance	Total Insurance	Asset Management	Other Financial Services	Holding	Total
Salaries and benefits	(4,161)	(2,382)	(287)	(6,830)	(1,883)	(8,175)	(64)	(16,952)
Depreciation and amortization	(512)	(178)	(20)	(710)	(83)	(627)	(54)	(1,474)
Commissions	(5,701)	(4,771)	(1,827)	(12,299)	–	–	–	(12,299)
Others (a)	(3,200)	(2,773)	(97)	(6,070)	(2,489)	(20,973)	(408)	(29,940)
Total	**(13,574)**	**(10,104)**	**(2,231)**	**(25,909)**	**(4,455)**	**(29,775)**	**(526)**	**(60,665)**
Insurance claims expenses	(615)	(1,956)	(95)	(2,666)				
Acquisition costs	(6,741)	(3,871)	(1,839)	(12,451)				
Other insurance company expenses	(6,158)	(4,238)	(291)	(10,687)				
Investments Management costs	(60)	(39)	(6)	(105)				
TOTAL	**(13,574)**	**(10,104)**	**(2,231)**	**(25,909)**				

(a) Includes VBI amortization expense, DAC amortization and other external costs. For financial services segments, the costs principally include bank administration expenses.

21-2.8 - Gross premiums and Asset Management and Other Financial Services Revenues

	1998	1997	1996
Life Insurance			
France	62,624	64,539	20,743
United States	60,221	51,629	37,966
United Kingdom	33,714	30,509	9,384
Asia/Pacific	19,515	21,856	20,478
Germany	16,373	17,003	1,151
Belgium	6,045	5,560	933
Other	14,342	14,571	4,395
Total (reinsurance assumed accounted for FF 9,015 million, FF 9,079 million and FF 2,151 million, respectively)”	**212,834**	**205,667**	**95,050**
Property and Casualty			
France	27,412	27,740	11,261
Germany	17,411	18,457	67
Belgium	8,591	8,574	2,565
Other	24,576	24,521	9,729
Transnational	9,120	12,743	4,088
Total (reinsurance assumed accounted for FF 3,171 million, FF 2,615 million and FF 692 million, respectively)	**87,110**	**92,035**	**27,710**
Reinsurance			
including Direct Insurance	410	456	395
AXA Ré	8,913	9,105	8,078
Other	549	739	-
Total Reinsurance (direct insurance accounted for FF 410 million, FF 456 million, and FF 395 million, respectively)	**9,462**	**9,844**	**8,078**
Asset Management			
Alliance Capital	7,427	5,914	4,741
AXA Investment Managers	875	524	134
National Mutual Funds Management	173	154	129
Total Asset Management	**8,475**	**6,592**	**5,004**
Other Financial Services			
United States	49,104	43,780	28,580
Other	4,549	4,893	1,768
Real Estate	372	1,798	999
Total Other Financial Services	**54,025**	**50,471**	**31,347**
Holdings	**5**	**19**	**17**
Total	**371,911**	**364,628**	**167,206**

21-2.9 - EMPLOYEE DATA

The following table presents employee data for AXA at December 31, 1998.

(in FF millions, except number of employees)	Number of employees	Salaries and benefits
Insurance:		
Life and Property and Casualty	64,792	21,765
Reinsurance	767	399
Financial Services and Holdings :	13,384	16,342
TOTAL	**78,943**	**38,506**

(1) The employees of entities proportionately consolidated are included using the percentage of proportionate ownership.

22 - Consolidated Companies

22-1 - LIST OF PRINCIPAL CONSOLIDATED COMPANIES

The following table lists the companies consolidated or included by the equity method of accounting as well as the Company's share of the subsidiary's voting rights and direct and indirect ownership interest, at December 31, 1998 and 1997.

Fully consolidated companies

	1998		1997	
	Voting rights	Ownership Interest	Voting rights	Ownership Interest
PARENT AND HOLDING COMPANIES				
France				
AXA Direct Holding	100.00	100.00	100.00	100.00
AXA France Assurance	100.00	100.00	100.00	100.00
Colisée Excellence	100.00	100.00	100.00	100.00
Financière 45	99.76	99.76	99.76	99.76
Financière Mermoz	100.00	100.00	100.00	100.00
Jour Finance	100.00	100.00	100.00	100.00
Lor Finance	99.13	99.13	96.56	99.16
Mofipar	99.92	99.92	100.00	100.00
AXA Participations	100.00	99.57	100.00	99.19
Société Beaujon	99.99	99.99	99.99	99.99
AXA Assistance Holding	100.00	100.00	100.00	100.00
United States				
Equitable Companies	59.69	58.46	58.68	57.54
United Kingdom				
AXA Equity & Law Plc	99.92	99.92	99.92	99.92
AXA Sun Life Holding	100.00	71.55	100.00	71.60
AXA UK	100.00	99.90	100.00	99.89
SLP Holdings (4 companies)	71.57	71.55	71.62	71.60
Asia/Pacific				
AXA Insurance Investment Holding (Singapore)	100.00	99.97	100.00	100.00
Detura (Hong Kong)	75.00	36.35	75.00	36.35
National Mutual Holdings (Australia)	51.00	48.47	51.00	48.47
National Mutual International (Australia) (4 companies)	100.00	48.47	100.00	48.47
Germany				
AXA Colonia Konzern	74.75	73.05	70.85	68.89
Kolnische Verwaltungs	99.54	93.34	99.54	92.37
Belgium				
AXA Holding Belgium*	100.00	99.72	74.90	74.57
Finaxa Belgium	100.00	100.00	100.00	100.00
Parcolvi	100.00	99.48	100.00	99.45
Vinci Belgium	99.48	99.48	99.48	99.45
Luxembourg				
AXA Holding Luxembourg*	100.00	98.69		
The Netherlands				
Gelderland	100.00	98.69	100.00	100.00
Vinci BV	100.00	100.00	100.00	99.97
RB International	100.00	98.69	100.00	47.58
Spain				
AXA Aurora	70.00	69.83	70.00	69.67
Italy				
Gruppo UAP Italia	100.00	99.57	100.00	99.21

(*) Consolidated in 1998

	1998		1997	
	Voting rights	Ownership Interest	Voting rights	Ownership Interest
INSURANCE AND REINSURANCE				
France				
Argovie	94.03	94.03	94.83	93.85
AXA Assistance (5 companies)	100.00	100.00	99.78	99.78
AXA Assurance Iard SA	100.00	100.00	100.00	100.00
AXA Assurance Vie SA	100.00	99.95	100.00	99.69
AXA Cessions	100.00	100.00	100.00	100.00
AXA Collectives	99.55	99.55	98.11	98.11
AXA Conseil Iard	100.00	100.00	100.00	100.00
AXA Conseil Vie	100.00	100.00	100.00	100.00
AXA Courtage Iard SA	100.00	99.77	100.00	100.00
AXA Global Risks SA	98.49	98.49	98.37	98.37
AXA Re Finance	79.00	78.92	79.00	78.92
AXA Réassurance	100.00	99.90	100.00	99.89
Axiva	100.00	100.00	100.00	99.81
C.G.R.M (Monté-Carlo)	100.00	99.90	100.00	99.89
Direct Assurance Iard	100.00	100.00	100.00	100.00
Direct Assurance Vie	100.00	100.00	100.00	100.00
Juridica	100.00	100.00	99.36	99.36
Saint-Georges Ré*	100.00	100.00		
SPS Ré	69.94	69.87	99.92	99.81
Théma Vie	99.62	99.62	99.61	99.55
United States				
AXA America	100.00	99.90	100.00	99.89
AXA Global Risks US	100.00	97.57	99.00	82.94
AXA Re Life	100.00	99.90	100.00	99.89
AXA Reinsurance Company	100.00	99.90	100.00	99.89
Equitable (30 companies)	100.00	58.46	100.00	57.54
Canada				
AXA Canada (7 companies)	100.00	100.00	100.00	100.00
United Kingdom				
AXA Global Risks UK	100.00	99.12	100.00	99.17
AXA Insurance UK (8 companies)	100.00	71.6	100.00	71.60
AXA Reinsurance UK Plc	100.00	99.90	100.00	99.89
English & Scottish	100.00	100.00	100.00	100.00
AXA Sun Life (9 companies)	100.00	71.55	100.00	71.60
Asia/Pacific				
AXA Non-Life Japan*	100.00	99.98		
AXA Insurance Pte Ltd (Singapore)	100.00	99.97	100.00	100.00
AXA Life Insurance Co Ltd (Japon)	100.00	100.00	100.00	100.00
AXA Life Insurance Co Ltd (Singapore)	100.00	100.00	100.00	100.00
AXA Insurance (Hong-Kong)	100.00	99.98	100.00	100.00
AXA Reinsurance Asia Pte Ltd (Singapore)	100.00	99.90	100.00	99.89
National Mutual (84 sociétés)	100.00	48.47	100.00	48.47

(*) Consolidated in 1998

	1998		1997	
	Voting rights	Ownership Interest	Voting rights	Ownership Interest
INSURANCE AND REINSURANCE				
Germany				
AXA Colonia Konzern (43 companies)	100.00	73.05	100.00	68.89
Sicher Direct	100.00	86.52	100.00	84.44
Belgium				
AXA Belgium	100.00	98.80	99.75	99.75
De Kortriskse Verzekering	100.00	98.64	99.84	99.60
G.B.Lex	100.00	98.89	100.00	58.00
Juris	100.00	98.80	100.00	100.00
Assurances de la Poste*	50.00	49.34		
Assurances de la Poste Vie*	50.00	49.34		
Royale Belge	98.88	98.69	60.65	47.58
RB 1994	99.75	98.44	99.97	47.56
Royale Belgique Ré	99.97	98.66	99.97	47.58
UAB	99.98	98.67	99.98	47.57
Luxembourg				
AXA Assurances Luxembourg SA	100.00	98.69	99.86	99.86
AXA Assurances Vie Luxembourg SA	100.00	98.69	99.86	99.86
Futur Ré	100.00	98.49	100.00	98.37
Paneurolife	90.00	78.66	82.31	67.61
Paneurore	100.00	85.40	91.00	68.84
Royale UAP Luxembourg	100.00	98.69	100.00	47.58
The Netherlands				
AXA Leven	100.00	98.60	100.00	71.60
AXA Nederland (6 companies)	100.00	98.60	100.00	67.31
Spain				
AXA Aurora Vida	98.51	69.10	94.83	67.21
Direct Seguros	71.43	49.88	71.43	49.77
AXA Seguros	99.82	69.70	100.00	69.03
Ayuda Legal	100.00	69.63	100.00	68.95
Italy				
Allsecures Vita	100.00	100.00	100.00	99.27
AXA Assicurazioni	100.00	99.93	100.00	99.99
UAP Vita	100.00	99.91	100.00	99.51
Switzerland				
AXA Assurance Suisse	100.00	99.57	99.95	99.14
AXA Assurance Suisse Vie	95.00	94.59	94.99	94.21
Portugal				
AXA Portugal Companhia de Seguros	96.19	95.59	43.09	42.56
AXA Portugal Companhia de Seguros de Videa	95.09	95.06	95.09	95.03
Morocco				
AXA Al Amane Assurance	67.40	61.32	67.40	61.09
Epargne Croissance	99.31	60.90	99.31	60.66

(*) Consolidated in 1998

	1998		1997	
	Voting rights	Ownership Interest	Voting rights	Ownership Interest
FINANCIAL SERVICES				
France				
AXA Banque	98.70	95.91	98.70	95.91
AXA Crédit	65.00	63.16	65.00	63.16
AXA Investment Managers (4 companies)	100.00	99.99	100.00	100.00
AXA Millésimes	36.18	36.17	55.11	55.09
Colisée 21 Matignon (*)	100.00	100.00		
Colisée Delcassé	99.98	94.87	100.00	94.90
Colisée Jeûneurs	99.98	94.88	100.00	94.90
Colisée Saint-Georges	100.00	100.00	100.00	99.27
Colisée Suresnes	96.33	94.89	96.33	94.89
Colisée Victoire	99.74	99.74	100.00	99.27
Compagnie Financière de Paris	97.17	97.17	97.17	97.17
Compagnie Parisienne de Participations	100.00	97.17	100.00	99.27
Fidéi Banque	100.00	97.17	31.46	30.33
Holding Soffim	100.00	97.17	100.00	97.17
Monté-Scopeto	99.99	97.17	100.00	99.27
Société de Gestion Civile Immobilière	100.00	100.00	99.39	99.27
Sofapi	100.00	97.17	100.00	97.17
Sofinad	100.00	97.17	100.00	100.00
Transaxim SNC	100.00	97.17	100.00	99.27
United States				
Alliance Capital	57.71	33.74	57.92	33.36
Donaldson, Lufkin & Jenrette	72.27	42.80	72.01	41.43
United Kingdom				
AXA Sun Life Asset Management	100.00	79.48	100.00	79.52
Asia/Pacific				
National Mutual Funds Management (22 companies)	100.00	48.47	100.00	48.47
Germany				
Colonia Bausparkasse	97.81	71.45	97.81	67.38
Belgium				
Banque ANHYP *	98.76	97.46		
Banque IPPA	99.93	98.62	99.94	47.55
Luxembourg				
Royale Belge Investissement	100.00	98.69	100.00	47.58

(*) Consolidated in 1998

Companies proportionately consolidated

	1998		1997	
	Voting rights	Ownership Interest	Voting rights	Ownership Interest
INSURANCE				
France				
NSM Vie	40.12	40.12	40.12	40.12
Asia/Pacific				
Dongbu AXA Life Assurance Co Ltd	50.00	50.00	50.00	50.00

Companies accounted for by the Equity method

	1998		1997	
	Voting rights	Ownership Interest	Voting rights	Ownership Interest
INSURANCE				
Allemagne				
Colonia Baltica	50.00	35.44	50.00	33.42
Général Ré-CKAG	49.90	36.19	49.90	34.13
Italia				
Eurovita*	30.00	29.98	30,00	30,00
Asia/Pacific				
National Commercial Union (Australia)	13.10	6.30	20.40	9.90
NM Home Loans Trust	100.00	48.47	100.00	48.47
NM Property Trust (Australia)	22.50	10.90	28.50	13.80
Sime AXA Behad (Malaysia)	30.00	30.00	30.00	30.00
Ticor (Australia)	28.60	13.86	28.60	13.90
FINANCIAL SERVICES				
France				
Banque de Marchés et d'Arbitrages	27.71	27.69	27.71	27.71

(*) Proportionately consolidated in 1998.

22-2 - Changes in scope of consolidation

Anhyp became a consolidated entity in 1998.

As of January 1, 1997, the former subsidiaries of UAP are included in AXA's consolidated financial statements. In the above list of companies, all new subsidiaries are identified with an asterisk.

In 1997, AXA Equity and Law International (since January 1, 1997) and Equitable Real Estate (since June 1, 1997) are not included in the financial statements as they were sold.

The following new companies were consolidated for the first time in 1996: AXA Direct Seguros, AXA Ré Life, AXA Global Risks, Colisée Delcassé, Colisée Garantie et Colisée Victoire and Mofipar.

In 1996, Meeschaert Rousselle and Haussman 54, previously consolidated, were sold.

22-3 - Company held for sale

Banque Worms and its subsidiaries acquired in the UAP acquisition are included in the Consolidated Financial Statements at original cost (fair value at date of acquisition) less costs to sell.

23 - Subsequent Events - Unaudited

23-1 - SLPH Offer for Guardian Royale Exchange Shares

In January, 1999, the Company reached an agreement with Guardian Royal Exchange ("GRE") in connection with the acquisition of GRE whereby the Board of Directors of GRE will support a public offer launched by SLPH, 71.6% owned by AXA. In exchange for the issued share capital of GRE, SLPH will pay £ 3,447 million (approximately FF 32,738 million) of which £ 2,207 million (FF 20,961 million) will be paid in cash with the remainder in the form of newly issued SLPH shares with a market value of £ 1,240 million (FF 11 777 million), based on SLPH's closing share price on January 29, 1999. Such transaction would reduce AXA's ownership in SLPH to approximately 56%.

GRE is a UK-based insurance group with net premiums for the year ended December 31, 1998 of FF 39,675 million, total assets of FF 213,258 million and net income of FF 3,025 million on a UK GAAP basis. A principal difference between UK GAAP and French and US GAAP is that unrealized gains and losses on investment securities and investment real estate are recorded in income. GRE's principal operations are in the United Kingdom, Ireland, the United States and Germany with smaller operations in South Africa, continental Europe and the rest of the world.

SLPH will retain the UK and Irish businesses of GRE. Albingia, GRE's German operations, will be sold to AXA Colonia (73% owned by AXA). GRE's US operations will be sold outside AXA to Liberty Mutual, a US-based insurance company, for £ 888 million (FF 8,434 million). AXA will retain the other operations of GRE. The proposed transaction is expected to be completed in May 1999.

In order to help fund the cash portion of the offer, AXA has arranged a committed bank facility for £ 2.2 billion (FF 20,895 million) and will make available an equivalent amount to SLPH. As part of this financing, the Company issued in February 1999 2.50% (4.5% effective rate) subordinated convertible notes due in 2014 for euro 1.5 million (FF 10 billion). The conversion into shares of all the notes would result in the issuance of 9,239,333 ordinary shares.

23-2 - Other

In October 1998, AXA Investment Managers acquired Barr Rosenberg a US investment management company, for FF 690 million in cash. An agreement exists whereby an addition to the purchase price may be paid by AXA in 2001 depending on the subsidiary's profits earned until that time. The additional amount paid, if any, will increase goodwill.

On January 4, 1999, AXA sold its 90% stake in Paneurolife, a Luxembourg-based life insurance subsidiary, for FF 630 million resulting in a gain of FF 150 million, group share..

24 - Summary of Material Differences Between Accounting Principles Generally Accepted in France and in the United States

AXA's consolidated financial statements are prepared in accordance with accounting principles generally accepted in France. These accounting principles differ in certain material respects from accounting principles generally accepted in the United States. Described below are the material differences between French GAAP and US GAAP affecting AXA's consolidated net income and shareholders' equity which are set forth in the tables that follow.

24-1 - Scope of Consolidation

The principles covering the scope of consolidation under French GAAP are set forth in Note 2.3. For US GAAP purposes, majority-owned companies, based on voting rights directly or indirectly held, are fully consolidated and less than majority-owned companies over which AXA exercises significant influence (generally 20% or more owned), including those companies proportionately consolidated under French GAAP, are included in the consolidated financial statements using the equity method.

Under French GAAP, AXA began accounting for investment and real estate companies owned by French life insurance subsidiaries using the cost method in 1998 in order to improve financial statement presentation (see Note 2-1). Under US GAAP, such entities are either accounted for using the equity method or consolidated as AXA either exercises significant influence over or controls such entities, respectively.

In consolidating mutual funds for US GAAP purposes, investment securities held by the funds are carried at estimated fair value and changes in estimated fair value are included in net income. Prior to 1996, investment securities of mutual funds that had insignificant outside ownership were carried on the same basis as if AXA held the investment securities directly. The impact of this change in 1996 for US GAAP accounting was immaterial.

24-2 - Purchase Accounting and Goodwill

Under US GAAP, business combinations, including the acquisition of non-controlling interests and the acquisition of minority interests, generally are accounted for as purchases and all assets and liabilities of the acquired company are recorded at fair value at the purchase date.

The accounting method applied under French GAAP for insurance business combinations subsequent to December 31, 1992 is generally the same except for insurance liabilities and certain fixed maturities (see Note 2-4). Under French GAAP, the assets and liabilities of non-insurance company acquisitions are maintained at their historical cost except for real estate which is recorded at estimated fair value. In addition, under French GAAP, the acquired portion of assets and liabilities in connection with minority interests acquisitions are not recorded at their estimated fair value at the minority interest acquisition date. Rather, the carrying values used for the acquired portion of assets and liabilities are the same as those used before the minority interest acquisition.

For US GAAP and French GAAP, AXA is amortizing goodwill over a period generally not greater than 30 years. Under French GAAP, negative goodwill is amortized over a maximum of five years.

24-2.1 - Purchase Accounting and Goodwill - UAP and Royale Belge Minority Interests

For French and US GAAP, the purchase price of acquisitions is generally measured as the fair value of assets distributed as consideration. However, for French GAAP the UAP purchase price was based primarily on UAP's statutory net equity per share which differs from the fair value of assets distributed as consideration. The different methods of determining the UAP purchase price as well as the differences in the underlying accounting principles used for determining the fair value of assets acquired between French GAAP and US GAAP resulted in additional goodwill of FF 2,098 million for US GAAP. The following table summarizes such differences as of January 1, 1997.

For French GAAP, substantially all the goodwill arising from the UAP acquisition was charged directly to retained earnings and reserves (see Note 2-4.2). Under US GAAP, the goodwill was recorded as an asset in the consolidated balance sheet.

	UAP Acquisition	
(in FF millions)	**French GAAP**	**US GAAP**
Purchase Price:		
New Ordinary Shares	33,129	38,160
AXA Treasury Shares	3,768	3,972
Total	**36,897**	**42,132**
Net asset value acquired	(24,678)	(23,894)
UAP Treasury Shares	–	(3,366)
Purchase Accounting Adjustments	555	–
Partial Sales	(53)	(65)
Excess Purchase Price	**12,721**	**14,807**
Charge to Retained Earnings and Reserves	11,267	–
Goodwill asset, January 1, 1997	1,454	14,872
1997 Amortisation Expense	(50)	(496)
1998 Amortisation Expense	(48)	(493)

The difference in the French and US GAAP accounting method for minority interest acquisitions and the issuance of the Royale Belge Certificates (discussed below) resulted in additional goodwill of FF 4,058 million for US GAAP. For French GAAP, FF 2,548 million was charged directly to retained earnings and reserves while under US GAAP, the goodwill was recorded as an asset in the consolidated balance sheet.

	Royale Belge Minority Interest Acquisition	
(in FF millions)	French GAAP	US GAAP
Purchase Price:		
New Ordinary Shares	6,460	6,460
AXA Treasury Shares	2,751	2,751
Cash consideration	9,694	9,694
Royale Belge Certificates		290
Total	**18,905**	**19,195**
Net asset value acquired	**11,449**	**15,797**
Excess Purchase Price	**7,456**	**3,398**
Charge to Retained Earnings and Reserves	2,548	-
Goodwill asset, July 1, 1998	4,908	3,398
Goodwill amortization in 1998	(68)	(47)

For US GAAP, the UAP Certificates are accounted for using a policy similar to the French GAAP accounting policy described at Note 2-4. In January, 1998, US GAAP accounting principles for certificates of guaranteed value changed as a result of the issuance of EITF 97-8, "Accounting for Contingent Consideration Issued in a Purchase Business Combination". Effective January 1998, AXA prospectively conformed its US GAAP policy for certificates of guaranteed value to EITF 97-8 and accordingly the Royale Belge Certificates were recorded at fair value at the acquisition date and included in the purchase price. Such instruments are classified as debt and changes in their fair value are recorded in earnings. Goodwill is unaffected by such changes in fair value or payments made upon maturity or to purchase the Royale Belge Certificates.

24-3 - Fixed Maturities and Equity Investments Accounting and Valuation

Under French GAAP for insurance companies, fixed maturities and equity investments are carried at amortized cost, less valuation allowances. Such valuation allowances are eliminated for US GAAP and fixed maturity and equity securities are written down directly for declines in value deemed to be other than temporary.

Under US GAAP, securities classified as "held to maturity" are reported at amortized cost, securities classified as "trading" are reported at fair value, with unrealized gains and losses included in the statements of income, and securities classified as "available for sale" are reported at fair value, with unrealized gains and losses reported as a separate component of shareholders' equity.

24-4 - Real Estate Accounting and Valuation

Under French GAAP, AXA recognizes gains or losses realized on the exchange of real estate with third-parties based on the appraised value of the properties exchanged. Under US GAAP, if the real estate exchanged is similar, such gains or losses are deferred until the acquired real estate is disposed.

Under French GAAP beginning January 1, 1995, valuation allowances are recorded for declines in the value of real estate deemed to be other than temporary (deemed to be permanent prior to January 1, 1995) for AXA's European subsidiaries. Under US GAAP beginning January 1, 1996, impairments in the value of real estate investments are determined and measured in accordance with SFAS No. 121 as described in Note 2-1. The effect of adopting SFAS No. 121 for US GAAP purposes for AXA's European subsidiaries was not material.

Under French GAAP, gains realized in a sale-leaseback transaction are generally recognized while under US GAAP such gains are generally deferred and recognized over the lease term.

24-5 - Deferred Acquisition Costs

The French GAAP policy regarding deferred acquisition costs is substantially the same as US GAAP for business written after December 31, 1996. Previously there were differences for some of AXA's European subsidiaries.

24-6 - Catastrophe Equalization Reserve

Under French GAAP, in certain jurisdictions, AXA provides a catastrophe equalization reserve for future catastrophe and other unusual losses. US GAAP does not permit recording reserves for losses not yet incurred.

24-7 - Future Policy Benefits

Under French GAAP, future policy benefits for AXA's European subsidiaries, other than AXA Sun Life (see Note 24-1.1), generally are calculated in accordance with the actuarial principles and assumptions issued by insurance regulatory authorities. For AXA's non-European subsidiaries the calculation of future policy benefits is substantially the same as US GAAP, except beginning in 1996 for certain participating policies issued by Equitable (see below).

Under US GAAP, future policy benefits for traditional life policies are computed using a net level premium method on the basis of actuarial assumptions as to mortality, persistency and interest based on the insurance company's experience, with a margin for adverse deviation; such actuarial assumptions are established as of the date of policy issue. When the liabilities for future policy benefits plus the present value of expected future gross premiums are insufficient to provide for expected future policy benefits and expenses, a deficiency reserve is established by a charge to earnings.

The principal assumptions for future policy benefits that differ between French GAAP used for AXA's European subsidiaries, other than AXA Sun Life and beginning in 1996 for certain participating policies issued by Equitable, and US GAAP relate to policyholder persistency and interest rates. Under French GAAP, policies are assumed to remain inforce until their contractual maturity date or the death of the insured; under US GAAP, policies are assumed to lapse based on the insurance company's estimate of rates of surrender. For those life insurance subsidiaries for which different US GAAP interest rate assumptions have a more material effect, the assumptions used for US GAAP generally range from 3.25% to 9%. These interest rate assumptions contrast with the rates used for French GAAP for these subsidiaries which generally range from 3.25% to 6.75%.

For French GAAP purposes, in 1996 Equitable changed its method of accounting for certain long-duration participating life insurance contracts in accordance with the provisions prescribed by SFAS No. 120, "Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts" (see note 2-1). Management has elected not to implement SFAS No. 120 for AXA's consolidated accounts under US GAAP and accordingly is maintaining its previous US GAAP methodology for all long-duration participating life insurance contracts.

24-8 - Restructuring Provisions

Under French and US GAAP, the nature of costs that can be included in restructuring provisions is generally similar. However, US GAAP requires that certain conditions exist which are not required under French GAAP. Among such conditions is the US GAAP requirement that the benefit arrangement be communicated to employees and include sufficient detail to enable employees to determine the type and amount of benefits they will receive if they are terminated. As a result of this and other conditions, certain costs included in restructuring provisions under French GAAP are not admissable under US GAAP.

24-9 - Deferred Taxes

The French finance law for 1995 enacted a 10% surtax effective January 1, 1995 which was expected to be repealed prior to December 31, 1997 based upon the statements made by the French government officials when this surtax was adopted. Under French GAAP the surtax was considered to be temporary and deferred taxes recorded relating to the 10% surtax were limited to those arising from temporary differences that are expected to reverse prior to December 31, 1997. Under US GAAP, deferred taxes are recorded based on enacted tax rates without considering future changes in tax rates not yet enacted, regardless of the likelihood of the future changes.

The effect of the 1995 French finance law 10% surtax on temporary differences determined under US GAAP at December 31, 1996, that were expected to reverse after December 31, 1997, was estimated to be approximately FF 136 million of additional deferred tax liability. AXA did not establish this additional deferred tax liability in 1995 under US GAAP as the amount was not considered material in relation to AXA's financial statements taken as a whole. In 1996, AXA established the deferred tax liability related to the surtax for periods after December 31, 1997 for US GAAP purposes.

24-10 - Intercompany Transactions

Under French GAAP, realized gains or losses on intercompany sales of assets to or from a consolidated French insurance or reinsurance company are not eliminated, if the assets were supporting or are intended to support the liabilities for future policy benefits or insurance claims and claims expenses or if the loss is a result of permanent impairment. Under US GAAP, all gains or losses on intercompany sales of assets are eliminated with appropriate recognition given for asset impairment.

Under French GAAP, capital gains are recognized when appreciated securities or real estate are contributed to mutual funds or real estate funds established for the purpose of supporting French Savings Contracts (see Note 4-1). Under US GAAP, such gains are proportionately recognized when the French Savings Contracts are issued or the fund shares are sold to entities not included in the consolidated financial statements.

24-11 - Treasury Shares

Under US GAAP, the cost of treasury shares is reported as a deduction from shareholders' equity. If such shares are then reissued, the proceeds received are correspondingly reported as an increase to shareholders' equity. Therefore, any gains or losses from holding such shares are recorded as adjustments to shareholders' equity. Under French GAAP, treasury shares are reported as an asset if they are held for sale and gains or losses realized on sale of such shares is included in income.

24-12 - Unrealized Investment Gains on Assets Allocated to UK With-Profits Contracts

Under French GAAP, assets allocated to UK with-profits contracts are carried at fair value and changes in the unrealized investment gains on assets are recognized in net income. Under US GAAP, real estate assets allocated to UK with-profits contracts are carried at cost, less accumulated depreciation and valuation allowances, and fixed maturities and equity investments so allocated (which are considered available-for-sale for US GAAP purposes) are carried at fair value. Under US GAAP, the entire change in net unrealized investment gains is excluded from net income.

Accounting for with-profits contracts under French GAAP matches revenue and expense in net income. Changes in the estimated fair value of assets allocated to with-profits contracts are included in net income as such changes are taken into account in determining the related liability for with-profits contractholder benefits. Therefore, fluctuations in the estimated fair value of assets allocated to with-profits contracts have no direct impact on net income. However, other factors, such as expense charges, income taxes and management's exercise of judgement in setting the level of bonuses, impact net income. Management, in the exercise of its judgement, considers the overall profitability and financial and competitive position of Sun Life, profit on other business and its objectives of meeting contractholders' reasonable expectations and minimizing sharp fluctuations in the level of bonus payments to contractholders from year to year.

Other than for assets held in Separate Accounts (with the exception of separate accounts with guaranteed investment returns) and trading account securities, US GAAP prohibits the recognition in net income of changes in the estimated fair value of assets, even when such assets are allocated to support insurance contracts. Accordingly, AXA's consolidated net income (loss) in accordance with US GAAP excludes the change in unrealized investment gains or losses on assets allocated to with-profits contracts, while recognizing in full the related increase or decrease in the liability for with-profits contractholder benefits associated with such gains or losses. As a result, in AXA's view, revenues and expenses are no longer appropriately matched.

Under US GAAP, when the estimated fair value of assets increases, the liability for contractholder benefits increases to reflect the higher expected terminal bonuses, without recognizing the corresponding unrealized investment gains in net income. Consequently, the impact of a rise in fair value of assets is to reduce US GAAP consolidated net income. Decreases in the estimated fair value of assets reduce the liability for contractholder benefits, resulting in a positive impact on net income.

Accordingly, AXA believes that not including the change in estimated fair value of assets allocated to with-profits contracts results in amounts that do not fully reflect the economic effect of the UK with-profits contracts. The reconciliation of the effects on consolidated net income of differences between French GAAP and US GAAP also shows consolidated net income in accordance with US GAAP, except for adjustment for the change in unrealized investment gains on assets allocated to UK with-profits contracts, resulting in a presentation AXA believes is more meaningful under the circumstances.

24-13 - Stock-Based Compensation

For US GAAP purposes, AXA applies APB No. 25, Accounting for Stock Issued to Employees, for all stock-based compensation plans. Under French GAAP, AXA applies APB 25 as summarized at Note 2-13 with the exception that no compensation expense is recorded for the Company's stock option incentive plans and its employee stock purchase plans.

24-14 - Other Items

Under French GAAP after January 1, 1996 and for US GAAP, pre-operating costs are expensed as incurred. Prior to that date, pre-operating costs incurred in creating a new company for the development of new insurance activities or commencement of new insurance activities within an existing subsidiary were capitalized and amortized over five years from the date when activities commence under French GAAP. The balance of FF 230 million of deferred start-up costs at January 1, 1996 was charged to operations in 1996.

For US GAAP purposes, AXA has adopted SFAS No. 87, Employer's Accounting for Pensions, as of January 1, 1989. At the date of adoption a transition asset, reflecting the overfunded status of AEL's pension plan, was recorded and is being amortized over the remaining fifteen year average service life of employees.

24-15 - MATERIAL DIFFERENCES BETWEEN FRENCH GAAP AND US GAAP

The approximate effects on consolidated net income of material differences between French GAAP and US GAAP are as follows:

(in FF millions, year ended December 31,)	**1998**	**1997**	**1996**
Consolidated Net Income in Accordance with French GAAP	**10,042**	**7,920**	**3,809**
Differences in scope of consolidation	920	1,834	472
Purchase accounting and goodwill	(919)	(618)	(363)
Investment accounting and valuation	(316)	144	179
Deferred acquisition costs	17	37	756
Catastrophe equalization reserves	261	946	432
Future policy benefits	(424)	56	(3,041)
Deferred taxes	239	(7)	218
Elimination of inter-company transactions	(44)	(183)	329
Treasury shares	(1,358)	(243)	140
Change in unrealized investment gains on assets allocated to UK with-profits contracts	(6,738)	(9,064)	(1,587)
Restructuring Provisions	1,087	–	–
Pre-operating costs	–	–	278
Other items	90	(596)	(82)
Tax effect of US GAAP reconciling adjustments	2,053	1,806	614
Consolidated Net Income In Accordance with US GAAP	**4,910**	**2,032**	**2,154**

Under French GAAP, in accounting for UK with-profits contracts, revenue and expense are matched in net income by including both changes in the estimated fair values of assets allocated to UK with-profits contracts and corresponding increases or reductions in the liability for UK with-profits contract-holder benefits. US GAAP, which was developed in an environment that differs from the one in which the UK with-profits contract was developed, requires the change in unrealized investment gains on assets allocated to UK with-profits contracts be excluded from net income, while requiring recognition of the corresponding change in the liability for with-profits contract-holder benefits in net income. Accordingly, AXA believes this exclusion results in amounts that do not fully reflect the economic effect of the UK with-profits contracts. A rise in the fair value of these assets results in an increase in the liability for contractholder benefits and a reduction in AXA's consolidated US GAAP net income. The adjustment below reverses the exclusion of the change in unrealized investment gains on assets allocated to UK with-profits contracts and sets forth the net income in accordance with US GAAP, except for such adjustment, resulting in a presentation AXA believes is more meaningful under the circumstances.

Consolidated Net Income In Accordance with US GAAP	**4,910**	**2,032**	**2,154**
Change in unrealized investment gains on assets allocated to UK with-profits contracts, net of deferred income tax	4,649	6,254	1,081
CONSOLIDATED NET INCOME IN ACCORDANCE WITH US GAAP, EXCEPT FOR ADJUSTMENT FOR THE CHANGE IN UNREALIZED INVESTMENT GAINS ON ASSETS ALLOCATED TO UK WITH-PROFIT CONTRACTS	**9,559**	**8,286**	**3,235**

The approximate effects on consolidated shareholders' equity of material differences between French GAAP and US GAAP are as follows:

(in FF millions, Decembre 31,)	1998	1997
Consolidated Shareholders' Equity in Accordance with French GAAP	**88,798**	**78,670**
Differences in scope of consolidation	1,907	1,237
Purchase accounting and goodwill	13,763	12,195
Investment accounting and valuation	29,105	18,902
Deferred acquisition costs	2,248	2,963
Catastrophe equalization reserves	1,947	1,627
Future policy benefits	(601)	(136)
Deferred taxes	(471)	(411)
Elimination of intercompany transactions	(1,352)	(1,773)
Treasury shares	(1,698)	(2,135)
Other items	1,123	(135)
Subtotal	**134,769**	**111,004**
Unrealized investment gains on real estate allocated to UK with-profits contracts	(1,252)	(1,148)
CONSOLIDATED SHAREHOLDERS' EQUITY IN ACCORDANCE WITH US GAAP	**133,517**	**109,856**

25 - Condensed US GAAP Financial Statements

The following condensed US GAAP financial statements reflect the effects of the material differences between French GAAP and US GAAP on consolidated net income and shareholders' equity identified in Note 24-15 as well as material scope of consolidation differences between French GAAP and US GAAP. Accounting for the investment in National Mutual under the equity method as required by US GAAP, rather than full consolidation of National Mutual as required under French GAAP, is the principal difference in the scope of consolidation in 1996. Additionally, under US GAAP, revenues do not include premiums received for life insurance contracts that have either flexible premiums or insignificant mortality or morbidity risk. Instead, these premiums are directly credited to the liability for future policy benefits, other policy liabilities or insurance claims and claims expense. In a corresponding manner, benefit payments are directly charged to such liability, rather than being included in benefits, claims and other deductions. Revenues on such contracts consist of policy fees and charges, as well as investment results from investing premiums, and expenses consist of amounts credited to the policyholder and benefit payments in excess of the related policy liability. Unearned revenue amounts are classified as part of the liability for future benefits under US GAAP and as a reduction of deferred acquisition costs under French GAAP. In accordance with French GAAP, AXA records its ownership in ordinary shares of the Company as an investment in equity securities whereas under US GAAP, the cost of acquiring a company's own shares is reported as a deduction from shareholders' equity. Certain subordinated debt and mandatorily convertible bonds and notes which are presented as mezzanine capital under French GAAP are classified as debt under US GAAP.

25-1 - Condensed Consolidated Balance Sheets

(in FF millions)	December 31, 1998 US GAAP	Adjusted (a)	French GAAP
Asset			
Total investments	1,589,019	1,591,555	1,542,534
Cash and equivalents	68,598	68,598	68,357
Deferred acquisition costs	39,146	39,146	38,812
Value of purchased business inforce	16,380	16,380	15,912
Reinsurance receivables	40,067	40,067	–
Broker-dealer related receivables	193,634	193,634	193,634
Other assets	182,680	182,680	163,820
Closed block assets	49,510	49,510	–
Separate Account assets	495,312	495,312	501,280
Total Assets	**2,674,346**	**2,676,882**	**2,524,349**
Liabilities			
Future policy benefits, other policy liabilities, insurance claims and claims expenses	1,242,937	1,242,937	1,215,455
Short-term and long-term debt	89,061	89,061	67,548
Securities sold under repurchase agreements	225,810	225,810	225,797
Broker-dealer related payables	148,418	148,418	148,418
Accrued expenses and other liabilities	241,079	241,865	221,823
Closed block liabilities	53,938	53,938	–
Separate Account liabilities	496,474	496,474	501,294
Total Liabilities	**2,497,717**	**2,498,503**	**2,380,335**
Minority interests	43,112	43,610	34,353
Subordinated debt	–	–	17,752
Mandatorily convertible bonds and notes	–	–	3,111
Shareholders' equity			
Ordinary shares	21,174	21,174	21,017
Additional paid in capital	33,700	33,700	33,574
Treasury shares	(1,698)	(1,698)	–
Other comprehensive income	44,546	27,062	–
Retained earnings	35,795	54,531	34,206
Total Shareholders' equity	**133,517**	**134,769**	**88,797**
Total liabilities, minority interests, subordinated debt, mandatorily convertible bonds and notes, and shareholders' equity	**2,674,346**	**2,676,882**	**2,524,349**

(a) US GAAP, except for adjustment for the unrealized investment gains on real estate allocated to UK with-profits contracts.

(in FF millions)	December 31, 1997 US GAAP	Adjusted (a)	French GAAP
Asset			
Total investments	1,502,341	1,504,664	1,519,182
Cash and equivalents	52,995	52,995	53,832
Deferred acquisition costs	37,903	37,903	35,868
Value of purchased business inforce	19,095	19,095	18,682
Reinsurance receivables	41,177	41,177	–
Broker-dealer related receivables	168,922	168,922	168,922
Other assets	176,416	176,416	165,492
Closed block assets	51,311	51,311	–
Separate Account assets	448,108	448,108	452,364
TOTAL ASSETS	**2,498,268**	**2,500,591**	**2,414,342**
Liabilities			
Future policy benefits, other policy liabilities, insurance claims and claims expenses	1,178,441	1,178,441	1,199,284
Short-term and long-term debt	83,621	83,621	64,726
Securities sold under repurchase agreements	219,883	219,883	219,883
Broker-dealer related payables	156,198	156,198	156,198
Accrued expenses and other liabilities	189,480	190,200	178,777
Closed block liabilities	55,599	55,599	–
Separate Account liabilities	448,033	448,033	452,002
TOTAL LIABILITIES	**2,331,255**	**2,331,975**	**2,270,870**
Minority interests	57,157	57,612	46,506
Mandatorily convertible bonds and notes			3,111
Subordinated debt			15,185
Shareholders' equity			
Ordinary shares	19,960	19,960	19,881
Additional paid in capital	25,746	25,746	25,621
Treasury shares	(2,135)	(2,135)	–
Other comprehensive income	34,944	20,862	–
Retained earnings	31,341	46,571	33,168
TOTAL SHAREHOLDERS' EQUITY	**109,856**	**111,004**	**78,670**
TOTAL LIABILITIES, MINORITY INTERESTS, Subordinated debt, mandatorily convertible bonds and notes, and shareholders' equity	**2,498,268**	**2,500,591**	**2,414,342**

(a) US GAAP, except for adjustment for the unrealized investment gains on real estate allocated to UK with-profits contracts.

25-2 - Condensed Consolidated Statements of Income

(in FF millions)	Year ended December 31, 1998 US GAAP	Adjusted (a)	French GAAP
Revenues	292,931	302,348	464,407
Benefits, claims and other deductions	(281,468)	(281,468)	(440,027)
Income Before Income Tax Expense	**11,463**	**20,880**	**24,380**
Income tax expense	(4,464)	(7,383)	(8,018)
Minority interests in income of consolidated subsidiaries	(4,650)	(6,499)	(6,390)
Equity in income of unconsolidated entities	2,561	2,561	70
Net Income	**4,910**	**9,559**	**10,042**
Net income per ordinary share:			
Basic	14.70	28.61	29.65
Diluted	13.81	26.83	27.83

(a) US GAAP, except for adjustment for the increase in net unrealized investment gains on assets allocated to UK with-profits contracts of FF 4,649 million.

(in FF millions)	Year ended December 31, 1997 US GAAP	Adjusted (a)	French GAAP
Revenues	260,540	273,220	448,664
Benefits, claims and other deductions	(250,311)	(250,330)	(427,980)
Income Before Income Tax Expense	**10,229**	**22,890**	**20,684**
Income tax expense	(5,439)	(9,364)	(7,797)
Minority interests in income of consolidated subsidiaries	(2,988)	(5,470)	(5,264)
Equity in income of unconsolidated entities	230	230	297
Net Income	**2,032**	**8,286**	**7,920**
Net income per ordinary share:			
Basic	6.42	26.19	24.34
Diluted	5.91	24.51	22.84

(a) US GAAP, except for adjustment for the increase in net unrealized investment gains on assets allocated to UK with-profits contracts of FF 6,254 million.

(in FF millions)	Year ended December 31, 1996 US GAAP	Adjusted (a)	French GAAP
Revenues	99,313	100,901	202,377
Benefits, claims and other deductions	(94,864)	(94,864)	(193,511)
Income Before Income Tax Expense	**4,449**	**6,037**	**8,866**
Income tax expense	(1,443)	(1,949)	(2,900)
Minority interests in income of consolidated subsidiaries	(1,064)	(1,065)	(2,098)
Equity in income of unconsolidated entities	212	212	(59)
Net Income	**2,154**	**3,235**	**3,809**
Net income per ordinary share:			
Basic	11.99	18.01	20.36
Diluted	11.32	16.41	18.31

(a) US GAAP, except for adjustment for the increase in net unrealized gains on real estate allocated to UK with-profits contracts.

25-3 - Comprehensive Income

Comprehensive income is the term used to define all non-owner changes in shareholders' equity. The changes in AXA's US GAAP comprehensive income and other comprehensive income were as follows:

(in FF millions)	1998 US GAAP	1998 Adjusted (a)	1997 US GAAP	1997 Adjusted (a)	1996 US GAAP	1996 Adjusted (a
Other Comprehensive Income in accordance with US GAAP at January 1	34,944	20,862	15,271	6,253	8,141	1,468
Unrealized appreciation (depreciation) of investments, net of tax" and reclassification adjustments	12,183	8,772	20,894	12,974	5,094	2,749
Impact of currency fluctuations	(2,736)	(2,736)	2,855	2,855	1,972	1,972
Effect of restructurings and intercompany sales of consolidated subsidiaries	172	181	(4,068)	(1,212)		
Minimum pension liability	(17)	(17)	(8)	(8)	64	64
Other comprehensive income in accordance with US GAAP at December 31	44,546	27,062	34,944	20,862	15,271	6,253

(a) US GAAP, except for adjustment for the increase in net unrealized investment gains on assets allocated to UK with-profits contracts.

Comprehensive income in accordance with US GAAP totaled FF 15,759 million, FF 22,895 million and FF 18,010 million in 1998, 1997 and 1996, respectively. The balance in the cumulative translation adjustment is based on movements in the account since 1994.

25-4 - Earnings per Share (EPS)

The calculation of basic and diluted EPS under US GAAP is based on the same methodology as for French GAAP (see Note 18). However, differences arise due to the underlying differences in accounting principles.

For the years ended December 31, 1998, 1997 and 1996, the negative impact of dilutive securities issued on a US GAAP basis by subsidiaries was FF 112 million, FF 151 million and FF 40 million, respectively. In addition, treasury shares held by AXA decreased the weighted average number of ordinary shares outstanding by 4.7 million and 9.0 million in 1998 and 1997.

25-5 - Fixed Maturities and Equity Investments

For purposes of US GAAP, at December 31, 1998 and 1997, AXA has classified fixed maturities and equity investments having an amortized cost of FF 980,702 million and FF 898,964 million, respectively, and estimated fair value of FF 1,128,014 million and FF 975,301 million, respectively, as available for sale and fixed maturities having an amortized cost of FF 14,226 million and FF 5,488 million, respectively, and estimated fair value of FF 15,810 million and FF 5,004 million, respectively, as held to maturity.

At December 31, 1998 and 1997, net unrealized gains from available for sale securities included in shareholders' equity in accordance with the US GAAP was FF 45,217 million and FF 33,044 million, respectively. Such net unrealized gains were net of FF 23,105 million and FF 18,549 million of deferred income taxes and FF 54,886 million and FF 29,176 million of amounts allocated for policyholders and minority interests, which included amounts attributable to assets allocated to UK with-profits contracts of FF 17,490 million and FF 14,088 million (net of income taxes of FF 10,982 million and FF 8,692 million), at December 31, 1998 and 1997, respectively.

25-6 - Deferred Income Tax

Differences between the French GAAP and US GAAP components of the net deferred income tax asset and liability are as follows:

	Net Deferred Income Tax Asset			Net Deferred Income Tax Liability		
(in FF millions)	French GAAP	Adjustment	US GAAP	French GAAP	Adjustment	US GAAP
1998	11,975	156	12,131	(18,895)	(22,404)	(41,299)
1997	9,475	604	10,079	(17,676)	(17,131)	(34,807)

25-7 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents on a US GAAP basis include highly liquid debt instruments with an original maturity of three months or less. At December 31, 1998 and 1997, French GAAP included investments with an original maturity greater than three months amounting to FF 5,673 million and FF 1,514 million, respectively, as cash and cash equivalents.

For the years ended December 31, 1998, 1997, and 1996, deposits related to investment contracts amounted to FF 64,449 million and FF 77,984 million, and FF 49,612 million, respectively, and withdrawals related to investment contracts amounted to FF 47,684 million and FF 60,445 million, and FF 40,033 million, respectively, and are part of operating cash flow under French GAAP. Such deposits and withdrawals would be reflected as financing activities in a statement of cash flows prepared in accordance with US GAAP.

25-8 - STOCK-BASED COMPENSATION

Total compensation cost recognized in income for stock-based employee compensation in 1998, 1997 and 1996 was FF 285 million, FF 619 million, and FF 30 million, respectively, under US GAAP. Had compensation expense for the Company's stock option incentive plans and its subsidiaries' plans been determined based on the estimated fair value at grant dates for awards made in 1995 and subsequently AXA's US GAAP pro forma net income and EPS would have been as follows:

(in FF millions except per share amounts, Year ended December 31,)	1998	1997	1996
US GAAP:			
Net Income -- as reported	4,910	2,032	2,154
Net Income -- pro forma	4,653	1,923	2,092
Basic EPS -- as reported	14.70	6.42	11.99
Basic EPS -- pro forma	13.93	6.08	11.65
Diluted EPS -- as reported	13.81	5.91	11.32
Diluted EPS -- pro forma	13.09	5.57	11.02

Such pro forma effects are not necessarily indicative of the effect of future years' net income as they do not take into consideration fair values related to grants made prior to 1995.

The weighted average estimated fair value per option granted by the Company during 1997 was FF 90.82 and during 1996 was FF 54.7. Fair values for the Company's stock option plans were estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions :

(Year ended December 31,)	**1998**	**1997**	**1996**
Dividend yield	*1.30%*	*2.61%*	*4.08%*
Volatility	*30%*	*25%*	*22%*
Risk-free interest rate	*4.42%*	*4.96%*	*4.92%*
Expected life	*6*	*6*	*6*

The estimated fair value of options granted by AXA subsidiaries during 1998 and 1997 was FF 827 million and FF 744 million, respectively.

Glossary

ACAV (Assurance à Capital Variable) Contracts	*Separate account products sold by the French Life Insurance Group. The separate accounts are invested in equity and/or debt securities (other than securities of real estate companies) or mutual funds (including funds of mutual funds).*
ACAVI (Assurance à Capital Variable Immobilier) Contracts	*Separate account products sold by the French Life Insurance Group invested in real estate companies or real estate partnerships.*
Actuarial reserves	*Liability established under French GAAP to provide for future benefits to policyholders net of liability ceded to reinsurers. Such liability is gross of liability ceded to reinsurers under US GAAP.*
Annualized new business premiums	*For a specified period, the sum of premiums on regular premium products written during such period and one-tenth of premiums on single premium products written during such period. This measure is used in the UK to compare the size of life insurance companies.*
Annuity	*A contract that pays a periodic income benefit for the life of a person (the annuitant) or persons or for a specified number of years, or a combination of the two.*
Asset valuation reserve ("AVR")	*The asset valuation reserve is a liability on a life insurance company's statutory balance sheet under US statutory accounting practices. AVR establishes statutory reserves related to the market risk of the insurance company's portfolio, including mortgage loans, equity real estate, joint ventures, fixed maturities and common and preferred stock. AVR has no effect on financial statements prepared in conformity with French or US GAAP.*
Capacity	*The amount of insurance or reinsurance available from a company based on its internal policies, financial strength and the market in general.*
Cash surrender value	*The amount of cash available to a policyholder on the surrender of a contract for a life insurance product.*
Catastrophe equalization reserves	*Premium revenue deferred to future periods to provide against future catastrophes.*

Glossary

Cede; ceding insurer; cession

When an insurer reinsures its risk with another insurer (a "cession"), it "cedes" business and is referred to as the "ceding insurer".

Claim

An occurrence that is the basis for submission and/or payment of a benefit under an insurance policy. Claims may be covered, limited or excluded from coverage, depending on the terms of the policy.

Claims and claims expenses

The sum of incurred claims and claims expenses. This term is used interchangeably with "loss and loss adjustment expenses".

Claims ratio

The ratio of a property and casualty insurance or reinsurance company's incurred claims and claims expenses to gross premiums earned net of reinsurance ceded. For 1995, 1996 and 1997, the change in catastrope equalization reserves is included in incurred claims and claims expenses; for prior years, such change is included in premiums earned.

Claims expenses

The expenses of investigating and settling claims, including certain legal and other fees, and the expenses of administering the claims adjustment process. This term is used interchangeably with "loss adjustment expenses".

Claims reserves

Reserves recorded by an insurer or reinsurer to reflect the estimated cost of payments for claims for which the insurer or reinsurer ultimately will be required to indemnify insureds or reinsureds in the future in respect of losses occurring on or prior to the balance sheet date on insurance or reinsurance it has written. Claims reserves are composed of case reserves and IBNR reserves and, unless otherwise indicated, catastrophe equalization reserves. Unless otherwise indicated, for French GAAP purposes claims reserves are presented net of reserves established with respect to claims ceded to reinsurers. Such liability is gross of liability ceded to reinsurers under US GAAP. This term is used interchangeably with "loss reserves."

Combined ratio

The sum of the claims ratio and the expense ratio for a property and casualty insurance company or a reinsurance company. A combined ratio below 100 generally indicates profitable underwriting. A combined ratio over 100 generally indicates unprofitable underwriting. An insurance company with a combined ratio over 100 may be profitable to the extent net investment results exceed underwriting losses.

Declared interest account — The notional account into which premiums from policyholders choosing the minimum guaranteed interest option offered under interest sensitive and variable products are deposited. The premiums earn a minimum guaranteed return for the life of the product, plus additional interest credited at a rate that is declared periodically.

Deferred annuity — An annuity which begins benefit payments after a determined period of time (at maturity) or possibly upon earlier surrender. Lump sum benefits are available for some contracts.

Deferred policy acquisition costs ("DAC") — Commissions and certain other underwriting, policy issuance and selling expenses that are directly related to the production of business. These expenses are deferred and later amortized to achieve a matching of revenues and expenses.

Direct insurance — Insurance coverage sold to individuals and commercial enterprises, as opposed to reinsurance, which is the ceding of all or a portion of risks to a reinsurer by the insurer who has sold such coverage.

Disability income insurance — Health insurance that provides income payments to the insured wage earner when income is interrupted or terminated because of illness, sickness or accident.

Distribution fund — A separate account investment option which distributes a portion of the investment income each year to the policyholder in cash rather than having it reinvested in the account.

Earned premiums — See "Premiums earned".

Endowment insurance — Life insurance under which an insured receives the face value of a policy if the individual survives the endowment period. If the insured does not survive, a beneficiary receives the face value of the policy.

Excess of loss insurance — Insurance which applies excess of specific underlying insurance and/or a specified attachment point.

Expense ratio — The ratio of property and casualty insurance operating expenses (acquisition expenses and other insurance company expenses) to earned premiums net of reinsurance.

Glossary

Exposure	*This term in the insurance field may have several meanings: possibility of a loss; the potential value of a loss; or a unit of measure of the amount of risk a company assumes (for example, one car insured for one year).*
Facultative reinsurance	*The reinsurance of part or all of the insurance provided by a single policy negotiated on a contract-by-contract basis.*
Flexible premium products	*Insurance products where the policyholder may choose the amount and frequency of the premiums paid (often within certain limitations).*
Frequency	*The number of claims occurring under a given coverage divided by the number of exposures for the given coverage.*
General account	*The assets of an insurance company which support its insurance and other obligations (other than separate account obligations).*
General account insurance portfolio	*The investment assets in the general accounts of the AXA insurance subsidiaries. These assets support general account life insurance, property casualty insurance and reinsurance liabilities.*
Gross premiums	*Total premiums (whether or not earned) for insurance contracts written or assumed (including deposits for contracts with an insignificant amount of mortality or morbidity risk) during a specific period, without deduction for premiums ceded.*
Group products	*Insurance products under which individual employees or individuals related to other organizations generally created for purposes other than obtaining insurance are covered under a single policy. The employers or other groups often benefit from favorable tax treatment or contract terms.*
"GIC" Annuities Guaranteed investment contract	*Group deferred annuity contracts sold to pension and profit sharing plans and funding agreements that guarantee principal and a stated interest rate for a specified period of time. Equitable has a GIC Segment which was discontinued in September 1991. This reporting segment offered GIC annuities and wind-up annuities.*
Immediate annuity	*An annuity which begins benefit payments immediately, or usually not later than one year after issuance.*

Incurred but not yet reported ("IBNR") reserves

Reserves for estimated claims and claims expenses which have been incurred but not yet reported to the insurer or reinsurer, including future development of claims which have been reported to the insurer or reinsurer but where the established reserves may ultimately prove to be inadequate.

Individual insurance products

Life insurance products offered to individuals as opposed to groups or businesses.

Interest maintenance reserve ("IMR")

The interest maintenance reserve is a liability on a life insurance company's statutory balance sheet under US statutory accounting practices that applies to all types of fixed income investments (bonds, non-redeemable preferred stocks, commercial mortgage loans and mortgage-backed securities). In general, an insurance company must include in the IMR any gains or losses realized from the sale of fixed income investments that are due solely to changes in the prevailing level of interest rates.

These net realized gains are then amortized into income over the remaining life of each investment sold. IMR has no effect on financial statements prepared in conformity with French or US GAAP.

Interest-sensitive product

A life insurance policy or annuity that pays a minimum guaranteed interest rate plus a current rate of interest on policy or contract account values which is subject to being reset periodically by the insurer.

Investment products

Contracts issued by insurance companies that are vehicles for investment and offer no insurance guarantees.

Lapse

Termination of a policy because of surrender, failure to pay a premium or lack of sufficient cash value to maintain in-force status.

Life insurance products

Term which includes all the products offered by a life insurance company, such as group, individual, life, health and retirement.

Life products

Life insurance products that provide death benefits in excess of the benefits provided on surrender or maturity.

Glossary

Loss reserves	*See "claims reserves".*
National Association of Insurance Commissioners	*An association of the top insurance regulatory officials of all 50 states and the District of Columbia organized to promote consistency of regulatory practice and statutory accounting standards throughout the United States.*
Non-proportional reinsurance	*Arrangement in which a reinsurer makes payments to the ceding insurer for losses in excess of a specified amount.*
Open group	*Group or association, often created for the purpose of obtaining insurance, which may offer favorable tax treatment or contract terms to members. Membership in the group is usually unrestricted.*
Participating contracts	*Insurance in which the policyholder is entitled to participate in the earnings or surplus of the insurance enterprise. The participation occurs through the distribution of dividends to policyholders.*
Persistency	*Measurement of insurance policies remaining in force from year-to-year.*
Premiums	*Payments and considerations received for policies and contracts that are issued, renewed or reinsured by an insurance company.*
Premiums earned	*That portion of gross premiums written in current and past periods which applies to the expired portion of the policy period, calculated by subtracting changes in unearned premium reserves from gross premiums.*
Proportional reinsurance	*Arrangement whereby the insurer cedes to the reinsurer an agreed fixed percentage of premiums and losses and other liabilities for each policy covered on a pro rata basis.*
Regular bonuses	*Bonuses (or policyholder dividends) periodically credited to UK with-profits contractholders. Regular bonuses, once credited, are guaranteed on death or maturity.*
Regular premium products	*Life insurance products which provide for premiums to be paid periodically, typically either annually or monthly.*

Reinsurance

The practice whereby one insurer, called the reinsurer, in consideration of premiums received, agrees to indemnify the ceding insurer for all or a portion of the risk under a policy or policies of insurance issued by the ceding insurer. However, the legal rights of the insured generally are not affected by the reinsurance transaction, and the insurance enterprise issuing the insurance contract remains liable to the insured for payment of policy benefits.

Reserves

Liabilities established by insurers and reinsurers to reflect the estimated cost of claims and benefit payments and the related expenses that the insurer or reinsurer will ultimately be required to pay in accordance with the insurance or reinsurance it has written.

Retention

The amount or portion of risk which a ceding insurer retains for its own account. Claims and claims expenses paid by the ceding insurer in excess of the retention level are then owed to the ceding insurer by the reinsurer. In proportional insurance, the retention may be a percentage of the original policy's limit. In non-proportional insurance, the retention an amount of loss, a loss ratio or a percentage.

Retirement products

Life insurance products that are savings vehicles for retirement.

Segmented tariff

Insurance premiums that vary according to the insured's age, gender or other factors (e.g. past driving record) deemed likely to have an impact on future losses.

Separate account

Investment account established and maintained by an insurer to which funds have been allocated for certain insurance policies or contracts of the insurer. The income, gains and losses realized or not realized from assets allocated to the account are, in accordance with the insurance policies or contracts, credited to or charged against the account without regard to other income, gains or losses of the company or the company's other separate accounts. Separate accounts cannot generally be charged with the liabilities of the general account. Products meeting this definition are often referred to as "investment-linked" or "unit-linked" products.

Single premium products

Life insurance products which provide for only one premium to be paid at the issuance of the contract.

Glossary

Statutory fund

A fund into which Australian life insurance companies must segregate similar types of policies and in which all related premiums must be credited and which may be used only for the conduct of the business of those policies. The investment portfolio supporting that fund must be kept segregated from the other assets of the company and may be applied only for the benefit of those policyholders.

Surrender

The termination of a life or retirement contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, of the contract.

Tail

The period of time that elapses between the incurrence and settlement of losses under a policy. A "short-tail" insurance product is one where ultimate losses are known and settled comparatively quickly; ultimate losses under a "long-tail" insurance product are sometimes not known and settled for many years.

Terminal bonuses

Bonuses (or policyholder dividends) paid at the termination of UK with-profits contracts and of participating contracts written by National Mutual. Terminal bonuses are not guaranteed in advance of contract termination.

Term life insurance

Life insurance protection for a limited period which expires without value if the insured survives the period specified in the policy.

Treaty reinsurance

A type of reinsurance whereby the ceding company automatically will cede and the reinsurer automatically will assume a predetermined portion or category of risk underwritten by the ceding company.

Underwriting

The process of examining and accepting or rejecting insurance risks, and classifying those accepted, in order to charge the appropriate premium for each accepted risk.

Underwriting results

The pre-tax profit or loss experienced by a property-casualty insurance company or reinsurance company after deducting incurred claims and claims expenses and operating expenses from premiums earned. This profit and loss calculation includes reinsurance assumed and ceded but excludes investment income.

Unearned premium reserves

Pro rata unearned premium reserves established for premiums written and collected with respect to insurance coverage for future periods.

Universal life insurance

A life insurance product under which (1) premiums are generally flexible, (2) the level of death benefits may be adjusted and (3) expenses and other charges are specifically disclosed to a purchaser. This policy is sometimes referred to as unbundled life insurance because its three basic elements (investment earnings, cost of protection and expense charges) are separately identified both in the policy and in an annual statement to the policyholder.

Variable product

A life insurance product that provides a return linked to an underlying portfolio. The portfolio is usually a group of mutual funds established as one or more separate accounts with the policyholder given some discretion in choosing the mix of assets. Variable products often offer a general account guaranteed interest investment option.

Whole life insurance

A permanent life insurance product offering guaranteed death benefits and guaranteed cash values.

Wind-up annuities

Non-participating group annuities sold by The Equitable principally to satisfy liabilities under terminated pension plans.

Withdrawal

Surrender in part. Many life insurance products permit the insured to withdraw a portion of the cash surrender value of the contract. Future benefits are reduced accordingly.

With-profits contracts

A type of participating life insurance product offered in the UK.

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Signatures

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorised.

AXA

By: */s/Gérard de La Martinière*

Name: *Gérard de La Martinière*
Title: *Senior Executive Vice-President*
Chief Financial Officer

Date: May 21, 1999