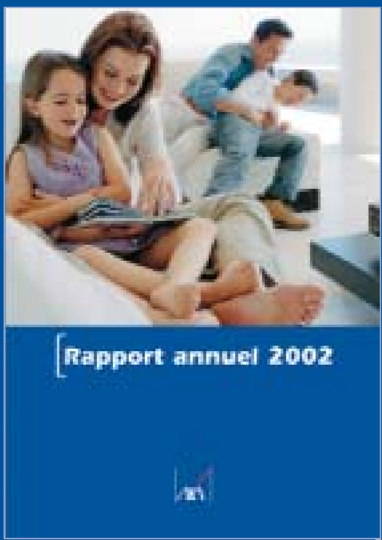
Annual Report 2002

Be Life Confident



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Contents (continued)

Letter from the Chairman of the Supervisory Board

The decoupling of the real economy and the financial markets, a trend that began in 2000 and grew throughout 2001, became fully apparent in 2002. It is ironic that, as talk of sustainable development - the duty of present generations to ensure that their practices do not harm the prospects of future generations – grows, the world's financial markets appear to be more than ever engaged in short-term and shortsighted thinking.

Increasingly, securities analysts focus on quarterly earnings and under 12-month forecasts. Institutional investors, whose obligations are primarily long term or very long term, are forced to report on how their investments perform over three months, six months or a year. And it is speculation – orchestrated by hedge funds and traders with sophisticated financial tools and utterly disconnected from underlying business development – which brings wealth or ruin. Regulators believe they are protecting themselves and the economy by pushing for a marked to market basis of valuation, which not only fails to capture economic reality, it also creates volatility and ultimately deprives the markets of all meaning. Stock markets no longer play their intended role of supplying the equity capital that supports long-term economic growth. After the enthusiasm ushered in by the new economy, we are seeing stocks - often those of businesses with excellent medium- and long-term prospects and a secure future – being massacred in the marketplace. And in the ensuing panic, those involved are behaving in more lemming-like fashion than usual. In the meantime, what about the insurance industry?

When an insurance company announces bad news – disappointing earnings on the part of a banking subsidiary or deterioration in underwriting results – the entire industry feels the backlash immediately. And since short-term bad news is in steady supply, from asbestos claims to flooding in Germany and severe storms across Europe, and often gets more media coverage than is warranted, the insurance industry has suffered. On the other hand, investors are overlooking information that determines the sector's ability to create lasting value, such as the fact that the need for savings and retirement products is growing steadily and that the need for risk protection is stronger than ever.

Claude Bébéar
Chairman of the Supervisory Board

This is why, despite the remarkable turnaround in underwriting results, spectacular reductions in operating expenses, and an improvement in the property-casualty loss ratio in 2002, AXA's stock performance is far less impressive than its economic performance would lead us to expect. And in economic terms, AXA is clearly in good shape: revenues are growing, cash flows are basically positive across the board, and earnings are on the rise. This performance owes everything to the remarkable job done by those who work for AXA. Unfortunately, until the markets come to their senses – in other words, until they reestablish contact with the real economy – this performance will not be reflected, as it ought to be, in AXA's share price.

Claude Bébéar
Chairman of the Supervisory Board

Interview with the Chairman of the Management Board

Henri de Castries
Chairman of the Management Board

What were the key events of 2002 for the AXA Group?

Henri de Castries: *Last year was one of unprecedented turbulence in the financial markets, after a year that was already difficult. Due to a number of major natural disasters, the property-casualty insurance loss experience remained high. At the same time, the global financial crisis worsened, and stock market indices plummeted to levels not seen in five years – twenty years in the case of Japan. Severe and prolonged equity market depreciation had an adverse impact not only on our client's portfolios, but also on the assets of our businesses.*

But despite the distressed and uncertain economic backdrop, AXA demonstrated its resilience and its ability to take swift action. All of our people worked hard to achieve our objective of operational excellence, and we began to see the concrete results of their efforts in 2002.

Do the difficulties of the last two years threaten the financial protection and wealth management business? How should we be looking at the future?

H. de C.: *The recent turbulence does not in any way cast doubt on the Group's core business.*
On the contrary, our customers are increasingly conscious of the risks to which they are exposed and their protection needs. Increasingly, our customers understand the importance of setting aside savings to prepare for their retirement and of being adequately protected against material losses. In a word, our customers need our advice and our solutions now more than ever.

The events of 2002 demonstrated the wisdom of our strategic decisions. First of all, the decision to focus on one core business – financial protection and wealth management – rather than being tempted to further diversify was a sound one. Second, we were right to concentrate on large markets in which we have the most solid competitive strengths.

These decision are beginning to pay dividends:

- *Revenue growth accelerated in property-casualty insurance and was highly satisfactory in life and savings.*
- *Against an adverse economic backdrop, AXA posted a significant increase in underlying earnings.*
- *In spite of capital losses, net income rose substantially.*
- *We exceeded the cost savings target set after the events of September 11, 2001.*
- *Our balance sheet is strong and we continue to reduce our long-term debt level.*

Overall, 2002 was a year of genuine progress for AXA, and should encourage us to make further efforts to improve. Indeed, we can and we must.

How do you see 2003 shaping up for AXA?

H. de C.: I see AXA as a team that has finished the first half, and that is ready to win the match.

We have faith in our business and we are determined to show that, regardless of the environment, we can continue on the path toward operational excellence. This is the only road that will lead us to our goal of becoming the uncontested champion of financial protection and wealth management. We will get there thanks to the hard work of our dedicated teams, at every level and in every company of the AXA Group.

For the first time, in addition to providing information on AXA's financial performance in 2002, this activity report features a separate section on sustainable development. Why is that?

H. de C.: If they are overused, flavor-of-the-month terms like sustainable development can easily be stripped of their force and meaning. Nevertheless, I think it is important to state what AXA and its people are doing to ensure that the Group's development is durable while keeping the rights and needs of its stakeholders in sight at all times.

After all, our business is really about sustainable development: it requires that we successfully juggle long-term vision, a focus on prevention, and the desire to help our customers prepare for their future.

AXA 2002 financial highlights

50 million
individuals and businesses have placed their trust in us:
- *to insure their property (vehicles, housing, equipment),*
- *to provide health and personal protection coverage for their families or employees,*
- *to manage their personal or corporate assets.*

130,000
employees and distributors worldwide working to deliver the right solutions and top quality service.

30,000
employees donating their time and skills to community organizations.

Revenues
€ 74.7 billion

Assets under management
€ 742 billion

Underlying Earnings
€ 1.7 billion

Net Income
€ 949 million

The AXA Vision

Our business: financial protection and wealth management

It's how we see financial protection and wealth management.
Our business – financial protection and wealth management – involves responding to the evolving needs of our clients – whether they are individuals, small or medium-sized businesses, or large corporations – in the areas of insurance, personal protection, savings and estate planning.

Our values

Professionalism, Innovation, Pragmatism, Team spirit, Integrity.

Our commitments

Through our stakeholder commitments, AXA supports sustainable development in the communities in which we do business.

Our ambition

We are working together to achieve a shared goal: that of making AXA the champion of financial protection and wealth management.

Our commitments

Customers

At AXA, we seek to build close and lasting relationships with our customers by offering expert advice and a full range of adapted solutions, and by adhering to the highest standard of professional ethics.

Environment

At AXA, we seek to play an active role in protecting the environment by making available our environmental risk management capability, and by promoting environmentally sound practices in the workplace.

Suppliers and non-exclusive Distributors

At AXA, we seek to maintain quality relationships with our suppliers and non-exclusive distributors by adhering to a clearly defined code of conduct, and by promoting ongoing dialogue.

Shareholders

At AXA, we seek to satisfy our shareholders by achieving operating performance that ranks among the best in the industry, and by furnishing complete and accurate financial information.

Employees

At AXA, we seek to contribute to the satisfaction and fulfillment of our employees by promoting respect and empowerment in the workplace, and by providing regular training and development opportunities.

Civil Society

At AXA, we seek to live up to our responsibilities to civil society by participating in the life of the community through acts of corporate philanthropy, and by sharing our professional expertise and capacity for innovation.

Introduction

History and development

AXA[1] originated from several French regional mutual insurance companies, known collectively as "les Mutuelles Unies":

In 1982, les Mutuelles Unies took control of Groupe Drouot and following this transaction the new Group began operating under the name of AXA.

In 1986, AXA obtained control of Groupe Présence and, **in 1988,** transferred its insurance businesses to Compagnie du Midi and operated under the name of AXA Midi, which subsequently reverted back to the AXA name. Two years later, the French insurance operations were reorganized to operate by distribution channel.

In 1992, AXA took control of the Equitable Companies Incorporated following the demutualization of Equitable Life. In 1999, the Equitable Companies Incorporated adopted the name AXA Financial, Inc. ("AXA Financial").

In 1995, AXA obtained a majority ownership interest in National Mutual Holdings following its demutualization. National Mutual Holdings recently changed its name to AXA Asia Pacific Holdings Ltd.

In 1997, AXA merged with Compagnie UAP. This transaction enabled AXA to significantly increase its size and reinforce its strategic positions, especially in Europe.

In 1998, AXA purchased the minority interests of AXA Royale Belge and, in 1999, acquired Guardian Royal Exchange in Great Britain through its subsidiary Sun Life & Provincial Holdings ("SLPH"). The Guardian Royal Exchange acquisition allowed AXA to further establish its positions in both the United Kingdom and Germany.

In 2000, AXA acquired a majority ownership interest in "Nippon Dantaï Life Insurance Company", resulting in a new company called "AXA Nichidan". In addition, in July 2000, AXA increased its interest in SLPH from 56.3% to 100%. In August 2000, AXA sold its interest in Donaldson Lufkin & Jenrette to Credit Suisse Group, which was completed in November 2000. In October 2000, Alliance Capital, a subsidiary of AXA Financial, acquired the U.S. asset management company Sanford C. Bernstein. In December 2000, AXA acquired the remaining minority interests in AXA Financial, which is now a 100% owned subsidiary of AXA.

In 2001 and 2002, AXA focused on improving its operational performance. AXA strengthened its core business positioning by acquiring two financial advisory networks in Australia, Sterling Grace and ipac Securities, and Banque Directe in France. AXA also continued to streamline its portfolio of business, selling its health business in Australia and insurance operations in Austria and Hungary, and reorganizing its reinsurance business.

(1) In this annual report:
- *the "Company" refers to the holding company AXA, organized under the laws of France,*
- *"AXA" refers to the Company and its direct and indirect subsidiaries.*

Corporate Governance

Implementing the principles of corporate governance has been a priority at AXA for many years. Because its stock is publicly traded on the New York Stock Exchange, AXA is subject to the provisions of the Sarbanes Oxley Act, which was passed in the United States in 2002. Accordingly, AXA has made the adjustments required to bring the Company into compliance with the Act. AXA has also reviewed its rules of corporate governance in light of the recommendations contained in the Bouton Report.

EXECUTIVE POWER SHARED BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

A Management Board and a Supervisory Board have governed AXA since 1997. This form of corporate governance, which separates the powers of management from those of supervision, is considered to offer the most balanced framework governing the exercise of power.

An Executive Committee assists the Management Board in the performance of its duties. Four special-purpose Committees assist the Supervisory Board.

MANAGEMENT BOARD

The Management Board is AXA's collegial decision-making body.

The Management Board holds weekly meetings to discuss Group strategy and operations.

It functions in accordance with a set of written operating procedures.

On the recommendation of the Selection Committee, the Supervisory Board of January 15, 2003 reappointed the following members of the Management Board to new three-year terms (their previous terms expired on January 19, 2003).
– Henri de Castries (48).
– Françoise Colloc'h (59), Head of Human Resources, Brand and Communications.
– Christopher Condron (55), Head of the Insurance in the United States and Alliance Capital.
– Gérard de La Martinière (59), Chief Financial Officer.
– François Pierson (55), Head of the Insurance in France, Large Risks and Assistance.
Mr. Henri de Castries was reappointed Chairman of the Management Board.

On the recommendation of the Selection Committee, the Supervisory Board, at its meeting held on February 26, 2003, completed the Management Board by appointing the following members for same term of the other Management Board members:
– Claude Brunet (45), Head of Transversal Operations and Projects.
– Denis Duverne (49), Head of Finance, Control and Strategy.

Each Management Board member is assigned responsibility for some specific aspect of Company management.

Members of the Management Board are devoting their time exclusively to the management of the Group and only Gérard de La Martinière sits on the board of companies outside the Group: Schneider Electric and Crédit Lyonnais.

EXECUTIVE COMMITTEE

The Executive Committee spearheads and executes AXA's strategy.

The Committee's composition reflects the structure of the AXA Group. It includes members of the Management Board and the CEOs of the Group's business units.

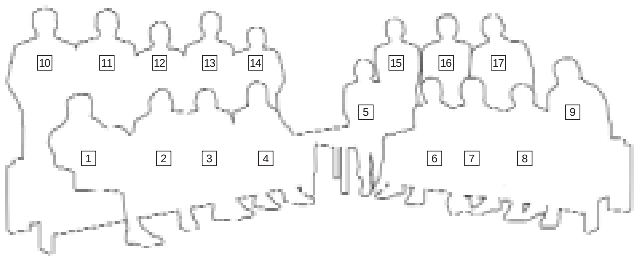
The 17 members of the Group's Executive Committee conduct quarterly business reviews (QBR), during which the prior period's performance is examined. These reviews were introduced in 2000 to provide a clear and consistent framework for:

– reviewing operational performance and monitoring the progress of key projects using quantifiable standards of measurement defined in collaboration with the Management Board;
– assessing the progress of transversal projects;
– exchanging ideas and information concerning key strategy orientations.

Executive Committee

1 Bruce Calvert Chairman and Chief Executive Officer of Alliance Capital (United States)
2 Michel Pinault Head of Asia Pacific business unit (excluding Japan)
3 François Pierson Member of the Management Board, Chief Executive Officer of AXA France, Head of Large Risks, Assistance and AXA Canada (Canada)
4 Nicolas Moreau[1] Chief Executive Officer of AXA Investment Managers
5 Françoise Colloc'h Member of the Management Board in charge of Human Resources, Communications and Branding
6 Christopher Condron Member of the Management Board, Chief Executive Officer of AXA Financial (United States)
7 Henri de Castries Chairman of the Management Board
8 Alfred Bouckaert Chief Executive Officer of AXA Belgium (Belgium)
9 Stanley Tulin Head of the Relations with the US analysts, investors and rating agencies, Vice Chairman and Chief Financial Officer of AXA Financial (United States)
10 Philippe Donnet Chief Executive Officer of AXA Japan (Japan) and Chairman of the Board of Directors of AXA RE
11 Les Owen Managing Director of AXA Asia Pacific Holdings (Australia)
12 Claus-Michael Dill Chairman of the Management Board of AXA Konzern (Germany)
13 Denis Holt Chief Executive Officer of AXA UK (United Kingdom)
14 Gérard de La Martinière Member of the Management Board, Chief Financial Officer of AXA
15 Denis Duverne Member of the Management Board in charge of Finance, Control and Strategy
16 Jean-Raymond Abat[1] Chief Executive Officer of AXA Seguros (Spain) and head of the Mediterranean region
17 Claude Brunet Member of the Management Board in charge of Transversal Operations and Projects

(1) As of February 26, 2003.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SUPERVISORY BOARD

Role and powers

The Supervisory Board oversees the smooth functioning of the Company and reports to the shareholders. The Supervisory Board must also appoint the Chairman and members of the Management Board and supervise executive management.

Article 12 of the Company's articles of incorporation and bylaws specifies the subjects for which the Supervisory Board's prior approval is required:

– the issuance of securities with a direct or indirect claim on the equity capital of the Company,
– proposed stock repurchase programs submitted to a vote of the shareholders assembled in an ordinary meeting,
– financing operations with a material impact on the financial structure of the Company,
– business acquisitions of all kinds,
– agreements to form strategic partnerships,
– the implementation of all stock option plans (purchase and subscription),
– proposals to amend the bylaws submitted to a vote of the shareholders assembled in an extraordinary meeting,
– proposed appropriations of earnings and determination of the dividend for the year ended submitted to a vote of the shareholders assembled in an ordinary meeting,
– dividend payment dates and any advances.

Operating procedures

The principles governing the operation, organization and remuneration of the Supervisory Board are specified in the internal regulations.

The Supervisory Board meets five or six times per year. Its members receive documentation prior to each meeting.

In 2002, the Supervisory Board met five times and the global attendance rate was 86%.

To ensure that their interests and those of the Company are aligned, members of the Supervisory Board are required to own shares in the Company, the value of which must be at least equal to the amount of directors' fees they receive in the course of any given year.

The Supervisory Board understands the importance of self-review. To this end, members were asked to complete a survey in November of 2002. In their replies, members stressed the quality of their exchanges with the Management Board, the quality of the decision-making process and the effectiveness of Supervisory Board and sub-committee meetings. It has also noted a few improvment measures which will be implemented in 2003.

Composition

At the December 31, 2002 reporting date, the Supervisory Board counted 14 members, appointed by the shareholders assembled in an ordinary meeting. Currently, three members of the Supervisory Board are not French nationals. At their annual meeting on May 3, 2002, the shareholders appointed Edward Miller to the Supervisory Board to replace Richard Jenrette for the remainder of the latter's term of office.

At the annual general meeting on April 30, 2003, the shareholders will be asked to consider the reappointment of eight members of the Supervisory Board whose term of office expires: Messrs Jean-René Fourtou, Jacques Calvet, David Dautresme, Michel François-Poncet, Henri Hottinguer, Gérard Mestrallet, Edward Miller and Alfred von Oppenheim.

Acting on the recommendation of the Selection Committee, the Supervisory Board has decided:

– to recommend that the Management Board ask the shareholders to reappoint the mandate of Messrs Jean-René Fourtou, Jacques Calvet, David Dautresme, Henri Hottinguer, Gérard Mestrallet and Alfred von Oppenheim.
– to recommend that the appointment of the following new member be put to a vote of the shareholders at the aforementioned meeting: Mr. Ezra Suleiman.

Pending shareholder approval of the foregoing, the Supervisory Board will have 13 members as of the close of the April 30, 2003 meeting.

Supervisory Board members are accomplished and recognized for their competencies, their experience, their complementarity and their ability to involve themselves in the supervision of a group as AXA.

The Company considers that the most pertinent basis of measurement with respect to the independence of the members of the Supervisory Board is their independence with respect to the management function exercised by the Management Board.

Acting on the recommendations of the Selection Committee, the Supervisory Board has reviewed the status of all its members for compliance with the recommendations contained in the Bouton Report on corporate governance in publicly traded companies and, for members of the Audit Committee, with the provisions of the Sarbanes Oxley Act.

According to the criteria set forth in the Bouton Report, 9 of the 13 Supervisory Board members are independent: Messrs Thierry Breton, Jacques Calvet, David Dautresme, Anthony Hamilton, Henri Hottinguer, Gérard Mestrallet, Alfred von Oppenheim, Bruno Roger and Ezra Suleiman.

Members of the Supervisory Board (as of the annual general shareholders' meeting held on April 30, 2003):

Name (and age)	Office presently held	No. AXA shares held at 12/31/02 *	Directors' fees earned in 2002 (in euros)	Present principal occupation or employment	Term of office
Claude BEBEAR (67)	Chairman of the Supervisory Board	708,386	77,509.78	Chairman and CEO of Finaxa; Member of the Board of Directors or Supervisory Board of AXA Financial (United States), Schneider Electric, BNP Paribas, Vivendi Universal and Mutuelles AXA.	June 1988 / May 2004
Jean-René FOURTOU (63) (2)	Vice-Chairman of the Supervisory Board	6,876	74,011.75	Chairman and CEO of Vivendi Universal; Member of the Board of Directors of Aventis, EADS (Netherlands), AXA Financial (United States), Mutuelles AXA and Cap Gemini; Chairman of the Supervisory Board of Vivendi Environnement and Groupe Canal+.	April 1990 / May 2003
Thierry BRETON (48) (1)	Member of the Supervisory Board	1,500	20,732.34	Chairman and CEO of France Telecom; Chairman of the Board of Directors of Thomson SA and Orange; Member of the Board of Directors or Supervisory Board of Dexia, Schneider Electric and Thomson.	May 2001 / May 2005
Jacques CALVET (71) (1) (2)	Member of the Supervisory Board	4,530	45,509.46	Chairman of the Supervisory Board of Bazar de l'Hôtel de Ville (BHV); Vice Chairman of the Supervisory Board of Galeries Lafayette; Member of the Board of Directors or Supervisory Board of Société Générale, Vivarte and Société Foncière Lyonnaise.	January 1997 / May 2003
David DAUTRESME (69) (1) (2)	Member of the Supervisory Board	26,800	39,393.42	Senior Advisor, Lazard Frères; Chairman of Parande Développement (Groupe Euris); Member of the Board of Directors or Supervisory Board of Lazard Frères Banque, Casino, Club Méditerranée and AXA Investment Managers.	April 1990 / May 2003
Anthony HAMILTON (61) (1)	Member of the Supervisory Board	4,436	22,403.03	Chairman of Fox Pitt, Kelton Group Limited (UK), Fox Pitt, Kelton Nominees Limited (UK), AXA UK Plc (UK) and AXA Equity and Law (UK); Member of the Board of Directors or Supervisory Board of AXA Financial (United States), Fox-Pitt Kelton Limited (UK), Pinault-Printemps-Redoute and Swiss Re Capital Markets Limited (UK).	January 1996 / May 2005
Henri HOTTINGUER (68) (1) (2)	Member of the Supervisory Board	58,996	39,098.63	Chairman and CEO of Financière Hottinguer; Chairman of the Supervisory Board of Crédit Suisse Hottinguer and Emba NV (Netherlands); Vice Chairman of Gaspee (Switzerland); Chairman of the Board of Directors of Hottinguer Capital Corp. (US); Chairman and CEO of Sofibus; SEVP and member of the Board of Directors of Intercom; Member of the Board of Directors of Finaxa, AXA France Iard, AXA France Vie and AXA France Collectives.	June 1988 / May 2003
Henri LACHMANN (64)	Member of the Supervisory Board	7,060	26,744.88	Chairman and CEO of Schneider Electric; Member of the Board of Directors or Supervisory Board of Finaxa, Vivendi Universal, Norbert Dentressangle Group and Mutuelles AXA.	Mai 1996 / mai 2005
Gérard MESTRALLET (54) (1) (2)	Member of the Supervisory Board	2,825	29,439.12	Chairman and CEO of Suez; Chairman of the Board of Tractebel (Belgium) and Société Générale de Belgique (Belgium); Vice Chairman of Hisusa (Spain) and Sociedad General de Aguas de Barcelona (Spain); Member of the Board of Directors or Supervisory Board of St-Gobain, Crédit Agricole S.A., Taittinger and Pargesa Holding S.A. (Switzerland).	January 1997 / May 2003
Alfred von OPPENHEIM (68) (1) (2)	Member of the Supervisory Board	35,000	26,672.51	Chairman of the Supervisory Board of Banque Sal Oppenheim jr. & Cie KgaA (Germany); Chairman f the Board of Directors of Banque Sal Oppenheim jr & Cie AG (Switzerland), member of the Supervisory Board of AXA Konzern AG (Germany).	January 1997 / May 2003
Michel PEBEREAU (61)	Member of the Supervisory Board	4,200	39,839.77	Chairman and CEO of BNP Paribas; Member of the Board of Directors or Supervisory Board of Saint Gobain, Total Fina Elf, Lafarge, Dresdner Bank AG Francfort (Germany) and BNP Paribas UK (UK).	January 1997 / May 2005
Bruno ROGER (69) (1)	Member of the Supervisory Board	11,236	43,102.21	Chairman of Lazard Paris (SAS); Chairman of the Supervisory Board of Eurazeo; member of the Board of Directors or Supervisory Board of Saint Gobain, Pinault-Printemps-Redoute, Cap Gemini Ernst & Young and Sofina (Belgium).	January 1997 / May 2005
Ezra SULEIMAN (61) (1) (3)	Member of the Supervisory Board	–	–	Professor of Politics and Chair of the Committee for European Studies, Princeton University. Associate professor, Institut d'Etudes Politiques, Paris.	April 2003 / April 2007

(*) The most recent request that Supervisory Board members adjust their shareholdings in light of stock price trends was made in August 2002. Such requests are made from time to time.
(1) Independent.
(2) Shareholders will be asked to consider reelection at the Annual General Meeting on April 30, 2003.
(3) Shareholders will be asked to consider his appointment at the Annual General Meeting on April 30, 2003.

SUPERVISORY BOARD COMMITTEES

In 1990, AXA established special Committees to implement its principles of corporate governance.

In January 1997, when AXA adopted its current structure of corporate governance (by a Management Board and a Supervisory Board), the Supervisory Board formally set up four special Committees, whose Chairmen and members it appoints and whose rights and duties it specifies.

The Board thus benefits from the work of the Audit, Finance, Compensation and Selection Committees.

Each Committee issues opinions, proposals and recommendations and is empowered to undertake or commission studies on subjects to be discussed by the Board, or invite outside participants to its meetings.

Committee Chairmen are asked to report on completed committee work at the next scheduled Supervisory Board meeting.

The general principles pertaining to the role, organization and operating procedures of sub-committees are set forth in the Supervisory Board's internal regulations.

Audit Committee

To reflect the proposed "independence" criteria under the Sarbanes-Oxley Act, the composition of the Audit Committee was reduced to three members, all of whom should be independent: Messrs Jacques Calvet (Chairman), David Dautresme, Alfred von Oppenheim.

The Committee met seven times in 2002. The global attendance rate was 83%.

The Audit Committee:

– examines the Company's interim and annual financial statements before they are presented to the Supervisory Board. It also examines the financial documents issued by the Company in connection with the closing of the accounts for each reporting period,
– is consulted on the selection of the independent auditors of the Company. It also reviews audit programs, findings and recommendations, and any actions taken in light of these recommendations. The Management Board and the independent auditors of the AXA Group are entitled to refer matters to the Committee concerning any event that exposes the AXA Group to a significant risk,
– examines the accounting rules in force at AXA and reviews any proposed changes,
– examines the programs and objectives of AXA's Internal Audit Department as well as the reports issued by this division or by audit firms. It may request any internal or external audits it deems necessary and oversees follow-up on internal controls,
– notifies Company management, and the shareholders as it deems necessary, of any issue likely to have an impact on the Group's net worth or financial condition,
– may request internal and external audits where necessary and reports the findings to the Supervisory Board.

In addition to internal regulations of the Supervisory Board, the Audit Committee has adopted audit guidelines, which highlight certain of its duties. In particular, the Audit Committee:

– works with the Management Board and Group Internal Audit to review the Internal Audit Guidelines and the audit department's structure and operations,
– reviews the annual Group audit plan,
– holds separate meetings with the head of Group Internal Audit as often as required,
– is consulted on the selection and replacement of Group and subsidiary independent auditors,
– assesses the disinterestedness of independent auditors by examining their relationships with the AXA Group and, in particular, by verifying the accuracy and completeness of invoices submitted for audit work.

The principal subjects considered by the Audit Committee in 2002 are indicated below:
– annual and interim financial statements,
– initiatives undertaken to reconcile French GAAP and US GAAP,
– status of the Group audit function,
– methodology for calculating allowances to reserves for other-than temporary depreciation,
– measures aimed at combating money laundering,
– AXA RE risk coverage,
– review of certain specific risks.

Finance Committee

The Finance Committee has six members, four of whom are independent: Messrs Claude Bébéar (Chairman), Thierry Breton, Jacques Calvet, Gérard Mestrallet, Alfred von Oppenheim, Michel Pébereau.

The Committee met four times in 2002. The global attendance rate was 79%.

The Finance Committee:
– examines and issues an opinion on plans to sell real-estate or equity interests whose appraised value exceeds the authorizations granted to the Management Board by the Supervisory Board,
– reviews all proposed material financial transactions involving AXA that are put forward by the Management Board,
– reviews the broad outlines governing AXA's asset management policy and, more generally, all issues that pertain to AXA's investment management policy.

The primary subjects considered by the Finance Committee in 2002 are indicated below:
– AXA's financial structure,
– AXA's asset management,
– the restructuring of AXA Corporate Solutions,
– the restructuring of the banking division and the integration of Banque Directe,
– sale of the AXA Group's equity interest in Simco.

Selection Committee

The Selection Committee has four members, two of whom are independent: Messrs Jean-René Fourtou (Chairman), Gérard Mestrallet, Michel Pébereau, Bruno Roger.

The Committee held one meeting in 2002. The global attendance rate was 80%.

The Selection Committee:
– formulates recommendations to the Supervisory Board with respect to the appointment of members of the Supervisory Board or the Management Board, their respective Chairmen and Vice-Chairman, as well as the members and Chairmen of the different Supervisory Board sub-committees;
– is notified of the appointments of AXA's principal executives and officers, in particular members of the Executive Committee.

The primary subjects considered by the Selection Committee in 2002 and early 2003 are indicated below:
– the situation of Supervisory Board members,
– the re-appointment of incumbent members to the Management Board and the appointment of two new members,
– review of the succession plans for the CEOs of the Group's principal subsidiaries.

Compensation Committee

The Compensation Committee has four members, three of whom are independent: Messrs Henri Hottinguer (Chairman), David Dautresme, Jean-René Fourtou, Anthony Hamilton.

The Committee held one meeting in 2002. All members were present.

The Compensation Committee:
– recommends to the Supervisory Board the compensation levels of members of the Management Board, the amount of directors' fees paid to Supervisory Board members - subject to the approval of the shareholders - as well as proposed grants of AXA stock options to members of the Management Board (which may either be subscription or purchase options),
– reviews all Management Board recommendations pertaining to the principles and procedures of compensation for AXA executives and proposed grants of stock options to AXA employees,
– is informed by the Management Board of compensation levels set by the Board of Directors of Company subsidiaries.

The primary subjects considered by the Compensation Committee in 2002 are indicated below:
– compensation paid to members of the Management Board and the Executive Committee,
– total number of stock options to be granted to employees of the AXA Group, the allotment of stock options to members of the Management Board, information on the allotment of stock options to Group employees by operating unit.

OPERATING UNITS AND SUBSIDIARIES

OPERATING UNITS

AXA is divided into nine business units, whose CEOs report directly to the Management Board and its Chairman. They are listed below:

Chief Officer	Business unit
Jean-Raymond Abat	Mediterranean Area
Alfred Bouckaert	Benelux
Nicolas Moreau	AXA Investment Managers
Claus-Michael Dill	Germany and Eastern Europe
Christopher Condron	United States
Michel Pinault	Asia-Pacific (excluding Japan)
François Pierson	France and Assistance, Large Risks, Canada
Dennis Holt	United Kingdom and Ireland
Philippe Donnet	Japan, AXA RE

SUBSIDIARIES

Implementing the principles of corporate governance is a priority at AXA. Consequently, all of its principal subsidiaries, whether publicly traded or not, are governed by a board whose membership includes independent or non-executive directors and have an audit committee, whose membership also comprises independent members.

FULL DISCLOSURE ON EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

The general principles of AXA's executive compensation policy have been presented to the Compensation Committee of the Supervisory Board. This policy applies to all executive officers of the Company and is adapted to local regulations and practices under the supervision of the boards of directors and compensation committees of Group subsidiaries. The Compensation Committee regularly assesses compliance with these principles.

Executive compensation consists of both a fixed and a variable component. The fixed component is calculated on the basis of local market conditions, within the top quartile range. The variable component is linked to the global financial performance of AXA, local company performance, and individual performance, weighted to take into account individual levels of responsibility. The portion of the variable component tied to individual performance objectives comprises the principal component of annual compensation, in such a way that, if these objectives are met, compensation will be situated within the upper range of the going market rate.

The table below provides the following information:

– gross compensation paid in respect of 2002 (e), i.e. the fixed component paid 2002 (a), the variable component earned in 2002 and paid in 2003 (excluding expatriation allowances paid in 2003) (b), any directors' fees paid in 2002 (c) and benefits in kind for the year 2002 (d);
– gross compensation paid in 2002 (g), i.e. the fixed paid in 2002 (a), the variable component earned in 2001 and paid in 2002 (f) (including expatriation allowances paid in 2002), any directors' fees paid in 2002 (c) and benefits in kind for the year 2002 (d);
- and gross compensation paid in 2001, i.e. fixed compensation paid in 2001, the variable component earned in 2000 and paid in 2001 (including expatriation allowances paid in 2001), any directors' fees paid in 2001 and benefits in kind for the year 2001.

This table also allows for comparisons between compensation earned in respect of 2002 with that paid in 2001 and 2002.

The increase in the variable component paid in 2003 in respect of 2002 for 12 of the 17 Executive Committee members reflects:

– an improvement in Group earnings (in 2001, the variable component was lower for some members);
– a change in duties that led to membership on either the Executive Committee or the Management Board, placing the individuals in question in a higher compensation bracket.

(in euros)

	Fixed component for 2002 paid in 2002 (a)	Variable component earned in 2002 and paid in 2003 (b)	Directors' fees paid in 2002 (c)	Benefits in kind 2002 (d)	Total compensation paid in respect of 2002 (e) = (a)+(b)+(c)+(d)	Variable component for 2001 paid in 2002 (f)	Total compensation paid in 2002 (g) = (a)+(f)+(c)+(d)	Variable component for 2000, paid in 2003	Total compensation paid in 2001
Management Board Members									
H. de Castries (Chairman)	500,000	1,353,487	104,907	4,272	**1,962,666**	719,967	**1,329,146**	1,381,373	**2,019,533**
C. Brunet (1)	274,410	475,515	2,727	3,648	**756,300**	237,560	**518,345**	25,620	**233,628**
F. Colloc'h	353,000	717,742	6,740	4,272	**1,081,754**	613,060	**977,072**	794,622	**1,153,556**
C. Condron (US) (2)	1,060,000	4,028,000	0	210,233	**5,298,233**	4,240,000	**5,510,233**	2,688,000	**3,406,289**
D. Duverne (3)	272,527	485,335	35,688	3,752	**797,302**	272,604	**584,571**	420,277	**787,111**
G. de La Martinière	320,000	506,871	125,628	4,272	**956,771**	469,429	**919,329**	579,259	**967,009**
F. Pierson	350,000	746,856	75,920	15,804	**1,188,580**	368,930	**810,654**	272,943	**496,387**
Executive Committee Members									
J.-R. Abat (Spain) (4)(5)	180,303	302,385	30,051	34,234	**546,973**	172,594	**417,182**	214,223	**449,695**
A. Bouckaert (Belgium)	414,158	362,795	129,071	2,254	**908,278**	162,950	**708,433**	235,499	**639,920**
B. Calvert (US)	291,500	3,710,000	0	0	**4,001,500**	8,480,000	**8,771,500**	12,992,000	**13,300,000**
C. M. Dill (Germany)	512,568	650,992	6,090	21,044	**1,190,694**	390,000	**929,702**	780,473	1,319,652
P. Donnet	220,000	393,022	129,191	9,988	**752,201**	218,907	**578,086**	200,704	**420,488**
D. Holt (UK) (6)	596,250	626,063	0	10,871	**1,233,183**	477,000	**1,084,121**	0	**206,397**
N. Moreau (7)	296,920	493,120	0	3,648	**793,688**	417,306	**717,874**	465,825	**749,942**
L. Owen (Australia) (8)	526,313	not established	0	157,786	**not established**	789,469	**1,473,568**	626,021	**1,176,051**
M. Pinault	220,000	198,500	0	3,648	**422,148**	311,525	**535,173**	477,985	**678,586**
S. Tulin (US) (9)	795,000	3,021,000	0	73,789	**3,889,789**	3,180,000	**4,048,789**	13,453,979	**14,034,831**

(1) C. Brunet joined the AXA Group on April 2, 2001 and was appointed to the Management Board on February 26, 2003. His compensation for 2001 reflects nine months of service.
(2) C. Condron opted for the deferred payment of 25% of the fixed and variable components of his compensation. The amounts indicated reflect the full amount of this compensation. C. Condron joined the AXA Group on July 4, 2001. It also includes a 2,688,000 euro signing bonus.
(3) D. Duverne was appointed to the Management Board on February 26, 2003.
(4) J.-R. Abat was appointed to the Executive Committee on February 26, 2003.
(5) Compensation and benefits paid to J.-R. Abat include benefits paid in respect of his expatriate status in Spain.
(6) D. Holt joined the AXA Group on September 4, 2001. Consequently, his compensation for 2001 reflects four months of service.
(7) N. Moreau was appointed to the Executive Committee since February 26, 2003.
(8) Compensation paid to L. Owen reflects the benefits earned in connection with his expatriate status in Australia. Variable compensation levels for 2002 will be established in the second quarter 2003.
(9) S. Tulin opted for the deferred payment of 25% of the fixed and variable components of his compensation. The amounts indicated reflect the full amount of his compensation. In addition, the amount of compensation paid in respect of 2001 includes a one-off amount of 8,960,000 euros paid in connection of the buyout of minority interests in AXA Financial and 335,979 euros paid in connection with the cancellation of his options in AXA Financial.

Due to the different tax systems in countries where AXA's executive officers are located, it is difficult to make meaningful comparisons of compensation and benefits earned by Executive Committee members. For information, the relevant marginal tax rates are as follows: Germany: 49.60%[1]; Australia: 47%; Belgium: 60%; the United States: 45.01% and 43.12% (respectively, for New York and Philadelphia); France: 59.58%, including an additional 10% for social taxes; the United Kingdom: 40%.

SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD

	Number of shares owned as of December 31, 2002 (excluding AXA Actionnariat mutual funds)		
	AXA shares	AXA ADR	FINAXA shares
Henri de Castries (Chairman)	74,500	–	62,262
Claude Brunet	808	–	–
Françoise Colloc'h	15,121	–	6,603
Christopher Condron (United States)	–	519,561	–
Denis Duverne	24,872	–	–
Gérard de La Martinière	824		50,000
François Pierson	8,000	–	–

DIRECTORS' FEES PAID TO SUPERVISORY BOARD MEMBERS

The members of the Supervisory Board do not receive remuneration, with the exception of a fee for attending meetings. The amount of directors' fees paid to AXA's Supervisory Board members is detailed in the table above on Supervisory Board members.

The amount of directors' fees to be paid is determined by the shareholders in accordance with the Company's articles of incorporation and bylaws and distributed by the Supervisory Board to its members for their Board and Committee duties as follows:

- half of the amount of directors' fees is distributed evenly among the members of the Supervisory Board as the fixed component,
- a portion of the remainder is distributed among the members of the Supervisory Board in proportion to their actual attendance at the meetings of the Supervisory Board,
- the remainder is allocated by the Supervisory Board to the various specialized Committees and distributed among their members in proportion to actual attendance at Committee meetings.

In light of the importance of their role, the proportion of directors' fees paid to the members of the Audit Committee has been increased.

In 2002, the Company paid 660,000 euros gross (617,853.26 euros net) in directors' fees to the 14 members of the Supervisory Board.

(1) Excluding the Church tax of 8-10%, depending on the state.

STOCK OPTIONS

For many years, AXA has shared the rewards of its performance with directors, officers and employees of the Company in France and abroad by offering stock options. Stock option programs are designed to act as an incentive for long-term employment in the Company.

The Supervisory Board gives its prior authorization to implement stock subscription or stock purchase options.

As of December 31, 2002, 2,648 AXA employees had been granted stock options.

In general, stock options are granted during the first quarter of the year, before the restricted period of 10 trading days prior and after the publication of the annual financial statements.

To avoid carrying charges borne by the Company, AXA has opted to grant stock subscription rather than stock purchase options.

At the December 31, 2002 reporting date, options to purchase 43,789,361 AXA shares had been granted by the Company, representing 2.5% of the share capital outstanding. At February 28, 2003, 650,000 Mofipar options were outstanding.

STOCK OPTIONS GRANTED TO EXECUTIVE COMMITTEE MEMBERS
(options allotted but yet exercised as of December 31, 2002)

Beneficiaries	AXA	AXA ADR [1]	Mofipar [2]	Finaxa
Management Board members				
H. DE CASTRIES (Chairman)	3,095,640	284,796		110,000
C. BRUNET	320,000			
F. COLLOC'H	2,029,352	18,254	50,000	90,000
Ch. CONDRON (United States)		1,694,608		
D. DUVERNE	970,436	158,220	20,000	
G. DE LA MARTINIERE	1,800,696		50,000	75,000
F. PIERSON	767,696			
Executive Committee members				
J.-R. ABAT (Spain)	235,593			
A. BOUCKAERT (Belgium)	400,868			
B. CALVERT (United States)	20,288			
C. M. DILL (Germany)	360,868			
Ph. DONNET	399,244			
D. HOLT (United Kingdom)	220,000			
N. MOREAU [3]	218,416		50,000	
L. OWEN (Australia)	317,180			
M. PINAULT	462,896			
S. TULIN (United States)	131,304	1,780,755		

(1) As part of AXA's buyout of minority interests in AXA Financial, the outstanding options on AXA Financial common shares were converted into AXA American depository shares (ADR) on January 2, 2001.
(2) An unlisted subsidiary of the AXA Group.
(3) Also holds 7,562 shares of stock in AXA Investment Managers, an unlisted company.

STOCK OPTIONS GRANTED AND EXERCISED BY DIRECTORS, OFFICERS AND EMPLOYEES IN 2002

Information/ Beneficiaries	AXA stock options					AXA ADR				
	Options granted			Options exercised		Options granted			Options exercised	
	Number	Exercise date	Price (in euros)	Number	Price (in euros)	Number	Exercice date	Price (USD)	Number	Price
Management Board members:										
H. DE CASTRIES (Chairman) (1)	800,000	02/27/12	20.98							
C. BRUNET	220,000	02/27/12	20.98							
F. COLLOC'H	400,000	02/27/12	20.98							
Ch. CONDRON (United States)						571,806	02/27/12	18.05		
D. DUVERNE (2)	220,000	02/27/12	20.98							
G. DE LA MARTINIÈRE	300,000	02/27/12	20.98							
F. PIERSON	300,000	02/27/12	20.98	38,000 8,000	10.07 8.26					

(1) Also exercised 50,000 Mofipar options in 2002 at a price of €7.09.
(2) Also exercised 10,000 Mofipar options in 2002 at a price of €7.09.

A STRICT CODE OF ETHICS

AXA adopted a Code of Professional Ethics in the early 1990s.

The members of the Supervisory Board must comply with a general obligation of confidentiality with respect to the information they receive in their governance capacity.

The Company may also ask each member of the Supervisory Board to furnish all information, particularly relative to transactions in shares of publicly traded Group companies, which it may require to comply with its stock market and insurance disclosure requirements in certain countries.

At the end of each half-year period, the members of the Supervisory Board are also required to inform the Chairman of the Supervisory Board of any transactions made in Company securities. The Company pools the information to file a declaration to the securities markets regulator, the *Commission des Opérations de Bourse* (COB). This declaration does not include personal identifiers. Each member of the Supervisory Board is also required to inform the Company of any situation concerning him or her that could create a conflict of interest with the Company or companies of the AXA Group.

Group employees whose professional responsibilities are such that they may have access to information that could have an effect on the stock price are considered to be sensitive. As such, formal restrictions apply to their own trading in listed shares of stock.

Most of AXA's principal operating subsidiaries have developed code of ethics that complies with local regulatory and statutory requirements.

Wherever it operates, AXA strives to comply with regulations and legislation designed to fight money laundering and corruption. The AXA Group has adopted a Charter on the fight against money laundering, and has also set up a framework for ensuring the overall consistency of local anti-laundering mechanisms:

– A TRACFIN contact has been designated in each company to liaise with TRACFIN and comply with all disclosure requirements.
– To help fight against organized terrorist financing schemes, AXA reviews all lists provided by local authorities.

SUSTAINABLE DEVELOPMENT

Through its stakeholder commitments, AXA supports sustainable development in the communities in which it does business.

CUSTOMERS: AXA seeks to build close and lasting relationships with them by offering expert advice and a full range of adapted solutions, and by adhering to the highest standard of professional ethics.

SHAREHOLDERS: AXA seeks to satisfy them by achieving operating performance that ranks among the best in the industry, and by furnishing complete and accurate financial information.

EMPLOYEES: AXA seeks to contribute to the satisfaction and fulfillment of them by promoting respect and empowerment in the workplace, and by providing regular training and development opportunities.

SUPPLIERS AND NON-EXCLUSIVE DISTRIBUTORS: AXA seeks to maintain quality relationships with them by adhering to a clearly defined code of conduct, and by promoting ongoing dialogue.

CIVIL SOCIETY: AXA seeks to live up to our responsibilities to them by participating in the life of the community through acts of corporate philanthropy, and by sharing our professional expertise and capacity for innovation.

ENVIRONMENT: AXA seeks to play an active role in protecting it by making available our environmental risk management capability, and by promoting environmentally sound practices in the workplace.

Sustainable development correspondents have been appointed in the Group's principal companies. Their role is to define and implement detailed action plans aimed at improving company performance to better comply with local commitments. The Group has defined performance indicators to track performance improvement.

AXA has also set up an Intranet site to relay company information on these indicators.

You will find social and environmental data concerning AXA in the Management Board report prepared for and submitted at the Annual General Meeting of April 30, 2003. This document is available from AXA headquarters on request. In addition, the AXA Group activity report for 2002 is mainly devoted to best sustainable development practices adopted by AXA subsidiaries.

AXA stock and Employee stock program

STOCK MARKET

SHARES

The AXA stock is listed on Euronext Paris SA on the *Premier Marché (continu A)*, Euroclear France code: 12062 and, since June 25th 1996, on the New York stock exchange under American Depositary Shares (ADS) representing one AXA stock.

Shares created since January 1st 2003 by exercise of convertible or subscription bonds are listed *au comptant* on the Premier Marché until they are assimilated after the 2002 dividend cutting off on May 7th 2003.

AXA and AXA ADS Stocks transactions since 18 months (Paris and New York)

	PARISBOURSE				NEW YORK STOCK EXCHANGE		
		Price per Ordinary Share				Price per AXA ADS	
Calendar Period	Volume (in thousand)	High (in euros)	Low (in euros)	Calendar Period	Volume (in thousand)	High (in US$)	Low (in US$)
2001				**2001**			
September	242,427	30.46	16.40	September	6,084	26.59	15.40
October	175,983	26.55	20.08	October	8,306	23.69	18.49
November	160,803	28.35	23.40	November	5,681	25.23	21.03
December	125,087	26.36	21.32	December	10,407	23.27	19.83
2002				**2002**			
January	139,025	25.10	21.05	January	8,502	22.57	18.29
February	146,041	22.15	19.41	February	6,893	19.30	17.00
March	170,061	26.06	21.26	March	8,157	23.19	18.60
April	159,122	26.09	22.75	April	5,187	23.04	20.56
May	204,023	24.05	20.90	May	6,070	21.97	19.43
June	191,045	21.20	15.91	June	6,184	19.77	16.10
July	336,793	19.14	8.80	July	11,710	18.41	9.25
August	264,919	16.50	10.02	August	10,990	15.95	10.11
September	315,489	14.88	8.88	September	10,720	14.37	9.05
October	347,318	15.39	9.56	October	10,840	15.13	9.55
November	234,117	16.56	11.75	November	7,910	16.28	11.94
December	190,506	16.74	12.37	December	7,380	16.43	12.92
2003				**2003**			
January	224,947	14.55	10.23	January	9,770	15.20	11.79
February	237,593	12.58	9.97	February	10,640	13.44	10.83

OTHER STOCK

FIXED MATURITIES

	Subordinated convertible bonds from February 8, 1999	Subordinated convertible bonds from February 17, 2000
Number of bonds	9,239,333	6,646,524
Notional amount for each bond	165 euros	165.50 euros
Total notional amount	1,524,489,945 euros	1,099,999,722 euros
Possession	February 8, 1999	February 15, 2000
Duration	14 years, 10 months and 21 days	16 years, 10 months and 13 days
Notional interest rate	2.50%	3.75%
Conversion	from Fabruary 9, 1999: 1.01 share for 1 bond	from Fabruary 17, 2000: 1.01 share for 1 bond
Normal amortization	in total a January 1, 2004 at 230.88 euros per bond, i.e. 139.93% of the notional amount	in total a January 1, 2017 at 269.16 euros per bond, i.e. 162.63% of the notional amount
Anticipated amortization	– at any time through open market purchase or over the counter, – by issuer agreement, in cash, from January 1, 2005 at a price with a gross 4.45% actuarial yield, if the Company's share average over 10 consecutive days is above 125% of the anticipated repayment price, – At any time, by issuer agreement, at 230.88 euros if the number of bonds in circulation is below 10% of the number of bonds issued.	– at any time through open market purchase or over the counter, – by issuer agreement, in cash, from January 1, 2007 at a price with a gross 6.00% actuarial yield, if the Company's share average over 10 consecutive days is above 125% of the anticipated repayment price, – At any time, by issuer agreement, at 269.16 euros if the number of bonds in circulation is below 10% of the number of bonds issued.
Number of bonds in circulation at February 15, 2002	9,199,793	6,639,463

Convertible subordinated bonds **AXA 1999/2014** are listed *au comptant* on the *Premier Marché* of the Paris stock exchange.

AXA Convertible Bonds (2.5% 1999-2014) transactions

Calendar Period	Volume	Highest stock price (in euros)	Lowest stock price (in euros)
2001			
September	239,936	180.00	142.20
October	213,935	159.60	149.00
November	132,794	168.50	150.00
Décember	107,771	162.00	150.00
2002			
January	56,021	162.00	149.20
February	114,557	152.90	147.00
March	134,853	158.00	148.10
April	19,528	158.00	149.50
May	24,748	156.00	147.00
June	62,740	153.99	143.00
July	60,759	152.00	126.80
August	138,682	141.10	125.10
September	39,661	144.40	131.00
October	36,225	143.40	123.00
November	29,166	156.00	137.00
Décember	27,906	155.00	147.10
2003			
January	49,939	160.20	146.10
February	27,569	156.00	145.00

Convertible subordinated bonds **AXA 2000/2017** are listed *au comptant* on the *Premier Marché* of the Paris stock exchange.

AXA Convertible Bonds (3.75% 2000-2017) transactions

Calendar Period	Volume	Highest stock price (in euros)	Lowest stock price (in euros)
2001			
September	75,226	186.00	148.00
October	87,963	180.00	162.90
November	42,505	188.90	171.10
Décember	30,745	182.00	170.00
2002			
January	95,061	180.00	163.20
February	67,458	169.50	159.00
March	34,565	174.50	163.00
April	2,309	174.00	164.00
May	15,376	174.00	164.10
June	12,823	172.00	160.50
July	79,727	165.80	142.70
August	27,005	155.00	144.00
September	89,964	159.00	142.00
October	60,533	158.95	138.15
November	29,928	168.00	151.00
Décember	2,111	178.00	162.10
2003			
January	20,160	175.00	144.60
February	22,166	172.50	160.00

EMPLOYEE SHAREHOLDERS

The AXA Group offers its employees an opportunity to become shareholders through a special equity issue reserved for them. By virtue of the authorization granted by the shareholders at their meetings of May 9, 2001 and May 3, 2002, the Management Board increased share capital, as provided for by French *Ordonance* of October 21, 1986, in two offerings, through the issue of shares to employees of the Group under the Shareplan 2002 program. The shareholders were asked to waive their preferential subscription rights so that these options could be granted to employees.

In the countries that met the legal and tax requirements, two investment options were proposed in 2002:
– the traditional plan, available in 27 countries,
– the leverage plan offered in 28 countries (34 in 2001).

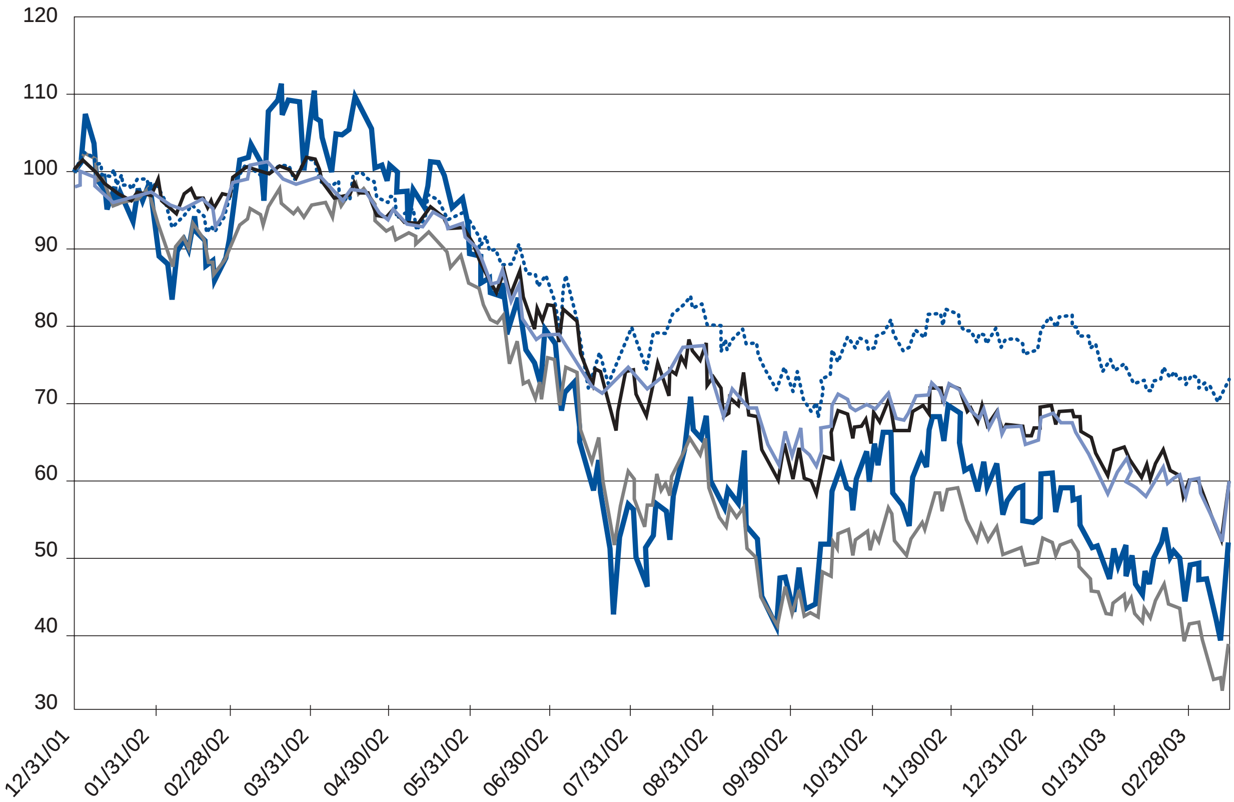
The Shareplan 2002 program was carried out in two phases:
– phase I (July 2002): employees in France were given the opportunity to invest their profit-sharing and bonuses,
– phase II (December of 2002): a second issue, open to all Group employees through voluntary contributions.

More than 140 companies in 28 countries took part in Shareplan 2002, and participating employees invested a total of €255 million (down 21% compared with the €323 million invested in 2001) as follows:
€41 million in the traditional plan (versus €70 million in 2001),
€214 million in the investment leverage plan (versus €253 million in 2001).

A total of 27,173,513 new shares were issued, each with a par value of 2.29 euros. These shares began earning dividends on January 1, 2002.

As of December 31, 2002, AXA employees owned 70,076,322 shares, i.e. 3.98% of the Group's capital and 4.17% of the voting rights. These shares are owned through 14 mutual funds or directly, in the form of shares or ADS.

AXA Stock Price Trends



AXA share price (in euros):
12/31/2001: 23,47
12/31/2002: 12,79
03/14/2003: 12,06

	12/31/01	12/31/02	% change 2002	03/14/03	% change YTD 2003
AXA	23.47	12.79	(45.5%)	12.06	(5.7%)
Stoxx Insurance	322.33	157.18	(51.2%)	122.92	(21.8%)
Stoxx 50	3,706.93	2,407.51	(35.1%)	2,126.97	(11.7%)
S&P 500	1,148.08	879.82	(23.4%)	833.27	(5.3%)
CAC 40	4,624.58	3,063.91	(33.7%)	2,740.01	(10.6%)

2002 OVERVIEW

The global financial market conditions in 2002 were a bleaker version of 2001. The stock market performance deteriorated for the third consecutive year, more or less on a worldwide basis. The MSCI World total return index lost 25% in 2002, its worst yearly performance since 1974. Weak economic growth, corporate scandals including fraud, bankruptcies, profit warnings, dividend cuts, market volatility, fears of deflation and the looming threat of conflict in Iraq all combined to depress markets. In Europe, the Stoxx 50 fell by 35%, with the German DAX down 44%, the French CAC 40 down by 34% and the UK FTSE 100 down by 25%. In Japan, the Nikkei closed down 19%, having reached a 19-year low in mid-November. In the US, the Dow Jones fell by 17%, the wider S&P 500 fell by 23% and the technology heavy Nasdaq by 22%.

All industry sectors were adversely affected, with the food & beverages and the energy sectors the least affected (down just 14.5% and 19.9% respectively)[1]. The worst affected sectors included technology (– 56.9%) and insurance (– 51.2%). The **Insurance Sector** was particularly impacted by concerns surrounding the impact of falling equity markets on capital adequacy and reported earnings and by significant reserve strengthening exercises.

– Capital adequacy

Traditionally, European insurers have invested approximately 15% - 30% of their assets in equities. The outperformance of equities versus other asset classes in the late 1990s resulted in an increase in the equity exposure of many companies, and consequently, the underperformance of equities over the last three years has had a direct impact on the capital of European insurers in terms of lower unrealised capital gains. In addition, several insurers have redeployed significant amounts of excess capital via acquisitions, or made significant use of debt to finance acquisitions, thereby increasing balance sheet leverage. Financial strength ratings of virtually all insurers were either downgraded or placed under review by rating agencies during the year. As equity markets tumbled, a number of insurers announced capital raising measures, raising a total of $7 billion additional shareholder funds.

– Reported earnings

As a result of their equity investments, historically, a high proportion of European insurers' reported earnings were generated by the realisation of capital gains. Falling equity markets have eroded many of these gains, leaving several insurers with unrealised loss positions on equities. In addition, many insurers have had to increase valuation allowances to recognise a portion of the difference between the book value of their equity holdings and the actual market value further reducing reported earnings. Additional impacts of the falling equity markets include lower fee income on asset management and unit-linked business due to lower levels of assets under management and reserve additions to cover guaranteed benefits on US variable annuities and DAC recoverability.

– Reserve strengthening

In addition to the above concerns directly linked to equity markets, some insurers' have also been impacted by concerns surrounding adequacy of reserves. Asbestos remains a concern as there has been a major acceleration in US asbestos-related litigation and insurance claims incurred in the last 18 months. In addition to asbestos, claims costs, particularly legal costs and settlements have continued on an upward trend. In 2002, several European insurers with large US Property & Casualty exposure added significantly to their reserves.

(1) Based on the Dow Jones Stoxx 600 sector indices as of 12/31/02.

All these factors contributed to the 51% decline in the value of the insurance sector.

The **AXA** stock price declined by 45.5% in 2002, outperforming the insurance sector, as management actions and focus on operational efficiency enabled the Group to better cope with the difficult environment. AXA's focus during 2002 has been on delivering significant cost savings of €966 million, on reducing the combined ratio from 114% in 2000 to 106.5% in 2002, and on de-leveraging the balance sheet from 63% at 12/31/2000 to 46% at 12/31/2002. The diversification of AXA's revenue base, both in geographic and product terms enabled the Group to report a growth in revenues of 4.6% on a comparable basis compared to 2001. Strong Life & Savings growth in the US and Japan offset weaker sales in France and the UK, which nevertheless demonstrated strong growth in Property & Casualty revenues. The benefit of this diversification also showed through at an underlying earnings level, with Property & Casualty underlying earnings demonstrating a strong turnaround, Life & Savings underlying earnings demonstrating strong resilience to the difficult financial markets, down just 1% compared to 2001.

2003

So far, 2003 has not had an auspicious start. Markets continue to be extremely volatile, with faltering corporate profits and gloomy economic outlooks weighing on equities. Concerns surrounding the threat of war with Iraq has driven the US dollar to new lows and oil prices to new highs creating uncertainty and caution in the Global environment.

For the insurance sector, many of the concerns faced during 2002 persist. Balance sheets risks remain and sector performance will be closely tied to equity markets.

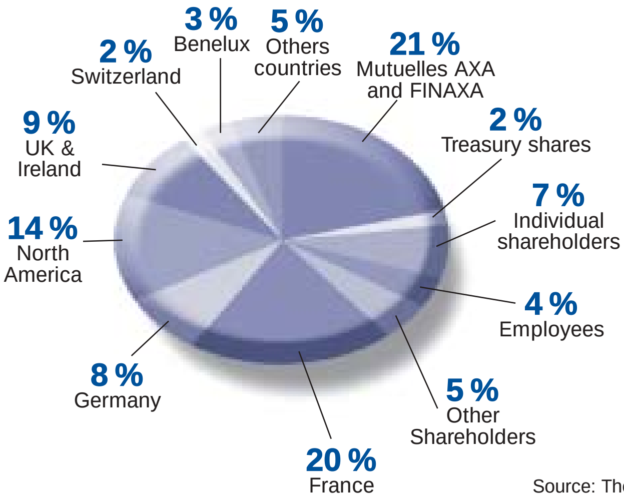
Prospects for non-life insurers look better. Significant price increases suggest that, for most commercial insurers and reinsurers, the 2003 underwriting year should be significantly more profitable that any in the past five years. In addition, the tightening of policy terms and conditions as well as widespread imposition of limits on liability and more specific risk definitions suggest that medium term profitability should be improved.

AXA's full year earnings were announced on February 27, 2003. Net income of €949 million was ahead of market expectations. Overall, the market was impressed by the 10% improvement in underlying earnings, which demonstrated that AXA has a strong operational story. The expense reduction of €966 million was well ahead of the original target. The six point improvement in the combined ratio from 112.5% to 106.5% enabled the Property & Casualty operations to deliver a strong recovery and demonstrated that AXA's target combined ratio of 104% in 2003 was achievable. The management also set a new target combined ratio of 102% by 2005. The Life & Savings operations held up well despite the negative economic conditions with underlying earnings at the same level as in 2001. The Group's financial structure demonstrated strong resilience, with an estimated consolidated solvency margin of 172% at 12/31/02, nevertheless, the decision to rebase the dividend to a sustainable level of adjusted earnings was viewed as a prudent measure.

On 17 March 2003, AXA's share price rose by 4.7% to close at €12.63, having risen by 13.7% and 17.1% on the two previous trading sessions. Markets have risen sharply in recent days as war with Iraq appears imminent. AXA's shares have continued to outperform the insurance sector during 2003, and year to date the AXA stock is down just 1.3% compared to the Stoxx Insurance sector which is down 17.6%, the Stoxx 50 index which is down 8.5% and the CAC 40 which is down 7.6%.

At the end of February 2003, of the 37 analysts following AXA, 23 rate AXA a buy, 12 are neutral and two have underperform recommendations.

AXA Shareholders



Source: Thomson Financial 2002 Ownership Analysis

INSTITUTIONAL INVESTORS

AXA aims to develop and maintain a close relationship with its investors.

The publication of its interim and annual results is followed by a series of roadshows in all the major financial centres of the world, where the executives of AXA meet with the major shareholders of the Group. In 2002, more than 375 meetings, in fifteen countries, took place with investors. In addition to these meetings, a number of presentations are dedicated to major institutional shareholders which include; presentation of results twice a year, presentation of embedded value, presentations of the different Group activities; in the US, France and the UK, as well as presentations at 16 insurance industry conferences.

Based in Paris and New York, the Group's investor relations teams are in regular contact with the financial community: sell side analysts, buy-side analysts and fund managers, and rating agency analysts. They keep the market informed of events impacting the Group and its performance, respond their questions and promote the Group's goal of satisfying investor needs for information and transparency. In response to the high volatility of the financial markets in 2002, the Group reduced the period of uncertainty ahead of earnings releases, by pre-announcing the Group results for the half-year 2002, and advancing the publication of its 2002 annual results by two weeks compared to 2001, situating it among the first European Insurance Groups to publish their results.

All Group communication – press releases, results presentations, conference presentations etc. are available on the Group website at www.axa.com. Presentations of the results are webcast and also accessible by conference call.

Further financial information is available at: www.axa.com
Investor Relations:
Paris: 33 (0)1 40 75 48 42
New York: 1 212 314 53 81
E-mail: infofi.web@axa.com

INDIVIDUAL INVESTORS

Individual shareholders own approximately 7% percent of AXA's total equity capital. AXA has an active shareholder information program and holds regular meetings for individual shareholders.

The highlight of the year for individual shareholders is the Annual General Meeting. Around 1,200 individual shareholders attended AXA's annual shareholders' meeting in May of 2002, and nearly 3,300 were represented by proxy.

Since 1997, AXA has offered registered shareholders and interested holders of shares in bearer form the opportunity to take part in the Cercle des Actionnaires AXA.

As members of this club, shareholders receive:

– The Shareholders' Circle newsletter, published to coincide with the publication of interim and annual earnings releases and the annual general meeting,
– Special mailings on major events involving AXA,
– Invitations to local presentations. In addition, regular meetings are held throughout the year in France, where most of AXA's individual shareholders are domiciled,
– AXA also hosts an individual shareholders' committee *(Comité Consultatif d'Actionnaires Individuels),* whose 15 members are selected from among the members of the *Cercle des Actionnaires.* The Committee meets twice a year with AXA executives to discuss and make recommendations on AXA's disclosure and communications policy with respect to individual shareholders.

As of November of 2001, the management of registered shares is handled by BNP-Paribas Securities Services, which makes a dedicated telephone platform (0810 888 433) available to AXA shareholders. Since March of 2003, shareholders may view their registered share account information online. Via the GISnomi website (http://gisnomi.bnpparibas.com), shareholders can send and monitor the status of trading orders, provided they have entered into a stock market services agreement and have opened a share account with a financial institution domiciled in France.

Key business and financial information concerning AXA is regularly made available to shareholders via:

– Inserts and page spreads in financial and business publications announcing major events (earnings and annual meetings),
– a website: www.axa.com under Individual Shareholders,
– minitel 3616 AXA (France only).

Individual shareholders may also contact the **Shareholder Relations department** at AXA:
Paris: 33 (0)1 40 75 48 43
New York: 1 212 314 29 02
E-mail: actionnaires.web@axa.com

Simplified Organization Chart as at December 31, 2002

Insurance

AMERICA

UNITED STATES
AXA FINANCIAL (a)
100% 100%

CANADA
AXA ASSURANCES
100% 100%

AXA INSURANCE
100% 100%

AFRICA

MOROCCO
AXA ASSURANCE MAROC
51% 100%

EUROPE

GERMANY
AXA KONZERN
90% 91%

AXA ART
90% 100%

BELGIUM
AXA BELGIUM (d)
100% 100%

SPAIN
AXA AURORA
100% 100%

DIRECT SEGUROS
50% 50%

FRANCE
AXA FRANCE ASSURANCE (b)
100% 100%

ITALY
AXA ASSICURAZIONI
100% 100%

IRELAND
AXA IRELAND
100% 100%

LUXEMBOURG
AXA LUXEMBOURG
100% 100%

THE NETHERLANDS
AXA VERZEKERINGEN
100% 100%

PORTUGAL
AXA SEGUROS
99% 100%

UNITED KINGDOM
AXA SUN LIFE
100% 100%

AXA INSURANCE
100% 100%

AXA PPP HEALTHCARE
100% 100%

SWITZERLAND
AXA ASSURANCES
100% 100%

TURKEY
AXA OYAK
50% 50%

The percentage on thhe left represents the economic interest and the percentage on the right represents the percentage of control.
(a) Holding company that owns The Equitable Life Assurance Society of the United States.
(b) Holding company that owns AXA France Vie, AXA France IARD, AXA France Collectives and Direct Assurance.
(c) Holding company that owns The National Mutual Life Association of Australasia.
(d) New corporate name as at November 15, 2002 (formerly AXA Corporate Solutions).

ASIA / PACIFIC

AUSTRALIA/ NEW-ZEALAND
AXA ASIA PACIFIC (c)
51.7% 100%

CHINA
AXA MINMETALS
39% 51.7%

HONG KONG
AXA
CHINA REGION
51.7% 100%

JAPAN
AXA INSURANCE
96% 100%

AXA NON-LIFE
INSURANCE
100% 100%

SINGAPORE
AXA LIFE
51.7% 100%

AXA INSURANCE
100% 100%

INTERNATIONAL INSURANCE

AXA RE (d)
100% 100%

AXA ASSISTANCE
100% 100%

Financial Services

ASSET MANAGEMENT

AXA INVESTMENT
MANAGERS
93% 96%

AXA REAL ESTATE
INVESTMENT
MANAGERS
93% 96%

ALLIANCE CAPITAL
MANAGEMENT
56% 56%

AXA ROSENBERG
75% 75%

OTHER FINANCIAL SERVICES

GERMANY
AXA
BAUSPARKASSE
90% 100%

AXA BANK
90% 100%

BELGIUM
AXA BANK
BELGIUM
100% 100%

FRANCE
COMPAGNIE
FINANCIERE
DE PARIS
100% 100%

AXA BANQUE
100% 100%

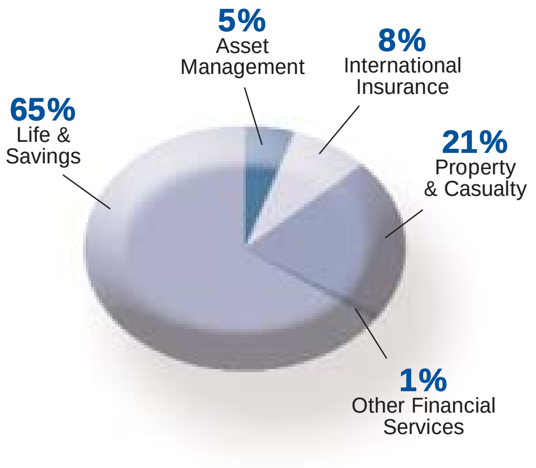
AXA CREDIT
65% 65%

Financial highlights

ACTIVITY INDICATORS

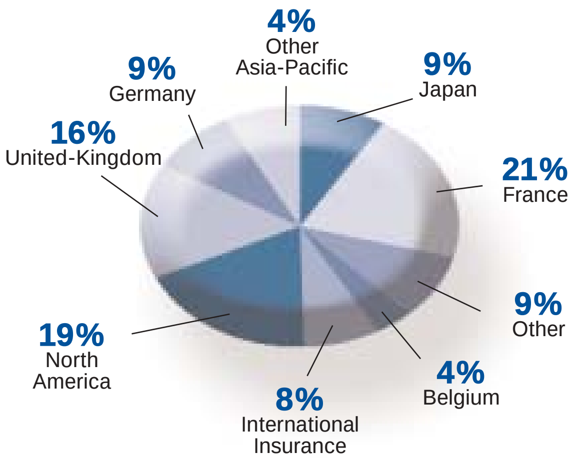
GROSS PREMIUMS AND FINANCIAL SERVICES REVENUES

BY BUSINESS SEGMENT



TOTAL : €74.7 billion

BY GEOGRAPHIC REGION (INSURANCE ONLY)

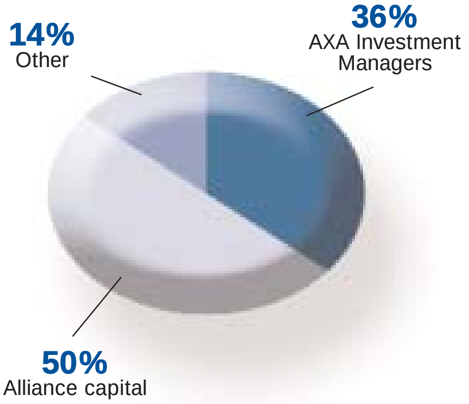


TOTAL : €70.3 billion

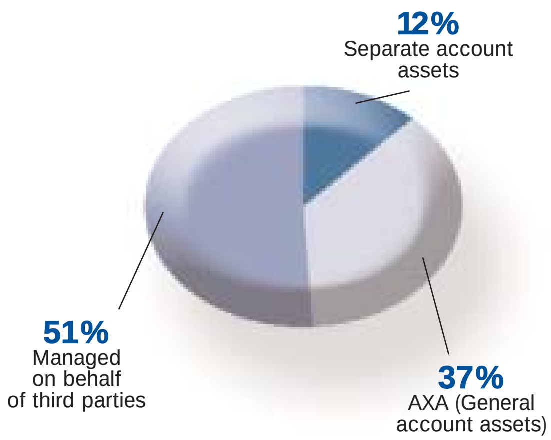
Total consolidated gross premiums and financial services revenues in 2002: €74.7 billion (+4.6% on a comparable basis)

ASSETS UNDER MANAGEMENT

BY COMPANY



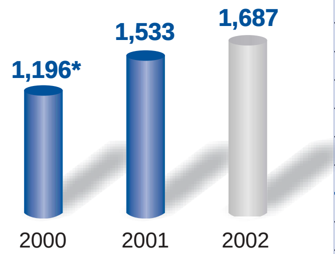
BY CATEGORY



Total assets under management as at December 31, 2002: €742 billion

PROFITABILITY INDICATORS

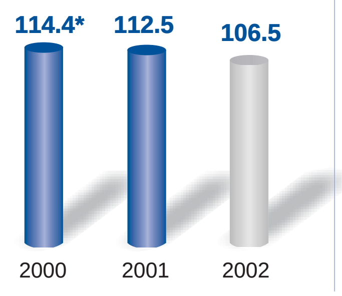
UNDERLYING EARNINGS***
(in euro millions)



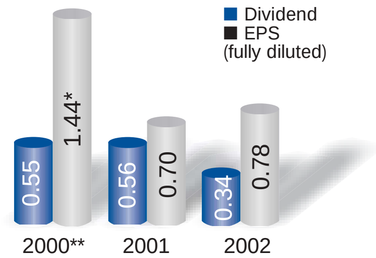
CONTRIBUTION TO CONSOLIDATED UNDERLYING EARNINGS, ADJUSTED EARNINGS AND NET INCOME GROUP SHARE
(in euro millions)

	2002	2001	2000*
Life & Savings	1,636	1,647	1,128
Property & Casualty	226	(42)	(238)
International Insurance	(78)	92	(57)
Asset Management	258	328	209
Other Financial Services	133	115	253
Holding companies	(488)	(607)	(99)
Underlying earnings* **	**1,687**	**1,533**	**1,196**
Cost of September 11th events	(89)	(561)	-
Net investment gains attributable to shareholders	(240)	229	1,096
Adjusted earnings* **	**1,357**	**1,201**	**2,292**
Impact of exceptional operations	235	-	1,431
Goodwill amortization (group share)	(643)	(681)	(279)
Net income Group Share	**949**	**520**	**3,444**

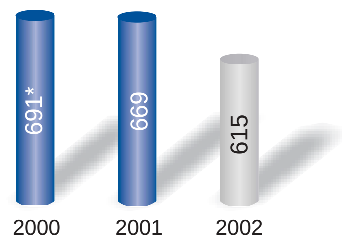
COMBINED RATIO
(in points)



ADJUSTED EARNINGS*** PER ORDINARY SHARE AND NET DIVIDEND PER SHARE
(in euros)

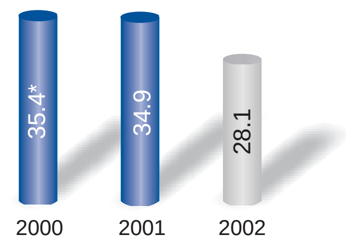


NEW BUSINESS CONTRIBUTION
(in euro millions)

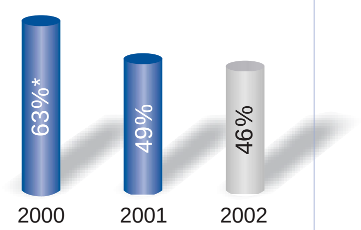


BALANCE SHEET INDICATORS

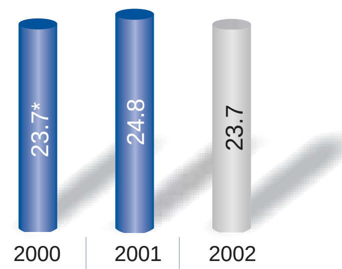
EMBEDDED VALUE****
(in euro billions)



GEARING RATIO
(in %, as at December 31,)



CONSOLIDATED SHAREHOLDERS' EQUITY (GROUP SHARE)
(in euro billions, as at December 31,)



	2000	2001	2002
in millions of shares	1,665**	1,734	1,762
Adjusted ROE***:	12.4%*	4.9%	5.7%
Underlying ROE ***:	6.5%*	6.3%	7.1%

* *December 31, 2000 financial data (as reported) have been presented under a new base of presentation following the implementation of new French Regulations effective January 1, 2001.*

** *Per ordinary share financial data for 2000 have been restated to take account of the effect of the 4-1 stock split approved by the shareholders at the annual general meeting held on May 9, 2001.*

*** *Since 2000, the operating results of AXA Group have been presented on a basis referred to as "Adjusted Earnings", which represent AXA's consolidated net income before the impact of exceptional operations and amortization of goodwill. Underlying Earnings correspond to "Adjusted Earnings" excluding net investment gains attributable to shareholders and the cost of September 11th events. Adjusted Earnings and Underlying Earnings are non-GAAP measures, which management believes provides a meaningful understanding of the results. It should be noted that "Adjusted Earnings" and "Underlying Earnings" as defined, may not be comparable with similarly-titled measures reported by other companies as it is not defined under either French GAAP or U.S. GAAP.*

**** *Please refer to page 51 for further details.*

Consolidated Gross Revenues by Activity

(in euro millions)

	At December 31, 2002 Gross [(a)]	2002 Net [(a)]	2001	2000	2002/2001 % change	% change on comparable basis
Life & Savings	**48,619**	**48,586**	**48,399**	**45,997**	**0.4%**	**5.5%**
France	10,432	10,423	10,997	12,528	(5.2%)	(5.4%)
United States	12,726	12,726	11,642	12,483	9.3%	15.4%
United Kingdom	8,362	8,362	9,086	7,939	(8.0%)	(6.5%)
Japan	6,428	6,428	5,475	3,353	17.4%	28.7%
Germany	3,141	3,140	2,997	2,912	4.8%	4.7%
Belgium	1,629	1,629	1,686	1,099	(3.4%)	(3.4%)
Other countries	5,900	5,877	6,517	5,682	(9.8%)	6.4%
Property & Casualty	**15,981**	**15,948**	**15,896**	**15,579**	**0.3%**	**5.7%**
France	4,383	4,383	4,171	4,001	5.1%	6.3%
Germany	2,867	2,843	3,142	3,085	(9.5%)	(1.6%)
United Kingdom	2,749	2,749	2,480	2,683	10.9%	12.6%
Belgium	1,401	1,395	1,323	1,297	5.4%	5.2%
Other countries	4,581	4,577	4,780	4,513	(4.2%)	6.3%
International Insurance	**5,872**	**5,762**	**5,678**	**3,651**	**1.5%**	**4.6%**
AXA Corporate Solutions	5,375	5,335	5,288	3,297	0.9%	4.1%
AXA Assistance	465	397	381	328	4.4%	11.4%
Other international activities	31	30	9	26	217.8%	26.9%
Total Insurance	**70,471**	**70,296**	**69,974**	**65,226**	**0.5%**	**5.5%**
Asset Management	**3,724**	**3,411**	**3,730**	**2,984**	**(8.5%)**	**(7.2%)**
Alliance Capital	2,903	2,778	3,200	2,577	(13.2%)	(8.4%)
AXA Investment Managers	820	633	503	383	25.8%	(1.4%)
National Mutual Funds Management	–	–	26	24	–	–
Other Financial Services	**1,046**	**1,020**	**1,128**	**11,760**	**(9.6%)**	**(9.9%)**
Donaldson, Lufkin & Jenrette (DLJ)	–	–	–	10,686	–	–
French Banks	137	134	187	182	(28.7%)	(32.5%)
German Banks	133	117	100	82	16.9%	16.9%
AXA Bank Belgium	723	717	763	757	(6.0%)	(5.4%)
Other	52	52	77	53	(32.7%)	(40.5%)
Total Other Financial Services	**4,770**	**4,430**	**4,857**	**14,744**	**(8.8%)**	**(7.8%)**
Intercompany eliminations	(514)	–	–	–	–	–
TOTAL REVENUES	**74,727**	**74,727**	**74,832**	**79,971**	**(0.1%)**	**4.6%**

(a) Presented gross and net of intercompany eliminations.

(in euro)

Exchange Rate	Year End Exchange Rate 2002	2001	Average Exchange Rate 2002	2001	2000
U.S. Dollar	0.95	1.14	1.06	1.12	1.09
Japanese Yen [(a)] (x100)	0.836	0.916	0.869	0.953	1.016
Australian Dollar [(b)]	0.54	0.58	0.58	0.58	0.63
British Pound	1.54	1.64	1.59	1.61	1.64

(a) The exchange rates presented correspond to the year-end exchange rate and average exchange rate for a September 30 financial year.

(b) Same as in footnote (a) above for 2001 and 2000. However, in 2001, the reporting year-end was changed to December 31 and, therefore, the average exchange rate corresponds to the period from October 1 to December 31 (15-month period) and the year-end exchange rate is at December 31, 2001.

Consolidated Adjusted Earnings and Net Income by Activity

(in euro millions except per ordinary share amounts)

	Years ended December 31, 2002	2001	2000 [a] Pro forma	2000 as published
Life & Savings	**1,367**	**1,225**	**1,401**	**1,437**
France	432	345	392	388
United States	520	518	373	404
United Kingdom	348	167	179	179
Japan	(45)	(99)	52	52
Germany	(0)	21	46	41
Belgium	8	65	172	172
Other countries	104	208	186	200
Property & Casualty	**93**	**182**	**237**	**408**
France	237	266	222	281
Germany	(28)	85	44	159
United Kingdom	(196)	(133)	(150)	(150)
Belgium	(29)	(5)	200	191
Other countries	109	(31)	(78)	(73)
International Insurance	**(149)**	**(378)**	**112**	**153**
AXA Corporate Solutions	(142)	(350)	132	130
AXA Assistance	1	13	12	12
Other international activities	(8)	(41)	(32)	10
Total Insurance	**1,311**	**1,029**	**1,750**	**1,998**
Asset Management	**258**	**346**	**211**	**211**
Alliance Capital	195	273	160	160
AXA Investment Managers	63	58	48	48
National Mutual Funds Management	–	15	3	3
Other Financial Services	**133**	**144**	**273**	**273**
Donaldson, Lufkin & Jenrette (DLJ)	–	–	197	197
French Banks	(3)	15	23	23
German Banks	2	(1)	4	4
AXA Bank Belgium	36	76	46	46
Other	98	54	2	2
Total Other Financial Services	**391**	**489**	**484**	**484**
Holdings	(344)	(318)	58	58
ADJUSTED EARNINGS (GROUP SHARE) [b]	**1,357**	**1,201**	**2,292**	**2,540**
Adjusted earnings per ordinary share (basic) [c]	*0.78*	*0.70*	*1.51*	*1.67*
Adjusted earnings per ordinary share (diluted) [c]	*0.78*	*0.70*	*1.44*	*1.60*
Return on Equity	*5.7%*	*4.9%*	*12.4%*	*13.7%*
Impact of exceptional operations	235	–	1,431	1,643
Goodwill amortization (Group share)	(643)	(681)	(279)	(279)
NET INCOME (GROUP SHARE)	**949**	**520**	**3,444**	**3,904**
Net income per ordinary share (basic) [c]	*0.55*	*0.30*	*2.27*	*2.57*
Net income per ordinary share (diluted) [c]	*0.55*	*0.32*	*2.15*	*2.44*
Return on Equity	*4.0%*	*2.1%*	*18.6%*	*21.1%*

(a) Proforma New French GAAP as if the new French Regulations, which became effective on January 1, 2001, had been in force since January 1, 2000.

(b) Adjusted earnings represents AXA's consolidated net income before goodwill amortization and exceptional operations. Adjusted earnings is a non-GAAP measure, which management believes provides a meaningful understanding of the results. It should be noted that "Adjusted earnings" as defined may not be comparable with similarly-titled measures reported by other companies as it is not defined under either French GAAP or U.S. GAAP.

(c) 2000 per share data are restated to take account of the 4-for-1 stock split approved by the shareholders on May 9, 2001.

Shares, shareholder's equity, Restated Net Asset and Dividends

	2002	2001	2000
Number of ordinary share oustanding (in millions)	1,762.17	1,734.19	1,664.92
Average share price (in euros)	17.8	30.3	37.9
Share price as at December	12.8	23.5	38.5
High share price (in euros)	26.1	39.8	44.6
Low share price (in euros)	8.8	16.4	30.4
Stock capitalization (in euro millions)	22,538	40,701	64,100
Shareholder's equity (in euro millions)	26,523	28,189	28,023
Represented by Net Income (in million euros)	*1,317*	*906*	*6,027*
Shareholder's equity, group share (in euro millions)	23,711	24,780	24,322
Represented by Net Income, group share (in million euros)	*949*	*520*	*3,904*
Adjusted Earnings	1,357	1,201	2,540
Net asset value			
Total (in euro millions)			
– Gross	27,871	34,496	35,053
– Net	25,915	30,952	31,930
Per share (in euros)			
– Gross	15.8	19.9	21.1
– Net	14.7	17.8	19.2
Dividends [a] :			
– gross per share, including tax credit (in euros)	0.51	0.84	0.83
– net per ordinary share (in euros)	0.34	0.56	0.55
– net total (in euro millions)	599	971	916
Dividend Pay-Out Ratio [b]	44%	81%	36%

(a) 2002 dividends proposed for approval by AXA shareholders at the annual general meeting of shareholders held on April 30, 2003.
(b) Net Dividend / Adjusted Earnings.

Salaried Employees

	At December 31, 2000	At December 31, 2001	At January 1, 2002 [a]	At December 31, 2002
Insurance	**82,720**	**81,908**	**73,818**	**70,127**
– France [b]	18,541	18,540	18,540	17,869
– United States [d]	6,173	5,461	5,576	5,276
– Japan [c]	8,952	9,201	3,254	3,135
– United Kingdom	12,136	12,170	12,280	10,868
– Germany	8,989	8,710	8,710	8,462
– Belgium *(including AXA Bank Belgium)* [e]	5,973	5,695	5,695	5,381
– Others countries	16,923	16,655	14,397	13,685
Of which Australia / New Zealand	*3,540*	*3,051*	*3,152*	*2,922*
Of which The Netherlands [d]	*1,791*	*1,770*	*1,303*	*960*
Of which Spain	*2,425*	*2,480*	*2,154*	*1,900*
Of which Canada	*2,012*	*1,939*	*1,939*	*1,847*
Of which Italy	*1,345*	*1,306*	*1,306*	*1,302*
Of which Portugal	*1,269*	*1,327*	*1,327*	*1,304*
– International insurance	5,033	5,476	5,366	5,451
Of which AXA Corporate Solutions	*2,554*	*2,515*	*2,515*	*2,490*
Of which AXA Assistance	*2,469*	*2,961*	*2,851*	*2,961*
Asset Management	**6,237**	**6,679**	**6,586**	**6,271**
– Alliance Capital	4,438	4,505	4,505	4,145
– AXA Investment Managers	1,521	2,075	2,081	2,126
– National Mutual Fund Management	278	99	0	0
Other Financial Services (excluding AXA Bank Belgium) [e]	**480**	**622**	**864**	**836**
– France [d]	257	264	506	510
– Germany	223	358	358	326
Services Group	**920**	**598**	**598**	**711**
AXA Technology, AXA Consulting and @business	**na**	**344**	**344**	**197**
TOTAL	**90,357**	**90,151**	**82,210**	**78,142**

Personnel of non-consolidated companies or companies accounted for using the equity method are not included in the above table. Personnel of companies proportionally consolidated are included, pro-rata, in accordance with the percentage of consolidation.

(a) The personnel at January 1, 2002 are included on a constant structural basis in relation to personnel at December 31, 2002:
- *De-consolidation of AXA Minmetals (China),*
- *2002 entities accounted by equity method (Turkey, Spain P&C [Direct acitivities], Singapore and Hong Kong P&C),*
- *Disposal of Australian Health insurance activities,*
- *Acquisition of Banque Directe, ipac Security Ltd and Sterling Grace,*
- *Acquisition of Northern (Switzerland),*
- *Transfers from UK Health to AXA Assistance, and from National Mutual Fund Management to l'Australia / New Zeland Life & Savings.*

(b) A portion of the personnel of AXA's French affiliates are included in GIEs. In addition, the personnel included in insurance and financial services activities in France are included in the "cadre de convention".

(c) In 2000 and 2001, Japan salaried employees included respectively 5,947 and 5,925 salaried sales force by mistake.

(d) As at December 31, 2002, United States salaried employees were under estimated (115 p.) and The Netherlands salaried employees over estimated (667 p.) (in 2001, figures included salaried employees from a brokerage network).

(e) Employees of AXA Belgium provide services in common for both the insurance activities and the bank activities. Consequently, split is not available.

Financial ratings of the Company and its principal subsidiaries

	2002 Agency	Rating
Insurer Financial Strength Ratings		
The Company's principal insurance subsidiaries	Standard & Poor's	AA–
	Moody's	Aa3
	Fitch	AA
Ratings of the Company's Long Term and Short Term Debt		
Senior Debt	Standard & Poor's	A
	Moody's	A2
	Fitch	A+
Long Terms Subordinated Debt	Standard & Poor's	BBB+
	Moody's	A3
	Fitch	A– (not dated) A (dated)
Short Term Debt (Commercial Paper)	Standard & Poor's	A-1
	Moody's	P-1
	Fitch	F-1

On September 26, 2002, **Fitch,** an international rating agency, affirmed the financial strength ratings attributable to the major insurance entities of the AXA group as well as the ratings related to the debt issued by the Group. The outlook of the Group ratings remains stable.

Fitch emphasizes that these ratings reflect its view of AXA's strong competitive position as one of the world's largest providers of insurance and financial services, benefiting from an exceptional geographic diversification and key competitive advantages provided by its size as well as by a unified brand name. Fitch also underlines the excellent quality of the management team, who demonstrated in 2002 its capability to react to a difficult environment, reducing costs and improving non-life profitability.

Affected by both the downturn of the equity markets over the past 18 months and a number of large claims in 2001, Group capital adequacy remains very strong at a level significantly above Fitch minimum requirement.

On February 12, 2003, **Standard & Poor's** lowered the Financial Strength Ratings of the main insurance and reinsurance companies of the Group to AA- stable outlook from AA negative outlook. This change of rating was driven by an expected reduction in the Group's 2002 operating earnings growth, that failed to reach the expected 20% growth, undermined by the continuing decline in equity markets. Group debt ratings were consequently lowered.

Standard & Poor's emphasized that these ratings are based on the Group's extremely strong business position, strong operating performance, and very strong capitalisation and financial flexibility.

On March 19, 2003, **Moody's** affirmed the Aa3 Insurance Financial Strength ratings on AXA's main insurance subsidiaries with a stable outlook, reflecting those companies' leading position in their respective market and good average regulatory solvency levels. These ratings also remain underpinned by strong management, superior diversification and distribution, focused strategy, and the prospects of a recovery of the earnings in the Property & Casualty business.

At the same time, Moody's lowered the long term debt ratings of AXA (the Company) by one notch with a stable outlook, reflecting a revision of Moody's notching practice for European insurance groups. This downgrade was primarily driven by Moody's decision to increase to two notches, at least, the difference between the financial strength ratings on operating companies and holding senior debt rating.

Embedded value

(in euro millions)

	2002	2001	Change (%)	Change on a constant exchange rate (%)
ANAV	11,566	16,370	(29%)	(25%)
Life PVFP [(a)]	16,515	18,494	(11%)	(2%)
EV	**28,080**	**34,864**	**(19%)**	**(13%)**
Number of shares	1,762	1,734	2%)	–
EV per share	15.93	20.10	(21%)	(14%)
Life NBC [(b)]	615	669	(8%)	+ 1%
Life NB APE [(c)] Premiums	4,260	3,936	8%	+ 18%
Life NB APE [(c)] Margin	14.4%	17.0%	(2.6 pts)	–

(a) In this section, "Life" will refer to the whole "Life & Savings" activities at the Group.
(b) New Business Contribution.
(c) New Business Annalyzed Premiums Equivalent.

"Embedded Value" (EV) is a valuation methodology often used for long term insurance business. It attempts to measure the present value of cash available to shareholders now and in the future. This value can be considered in two pieces:

1) *"Adjusted Net Asset Value"* (ANAV) which measures the current balance sheet wealth and
2) *"Present Value of Future Profits"* (PVFP) which measures the present value of future shareholder profits for business currently in the portfolio.

EV is not an estimate of AXA's "fair value", regardless of how one might define "fair value". It does not include the value of business to be sold in the future, nor make full allowances for value across a range of different scenarios.

"New Business Contribution" (NBC) measures the value of new business sold during the year. It includes the PVFP on new business, and also the upfront costs associated with acquiring new business (often called "strain"). Therefore NBC combines elements which increase PVFP balances from one year to the next and elements which reduce the ANAV from one year to the next.

“Annualized Premium Equivalent” (APE) is a measure of new business volume which includes sales of regular recurring premium business at 100% but sales of single premium business at only 10%. The “APE Margin” is the ratio of NBC to APE.

AXA publishes PVFP only for its life and savings business. AXA's ANAV calculation does include elements for all of its business.

The ANAV can be reconciled to the consolidated balance sheet as follows:

(in euro millions)

Published Shareholder's Equity:	23,711
+ Net Unrealized Capital Gains (including Alliance Capital shares at market value)	2,204
= Published Net Asset Value	**25,915**
– Life Insurance Intangible Asset Value	(15,253)
+ Unrealized Gains in AXA Investment Managers	1,006
– Cost of Capital	(2,412)
+ Other Adjustments [a]	2,312
= ANAV	**11,566**
Consisting of	
Life insurance ANAV	6,242
Other ANAV	5,324

(a) “Other adjustments” are
1) Unrealized capital gains or losses which are included in the PVFP calculation,
2) Adjustments from GAAP to Statutory basis for businesses life ,
3) Value embedded in undiscounted Property & Casualty and International liabilities, and
4) Adjustment of employee benefit accounts from GAAP to Statutory bases. In total, €2,029 million (pretax) of GAAP pension assets for Life and Property & Casualty business are eliminated while €1,743 million of pension liabilities are maintained in the ANAV.

The Life Insurance ANAV is calculated from the free capital available on a local regulatory (statutory) basis, adjusted for the cost of holding capital consistent with maintaining a “AA” rating, and for any unrealized capital gains or losses not included in the calculation of PVFP. Starting from the consolidated accounts, an adjustment is needed for the differences between AXA's consolidated accounting basis and local regulatory bases, including elimination of intangible assets such as deferred acquisition costs, value of business inforce, and goodwill.

The other ANAV includes unrealized capital gains or losses including those on investment management companies: Alliance Capital (market value basis with control premium) and AXA Investment Managers (estimated value based on third-party assets under management). Other ANAV also includes the value embedded in undiscounted policy liabilities, and intangible assets are not eliminated.

The PVFP is calculated for Life & Savings business only. It is based on future regulatory earnings on current portfolio, not including any value of future sales. Investment returns include the unrealized capital gains and losses on assets backing policyholder liabilities, where appropriate for local regulation and management practice.

The PVFP calculation of necessity involves many assumptions about the future. Our major assumptions include:
- discount rate generally based on risk premium of 250 basis points (higher in Japan), with a weighted average of 7.2% resulting,
- actuarial assumptions reflect best estimates based on recent experience,
- no productivity gains in the future are assumed, while inflation averaging 2.4% is assumed,
- expenses are adjusted for non-recurring expenses and one-time strategic spending,
- no benefit from future mortality improvement on Life business is included, while annuity business does have an allowance for the costs of longevity increasing,
- a weighted average tax rate of 33%,
- a weighted average equity return of 7.7%, and risk-free return of 4.6%.

The sensitivity of the PVFP and NBC to changes in major assumptions has been calculated as follows (measure in Euro per share difference from the base case):

Sensitivities	PVFP Impact	NBC Impact
Upward parallel shift of 100 bp in reinvestment rates	0.42	0.02
Downward parallel shift of 100 bp in reinvestment rates	(0.63)	(0.02)
100 bp increase in the discount rate	(0.69)	(0.08)
10% decrease in lapse rates	0.38	0.05
10% permanent decrease in expenses	0.45	0.03
10 bp increase in general account spread	0.40	0.02
100 bp increase in asset return for unit-linked business	0.20	0.03
Life mortality improvement 50 bp per year[(a)]	0.12	0.01
10% higher equity markets at start of the projection	0.47	0.04
10% lower equity markets at the start of the projection	(0.44)	(0.04)
100 bp increase in total asset return in all future years	1.96	0.10
100 bp decrease in total asset return in all future years	(2.42)	(0.11)
100 bp increase in Japan discount rate	(0.06)	(0.02)

(a) Life mortality improvements sensitivity based on US, France, Japan, and Belgium grossed up for the total Group.

Description of business 2002

Introduction

The Company is the holding company for AXA, a worldwide leader in financial protection and wealth management. Based on available information at December 31, 2001, AXA was the French, European and world's largest insurance group[1], with consolidated gross revenues of €74.7 billion for the year ended December 31, 2002. AXA is also one of the world's largest asset managers, with total assets under management as at December 31, 2002 of €742 billion, including assets managed on behalf of third party clients of €376 billion. Based on available information at December 31, 2001, AXA was the world's 6th largest asset manager[2] with total assets under management of €910 billion.

AXA operates primarily in Western Europe, North America and the Asia Pacific region and, to a lesser extent, in other regions including the Middle East, Africa and South America. AXA has five operating business segments: Life & Savings, Property & Casualty, International Insurance (including reinsurance), Asset Management, and Other Financial Services. In addition, various holding companies within the AXA Group conduct certain non-operating activities The tables below summarize certain key financial data by segment for the periods and as at the dates indicated.

(in euro millions, except percentages)

Consolidated gross premiums, Adjusted earnings and Net income

	Years ended December 31,					
	2002		2001		2000 (a)	
Consolidated gross premiums and financial services revenues						
Life & Savings (b)	48,586	65%	48,399	65%	45,997	58%
Property & Casualty	15,948	21%	15,896	21%	15,579	19%
International Insurance	5,762	8%	5,678	8%	3,651	5%
Asset management	3,411	5%	3,730	5%	2,984	4%
Other financial services	1,020	1%	1,128	2%	11,760	15%
Consolidated gross premiums and financial services revenues	**74,727**	**100%**	**74,832**	**100%**	**79,971**	**100%**
Adjusted earnings						
Life & Savings	1,367	80%	1,225	81%	1,401	63%
Property & Casualty	93	5%	182	12%	237	10%
International Insurance	(149)	(9%)	(378)	(25%)	112	5%
Asset management	258	15%	346	23%	211	9%
Other financial services	133	8%	144	9%	273	12%
Adjusted earnings from operating segments	**1,701**	**100%**	**1,519**	**100%**	**2,234**	**100%**
Holdings companies	(344)		(318)		58	
Adjusted earnings (c)	**1,357**		**1,201**		**2,292**	
Impact of exceptional operations	235		–		1,431	
Goodwill amortization	(643)		(681)		(279)	
Net income Group share	**949**		**520**		**3,444**	

(a) Proforma New French GAAP as if New French GAAP had been applied since January 1, 2000.
(b) Gross premiums received from policyholders in respect of Life & Savings products which are classified as "universal life" or "investment contracts" (including separate account (unit-linked) products) for U.S. GAAP, are recorded as revenue under French GAAP. Under U.S. GAAP, such amounts received are recorded as deposits, and only the policy-related fees charged to the policyholders for costs of insurance, administration, investment management, etc, are recorded as revenue.
(c) Adjusted earnings represent net income before the impact of exceptional operations and amortization of goodwill. Adjusted earnings represent a non-GAAP measure, which management believes provide a meaningful understanding of the results. It should be noted that this information may not be comparable with similarly-titled measures reported by other companies as it is not defined under either French GAAP or U.S. GAAP.

(1) Source FFSA 2001, based on total revenues.
(2) Source Citygroup: based on 2001 assets under management.

The table below presents the total assets managed by AXA's entities, including those assets managed on behalf of third parties (fair value):

(in euro millions)

AXA's total assets under management

	At December 31, 2002	2001	2000
AXA	275,531	287,728	305,546
Separate (unit-linked) account assets	90,458	115,723	117,261
Subtotal	**365,989**	**403,451**	**422,807**
Managed on behalf of third parties	375,567	506,546	471,674
TOTAL	**741,556**	**909,997**	**894,481**

The table below presents AXA's consolidated gross premiums and financial revenues by segment for each of its major geographic markets for the years indicated:

Breakdown of AXA's gross premiums and financial services revenues

	Years ended December, 31 2002		2001		2000	
	Segment contribution (%)	Market contribution to total segment (%)	Segment contribution (%)	Market contribution to total segment (%)	Segment contribution (%)	Market contribution to total segment (%)
Total gross premiums and financial services revenues *(in euro millions)*	74,727		74,832		79,971	
Life & Savings	65%		65%		58%	
France		21%		23%		27%
United States		26%		24%		27%
United Kingdom		17%		19%		17%
Japan		13%		11%		7%
Germany		6%		6%		6%
Belgium		3%		3%		2%
Other		12%		13%		12%
Property & Casualty	21%		21%		19%	
France		27%		26%		26%
Germany		18%		20%		20%
United Kingdom		17%		16%		17%
Belgium		9%		8%		8%
Other		29%		30%		29%
International Insurance	8%		8%		5%	
AXA Corporate Solutions		93%		93%		90%
Assistance		7%		7%		9%
Other		1%		0%		1%
Asset Management	5%		5%		4%	
Alliance Capital		81%		86%		86%
AXA Investment Managers		19%		13%		13%
National Mutual Funds Management		–		1%		1%
Other Financial Services	1%		2%		15%	
Donaldson, Lufkin & Jenrette [(a)]		–		–		91%
French banks		13%		17%		2%
German banks		12%		9%		1%
AXA Bank Belgium		70%		68%		6%
Other financial services and real estate companies		5%		7%		0%

(a) Represents the 71% equity interest held in Donaldson, Lufkin & Jenrette that was sold on November 3, 2000.

Life & Savings

AXA's Life & Savings segment offers a broad range of Life insurance products including retirement products as well as Health insurance products for both individuals and groups (that is corporate clients), with an emphasis on savings-related products including separate account (unit-linked) products. The Life & Savings segment accounted for €48.6 billion or 65% of AXA's consolidated gross premiums and financial services revenues for the year ended December 31, 2002 (2001: €48.4 billion or 65%).

The table below summarizes AXA's Life & Savings gross premiums and gross insurance liabilities by geographic region for the periods and as at the dates indicated:

(in euro millions, except percentages)

Life & Savings	Gross premiums and financial services revenues Years ended December 31, 2002		2001	2000	Gross insurance liabilities at December 31, 2002
France	21%	10,423	10,997	12,528	79,545
United States	26%	12,726	11,642	12,483	72,821
Japan	13%	6,428	5,475	3,353	28,253
United Kindom	17%	8,362	9,086	7,939	61,394
Germany	6%	3,140	2,997	2,912	27,580
Belgium	3%	1,629	1,686	1,099	11,166
Other countries	12%	5,877	6,517	5,682	27,168
Of which Australia and New Zealand	*4%*	*2,018*	*2,587*	*2,399*	*8,232*
Of which Hong Kong	*2%*	*936*	*1,353*	*837*	*3,645*
TOTAL	**100%**	**48,586**	**48,399**	**45,997**	**307,927**
Represented by:					
Gross premiums written	–	*48,048*	*47,913*	*45,560*	–
Other revenues (a)	–	*539*	*486*	*436*	–

(a) Include revenues from other activities (commissions and related fees associated with the management of AXA's general account assets and mutual funds sales).

MARKET

2002 was similar to 2001 in that the Life & Savings markets in which AXA operates were adversely affected by the continued decrease in the global stock markets. Consequently, consumer demand for unit-linked products was mediocre and encouraged consumers to be more cautious in their investment decisions. As a result, consumers returned to more traditional financial protection products, such as products with some form of guarantee. Despite the continued decrease in global stock markets, the long-term view is of increasing demand for insurance products. In Europe, the post-World War II "baby boom" generation is creating an ageing population and, as a result, more countries are reducing the level of state funded welfare systems. This trend has led to an increase in retirement and other savings-oriented product advice and services in respect of financial, tax and estate planning.

In each of its principal markets, AXA operates through well-established life insurance companies. AXA's principal life insurance subsidiaries are set out below:

– **Europe:**
France: AXA France Vie (a result of a merger in 2002 between AXA Assurances Vie and AXA Conseil Vie) and AXA France Collectives,
United Kingdom: AXA Sun Life Plc,
Germany: AXA Leben Versicherung AG,
Belgium: AXA Belgium SA.

– **North America:**
United States: The Equitable Life Assurance Society "AXA Financial" and its insurance and distribution subsidiaries and affiliates.

– **Asia / Pacific region:**
Japan: AXA Insurance Co. and AXA Group Life Insurance.

Information on market trends in countries where AXA operates are presented in the introduction of the Management Report.

The table below presents the Life insurance markets in which AXA operates ranked by worldwide gross premiums in 2001, along with AXA's ranking (by market share).

Based on worldwide gross Life insurance premiums in 2001

	Country statistics [a]		AXA [b]	
Countries	Ranking	% premiums written	Ranking	Market share
United States	1	31%	6	6% [c]
Japan	2	25%	12	3%
United Kingdom	3	11%	7 [d]	6%
France	4	5%	3	11%
Germany	5	4%	6	4%
Belgium	17	1%	3	13%

(a) Source: Swiss Re Sigma report 6/2002 "World insurance in 2001", measured in U.S. dollars.
(b) In general, based on 2001 market data for each specific country or an estimate for 2002.
(c) Relates to the variable annuity products.
(d) Based on annualized new business premium equivalent (regular premium plus one-tenth of new business single premium) .

In addition to the principal markets discussed above, AXA offers Life, Health and Retirement products in other countries in Europe (Netherlands, Luxembourg, Italy, Spain, Portugal, Austria, Hungary, Switzerland and Turkey), Morocco, Canada, Australia, New Zealand, Hong Kong, Singapore, and China, as well as other countries in South America, Africa, the Middle East and the Asia Pacific region. The products offered in these markets are offered through various distribution channels, including general agents, salaried sales forces, bank networks, financial advisers and brokers.

COMPETITION

The nature and level of competition vary among the countries in which AXA operates. There is strong competition among companies for all the types of individual and group Life & Savings products sold by AXA. Many other insurance companies offer one or more products similar to those offered by AXA, in some cases using similar marketing techniques. In addition, AXA competes increasingly with banks, mutual funds, investment advisers and other financial institutions for sales of savings-related investment products and, to a lesser extent, Life insurance products.

The principal competitive factors affecting the Life & Savings segment's business include:
- price,
- ratings for an insurer's financial strength and claims-paying ability (at March 31, 2003, main Life entities of AXA Group were rated AA by Fitch IBCA, AA– by Standard & Poor's and Aa3 by Moody's),
- size, strength and quality of the distribution platform,
- range of product lines and product quality,
- quality of service,
- investment management performance,
- historical levels of bonuses with respect to participating contracts,
- reputation, visibility and recognition of brand, and
- changes in regulations that may affect the policy charging structure relating to commission and administrative charges.

PRODUCTS

AXA's Life & Savings products include a broad range of life, health, retirement and savings-related products marketed to both individuals and corporate clients, the latter in the form of group contracts. The life and savings-related products offered by AXA's operations include, term life, whole life, universal life, mortgage endowment, deferred annuities, immediate annuities, variable life and other investment-based products. The health products offered include critical illness and permanent health insurance products. The nature of the products offered by AXA varies from market to market.

The table below presents consolidated gross written premiums (after intersegment elimination) and gross insurance liabilities by major product for the periods and as at the dates indicated for AXA's Life & Savings segment:

(in euro millions, except percentages)

Life & Savings	Gross written premiums Years ended December 31,				Gross insurance liabilities
		2002	2001	2000	at December 31, 2002
Retirement/annuity/investment contracts	61%	29,435	26,509	26,645	206,320
Individual	50%	24,136	22,426	23,332	171,319
Group	11%	5,298	4,083	3,313	35,000
Life contracts (including endowment contracts)	22%	10,481	13,407	12,006	77,533
Health contracts	13%	6,067	5,474	4,244	9,696
Other	4%	2,065	2,522	2,664	14,379
TOTAL	**100%**	**48,048**	**47,913**	**45,560**	**307,927**
Total includes:					
Separate account (unit-linked) contracts	*30%*	*14,344*	*16,767*	*19,612*	*90,011*
UK "With-profit" business	*7%*	*3,128*	*3,443*	*2,384*	*30,745*

Certain of AXA's Life & Savings products provide features which enable the policyholders to participate in the excess assets over the liabilities (the surplus) of the life company issuing the contract through an interest or bonus crediting rate. AXA offers participating contracts in all of its principal Life & Savings operations. The policyholder may participate in the investment return and/or in part of the operating profits earned by the life insurance company. The nature and extent of participation by the policyholder vary from country to country. Therefore, such participations, including policyholder participations on UK "With-profit" business (explained below), are treated as dividends that may either increase the present value of future policy benefits or be paid in cash to the policyholder in the year the bonus is credited.

UK "WITH-PROFIT" BUSINESS

Specific to the United Kingdom, the participating contract, also known as the "With-profit" contract, is offered by many life insurance companies in the United Kingdom, including AXA Sun Life. For "With-profit" contracts, policyholders' premiums are paid into a life insurance company's participating ("With-profit") fund, which is part of a company's long-term insurance business fund. In the participating ("With-profit") fund, the premiums are invested in a range of assets, including fixed maturity and equity securities, real estate and loans. The participating ("With-profit") policyholders are entitled to receive a share of the profits arising from these investments. The policyholders' share of the profits, referred to as bonuses include both regular bonuses and terminal bonuses. These bonuses are either paid on or credited to "With-profit" contracts held in the fund as recommended by the company's actuary and approved by its board of directors. The regular bonuses are designed to provide a return to the policyholder through a periodic increase in benefits and are credited to the policyholder at regular intervals. Regular bonuses represent a partially smoothed return of investment income, but do not reflect the return earned by the insurance company in any one period. Once credited, regular bonuses are guaranteed to be paid at maturity, death or as otherwise specified in the policy. Terminal bonuses, which are not guaranteed in advance of payment, are designed to provide policyholders with their share of total investment performance (including investment income and realized and unrealized investment gains or losses) and other experience of the participating ("With-profit") fund (including expenses, mortality experience and income taxes). Terminal bonuses can represent a significant portion of the total amount paid at maturity (often exceeding 50%) or upon surrender prior to maturity. The amount of terminal bonus to be paid is determined at the discretion of management.

Following policyholder and court approvals, in 2001 AXA Equity & Law underwent a financial reorganization whereby the life insurance funds were transferred to AXA Sun Life and fundamentally restructured. A portion of the assets that accumulated over the years (which we refer to in this annual report as the "inherited estate") were attributed to AXA as the shareholder, less a portion allocated to the "With-profit" policyholders in the form of a reorganization bonus, based on the number of eligible policyholders that elected in favor of this plan.

VARIABLE LIFE AND ANNUITY PRODUCTS

Variable life and variable annuity product benefits may be linked to investments supporting such contracts, referred to in this annual report as "separate account (unit-linked) contracts" or "unit-linked contracts". In general, the investment risk (and reward) is transferred to the policyholder while the life company earns fee income from managing the separate account assets. However, there may be certain types of variable products that offer guarantees, such as guarantees of minimum income benefits or death benefits.

Over the past few years, AXA's Life & Savings operations have experienced significant growth in savings-related unit-linked products. This growth has been notable in Europe and in the Asia / Pacific region and is attributable to (i) an increase in consumer awareness of such products, (ii) government initiatives to move away from state funded pensions to private funded pensions and (iii) favorable financial market performance up to 2000. A similar trend also existed in the U.S. Life & Savings operations. However, due to a significant shift in product mix, as a result of deterioration in the global financial market performance since 2001, gross premiums on such business have decreased from €19.6 billion in 2000 to €14.3 billion in 2002. However, AXA believes it will experience growth in this product area again once financial markets recover and demonstrate sustainable performance.

DISTRIBUTION

AXA distributes its Life & Savings products through a number of channels that vary from country to country including notably exclusive agents, independent brokers, salaried sales forces, direct marketing (including internet sales) and specialized networks (including banks and other financial services providers). In Europe, the same distribution channels are used by both AXA's Life & Savings operations and its Property & Casualty insurance operations.

The distribution channels used by AXA's principal Life & Savings operations, based on consolidated gross premiums from new business for the year ended December 31, 2002, are presented below:

Based on gross premiums from new business in 2002:

	Agents and direct sales force	Intermediaries, independent advisers and brokers	Other networks, including direct marketing, corporate partnerships and bank networks
France [(a)]	54%	38%	8%
United States	45%	55%	0%
Japan [(b)]	0%	30%	70%
United Kingdom	5%	87%	8%
Germany	51%	37%	12%
Belgium	2%	28%	70%

(a) In 2001, the split of premiums by networks for France was based on New Business. Based on gross premiums, it should have been 58% for the "Agents and direct sales force", 34% for the "Intermediaries, independent advisers and brokers" and 8% for "Others".
(b) Other networks including the Chamber of Commerce and Industry and corporate direct sales (to individuals).

During 2002, several brokers in Belgium became bancassurance distributors and consequently have been reclassified from "Agents and direct sales force" to "Other networks, including direct marketing, corporate partnerships and bank networks".

SURRENDERS

For most life and retirement type products, costs in the first year are higher than costs in subsequent years due to first year commissions and the costs of underwriting and issuing a contract. Consequently, the rate of policies remaining in-force and not lapsing, also known as the "persistency rate", plays an important role in profitability. The majority of individual retirement products and individual Life & Savings products issued by AXA may 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 inception date of the contract and/or surrender charges (charges assessed in the case of early surrender). Both front-end charges and surrender charges are intended to offset a portion of the acquisition costs.

Total surrenders and lapses for 2002 and the ratio of surrenders and lapses to average gross insurance reserves for the periods indicated are presented below.

(in euro millions, except percentages)

Life & Savings - Surrenders	Years ended December 31, 2002 Total surrenders	2002 Rate	2001 Rate	2000 Rate
French operations	4,989	6.6%	6.8%	7.4%
US operations [b]				
Individual life	*1,042*	*4.0%*	*3.8%*	*3.8%*
Individual retirement	*4,408*	*9.8%*	*9.0%*	*9.7%*
Japan operations [a]	2,707	9.5%	13.6%	5.6%
UK operations [b]	4,097	7.6%	7.0%	6.0%
German operations	309	1.2%	1.3%	1.5%
Belgian operations	637	6.4%	5.5%	7.0%

(a) AXA Life Insurance Co. and AXA Group Life Insurance Co. (formerly known as Nichidan Life) include the former operations of Nippon Dantai that were acquired in March 2000. Given that these operations have a September 30 year-end, only six months of results were reported in 2000 as compared to a full year in 2001.

(b) US and UK surrenders are reported excluding lapses.

Property & Casualty

AXA's Property & Casualty segment offers a range of personal and commercial insurance products. The Property & Casualty segment accounted for €15.9 billion, or 21% of AXA's consolidated gross premiums and financial services revenues for the year ended December 31, 2002 (2001: €15.9 billion or 21% respectively).

The table below summarizes AXA's consolidated gross premiums and financial services revenues (after intersegment eliminations) and claims reserves for the Property & Casualty segment for the periods and as at the dates indicated.

(in euro millions, except percentages)

Property & Casualty	Gross premiums and financial services revenues Years ended December 31, 2002		2001	2000	Gross insurance liabilities at December 31, 2002
France	27%	4,383	4,171	4,001	8,859
Germany	18%	2,843	3,142	3,085	5,966
United Kindom	17%	2,749	2,480	2,683	4,452
Belgium	9%	1,395	1,323	1,297	4,967
Other countries	29%	4,577	4,780	4,513	7,367
TOTAL	**100%**	**15,948**	**15,896**	**15,579**	**31,612**
Represented by					
Gross premiums written	–	*15,936*	*15,894*	*15,579*	–
Other revenues	–	*12*	*2*	*0*	–

For the ten-year loss development of the Property & Casualty claims reserves, see "Property and Casualty Claims Reserves" included at the end of this section of the annual report. Key ratios for Property & Casualty operations are presented in the Management Report.

MARKET

In 2002, the Property & Casualty market continued to grow with increases in premium rates that allowed companies to partly compensate (i) the unfavorable effects of further claims deterioration from numerous and significant climatic events, such as floods, mainly in France, Central Europe, the United Kingdom and Italy, and (ii) the increased cost of reinsurance following the impact of the U.S. terrorist attacks on September 11, 2001.

In each of its principal markets, AXA operates through well-established Property & Casualty insurance companies. AXA's principal Property & Casualty insurance subsidiaries are set out below:

- France: AXA France IARD (a result of a merger in 2002 between AXA Assurances IARD, AXA Courtage IARD and AXA Conseil IARD) and Direct Assurance IARD,
- United Kingdom: AXA Insurance Plc,
- Germany: AXA Versicherung AG,
- Belgium: AXA Belgium SA.

Information on market trends in countries where AXA operates are presented in the introduction of the Management Report.

The table below presents the Property & Casualty markets in which AXA operates ranked by worldwide gross premiums in 2001, along with AXA's ranking (by market share).

Based on worldwide gross property & casualty premiums written in 2001

	Country statistics [a]		AXA [b]	
Country	**Ranking**	**% premiums written**	**Ranking**	**Market share**
Germany	3	7%	3	5% [c]
United Kingdom	4	7%	4	4% [d]
France	5	4%	1	15%
Belgium	15	1%	1	18%

(a) Source: Swiss Re Sigma report 6/2002 "World insurance in 2001", measured in U.S. dollars.
(b) In general based on 2001 market data for each specific country or an estimate for 2002.
(c) Based on 2000 gross Property & Casualty premiums written in Germany, AXA is ranked as follows: second in liability insurance (8.4% market share), seventh in homeowners' insurance (4.9% market share), fourth in automobile insurance (4.5% market share).
(d) The UK product lines, based on gross earned premiums, are ranked as follows: fourth in personal automobile insurance (5.2% market share), fifth in homeowners/domestic property insurance (4.1% market share), fifth in commercial vehicle (4.5% market share) and third in total commercial property (8.3% market share).

In addition to the principal markets discussed above, AXA offers personal and commercial Property & Casualty insurance products in the following countries: Italy, Spain, Netherlands, Portugal, Luxembourg, Switzerland, Austria, Hungary, Canada, Morocco, Turkey, Japan, Singapore, and Hong Kong, as well as other countries in South America, the Middle East, Africa. The products offered in these markets are offered through various distribution channels, including brokers and direct sales force.

COMPETITION

The nature and level of competition vary among the countries in which AXA operates. Overall, the Property & Casualty insurance industry in each of AXA's principal markets is highly competitive, with surplus underwriting capacity leading to low premium rates. The principal competitive factors are as follows:
– price,
– quality of service,
– distribution network,
– brand recognition,
– changes in regulations, which may affect premium rates charged or claims settlement costs paid, and
– ratings for financial strength and claims-paying ability.

In France, Germany and Belgium, markets are fragmented with hundreds of insurers competing for business. In the United Kingdom, industry-wide consolidation across the sector has affected both major insurance companies and brokers, resulting in increased concentration among the top few players in recent years.

PRODUCTS

AXA's Property & Casualty insurance operations offer a broad range of products including automobile, homeowners / household, property and general liability insurance for both personal and commercial customers, the latter specifically focusing on small to medium-sized companies.

The table below presents gross written premiums and gross insurance liabilities by major product for the periods and as at the dates indicated.

(in euro millions, except percentages)

Property & Casualty	Gross written premiums Years ended December 31, 2002		2001	2000	Insurance reserves at December 31, 2002
Personal line					
Automobile	36%	5,686	5,880	5,939	10,577
Homeowners/household	14%	2,273	2,330	2,223	2,096
Other	10%	1,548	1,514	1,135	3,145
Commercial line					
Automobile	8%	1,252	1,231	1,121	1,412
Property damage	13%	2,078	1,896	1,695	2,244
Liability	7%	1,111	1,058	1,238	4,588
Other	7%	1,179	1,162	1,704	4,960
Other	5%	808	823	524	2,590
TOTAL	**100%**	**15,936**	**15,894**	**15,579**	**31,612**

DISTRIBUTION

AXA distributes its Property & Casualty insurance products through a number of channels that vary from country to country. In Europe, the same distribution channels are used by both AXA's Life & Savings operations and Property & Casualty operations. The distribution channels used by AXA's Property & Casualty operations, based on gross written premiums for the year ended December 31, 2002, are presented below:

Based on gross written premiums in 2002	General agents	Intermediaries, Independent advisers and brokers	Direct sales and marketing	Other networks, including corporate partnerships and bank networks
France	70%	25%	4%	1%
Germany	46%	37%	3%	14%
United Kingdom	0%	63%	19%	18%
Belgium	0%	79%	1%	20%

CEDED REINSURANCE

AXA's Property & Casualty insurance operations use various types of reinsurance, primarily to limit their maximum exposure to catastrophic events, environmental pollution risks and certain other types of risks. Certain insurance exposures are ceded internally to AXA Cessions, which organizes external reinsurance programs. Total gross premiums ceded by the Property & Casualty operations to third party reinsurers in 2002 was €1,146 million (2001: €1,178 million).

International Insurance

AXA's International Insurance segment business is primarily conducted by AXA Corporate Solutions, which includes both reinsurance activities (AXA Corporate Solutions Reinsurance) and large risks insurance (AXA Corporate Solutions Insurance). With effect from November 15, 2002, the parent company and reinsurance company have changed their name back to "AXA RE" while its large risk insurance subsidiary retained its name. This change will be reflected in future publications.
The business operations of AXA Corporation Solutions are described below.

– AXA Corporate Solutions Reinsurance focuses on its reinsurance business, principally property and catastrophe business as well as some other profitable niches. Such business is underwritten in Paris, the United Kingdom, Canada, Miami (for South American business) and Singapore.

In January 2003,
- AXA announced that it would (i) cease underwriting and renewing contracts on life and non-life reinsurance businesses through its U.S. subsidiaries, and (ii) cease U.S. financial guarantee reinsurance activities carried by AXA Re Finance,
- A separate service company called AXA Liabilities Managers was created to manage the discontinued insurance business, that is, business in "run-off". Previously, these operations were managed within the AXA Corporate Solutions Reinsurance operations in France and the United Kingdom.

– AXA Corporate Solutions Insurance focuses its activities on large risk Property & Casualty insurance business for large corporate clients in Europe, as well as in the marine and aviation lines for all clients on a worldwide basis.

The International Insurance segment accounted for €5.8 billion, or 8% of AXA's consolidated gross premiums and financial services revenues for the year ended December 31, 2002 (2001: €5.7 billion or 8%, respectively).

The table below summarizes AXA's consolidated gross premiums and financial services revenues and gross insurance liabilities (gross of reinsurance) for the International Insurance segment, for the periods and at the dates indicated.

(in euro millions, except percentages)

International Insurance	**Gross premiums and financial services segment Years ended December 31, 2002**		**2001**	**2000**	**Gross insurance liabilities at December 31, 2002**
AXA Corporate Solutions	93%	5,335	5,288	3,297	12,141
Of which large risks insurance	*31%*	*1,762*	*1,698*	*1,097*	*5,473*
Of which Reinsurance (including AXA Cessions)	*62%*	*3,573*	*3,590*	*2,200*	*6,668*
AXA Assistance	7%	397	381	328	142
Other	1%	30	9	26	1,360
TOTAL	**100%**	**5,762**	**5,678**	**3,651**	**13,644**
Represented by:					
Gross written premiums	–	*5,740*	*5,664*	*3,649*	–
Other revenues	–	*22*	*14*	*1*	–

For the ten-year loss development of AXA's International Insurance claims reserves, see "Property and Casualty claims reserves" included at the end of this section of the annual report.

MARKET AND COMPETITION

In the worldwide **reinsurance** market in 2002, operating conditions were increasingly competitive as a result of (i) the exceptional claims experience in 2001 resulting from the U.S. terrorist attacks on September 11, 2001 and (ii) the continued deterioration in world financial markets. As a result, many competitors took action in order to increase profitability and solvency by increasing premiums, increasing the amount of the deductible paid by the cedant, and tightening of underwriting policies. These conditions are expected to persist in 2003.

In 2002, the **large risks insurance** market has experienced a similar effect to that of the reinsurance market, with a number of large claims (specifically in property and aviation business), and the unfavourable performance of financial markets.

As in 2001, 2002 was characterised by (i) an increasing demand for risk management and financial analysis, (ii) a demand for risk transfer product such as financial hedgings and special purpose vehicles, and (iii) a global concentration of suppliers (predominantly global insurance brokers and international insurance groups).

The market conditions are expected to tighten significantly in 2003, especially in the general liability product area where legal instability remains high in some countries.

PRODUCTS

The table below presents the International Insurance segment's gross written premiums and gross insurance liabilities by major product for the periods and as at the dates indicated:

(in euro millions, except percentages)

International Insurance	Gross written premiums Years ended December 31, 2002		2001	2000	Gross insurance liabilities at December 31, 2002
Property damage	50%	2,852	2,945	1,589	5,025
Automobile, marine, aviation	22%	1,235	836	738	4,095
Casualty / civil liability	12%	689	470	473	3,272
Assistance	7%	397	381	328	142
Other	10%	566	1,032	522	1,109
TOTAL	**100%**	**5,740**	**5,664**	**3,651**	**13,644**

AXA CORPORATE SOLUTIONS REINSURANCE (AXA RE)

These operations have a geographically diverse reinsurance portfolio, including the following classes of business: property damage (including catastrophe exposure), third-party liability, marine, financial risk and guarantee, and life and health insurance.

The reinsurance operations are oriented towards non-proportional and proportional reinsurance treaties and cover niche products (such as catastrophic risks), and new sophisticated products (such as weather derivatives) and hedging of yields guaranteed by Life companies to policyholders.

AXA CORPORATE SOLUTIONS INSURANCE

These operations underwrite large insurance risks for large national and international corporations. The products cover property damage, third party lisibility, marine, aviation and transport; construction risk; financial risk; and directors and officers liability. AXA Corporate Solutions Insurance also offers loss-prevention and risk management services.

AXA CESSIONS

AXA's Property & Casualty subsidiaries reinsure a large portion of their business internally through AXA Cessions. AXA Cessions coordinates retrocession with external reinsurers to reduce the loss exposures of each subsidiary and of AXA as a whole.

AXA ASSISTANCE

AXA provides assistance services primarily through AXA Assistance. The services include medical aid for travelers and automobile-related road assistance. The clients include insurance companies, credit card companies, tour operators and automobile manufacturers.

DISTRIBUTION

AXA Corporate Solutions distributes its products principally through insurance and reinsurance brokers.

CEDED REINSURANCE

AXA Corporate Solutions reviews its exposures to ensure that the risks underwritten are diversified geographically and by line of business in order to avoid risk of concentration. Exposure to single events is limited through reinsurance outwards to third-party reinsurers (retrocession contracts). In 2002, AXA Corporate Solutions and its subsidiaries ceded €1,712 million (2001: €1,600 million) to third-party reinsurers (through retrocession agreements). Of this amount in 2002, approximately €767 million, or 45% of total reinsurance ceded to third parties, were placed externally by AXA Cessions on behalf of AXA's insurance subsidiaries (2001: €480 million).

Asset Management

Asset Management conditions were difficult in 2002 as in 2001, given that the stock markets around the world continued to suffer significant losses, reducing the market value at assets under management. The depressed markets resulted in a general move away from more volatile equity investments towards more stable investment options, such as fixed maturity and mutual fund investments. The decrease in average value of assets under management and the change in product mix negatively impacted the fees collected by Asset Management companies.

Asset Management is important to AXA, from both a strategic and profitability perspective. The development of Asset Management activities is a key part of AXA's financial services strategy, which seeks to capitalize on existing strengths and to expand the client base. This strategy is founded on the belief that its Asset Management expertise will enable AXA to benefit in the future from the expected growth in savings-related products in the markets in which it operates. The Asset Management segment accounted for €3.4 billion, or 5% of AXA's consolidated gross premiums and financial services revenues for the year-ended December 31, 2002 (2001: €3.7 billion or 5%, respectively).

AXA's principal Asset Management companies are Alliance Capital Management ("Alliance Capital") and AXA Investment Managers. The Asset Management companies manage assets on behalf of retail investors, private clients and institutional clients as well as on behalf of companies affiliated with AXA.

AXA has Asset Management specialists in each of its major markets: Western Europe, the United States and the Asia / Pacific region.

The table below presents the total assets managed by AXA's Asset Management segment, including those assets managed on behalf of third parties, and the related fees earned by AXA's Asset Management segment on those assets as at the dates and for the periods indicated.

(in euro millions)

Assets Management	2002	2001	2000
Assets under management by AXA at December 31,[a]			
Managed on behalf of third parties	372,931	505,833	468,546
Separate accounts assets	58,887	80,581	83,976
Other invested assets	204,857	210,557	206,942
TOTAL	**636,674**	**796,971**	**759,465**
Commissions and fees earned for the years ended December 31,			
Alliance Capital	2,903	3,347	2,743
AXA Investment Managers	820	696	558
National Mutual Fund Management	–	57	51
Sub-total	**3,724**	**4,100**	**3,352**
Intercompany eliminations	(313)	(370)	(368)
Contribution to AXA's consolidated gross premiums and financial services revenues	**3,411**	**3,730**	**2,984**

(a) Based on fair value at the dates indicated.

The Asset Management industry remains highly fragmented, with no single competitor or small group of competitors, dominating the worldwide market. AXA's Asset Management operations are subject to substantial competition in all aspects of its business due, in part, to the relatively low barriers to entry. The competitive factors include the range of investment products offered, the investment performance of such products and the quality of services provided to clients.

ALLIANCE CAPITAL

Alliance Capital, through its parent company Alliance Holding, is a subsidiary of AXA Financial and is a leading global investment management firm in the U.S. Alliance Capital provides diversified investment management and related services to individual investors, private clients and to a variety of institutional clients, including Equitable Life (one of Alliance Capital's largest institutional clients) as well as unaffiliated entities such as corporate and public employee pension funds, endowment funds, and U.S. and foreign governments.

Alliance Capital provides diversified Asset Management and related services globally to a broad range of clients including:

- management of separate account, hedge funds and other investment vehicles for private clients (such as, high net worth individuals, trusts and estates, charitable foundations),
- management of mutual funds sponsored by Alliance Capital, its subsidiaries and affiliates for individual investors,
- management of investments on behalf of institutional investors, and
- investment research and advisory services for institutional investors.

In 2000, Alliance Capital acquired the business of Sanford C. Bernstein Inc., which complemented Alliance Capital's growth equity investment orientation, with a highly regarded value equity investment capability, institutional research capabilities and a strong private client business portfolio. In connection with this acquisition, AXA Financial agreed to provide liquidity to the former shareholders of Sanford C. Bernstein who received private Alliance Capital units over an eight-year period following a two-year lockout period. After the completion of this lockout period in October 2002, AXA Financial acquired 8.16 million of the former Bernstein shareholders' units. The outstanding 32.6 million Alliance Units may be sold to the AXA Financial at the prevailing market price over the remaining 7 years of the original eight-year period, ending in 2009. Generally, not more than 20% of the original Units issued to the former Bernstein shareholders may be put to AXA Financial in any one annual period.

As at December 31, 2002, Alliance Capital had €369 billion of assets under management, including €322 billion of assets managed on behalf of third party clients (2001: €517 billion and €452 billion, respectively).

AXA INVESTMENT MANAGERS (“AXA IM”)

AXA IM's clients include both (i) institutional investors and (ii) individual investors. AXA IM provides diversified Asset Management and related services globally to mutual funds managed by AXA IM, which are distributed through AXA's distribution networks and external distributors, and AXA's insurance subsidiaries in respect of their insurance-related invested assets and separate account (unit-linked) assets.
AXA IM is one of the largest Asset Management companies based in Europe.

As at December 31, 2002, AXA IM had €268 billion of assets under management, including €51 billion of assets managed on behalf of third party clients (2001: €277 billion and €48 billion, respectively).

During 2002, AXA IM and AXA Rosenberg, a subsidiary of AXA IM specializing in the management of equities, merged their Asian offices. In addition, in 2001, AXA exercised its option to acquire an additional ownership interest in that company for approximately U.S.$30 million, increasing its equity interest from approximately 47% to approximately 75%. As part of this agreement, and due to AXA Rosenberg's operating performance, during 2002, AXA made an additional payment of approximately U.S.$25 million. This transaction is also subject to an earn-out agreement whereby additional consideration may be paid up until the end of 2005 that is contingent upon the future operating performance of AXA Rosenberg.

Other Financial Services

The operations in the Other Financial Services segment are conducted primarily in Belgium and in France. For the year ended December 31, 2002, the Other Financial Services segment accounted for €1.0 billion, or 1% of AXA's consolidated gross premiums and financial services revenues (2001: €1.1 billion or 2%, respectively).

AXA BANK BELGIUM

AXA Bank Belgium is a subsidiary of AXA Belgium that offers a comprehensive range of financial services to individuals and small businesses. It has a network of independent bank agents that support the sale of products offered by AXA Belgium and AXA IM.

AXA BANQUE ET AXA CREDIT

Based in Paris, AXA Banque delivers banking services dedicated to AXA. Its main activities include cash and securities flows management and bank account services to high net worth individual policyholders and to general agents of AXA France Assurance. In 2002, AXA purchased Banque Directe from BNP Paribas. Banque Directe is a provider of online banking services and will complement AXA's existing financial offering in France. It will provide a well-established banking platform to AXA's existing clients and distribution networks, as well as increasing AXA's expertise in direct distribution. AXA Crédit provides short-term loans to customers of AXA's French insurance operations.

Insurance-related invested assets

As mentioned before, the assets supporting AXA's insurance operations (included within the three segments: the Life & Savings segment, the Property & Casualty segment and the International Insurance segment) consist of a diversified portfolio of investments. These assets are managed principally by AXA's Asset Management entities: Alliance Capital and AXA Investment Managers: these assets consist of (i) **general account** assets whereby the insurer generally bears the investment risk and reward, and (ii) **separate account (unit-linked)** assets, whereby the investment risk and reward is principally transferred to the policyholder.

The discussion below concerns the general account investment assets of AXA's insurance operations, which are referred to in this annual report as "insurance-related invested assets."

The general account liabilities of AXA's Life & Savings operations can be divided into two primary types, participating and non-participating. For **participating products,** the investment results of the underlying assets determine, to a large extent, the return to the policyholder that is either reflected as an increase in future policy benefits or paid out in cash in the year the bonus is credited to the policyholder. The insurer's profits on such business are earned from investment management, mortality and other charges. For **non-participating or interest-sensitive products,** the insurer's profits are earned from a positive spread between the investment return and the crediting or reserve interest rate.

Although all the general account assets of each insurer support all of that insurer's liabilities, the insurers have developed asset-liability management techniques with separate investment objectives for specific classes of product liabilities. As part of this approach, insurers develop investment guidelines for each product line that form the basis for investment strategies to manage such product line's investment return and liquidity requirements, consistent with management's overall investment objectives for the insurance related investment assets. Investments frequently meet the investment objectives of more than one class of product liabilities whereby each class of business may be allocated on a pro rata basis across the investment portfolio.

AXA routinely monitors and evaluates the status of its investments in light of current and anticipated future economic conditions and trends, and other factors. The strategic allocation of assets is generally determined through asset-liability analyses for both Life & Savings and Property & Casualty businesses. The strategy may differ across the geographical territories and the different lines of businesses depending on the existing investment mix, the availability of alternative investment vehicles and the underlying nature and duration of the in-force insurance contracts.

At December 31, 2002, based on total invested assets, the net book value of the insurance-related invested assets supporting the general account Life & Savings operations, including those specific assets allocated to the UK with-profit business, primarily consisted of fixed maturity investments and equity investments excluding equity holdings in fixed maturity-based mutual funds of 63% and 16%, respectively (2001: 58% and 21%, respectively). At such date, the insurance-related invested assets supporting the Property & Casualty operations primarily consisted of fixed maturity investments and equity investments excluding equity holdings in fixed maturity-based mutual funds of 49% and 23%, respectively (2001: 51% and 24%, respectively).

The following table presents AXA's consolidated insurance-related invested assets, including cash and cash equivalents, by insurance segment at December 31, 2002.

(in euro mllions, except percentages)

Insurance - related invested assets

	At December 31, 2002									
	Life & Savings		Property & Casualty		International Insurance		Total		% of total	
	Net carrying value [a]	Market value	Net carrying value [a]	Market value	Net carrying value [a]	Market value	Net carrying value [a]	Market value	Net carrying value [a]	Market value
Fixed maturities										
Held to maturity and available for sale	*111,066*	*118,525*	*14,028*	*14,988*	*5,204*	*5,454*	*130,298*	*138,967*	*63%*	*66%*
– French government	21,694	24,108	2,136	2,420	410	439	24,240	26,967	12%	13%
– Foreign governments	29,394	31,039	5,842	6,247	1,891	1,965	37,127	39,251	18%	18%
– Local governments	3,557	3,811	918	972	499	536	4,974	5,319	2%	3%
– Government controlled corporations	9,059	9,597	1,644	1,712	138	144	10,841	11,453	5%	5%
– Non-government controlled corporations	40,279	42,440	2,942	3,062	1,992	2,083	45,213	47,585	22%	22%
– Mortgage-backed securities	5,263	5,545	452	477	138	143	5,854	6,166	3%	3%
– Other	1,820	1,985	93	98	137	144	2,049	2,226	1%	1%
Allocated to UK "With-profit" business-trading [b]	*15,362*	*15,362*	–	–	–	–	*15,362*	*15,362*	*7%*	*7%*
Trading securities [c]	*2,063*	*2,063*	–	–	*1*	*1*	*2,065*	*2,065*	*1%*	*1%*
Total fixed maturities	**128,491**	**135,950**	**14,028**	**14,988**	**5,206**	**5,456**	**147,725**	**156,393**	**71%**	**74%**
Equity investments, including holdings in mutual funds										
Available-for-sale	35,351	31,683	9,353	7,908	1,127	985	45,831	40,576	22%	19%
Allocated to UK "With-profit" business-trading [b]	10,342	10,342	–	–	–	–	10,342	10,342	5%	5%
Trading securities [c]	1,130	1,130	–	–	–	–	1,130	1,130	1%	1%
Total equity investments, including holdings in mutual funds	**46,822**	**43,155**	**9,353**	**7,908**	**1,127**	**985**	**57,303**	**52,048**	**27%**	**24%**
Of which equity holdings in fixed maturity-based mutual funds	*13,418*	*13,278*	*2,906*	*2,902*	*201*	*264*	*16,526*	*16,444*	–	–
Investment in participating interests	1,353	1,668	2,004	2,085	427	413	3,784	4,166	2%	2%
TOTAL [b] [d]	**176,666**	**180,773**	**25,386**	**24,981**	**6,760**	**6,854**	**208,812**	**212,608**	**100%**	**100%**

(a) Amounts are net of valuation allowances. For details on valuation allowances see note 8 to AXA's consolidated financial statements.
(b) Assets allocated to UK "With-profit" business are carried at estimated fair value in the consolidated balance sheet of AXA.
(c) These amounts exclude separate account (unit-linked) assets and investments in affiliated colmpanies accounted for under the equity method.
(d) Refer to note 3 to AXA's consolidated financial statements included in this annual report that set out the investment valuation methodology.

At December 31, 2002 and based on net consolidated book value of fixed investment and equity securities excluding participating interests, AXA's Life & Savings and Property & Casualty insurance operations held investments in a single issuer, Bayerische Hypo und Vereinsbank AG of €2.6 billion, principally in the German operations, representing more than 10% of AXA's total shareholders' equity. The investments consisted of equity securities, fixed maturity corporate bonds, mortgage "pfandbriefe" and public "pfandbriefe" of approximately €0.1 billion, €0.4 billion, €1.3 billion and €0.8 billion respectively. Mortgage "pfandbriefe" and public "pfandbrief" are secured by mortgages loans and lendings to the public sector, respectively. AXA believes that the real economic exposure to Bayerische Hypo und Vereinsbank is limited to the equity and unsecured fixed maturity corporate bond investments of approximately €0.1 billion and €0.4 billion, respectively.

AXA did not have any other equity and / or fixed maturity investment in any one issuer that was in aggregate 10% or more of AXA's total shareholders' equity, or €2,371 million.

AXA's **fixed maturity and equity investments**, are predominantly publicly traded. In respect of these investments, 86% (versus 89% in 2001) of the fixed maturity investments and 90% (versus 94% in 2001) of the equity investments are held by AXA's principal insurance operations in France, the United States, the United Kingdom, Germany, Belgium and Japan.

More specifically, the insurance-related invested assets backing the insurance liabilities in these operations were predominantly holdings in domestic investments, or in the local currency of the liabilities. In 2002, insurance related invested assets included Government bonds (35% versus 32% in 2001), investments in financial services companies (20% versus 24% in 2001) and in other companies (36% versus 37% in 2001), as well as mutual funds (9% versus 7% in 2001).

Overall, the fixed maturity and equity investments together with real estate, mortgages and loans are concentrated in the local markets in which AXA's principal subsidiaries operate.

Derivatives. AXA uses derivative instruments to minimize adverse fluctuations in equity prices, interest rates, foreign exchange rates and equity prices. The basis for which AXA manages these risks, the sensitivities associated with managing these types of risks, and the potential impact on the AXA consolidated financial results are set out in further detail in note 29 to the consolidated financial statements included in this annual report.

ANALYSIS OF INSURANCE GENERAL ACCOUNT INVESTMENT RESULTS

LIFE & SAVINGS

(in euro millions)

Life & Savings [a]	2002		2001		2000	
Years ended December 31,	Yields	Amount	Yields	Amount	Yields	Amount
Fixed maturity investments:						
Net investment income	5.8%	7,336	6.1%	7,342	6.5%	6,804
Net realized gains (losses)	0.4%	532	(0.1%)	(127)	(0.2%)	(595)
Net investment result	*6.2%*	*7,868*	*6.0%*	*7,215*	*6.3%*	*6,208*
Related assets at year end		**129,019**		**123,296**		**112,203**
Equity investments (including trading accounts):						
Net investment income	2.8%	1,545	2.8%	1,565	3.8%	1,777
Net realized gains (losses)	(10.0%)	(5,047)	(6.2%)	(3,401)	4.1%	2,790
Net investment result	*(7.1%)*	*(3,502)*	*(3.4%)*	*(1,836)*	*7.9%*	*4,567*
Related assets at year end		**48,175**		**54,950**		**54,345**
Real estate:						
Net investment income	6.4%	667	5.9%	660	5.2%	619
Net realized gains (losses)	4.6%	474	3.0%	333	2.5%	335
Net investment result	*11.1%*	*1,140*	*8.9%*	*993*	*7.7%*	*954*
Related assets at year end		**10,100**		**10,821**		**11,340**
Loans:						
Net investment income	6.1%	1,385	7.2%	1,705	7.7%	1,497
Net realized gains (losses)	(0.5%)	(106)	(0.5%)	(125)	(0.2%)	17
Net investment result	*5.6%*	*1,279*	*6.6%*	*1,580*	*7.5%*	*1,514*
Related assets at year end		**20,991**		**21,935**		**25,400**
Other assets, cash and cash equivalents:						
Net investment income	5.7%	678	6.3%	951	7.3%	1,153
Net realized gains (losses)	0.4%	43	0.0%	(4)	1.0%	147
Net investment result	*6.1%*	*721*	*6.3%*	*947*	*8.4%*	*1,300*
Related assets at year end		**11,233**		**11,828**		**22,062**
Total invested assets:						
Net investment income	5.2%	11,612	5.4%	12,223	5.9%	11,849
Net realized gains (losses)	(1.9%)	(4,105)	(1.5%)	(3,324)	1.1%	2,694
Net investment result	*3.3%*	*7,507*	*3.9%*	*8,899*	*7.0%*	*14,543*
TOTAL INVESTED ASSETS AT YEAR END		**219,518**		**222,830**		**225,351**

(a) The investment yields were calculated on a constant structural basis using the average net carrying value of invested assets (for each category) in the period. The 2000 investment yield data excluded the realized gains on the sale of DLJ and the realized losses and valuation allowances in respect of the U.S. high-yield bond portfolio. The realized gains were net of realized losses and included the net change in valuation allowances on impaired assets as well as the unrealized gains and losses on investments carried at market value, notably the assets supporting the UK "With-profit" contracts.

PROPERTY & CASUALTY

(in euro millions)

Property & Casualty [a]	2002 Yields	2002 Amount	2001 Yields	2001 Amount	2000 Yields	2000 Amount
	Years ended December 31,					
Fixed maturity investments:						
Net investment income	5.7%	849	5.9%	909	6.1%	945
Net realized gains (losses)	0.6%	88	0.7%	106	0.2%	29
Net investment result	*6.3%*	*937*	*6.5%*	*1,014*	*6.3%*	*975*
Related assets at year end		**14,059**		**15,726**		**15,259**
Equity investments (including trading accounts):						
Net investment income	3.0%	348	3.5%	403	4.1%	448
Net realized gains (losses)	(2.6%)	(298)	2.2%	252	5.9%	651
Net investment result	*0.4%*	*49*	*5.7%*	*655*	*10.0%*	*1,098*
Related assets at year end		**11,358**		**11,636**		**11,409**
Real estate:						
Net investment income	5.9%	139	6.6%	145	3.1%	73
Net realized gains (losses)	3.2%	75	0.9%	19	4.9%	113
Net investment result	*9.2%*	*214*	*7.5%*	*164*	*8.0%*	*186*
Related assets at year end		**2,393**		**2,278**		**2,125**
Loans:						
Net investment income	6.8%	113	9.0%	80	4.4%	73
Net realized gains (losses)	(0.1%)	(1)	(0.5%)	(4)	0.0%	0
Net investment result	*6.7%*	*111*	*8.5%*	*76*	*4.4%*	*74*
Related assets at year end		**1,629**		**915**		**863**
Other assets, cash and cash equivalents:						
Net investment income	2.5%	75	6.0%	160	9.1%	256
Net realized gains (losses)	(0.3%)	(9)	0.0%	(0)	(0.9%)	(25)
Net investment result	*2.2%*	*66*	*6.0%*	*160*	*8.2%*	*231*
Related assets at year end		**3,282**		**2,529**		**2,777**
Total invested assets:						
Net investment income	4.6%	1,523	5.2%	1,696	5.4%	1,795
Net realized gains (losses)	(0.4%)	(145)	1.1%	373	2.4%	768
Net investment result	*4.1%*	*1,377*	*6.3%*	*2,068*	*7.8%*	*2,563*
TOTAL INVESTED ASSETS AT YEAR END		**32,721**		**33,083**		**32,434**

(a) The investment yields were calculated on a constant structural basis using the average net carrying value of invested assets (for each category) in the period. The realized gains were net of realized losses and included the net change in valuation allowances on impaired assets.

INTERNATIONAL INSURANCE

(in euro millions)

International Insurance [a]	2002 Yields	2002 Amount	2001 Yields	2001 Amount	2000 Yields	2000 Amount
Fixed maturity investments:						
Net investment income	5.7%	278	6.6%	303	6.6%	301
Net realized gains (losses)	2.2%	106	2.1%	95	(0.4%)	(19)
Net investment result	*7.8%*	*383*	*8.6%*	*397*	*6.2%*	*282*
Related assets at year end		**5,206**		**4,506**		**4,688**
Equity investments (including trading accounts):						
Net investment income	1.4%	23	1.7%	29	2.1%	32
Net realized gains (losses)	(6.8%)	(113)	(2.1%)	(37)	15.5%	237
Net investment result	*(5.4%)*	*(90)*	*(0.4%)*	*(8)*	*17.6%*	*269*
Related assets at year end		**1,554**		**1,779**		**1,613**
Real estate:						
Net investment income	6.8%	18	6.8%	23	(1.4%)	(5)
Net realized gains (losses)	0.0%	8	(2.5%)	(8)	3.1%	11
Net investment result	*9.7%*	*26*	*4.3%*	*14*	*1.7%*	*6*
Related assets at year end		**227**		**309**		**359**
Loans:						
Net investment income	5.7%	30	10.3%	6	8.7%	5
Net realized gains (losses)	0.0%	(0)	0.0%	0	(0.5%)	(0)
Net investment result	*5.7%*	*30*	*10.3%*	*6*	*8.3%*	*4*
Related assets at year end		**504**		**58**		**53**
Other assets, cash and cash equivalents:						
Net investment income	3.9%	69	4.9%	67	7.5%	89
Net realized gains (losses)	3.0%	53	0.8%	11	2.5%	29
Net investment result	*6.9%*	*122*	*5.7%*	*78*	*10.0%*	*118*
Related assets at year end		**1,897**		**1,597**		**1,181**
Total invested assets:						
Net investment income	4.6%	418	5.3%	428	5.4%	422
Net realized gains (losses)	0.6%	54	0.8%	60	3.4%	258
Net investment result	*5.2%*	*472*	*6.0%*	*488*	*8.8%*	*679*
TOTAL INVESTED ASSETS AT YEAR END		**9,388**		**8,249**		**7,894**

Years ended December 31,

(a) The investment yields were calculated on a constant structural basis using the average net carrying value of invested assets (for each category) in the period. The realized gains were net of realized losses and included the net change in valuation allowances on impaired assets.

Property & Casualty claims reserves

ESTABLISHMENT OF CLAIMS RESERVES

AXA is required to establish reserves for outstanding claims (claims which have not yet been settled) and associated claims expenses that arise from its Property & Casualty and International Insurance operations. AXA establishes its gross insurance liabilities, that is, its claims reserves, by product, type of insurance coverage and year, and charges them to income as incurred.

Claims reserves (also referred to as "loss reserves") fall into two categories namely:
- Reserves for reported claims and claims expenses. These reserves are for outstanding claims which have not yet been settled and are based on undiscounted estimates of the future claims payments that will be made in respect of the reported claims, including the expenses relating to the settlement of such claims; and
- Reserves for incurred but not yet reported ("IBNR") claims and claims expenses. IBNR reserves are established on an undiscounted basis, to recognize the estimated cost of losses that have occurred but have not yet been notified to AXA. These reserves include the expenses associated with claims settlement, necessary to bring claims to final settlement.

The process of estimating the original gross claims reserve is based on information available at the time the reserve was originally established. However, claims reserves are subject to change due to the number of variables which affect the ultimate cost of claims, such as (i) development in claims between the amount estimated and actual experience; (ii) changes arising from the occurrence of large natural catastrophes late in the financial year for which limited information may be available at year end; (iii) judicial trends; (iv) regulatory changes; and (v) inflation and foreign currency fluctuations.

As a result, actual losses may deviate from the original gross reserves established. Consequently, the reserve may be re-estimated on the base of information available at that time. Any adjustment resulting from change in claims reserves is recorded in the financial statements of the period.

However, establishment of claims reserves consists of uncertainties: given a segment, futur claims payments can exceed claims reserves amount.

AXA continually reviews the adequacy of the established claims reserves, including emerging claims development, and actual claims experience compared to the original assumptions used to estimate initial gross claims reserve. Based on current information available in the preparation of the consolidated financial statements included in this annual report, AXA considers that these provisions are sufficient.

The information within this section presents separately (i) AXA's Property & Casualty insurance operations including the Property & Casualty segment operations and AXA Corporate Solutions Insurance within the International Insurance segment, and (ii) AXA Corporate Solutions Reinsurance business in the International Insurance segment.

As in prior years, AXA Corporate Solutions Reinsurance is presented separately because: (i) this business consists of insurance assumed from other insurers, (ii) the type of insurance and the nature of the risks and exposures covered is different compared to the direct insurance coverage provided by AXA's Property & Casualty insurance operations and AXA Corporate Solutions Insurance, (iii) a portion of this business is reinsured to other reinsurers through retrocession programs which are monitored separately within the reinsurance operations, and (iv) the claims are accounted for on an underwriting year basis covering a 24-month period rather than on an accident year basis covering a 12-month period.

PROPERTY & CASUALTY AND INTERNATIONAL INSURANCE (EXCLUDING AXA CORPORATE SOLUTIONS REINSURANCE)

AXA does not discount its reserves for claims and claims expenses except for disability claims for which final settlement has been agreed and the payments are generally fixed over a period of time. The disability claims reserves have not been included in the Loss Reserve Development Table, as these are similar to structured settlements.

AXA's French Property & Casualty operations underwrite construction coverage with a ten-year contract term. In accordance with the French regulations, a specific provision is added to the claims reserves based on methodology established by the French government. This reserve is in addition to each single notified claim. The construction reserves and catastrophe equalization reserves were excluded from the Loss Reserve Development table as such reserves provide no indication as to how claims have been reserved (initially) and the outcome upon settlement of such claims in future periods based on the underwriting and associated reserving methodologies adopted by AXA.

In addition, certain AXA Property & Casualty operations are required by local regulations, in the countries in which they operate to establish equalization reserves specific to catastrophe risks.

The Property & Casualty loss reserves that were excluded from the Loss Reserve Development Table represented 12.9% of total gross Property & Casualty insurance liabilities at December 31, 2002 (2001: 13.5%). For further information, refer to the "Reconciliation of Loss Reserves to Consolidated Financial Statements" table following the Loss Reserve Development tables.

The loss reserve development table presents the claims reserve development for calendar years 1992 through 2002, as determined in accordance with French GAAP. The top line entitled "gross reserves for unpaid claims and claims expenses" represents the original gross claims reserve liability reported at the balance sheet date for the year indicated. The upper portion of the table entitled "paid (cumulative)" represents the cumulative amount paid as of the end of each succeeding year with respect to the original gross claims reserve liability reported. The lower portion of the table entitled "Reserve re-estimated" represents the previously recorded liability as adjusted (that is, re-estimated) based on claims experience as of the end of each succeeding year. The estimate is increased or decreased, as more information becomes known in future periods relating to unsettled claims. For example, the gross claims reserve as at December 31, 1994 was originally €5,595 and increased by €9,872 million to €15,467 million primarily due to the UAP acquisition in 1997. By the end of 2002, cumulative amounts paid was €9,079 million and the original gross claims reserve had been re-estimated to be €12,166 million at December 31, 2002. The "cumulative redundancy (deficiency)" for each year represents the aggregate amount by which the original gross claims reserve liability as of that year-end has changed in subsequent periods.

(in euro millions except percentages)

Loss reserve development table: Property & Casualty including International Insurance operations (excluding AXA Corporate Solutions Reinsurance)

	At December 31,										
	1992	1993	1994	1995	1996	1997 [(a)]	1998	1999 [(a)]	2000	2001	2002
Gross reserves for unpaid claims and claims expenses developed initially	**4,665**	**4,932**	**5,595**	**5,712**	**5,847**	**20,371**	**20,941**	**26,656**	**26,916**	**28,636**	**28,465**
Gross reserves for unpaid claims and claims expenses developed in 2001	**12,581**	**13,827**	**15,467**	**15,208**	**19,338**	**22,338**	**23,251**	**26,287**	**27,202**	**27,775**	**na**
Paid (cumulative) at:											
One year later	1,326	1,394	1,419	1,305	1,388	4,737	4,745	7,727	6,807	6,715	
Two years later	1,951	2,051	2,044	1,684	5,759	6,632	6,818	11,184	10,302		
Three years later	2,376	2,454	2,368	6,898	7,327	8,087	9,361	13,474			
Four years later	2,717	2,684	7,082	8,123	8,351	10,338	10,632				
Five years later	2,920	7,767	8,089	8,917	10,619	11,218					
Six years later	7,927	8,442	8,591	9,075	11,187						
Seven years later	8,753	8,806	8,799	9,615							
Eight years later	9,032	8,850	9,079								
Nine years later	9,043	9,084									
Ten years later	8,929										
Reserve re-estimated at:											
One year later	4,626	4,835	5,303	5,607	5,537	19,425	19,040	23,041	27,069	27,425	
Two years later	4,555	4,680	5,177	5,477	13,881	17,510	19,407	26,294	25,919		
Three years later	4,501	4,810	5,278	13,376	13,864	17,971	22,048	25,542			
Four years later	4,574	4,803	12,353	13,303	14,214	20,162	21,485				
Five years later	4,673	11,801	12,160	13,730	16,742	19,873					
Six years later	11,379	11,699	12,490	13,472	16,439						
Seven years later	11,487	11,997	12,323	13,273							
Eight years later	11,915	11,663	12,166								
Nine years later	11,264	11,652									
Ten years later	11,228										
Cumulative redundancy (deficiency) from the initial gross reserves in excess of re-estimated gross reserves:											
Amount	**1,353**	**2,175**	**3,301**	**1,935**	**2,899**	**2,465**	**1,766**	**745**	**1,283**	**350**	**na**
Percent	**10.8%**	**15.7%**	**21.3%**	**12.7%**	**15.0%**	**11.0%**	**7.6%**	**2.8%**	**4.7%**	**1.3%**	**na**

(a) AXA acquired Compagnie UAP ("UAP") in January 1997 and Guardian Royal Exchange in May 1999. The integration of Property & Casualty subsidiarie in AXA's consolidation score impacted net reserves by €13.7 billion in 1997 and €5.6 million in 1999.

The majority of the business of the Property & Casualty insurance operations is short tail and, therefore, losses develop and are paid relatively quickly. In 2002, approximately 38% of the claims reserves were paid in the year that the claim event occurred (2001: 42%).

In respect of the direct insurance business in 2002, there were no reportable changes in the claims payment patterns. In addition, (i) there have been no significant changes in assumptions during the current year and (ii) there have been certain unfavorable developments in the United Kingdom due to reserve strengthening (€262 million).

In 2002, these has been ne significant change in reinsurance agreements.

AXA CORPORATE SOLUTIONS REINSURANCE (OR AXA RE)

(in euro millions, except percentages)

Loss reserve development table: AXA Corporate Solutions Reinsurance

	At December 31,										
	1992	1993	1994	1995 [c]	1996	1997	1998	1999	2000	2001 [d]	2002
Initial gross reserves for claims expenses in Balance Sheet [a]	**941**	**1,184**	**1,496**	**2,451**	**2,646**	**2,880**	**3,060**	**3,396**	**3,455**	**5,868**	**4,778**
Initial retroceded reserves	(91)	(107)	(201)	(262)	(196)	(285)	(416)	(430)	(393)	(1,652)	(1,020)
Initial net claims reserves in excess of (less than) re-estimated net claims reserves:	**850**	**1,077**	**1,295**	**2,189**	**2,450**	**2,595**	**2,644**	**2,966**	**3,062**	**4,216**	**3,758**
Paid (cumulative) at:											
One year later	366	293	374	602	615	583	956	1,165	1,218	1,987	
Two years later	529	473	566	1,008	965	1,094	1,594	1,893	1,860		
Three years later	634	593	737	1,221	1,230	1,430	2,000	2,265			
Four years later	720	706	849	1,410	1,427	1,685	2,232				
Five years later	806	784	935	1,548	1,586	1,815					
Six years later	862	851	1,037	1,677	1,689						
Seven years later	915	932	1,106	1,759							
Eight years later	982	991	1,156								
Nine years later	1,030	1,032									
Ten years later	1,066										
Reserve re-estimated at:											
One year later	1,172	1,368	1,558	2,811	2,970	2,945	3,743	3,969	4,199	5,922	
Two years later	1,179	1,326	1,549	2,917	2,829	3,159	3,817	4,105	4,061		
Three years later	1,210	1,329	1,675	2,774	2,891	3,168	3,772	3,955			
Four years later	1,222	1,428	1,643	2,818	2,844	3,045	3,643				
Five years later	1,374	1,403	1,653	2,755	2,754	2,941					
Six years later	1,348	1,413	1,681	2,678	2,612						
Seven years later	1,366	1,473	1,622	2,558							
Eight years later	1,444	1,422	1,552								
Nine years later	1,399	1,360									
Ten years later	1,344										
Cumulative redundancy (deficiency) from the initial gross claims reserves in excess of (less than) re-estimated gross claims reserves	**(403)**	**(176)**	**(56)**	**(107)**	**34**	**(61)**	**(583)**	**(559)**	**(606)**	**(54)**	
Re-estimated retroceded reserves	166	114	133	243	245	352	513	444	425	1,368	
Premium adjustment [b]	108	253	246	496	528	584	623	874	1,084	1,085	
Re-estimated net claims reserves:	1,070	993	1,173	1,819	1,839	2,005	2,507	2,637	2,552	3,469	
Initial net claims reserves in excess of (less than) re-estimated net claims reserves:											
Amount	(220)	84	122	370	611	590	137	329	510	747	na
Percent of original net reserve	(25.9%)	7.8%	9.4%	16.9%	24.9%	22.7%	5.0%	11.1%	16.7%	17.7%	na

(a) The loss reserve development table is presented on an underwriting year basis. Accordingly reserves re-estimated and the excess of re-estimated reserves in excess of the original reserves include reserves for losses occurring up to twelve months subsequent to the original year-end.
(b) Represents premium earned subsequent to the accounting year end and premium reinstatements / experience-rated premiums received and accrued from the ceding insurers as assumed losses were incurred.
(c) Includes the claims reserves of Abeille Re acquired in 1995.
(d) In 2001, the claims reserve of AXA Corporate Solutions Reinsurance were adversely affected by the September 11th attacks.

RECONCILIATION OF LOSS RESERVES DEVELOPED TO CONSOLIDATED FINANCIAL STATEMENTS

The following table reconciles the gross insurance liabilities, that is, the gross claims reserves including claim expenses, in the loss development tables presented above to that presented in the AXA's consolidated financial statements (refer to Note 19).

(in euro millions)

	At December 31, 2002	2001
Total gross claims and other reserves developed		
Property & Casualty (including AXA Corporate Solutions Insurance)	28,465	28,636
AXA Corporate Solutions Reinsurance	4,778	5,868
Total gross claims and other reserves developed	**33,243**	**34,504**
Gross claims and other reserves not developed		
Equalization reserves	327	359
Other reserves [(a)]	4,604	5,036
Total gross claims and other reserves excluding Life & Savings	**38,175**	**39,899**
Claims and other reserves for Life & Savings Segment	7,556	9,029
Claims reserves, including other reserves, gross of reinsurance	**45,731**	**48,927**

(a) Represents disability claims and construction reserves.

Investment strategy and capital resources

Investment strategy

SIGNIFICANT ACQUISITIONS

A summary of the amounts invested in significant transactions is provided below.

(in euro billions)

Amounts invested in significant acquisitions	2002	2001	2000
North America			
– AXA Financial, Inc.	–	–	11.3
– Sanford C. Bernstein Inc.	–	–	4.0
Asia / Pacific			
– Nippon Dantai	–	–	2.0
– AXA China Region	–	–	0.5
Europe			
– Sun Life Provincial Holdings	–	–	3.7
TOTAL	**–**	**–**	**21.5**

In 2002 and in 2001, AXA has undertaken no major acquisitions (i.e. over €0.2 billion)[1].

On January 2, 2001, following the tender offer realized in December 2000 for the shares held by AXA Financial minority shareholders, AXA Merger Corp., a special purpose entity created for purposes of this transaction, was merged into AXA Financial, Inc. Upon this merger the AXA Financial shares still held by the public have been cancelled and converted into a right to receive U.S.$35.75 cash and 0.295 of a "AXA American Depositary Share" (ADS), thus producing a €737 million increase in AXA shareholders' equity. Following this operation, AXA now holds 100% of AXA Financial.

In 2000:

– **AXA Nichidan.** In order to develop its activity on the strategic Asian market, AXA has acquired over 95% of Nippon Dantai Life Insurance Company Ltd. ("Nippon Dantai"). As a result of this acquisition, AXA increased significantly its presence in the Japanese Life & Savings insurance market as Nippon Dantai was the 13th largest Life insurance company and the 2nd largest stock life (non mutual) insurance company in Japan at that time. Following this acquisition, Nippon Dantai has been absorbed by AXA Insurance Holding Co. Ltd., its activity being split between AXA Life Insurance Co. Ltd. and AXA Group Life Insurance Co. Ltd.

– **Sanford Bernstein.** Alliance Capital Management L.P. ("Alliance Capital"), a subsidiary of AXA Financial, has acquired Sanford C. Bernstein, Inc., a U.S.-based Asset manager with assets under management of approximately U.S.$90 billion (€96 billion).

– **Minority interests buy-out.** AXA has continued its reinforcement strategy through the buy-out of minority interests. AXA has thus acquired the minority interests in **AXA UK Holdings** (43.8%), previously named Sun Life & Provincial Holdings, in the United Kingdom, in **AXA Financial, Inc.** (39.9%) in the United States and in **AXA China Region** (26%), subsidiary based in Hong Kong and owned by AXA Asia Pacific Holdings in which AXA has a 51% voting interest.

(1) Please refer to "Year 2002 operating highlights" in the management report for a complete description of acquisitions and disposals.

In 1999, Guardian Royal Exchange. AXA acquired the group Guardian Royal Exchange ("GRE"), through AXA UK Holdings, previously named Sun Life & Provincial Holdings. Based in London, GRE's insurance operations were located in the United Kingdom, Ireland and Germany. Pursuant to this acquisition, AXA has reinforced its presence in these countries, especially on the Health, Property & Casualty market in the UK.

In 1998, Royale Belge and ANHYP. AXA acquired the remaining 51% minority interests in Royale Belge (subsequently renamed AXA Belgium) through a public exchange offer. In the same year, AXA Belgium acquired a Belgian bank, ANYHP, through a public acquisition offer. In January 2000, ANYHP was merged with AXA's existing Belgian Bank, IPPA, to create AXA Bank Belgium.

In 1997, Compagnie UAP. AXA acquired Compagnie UAP (a French holding company for a group of insurance and financial services companies) through a public exchange offer. This acquisition increased significantly AXA's operations on the Life & Savings as well as on the Property & Casualty markets in Western Europe.

In 1995, AXA Asia Pacific Holdings (previously National Mutual Holdings). AXA acquired a controlling equity interest in National Mutual Holdings (renamed AXA Asia Pacific Holdings), in connection with the demutualization of its subsidiary National Mutual Life Association of Australasia ("National Mutual Life").

In 1991, AXA Financial, Inc. (previously Equitable Holdings Companies Inc.). AXA invested U.S.$1 billion in The Equitable Life Assurance Society of the United States ("Equitable Life"), in anticipation of Equitable's Life demutualization. Following the demutualization of Equitable Life in 1992, AXA's initial investment was converted into a controlling equity interests in The Equitable Holding Companies, Inc. (renamed AXA Financial, Inc.), the holding of Equitable Life.

SIGNIFICANT DIVESTITURES

Over the past years, AXA has also sold a number of non-strategic assets and operations that are summarized below:

– **In 2001, Banque Worms (France).** The sale of Banque Worms to Deutsche Bank was completed on April 2, 2001. Under the terms of the agreement, AXA retained some of Banque Worms' business assets, including those related to discontinued businesses, as well as the majority of its investment securities portfolio. In addition, AXA has provided a guarantee to Deutsche Bank covering certain losses that may occur on potential non-performing loans issued by Banque Worms.
– **In 2000, Donaldson, Lufkin & Jenrette (United States).** On November 3, 2000, AXA sold the investment bank Donaldson, Lufkin & Jenrette ("DLJ") to Crédit Suisse Group for U.S.$7.3 billion (€8.4 billion at the date of the operation). The consideration included cash for U.S.$2.4 billion and 25.7 billion shares from the Crédit Suisse Group (6.4 million were immediately sold, the remaining 19.3 million shares have been sold in January 2001).

AXA from time to time considers opportunities that will increase the size and geographical diversity of its worldwide operations in Insurance and Asset Management.

Liquidity and capital resources

Over the past several years, AXA has expanded its Insurance and Asset Management operations through a combination of acquisitions, joint ventures, direct investments and internal growth. This expansion has been funded primarily through a combination of (i) proceeds from the sale of non-core businesses and assets, (ii) dividends received from operating subsidiaries, (iii) proceeds from the issuance of convertible debt securities and other debt securities, as well as borrowings (including debt issued by affiliates), and (iv) the issuance of ordinary shares.

The Company and each of its major operating subsidiaries are responsible for financing their operations. The Company, as the holding company for the AXA Group, increasingly arranges for and participates in financing the operations of certain subsidiaries. Certain of AXA's subsidiaries, including AXA France Assurance, AXA Financial, AXA Asia Pacific Holdings and AXA UK Holdings are also holding companies and are dependent on dividends received from their own subsidiaries for funds to meet their obligations. In addition, certain of AXA's principal subsidiaries are subject to restrictions on the amount of dividends and debt repayments that can be paid. Based on the information currently available, AXA does not believe that such restrictions constitute a material limitation on its ability to meet its obligations or pay dividends. For further information on restrictions on the amount of dividends that can be paid please refer to Note 33 to the consolidated financial statements.

AXA'S INSURANCE OPERATIONS

The principal sources of funds for AXA's insurance operations are premiums, investment income and proceeds from sales of invested assets. 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 to meet policyholder benefits and insurance claims as they come due.

LIFE & SAVINGS

The liquidity needs can also be affected by fluctuations in the level of surrenders, withdrawals and guarantees to policyholders in the form of minimum income benefits or death benefits specifically on variable annuity business (see “Description of Business - Life & Savings - Surrenders”).

AXA's investment strategy is designed to match the net investment results (the investment yield) and the estimated duration of its investments with expected payments on the insurance contracts.

AXA regularly monitors the valuation and duration of its assets, the financial market performance especially in volatile market conditions, the market conditions that might affect the level of surrenders and withdrawals on its life insurance policies, and changes in projected immediate and long-term cash needs. AXA adjusts its investment portfolios to reflect such considerations.

PROPERTY & CASUALTY AND INTERNATIONAL INSURANCE

The liquidity needs can be affected by actual claims experience if significantly different from the estimated claims experience (see “Description of business - Claims Reserves”).

Insurance cash flows are generally positive and can be slightly negative in the case of exceptional events. A portion of the assets are invested in liquid, short duration bonds and other listed securities in order to avoid additional liquidity risk that may arise from such events. In the event of large catastrophic or other losses, AXA's Property & Casualty operations would be able to liquidate a certain amount of their investment portfolios. In periods in which there is unfavorable market performance, the extent to which investments are liquidated to pay one claim increases, as the market value of these investments would be lower.

ASSET MANAGEMENT AND FINANCIAL SERVICES OPERATIONS.

The principal sources of liquidity relating to these operations are operating cash flows, proceeds from the issuance of ordinary shares (where applicable), credit facilities and other borrowings from credit institutions.

The financing needs primarily relate to the Asset Management operations and include funds to support commissions paid on back-end load mutual fund sales, distributions to unit holders (Alliance Capital), capital expenditures requirements and general working capital needs.

SOURCES OF LIQUIDITY

At December 31, 2002, AXA's consolidated balance sheet included cash and cash equivalents of €18 billion, gross of bank overdrafts of €1.1 billion (2001: €18 billion and €1.6 billion, respectively). The Company had cash and cash equivalents in the amount of €195 million (2001: €43 million). The Company did not have any amounts outstanding on bank overdrafts at December 31, 2002.

On a consolidated basis, the aggregate principal payments required to be made on subordinated and non-subordinated debt instruments issued for 2003 and the four years thereafter amounted to €761 million in 2003, €695 million, €756 million, €404 million, €237 million and €10,129 million in 2008 and thereafter. Amounts owed to credit institutions are generally payable on demand, except those of the Company. Off-balance sheet commitments are discussed in Note 30 to the consolidated financial statements.

SUBORDINATED DEBT

At December 31, 2002, the Company (statutory accounts) had outstanding subordinated debt of €7,486 million, before taking into account a €289 million reduction for the impact of foreign exchange derivative instruments.

On a consolidated basis at December 31, 2002, AXA's total outstanding subordinated debt totaled €8,589 million, after taking into account all intra-group eliminations, or €8,300 million after taking into account a €289 million decrease relating to foreign exchange derivative instruments (December 31, 2001: €9,061 million after taking into account all intra-group eliminations, or €8,868 million after taking into account a €193 million decrease relating to foreign exchange derivative instruments).

The decrease of €568 million in 2002 was mainly due to the impact of foreign currency fluctuations on non-euro denominated subordinated debt. Indeed, a significant amount of such debt outstanding is denominated in U.S. dollars, and to a lesser extent, in sterling pounds and yens and during 2002, the euro significantly strengthened against these currencies.

At December 31, 2002, the potential number of ordinary shares that would be issued upon conversion of AXA's total outstanding subordinated convertible debt in accordance with the terms and conditions of the debt would be 64.0 million (2001: 64.0 million).

For further information, refer to Notes 13 and 18 to the consolidated financial statements.

NON-SUBORDINATED DEBT INSTRUMENTS ISSUED

At December 31, 2002, the Company (statutory accounts) had non-subordinated debt instruments issued and outstanding of €1,392 million, or a decrease of €692 million from €2,084 million at December 31, 2001. All of such debt outstanding of the Company at December 31, 2002 and 2001 was classified as financing debt.

On a consolidated basis as at December 31, 2002, AXA's total outstanding issued non-subordinated debt obligations amounted to €4,682 million, or a decrease of €1,275 million from €5,957 million, after excluding accrued interest at December 31, 2001. Of the total non-subordinated debt outstanding at December 31, 2002, the amounts classified as financing debt and operating debt represented €3,622 million and €1,060 million, respectively (2001: €4,712 million and €1,243 million, respectively). The €1,275 million decrease was primarily due to the activities set out below.

– In early 2002, the Company undertook a program of refinancing its existing short-term debt. As part of this program, the Company made private placements totaling approximately €500 million from its existing €3.0 billion Euro Medium Term Note program (“EMTN”), primarily in euro and U.S. dollars as follows:
  (i) U.S.$100 million variable rate due 2004,
  (ii) €200 million variable rate due 2004, and
  (iii) €200 million variable rate due 2005.

  These funds, combined with dividends received from the Company’s subsidiaries, were used to refinance existing short-term debt, in particular the Company’s outstanding commercial paper at December 31, 2001 of approximately €826 million. In addition, of the amounts drawn by the Company on its EMTN program during 2002, approximately €79 million was attributed to other AXA Group entities and as such, is eliminated in consolidation.

– In 2002, AXA has changed the presentation of certain debts that were issued by the Company on behalf of certain other financial services subsidiaries in France and Germany. This has resulted in €162 million being reclassified from “financing debt” of the Company to “operating debt” in addition to an increase in operating debt of €70 million resulting from a reclassification from “Payables (other)” arising from non-insurance activities;

– A €240 million decrease in the amount outstanding under Alliance Capital’s commercial paper program; and

– A general decrease in amounts outstanding on non-euro denominated debt (primarily U.S. dollars) in 2002 due to the significant strengthening of the euro against the U.S. dollar during the year.

Of AXA’s total issued debt obligations outstanding at December 31, 2002, the amount related to short term debt was €701 million, of which €13 million related to the Company (2001: €1,802 million and €826 million, respectively). For further information see Note 21 to the consolidated financial statements.

AMOUNTS OWED TO CREDIT INSTITUTIONS

On a consolidated basis at December 31, 2002, amounts owed by the Company and its subsidiaries to credit institutions totaled €5,016 million as compared to €6,608 million at December 31, 2001, or a decrease of €1,592 million. Of the total amounts owed to credit institutions outstanding at December 31, 2002, financing and operating debts (including bank overdrafts), represented €304 million and €4,712 million, respectively. The decrease of €1,592 million was attributable primarily to the following items:

– AXA Bank Belgium uses different financing instruments, primarily repurchase agreements, in order to manage the liquidity position of the bank. Due to varying requirements of the bank for additional liquidity and given repurchase agreements are short-term in nature, the bank, from time to time, will borrow money to meet its financing needs. As a result of this liquidity management, the amount outstanding at December 31, 2002 had decreased by approximately €579 million;
– A reduction of approximately €550 million in bank overdrafts across the Group; and
– A reduction in the amount of operating debt held by entities in the Other Financial Services segment, in particular, the reduction in operating debt of AXA Banque by €350 million and Compagnie Financière de Paris Crédit (by nearly €330 million). These reductions in operating debt were offset by an increase in the operating debt of AXA Vorsorgebank in Germany by nearly €210 million, which was used to refinance the growth of its loan book during 2002.

Of the total amounts owed to credit institutions on a consolidated basis, nearly all of the arrangements are payable on demand, except for those of the Company. The aggregate principal payments required to be made by the Company are €26 million in 2003, €228 million in 2004 and nil thereafter.

For further information refer to Note 22 to the consolidated financial statements.

ISSUANCE OF ORDINARY SHARES

On May 9, 2001, at AXA's annual general meeting of shareholders, the shareholders approved a four-for-one split of AXA's ordinary shares and two-for-one split of AXA's American Depository Shares (ADS). As a result, the ratio of AXA ADSs to AXA ordinary shares changed from one ADS representing one-half of an ordinary share to one ADS representing one ordinary share.

The information provided below is given on a post 4-for-1 stock split basis.

– Since 1994, AXA has regularly offered shares to its employees. In 2002, AXA employees invested a total of €255 million in the employee stock ownership program (€13 million on July 30, 2002 and €242 million on December 20, 2002) resulting in the issuance of 27.2 million AXA ordinary shares. At December 31, 2002, AXA employees held approximately 4% of AXA ordinary shares (including ADSs) compared to 2.3% at December 31, 2001. And two in five employees are shareholders.
– Approximately 0.8 million ordinary shares were issued in connection with the exercise of AXA share options in 2002 (2001: 2.6 million ordinary shares).

In addition in 2002, the number of AXA ordinary shares held in treasury remained stable. As at December 31, 2002, AXA held approximately 30.5 million of its ordinary shares at a book value of €487 million, or 1.7% of the total outstanding ordinary shares (2001: 30.5 million, €489 million and 1.7%, respectively). These shares are allocated principally to the AXA Financial stock-option program, where options have been granted to AXA Financial employees to acquire AXA ADSs.

DIVIDENDS RECEIVED

Dividends paid to the Company from its affiliates were approximately €1,481 million (2001: €1,882 million and 2000: €1,520 million), of which approximately €387 million were in currencies other than the euro (2001: €410 million and 2000: €350 million). The net decrease of approximately €400 million in dividends received during 2002 related principally to (i) a decrease in dividends received from AXA Konzern AG (Germany) of €176 million due to an exceptional dividend paid in 2001, and (ii) a decrease in dividends from AXA Belgium SA and AXA UK Holdings plc of €140 million and €150 million, respectively, which was only partly offset by an increase in the dividend received from AXA Financial of €103 million to a total of €302 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 borrowings, and dividend payments during each of the next three years. AXA expects that anticipated investments in subsidiaries and existing operations, future acquisitions and strategic investments will be funded from available cash flow remaining after payments of dividends, debt service and operating expenses, proceeds from the sale of non-strategic assets and businesses and future issues of debt and equity securities.

USES OF FUNDS

AXA's debt activities in 2002 were primarily used for general corporate purposes and refinancing of existing debt, consistent with the type of activity undertaken in 2001.

In respect of the Company, interest paid in cash in 2002 was €564 million or €311 million after taking into consideration derivative instruments used to hedge the Company's interest commitments (2001: €635 million or €606 million, respectively; 2000: €267 million or €227 million, respectively). Annual interest expense of the Company is expected to be approximately €350 million, net of interest received on derivative instruments during each of the next three years. On a consolidated basis, total interest paid in cash in 2002 was €894 million or €641 million after taking into consideration derivative instruments used to hedge interest commitments (2001: €913 million and 2000: €713 million).

Dividends paid to AXA shareholders in 2002 totaled €971 million in respect of the 2001 financial year, or €0.56 per ordinary share (2001: €0.55 per ordinary share on a post 4-for-1 stock split basis was paid in respect of the 2000 financial year). All dividends in respect of the financial years ended in 2001 and 2000 were paid in cash.

SOLVENCY MARGINS AND RISK BASED CAPITAL

Each insurance company within AXA is required by the regulations in the local jurisdictions to maintain capital adequacy and solvency margin requirements. The primary objective of the solvency margin requirements is to protect policyholders. AXA's insurance subsidiaries are in compliance with the applicable solvency requirements.

The solvency and capital adequacy margins in general are calculated based on a formula that 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.

In addition, a European Directive dated October 27, 1998 requires a consolidated solvency calculation effective for periods ending on or after December 31, 2001. France transposed this directive under an ordinance dated August 29, 2001, decreed on March 14, 2002 and applicable from 2002.

The new requirements are regulated in France by the Commission de Contrôles des Assurances and at December 31, 2002, AXA has complied with these requirements.

AXA's 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 solvency ratio.

On this basis and taking into account future profits as advised by the 2002.12 Directive dated from March 5, 2002, the adjusted solvency ratio is approximately 172% at December 31, 2002 compared to 193% at December 31, 2001.

Please refer to Note 33 of the Consolidated Financial Statements.

SUBSEQUENT EVENTS AFTER DECEMBER 31, 2002 AFFECTING AXA'S LIQUIDITY

AXA's ordinary general meeting of shareholders was held on April 30, 2003. The shareholders approved the recommended cash dividend to be paid in 2003 in respect of the 2002 financial year of €0.34 per ordinary share or €599 million in the aggregate.

Risk Management

MARKET RISK

MARKET RISKS – ASSET LIABILITY MANAGEMENT

In an effort to protect and enhance shareholder value, AXA actively manages its exposure to market risks. Primary responsibility for risk management, including market risk, lies with local subsidiaries, which have the best knowledge of their products, clients and risk profile. This approach allows subsidiaries to react in a timely manner to changes in financial markets, insurance cycles, and the political and economic environment in which they operate.

Because of the nature of its operations, AXA's exposure to market risk is minimized. AXA's geographic diversification reduces the impact of local economic and insurance cycles on its global financial condition and earnings. Furthermore, a large proportion of AXA's operations involve products for which most of investment risk and reward is transferred to policyholders.

AXA manages its market risk within the framework of disciplined and organized investment processes:
- Insurance subsidiaries are responsible for monitoring risks through the use of asset liability matching techniques. They define strategic asset allocation policy, which is implemented and governed through investment management contracts. Insurance subsidiaries are also responsible for monitoring and auditing the investment policy carried out on their behalf.
- An Investment Committee, made up of managers from the finance and operational sides of the insurance company (and also, in certain cases, representatives of its board of directors), approves investment strategy and assesses the quality of the returns generated.
- Asset management specialists, primarily subsidiaries of the AXA Group, are responsible for the day-to-day management of investments. Processes have been put in place to allow asset management subsidiaries to manage insurance company investments without surpassing the agreed-upon risk tolerance threshold stipulated in the related investment management contract.

These investment processes are part of a larger strategy in place at Group level, which includes:
- Defined standards for assessing asset liability matching risk and managing investments.
- The consolidation of market risks and their movement at Group level.

At the consolidated level, an ALM Steering Committee determines general asset liability management policy guidelines and evaluates the results, which are then submitted to the Management Board and to the Finance Committee of the Supervisory Board.

Risk assessment covers two areas:
1. Analysis of the insurer's ability to meet long-term policyholder obligations arising from its insurance contracts. AXA's principal subsidiaries conduct this type of analysis in accordance with homogeneous stochastic modeling methods. The following calculations are made for the principal product ranges:
   - The amount of assets required to meet obligations.
   - The value generated by insurance products, which is measured by weighing the risk to assets and liabilities.

This information, compiled by AXA's insurance subsidiaries, indicates that AXA has a very significant surplus of assets as measured against a level of assumed risks that is consistent with a rating in the AA range. In addition, the geographic and business diversification of these risks contributes significantly to reducing AXA's global hedging requirements.

An Economic Capital Steering Committee makes strategic decisions in connection with this project, audits outcomes, and submits reports to the Management Board and the Finance Committee of the Supervisory Board.

2. Analysis of the ability to satisfy capital adequacy and net income requirements over the short and medium term. These measurements, which are based primarily on local and consolidated capital adequacy and solvency margin requirements, are intended to ensure the optimal use of capital resources at all times.

In addition, AXA's insurance operations worldwide are subject to local regulatory requirements in most jurisdictions in which AXA operates. These local regulations prescribe:

– the type, quality and concentration (counterparty, geographic location and type) of investments, and
– the level of assets to be maintained in the local currency in order to cover insurance liabilities in that local currency.

MARKET RISKS

Life and savings operations

The market risks to which life and savings subsidiaries are exposed arise from a number of factors:

– A decline in yields on fixed-income investments could reduce the investment margin if the return on new invested assets is not sufficient to cover contractual interest rates payable to life insurance policyholders.
– A rise in yields on fixed-income investments reduces the value of fixed-income portfolios and could have an adverse impact on the solvency margin and the surrender level on certain contracts, if competitive pressures lead to higher rates of policyholder profit participation on new contracts.
– The equity and real estate price risk reduces the level of unrealized capital gains and available surpluses.
– Exposure to the foreign exchange risk is very limited for life insurance companies.

The policies put in place to manage these risks are adapted to each product type (the percentages provided below are based on management data):

1. 20% of AXA's life insurance reserves cover separate account (unit-linked) products that do not affect AXA's risk exposure, since the underlying financial market performance is fully credited to policyholders. In cases where these products include interest-rate guarantees, an investment partner manages them within the separate account. Consequently, they present no market risk.

2. 10% of AXA's life insurance reserves cover separate account products that include guaranteed interest-crediting rates. These guarantees are monitored for risk and subject to a monthly reporting requirement. Suitable risk management policies have been put in place:
– products that offer guaranteed benefits in the event of death are partially reinsured,
– products that pay benefits in the form of annuities are mostly reinsured,
– in the United Kingdom, derivatives are used to manage risk relating to contracts that offer guaranteed account values,
– the risk of policyholder transfers to products that offer guaranteed interest-crediting rates are managed under hedging programs that use derivatives (see paragraph 4 below).

3. 21% of AXA's life insurance reserves cover products without guaranteed cash values upon surrender.

- The with-profit contracts sold in the United Kingdom and Australia are managed with a significant surplus of free assets, used to smooth performance over the duration of such contracts while at the same time reflecting financial market performance in payments to policyholders.
- Annuities in the payout phase are invested in fixed-income assets with maturities that match the underlying payout schedules, thereby avoiding reinvestment and liquidity risks.
- Surrender options on annuities are partially covered by interest rate caps and floors.

4. 49% of AXA's life insurance reserves cover other products, both surrender guarantees and, in some cases, a long-term interest-crediting rate. Related risks are managed in the following ways:

- products that are not surrender sensitive are backed by fixed-income investments whose maturities and rates are sufficient to cover guaranteed benefits while avoiding the reinvestment risk,
- other products are managed with the surplus required to cover guarantees,
- hedging programs that make use of derivatives are put in place as needed.

In addition, the product range has evolved, with the aim of reducing the risk of this type of investment through improved segmentation for new products on the basis of policyholder risk profiles. Consequently, some products offer guaranteed rates with lower cash value guarantees upon surrender (this the case in Belgium and Spain). Other products offer surrender guarantees but no guaranteed interest-crediting rates.

Property and Casualty operations

The obligations of property and casualty insurance companies are not particularly dependent on asset values. Consequently, market fluctuations are fully integrated into their net assets.

- Lower yields on fixed-income investments increase the value of bond portfolios, and therefore present no material risk, with the exception of certain contracts (disability and worker's compensation income) that provide guaranteed rates.
- Higher yields decrease the value of bond portfolios. This poses no risk, unless an exceptional loss occurs, leading to a negative cash flow situation that requires the early liquidation of part of the portfolio.
- The foreign exchange rate risk is limited. Obligations stated in foreign currencies are backed by assets in the same currencies.
- Inflation is a risk, since it increases the value of claims paid to policyholders. Consequently, if inflation is not adequately taken into consideration, actual claims payments may be higher than related reserves.

Property and casualty company investments are managed on the basis of these risk factors. Contracts that offer guaranteed payout rates are backed by fixed-income investments that fully cover the reinvestment risk. A portion of investments is in highly liquid assets, to ensure the payment of exceptional benefits and claims that may arise.

Once these factors have been taken into account, sufficient leeway exists for diversified investments (real estate or equity securities) that offer a natural hedge against inflation.

Holding companies

The following risks are managed at the holding company level:

– foreign exchange rate risk, resulting from a mismatch between the currency in which the asset is stated and its financing,
– interest rate risk, resulting from differences between the interest rate structure of an asset and its financing in terms of:
  – type (fixed rate versus floating rate),
  – floating rate benchmarks,
  – floating rate renewal dates.
– liquidity risk, resulting from asset liability mismatch.

In the interest of optimizing financial management, these risks are managed independently.

– Market risks (foreign exchange rate and interest rate) can be managed through the use of derivatives. With the exception of certain transactions carried out by AXA Bank Belgium, all of AXA's derivatives are acquired and handled through specialist teams at AXA Investment Managers and Alliance Capital. (see Note 29).

AXA's holding companies use monitoring methods based on a common and uniform set of indicators:

– variability analysis, which measures the year-by-year change in interest expense following a 1% rise in short term interest rates,
– interest rate sensitivity analysis, which measures changes in the value of the interest rate position following a parallel 1% rise in the yield curve by currency and by maturity,
– exchange rate sensitivity analysis, which measures the year-by-year change in interest expense due to 10% appreciation in the euro against all other currencies.

The Finance Committee of the Supervisory Board receives regular written updates on aggregate holding company exposures to these risks. The Committee also validates the methods used to monitor market risks and any changes in risk management policy.

– AXA manages its liquidity risk conservatively, by maintaining:
  – high levels of committed credit facilities,
  – a managed consolidated debt schedule, to avoid concentration of maturities,
  – financing programs which, combined with AXA's financial strength and ratings, offer broad access to financial markets.

SENSITIVITY TESTING

AXA performs sensitivity analyses to quantify the exposure of certain financial instruments to interest rate risk, equity price risk and foreign currency exchange rate risk. Such sensitivity analyses quantify the potential loss in terms of estimated fair value of future earnings under certain scenarios of reasonably possible adverse changes in financial markets. Financial instruments within the scope of the analyses include fixed maturity and equity securities, mortgage loans, policy and other loans, debt and other borrowings, derivatives and technical provisions. In accordance with SEC (Securities and Exchange Commission) regulations, real estate assets are not included in the scope of analysis.

Such analyses include AXA's material insurance operations and holding companies in France, the United States, the United Kingdom, Belgium, Germany, Australia and Japan. At December 31, 2002, these subsidiaries accounted for more than 90% of AXA's consolidated invested assets and net policyholder benefits and insurance claims reserves.

In accordance with French GAAP, the carrying value of AXA's consolidated invested assets is generally at historical cost or amortized cost, with the exception of assets backing UK with-profit contracts, separate account assets, and trading account securities, which are held at market value.

The purpose of such analyses is to measure the sensitivity of fair values. For invested assets, fair values were estimated in accordance with the valuation methods described in the notes to the consolidated financial statements. The fair values of liabilities were estimated as follows:

For traditional insurance contracts, the portion of estimated fair value attributed to provisions is considered to be unaffected by changes in interest rates or equity prices.

For participating life insurance contracts, the fair value attributed to provisions is considered to be (a) the fair value of the assets designated to support such policies or (b) the future cash flows discounted using the guaranteed minimum interest rate, if any, whichever is higher. For savings contracts (interest rate sensitive), a discounted cash flow method was used: these 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.

The fair values for property and casualty and reinsurance contracts, as well as for non-participating life insurance contracts were estimated using a discounted cash flow approach. These fair values, which vary with changes in the estimated discount rate, were considered to be sensitive to interest rate changes but unaffected by equity price 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 stock market prices for equity securities.

Sensitivity to interest rate risk

The purpose of such analyses is to estimate changes in the fair values of assets and liabilities in the event of a 100 basis point increase or decrease in the yield curves prevailing in the country in which each subsidiary operates. The estimated potential exposure due to a 100 basis point increase in the December 31, 2002 yield curve would result in an estimated net fair value loss for all items within the scope of the analyses of approximately €0.4 billion (net of changes in liabilities), compared with €1.3 billion in 2001. The €0.9 billion difference is attributable to the following events:

In 2002, AXA France reorganized its insurance operations, which resulted in an increase in the fair values of assets (net of changes in liabilities) related to insurance contracts offering guaranteed returns, which were included for the first time in the interest rate sensitivity analysis. These portfolios, which are invested in assets with shorter durations (primarily fixed-maturity securities), are consequently less sensitive to changes in interest rates on matching liabilities. The global impact of 100 basis point changes in interest rates was less pronounced than in 2001. If these assets had been included in the sensitivity analysis completed for the December 31, 2001 reporting date, the decline in fair values of assets (net of changes in liabilities) would have been €0.4 billion instead of €1.3 billion (the total for 2001).

For insurance contracts whose crediting rates are the minimum guaranteed rates, a 100 basis point increase would not necessarily lead to higher interest crediting rates. The fall in asset values at year-end 2002 due to the euro's appreciation against other currencies reduced sensitivity to a subsequent rise in interest rates.

Sensitivity to equity price fluctuations

The estimated potential exposure to a 10% and a 20% decline in the December 31, 2002 value of the world's stock markets would result in an estimated fair value loss for all items within the scope of the analyses of approximately €1.7 billion (€1.6 billion in 2001) and €3.3 billion (€3.1 billion in 2001), respectively, net of changes in liabilities reflecting profit participation credited to policyholders. The relative stability in exposure to equity market declines between 2002 and 2001 was mainly due to the following factors:

Prolonged deterioration in the financial markets in 2002, which generated fair values that were lower at December 31, 2002 than at December 31, 2001.

The change in scope relating to the aforementioned business reorganization in France, which generated a larger decrease in fair values in 2002 than in 2001.

In the last four years, the potential loss from the stock market fluctuations was larger than the loss resulting from interest rate changes. The impact of interest rate fluctuations on interest sensitive investments was partially offset by fair value changes in the related insurance liabilities. The impact of stock market declines on equity securities was accompanied by much smaller changes in the estimated fair value of insurance liabilities (except for participating life contracts and separate account contracts). The difference is even greater for property and casualty operations, since their insurance liabilities are not affected by equity price fluctuations and their investment portfolios are proportionately more invested in equities than life insurance investment portfolios.

Sensitivity to exchange rate fluctuations

In order to calculate the largest potential exposure to foreign currency fluctuations, all material combinations of foreign currency fluctuations were analyzed. The scenario that resulted in the most adverse scenario for AXA in terms of French GAAP earnings was a decline in all currencies relative to the euro.

The potential exposure to a 10% adverse fluctuation of foreign currency exchange rates (against the euro) would be an earnings loss of €48 million (compared with €11 million in 2001).

The increase in exposure is the result of the increase in the contribution to Group net earnings by subsidiaries operating in countries outside the euro zone.

Limitations to sensitivity testing

The results of the analyses presented above must be examined with caution.

These analyses do not consider that active asset liability management strategies are in place to minimize the exposure to market fluctuations. As market indices fluctuate, these strategies may involve selling investments, changing investment portfolio allocation, and adjusting bonuses credited to policyholders. In addition, these sensitivity analyses do not consider the impact of market changes on new business generated in the future, primarily insurance premiums, which are a critical and integral component of future profitability. Like its industry peers, AXA 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 to these sensitivity analyses include:
– the use of hypothetical (but reasonably possible) market movements that do not represent management's view of expected future market changes,
– the assumption that interest rates in all countries move identically and that all global currencies move in tandem with the euro,
– and the lack of correlation of interest rates, equity prices and foreign currency exchange rates.

Taken together, these factors limit the ability of these analyses to accurately predict the impact of future market movements on fair values and future earnings.

OTHER RISK FACTORS

COUNTERPARTY CREDIT RISK

Counterparty credit risk is defined as the risk that the other party in a transaction will default on its commitment. Given the nature of its core business activities, AXA monitors three major types of counterparties, using methods that are adapted to each type:

– Detailed concentration analyses are conducted by each insurance subsidiary on its investment portfolio (bonds and equities). In addition, AXA regularly conducts such analyses at the consolidated level on all asset portfolios, with the exception of real estate investments, to measure its global exposure by counterparty and by counterparty rating, sector and geographic region. At December 31, 2002, 94% of the issuers in the corporate bond portfolio were investment grade issuers (with ratings of BBB or higher). Of these, 66% had ratings of A or higher. These analyses also enable AXA to assess the degree and quality of its global diversification of assets for particular asset classes (type of issuer, sector of activity, etc.) and to take any measures that may be required to adjust its holdings on the basis of global aggregate concentrations.
Total commitment to any one counterparty or group of counterparties is analyzed at six-month intervals[1] for the bond and equity portfolio, and limits per counterparty are established to minimize the default risk.
Whenever established counterparty limits are surpassed, the Credit Committee, which reports to the ALM Steering Committee, examines the situation and issues a decision on any measures to be taken.

– Receivables from reinsurers resulting from reinsurance ceded by AXA. An ad hoc committee was set up to manage this particular type of credit risk, charged with evaluating the quality of the reinsurers with which AXA does business according to objective criteria and determining admissible commitments. The committee is spearheaded by AXA Cessions, an AXA subsidiary in charge of placing the Group's property and casualty insurance with external reinsurers (see Insurance Risks). This risk is monitored by comparing the various financial strength ratings available on various reinsurers as well as by conducting in-depth analyses of the recoverability of receivables in the event of reinsurer insolvency. In particular, rates of recovery include underlying collateral that may have been provided as a guarantee by AXA's reinsurers. The security committee meets monthly and decides on any actions that are to be taken with the aim of limiting AXA's exposure to the risk of default on the part of any of its reinsurers.

(1) Monthly reporting will be practiced as of mid-2003.

– Positions resulting from AXA's use of derivatives, which are analyzed on a regular basis at the consolidated level. These analyses are conducted by counterparty, based on the latter's financial strength ratings.

INSURANCE RISK

The insurance risk is defined as exposure to potential losses generated by contracts for which actual experience shows adverse deviation from assumptions made with respect to the loss experience, lapse and loading rates used to price the contracts in question.

Insurance risks are monitored locally by each subsidiary as well as at the global level.

Local monitoring:

Monitoring their insurance risk is the primary responsibility of AXA's insurance subsidiaries. This risk is primarily measured using a variety of actuarial tools and methods put in place by local insurance departments, which are also responsible for product design and profitability measurement over time.

Global:

Monitoring takes three principal forms at the global level:

– Reinsurance placement is handled centrally for AXA's property and casualty insurance portfolios through AXA Cessions, an AXA subsidiary. Prior to cession, in-depth actuarial analyses and modeling are conducted on each portfolio to optimize the quality and cost of reinsurance cover. Portfolio modeling measures risks related to frequency as well as to specific types of natural catastrophe (storms, flooding, earthquakes), and provides guidance for determining the most appropriate reinsurance cover for each portfolio and for each type of risk in light of objectives and capital allocation constraints.
– AXA's global insurance department conducts periodic reviews of insurance reserves and of the assumptions used by subsidiaries to establish them.
  The global insurance department also conducts an annual review of the actuarial practices of AXA insurance subsidiaries, using the results to draw up a scorecard. The scores obtained are used to define minimum requirements with which all subsidiaries are expected to comply by undertaking any remedial actions that may be necessary.
– Insurance risks are integrated and modeled in connection with work directed by the Economic Capital Steering Committee (see Market Risk Management – Asset Liability Management).

OPERATING RISKS

Guided by the principles set forth by the Basel Committee on banking supervision, AXA defines operating risk as "direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events."

AXA has identified its operational risks as follows:
– Business interruption due to an external (disaster, etc.) or internal event.
– Fraud.
– Legal and regulatory.
– Human resources (people).
– IT.
– Risks specifically related to the outsourcing of certain activities to external suppliers.
– Organization and process.

On the basis of the typology provided above, AXA subsidiaries perform annual operating risk audits to identify and evaluate the level of risk to which they are exposed. AXA's Group Management Audit Department is responsible for centralizing key audit findings. Responsibility for managing these risks lies with each subsidiary.

MONEY-LAUNDERING AND CORRUPTION

Regardless of the local market or country of operation, AXA seeks to comply with all regulations aimed at preventing money-laundering and combating the financing of terrorist organizations and activities. In the early 1990s, AXA set up a decentralized system to ensure compliance with regulations in force, primarily in life insurance and asset management.

Since it was initially created, this system has been reinforced by:
- The adoption of a charter pertaining to the fight against money-laundering.
- Coordination at the global level of initiatives relating to the prevention, detection and transmission of incidents involving money-laundering.
- The extension of the network of anti money-laundering correspondents to all AXA subsidiaries, whatever their line of business (modeled on the Tracfin network set up in France).
- Systematic cross-checking of nominative lists provided by officials appointed to coordinate the combat against the financing of terrorism.

LEGAL RISKS

SPECIFIC REGULATIONS

AXA, due to its activity of acquiring and managing equity interests in insurance companies, is considered to be an insurance group (*société de groupe d'assurance*) by virtue of Article L.322-1-2 of the French Insurance Code (the *Code des assurances*). Consequently, it is subject to supervision by the French Insurance Commission (the *Commission française de Contrôle des Assurances*), which ensures compliance with the relevant legal and regulatory provisions of the French insurance code.

AXA is also subject to regulations pertaining to the additional supervision of insurance groups, and in particular those pertaining to adjusted solvency margin calculations based on consolidated financial statements, which must be submitted annually to the *Commission de Contrôle des Assurances.*

RISK RELATED TO US STOCK MARKET LISTING

AXA is listed on the Paris Bourse and, since August 1996, on the New York Stock Exchange ("NYSE"). Because AXA is listed on two different exchanges, it is subject to two sets of securities law and rules of corporate governance, which may differ in certain respects. In addition, AXA prepares its consolidated financial statements in accordance with accounting principles generally accepted in France (which we refer to in this report as French GAAP), and then reconciles this information with accounting principles generally accepted in the United States of America (US GAAP).

The use of these two sets of accounting principles may result in significant differences. Like all foreign issuers listed on the NYSE, AXA must also comply with the Sarbanes Oxley Act, which was passed in the US in July 2002. In particular, the Sarbanes Oxley Act requires that both the CEO and the CFO certify the consolidated financial statements, and contains requirements concerning corporate governance, such as the mandatory formation of an Audit Committee by the Supervisory Board, all of whose members must be independent (non-executive), as the term is defined under the Act. AXA has always been attentive to corporate governance, and hence is compliant with the specific provisions of US law.

LITIGATION

PanEurolife

In January 2002, Nationwide, a US-based insurance company, commenced an arbitration proceeding before the International Chamber of Commerce in Paris relating to the sale by various AXA Group companies in 1999 of PanEurolife, a life insurance company incorporated in Luxembourg. Nationwide is seeking cancellation of the sale and/or damages after PanEurolife was investigated by the French judicial system for money laundering.

Holocaust

Since 1998, AXA has pursued research efforts in France, Germany and Belgium to identify unpaid life insurance policies issued to Holocaust victims. On August 25, 1998, AXA and five other European insurers signed a Memorandum of Understanding with certain US insurance regulators and non-governmental Jewish organizations agreeing to the establishment of the International Commission on Holocaust Era Insurance Claims ("ICHEIC"). The ICHEIC established a claims and valuation process designed to settle valid claims.

All claims relating to the German insurance market were settled under an inter-governmental agreement reached between Germany and the United States for a global sum of €281 million. Under the terms of this agreement, AXA's German subsidiaries have contributed €11.3 million to the fund. For France and Belgium, a global settlement is currently in the final phases of negotiation. AXA's French subsidiaries also contributed €3.5 million (out of a total of €10.7 million paid by French insurers) to the *"Fonds pour la Mémoire,"* a French government Holocaust related initiative. AXA's Belgian subsidiaries also contributed €3.6 million (out of the €10 million paid by Belgian insurers) to a fund set up by a similar body in Belgium.

Armenia

In February 2002, Armenian genocide survivors (1915) and their descendants filed a class-action suit against AXA and certain of its subsidiaries in the Federal Court of Los Angeles (in the US state of California). In their suit, the descendants allege that insurance companies currently owned by AXA issued insurance policies between 1880 and 1930 and did not pay related benefits. They are seeking damages.

In the opinion of management and to the best of the Company's knowledge, none of the matters set forth above is likely to have a material adverse effect on the consolidated financial position or results of operations of AXA taken as a whole.

SOCIAL AND ENVIRONMENTAL RISKS

With respect to its employment practices, AXA's key challenge is to retain employees and position itself as an employer that is able to attract top talent. In addition, employee morale in the workplace can have an impact on employee motivation, which in turn may have an impact on the ability of staff to deliver quality service to customers.

AXA is in the process of defining and preparing for the rollout of employment policies and best HR practices that, combined with those that already exist, will enable it to meet these key challenges. They are designed to make AXA an employer of choice.

As of 2003, AXA's global employee satisfaction survey, Scope, will be conducted annually. Previously, Scope was conducted every two years since it was initially launched in 1993.

With respect to environmental risks, AXA's core business activities are globally non-polluting. Known risk factors that could be classified as environmental in nature primarily relate to workplace health and safety. They cover such matters as the presence of asbestos on AXA's operating premises or the presence of Legionella in water and air conduits.

AXA has defined and implemented a strict health and safety policy to combat these environmental risks, which complies with local legislation and in some cases goes beyond what is required by law. One such example is the *Carnet Sanitaire* (a health report card) used by AXA in France.

Today, failure to disclose information relative to social and environmental practices and challenges – in particular to specialized rating agencies – has itself become a risk factor. To counter this risk, AXA has sought environmental and social ratings and also inclusion in the major international ethical indices.

In the furtherance of this aim, AXA has implemented a social and environmental reporting system that operates via the corporate intranet. This tool is used to consolidate data that is relevant in light of AXA's business activities and risk factors. Once such data has been consolidated, it will be made available to social and environmental rating agencies. Updated annually, this information will be used to provide additional guidance to AXA subsidiaries as they devise targeted action plans.

Finally, as part of its corporate program insurance initiatives, AXA plays an active role in raising client awareness of the importance of prevention in dealing with environmental risks. The quality of measures put in place to prevent incidents from occurring and to reduce their impacts when they do occur are the cornerstones of the process of setting up industrial risk insurance programs.

PERSONAL AND PROPERTY INSURANCE

AXA'S GENERAL POLICY CONCERNING THE INSURANCE OF TRANSFERABLE RISKS

This policy seeks a dual objective, inspired by the decentralized manner in which AXA's operating units and management services units are managed.

Subsidiaries are solely responsible for identifying and obtaining insurance coverage with respect to their transferable risks (relating to property, equipment and personnel).

For example, facilities located in France carry extensive coverage, regardless of their actual use or ownership status. IT risks are covered under comprehensive policies that include machine breakdown as well as the provision of gross replacement and other costs required to restore normal operation.

For risks that concern all AXA subsidiaries, transversal programs have been set up to provide protection against high magnitude risks that are common to various operating units.

To avoid possible conflict of interest, all liability risks are covered by policies written by insurers other than AXA.

TRANSVERSAL PROGRAMS

– Professional Liability.
  This program was initiated in 1999 and extends to all AXA subsidiaries, with the exception of AXA Financial and AXA Asia Pacific Holdings, which already had adequate coverage adapted to the specific features of these particularly sensitive markets.

– The Fraud program covers all of AXA's subsidiaries, with the exception of the two mentioned in the preceding paragraph.

– Directors & Officers Liability.
  AXA's carries a D&O liability policy that combines coverage suited to countries whose legal system is based on common law and those whose legal system is based on civil or codified law. Consequently, its directors and officers are protected against legislation and regulations in force in the various countries in which AXA operates.

Management Report

This report includes certain terms that are used by AXA in analyzing its business operations and, therefore, may not be comparable with terms used by other companies; these terms are defined in the glossary provided at the end of this document.

Market conditions in 2002

FINANCIAL MARKETS

If 2001 was the downside extension of 2000, 2002 looked very much to have provided more of the same. Indeed, for the third year in a row, virtually all of the world's equity markets fell sharply. And while government bonds continued to outperform generally, long-term yields fell substantially in 2002 – which was not the case in 2001.

2001 had been strongly impacted by a recession, the bursting of the speculative bubble around technological stocks and the terrorist attacks of September 11, 2001. 2002 saw the delayed fallout of these events, but also a series of corporate bankruptcy scandals, accompanied by fraud in the most spectacular cases. The ensuing crisis of trust that the latter unleashed extended to the entire corporate world, to corporate accounts and accounting, and to corporate earnings. Last but not least, the looming threat of conflict in Iraq kept geopolitical tensions high.

STOCK MARKETS

In this sharp context, and despite the global economic recovery (GDP[1]: +1.7% versus 1.1% in 2001) led by U.S. GDP growth (2.4% in 2002 as against 0.3% in 2001), the major indices declined sharply in 2002, especially those tracking the euro zone. The CAC 40 in Paris was down 33.7% on the year and the Frankfurt DAX lost 44%. The London FTSE fell by 24.5%, the FTSE Eurotop 50 by 32%, the Nikkei by 18.63%, and the Topix by 18%. Wall Street did not escape unscathed either, with the Standards & Poors 500 losing 23% on the year, close to the global average decline of 25.2% for the MSCI World Index (Morgan Stanley index, a market capitalization index designed to measure global developed market equity performance).

BOND MARKETS

The performance of government bonds was impressive in 2002. The yield on the 10-year U.S. Treasury went from 5.02% at year-end 2001 (it was 5.10% at year-end 2000) to 3.85% on December 30, 2002. The 10-year Bund ended the year at 4.19%, versus 4.98% on December 31, 2001 (and 4.84% at the end of 2000), while the 10-year UK treasury bond stood at 4.43% at year-end, compared with 5.07% one year earlier. The 10-year French OAT yield fell from 5.071% to 4.27% in 2002, while the 10-year JGB (Japan Government Bond) went from 1.35% at year-end 2001 (compared with 1.64% in December of 2000) to 0.90% at the end of 2002. Corporate bonds behaved in similar fashion, although relatively to government bonds the broadening of the yield spread offset lower yields.

EXCHANGE RATES

In 2002, the euro raised against all other currencies, in particular the U.S. dollar (+17.8% to 1.0487 from 0.89) and the yen (+6.26% to 124.5 from 116.7). Weighted for trade, the dollar declined by 9.6%, after having appreciated by 8% in 2001.

(1) GDP: Gross Domestic Product.

INSURANCE AND ASSET MANAGEMENT MARKETS

LIFE & SAVINGS

2002 was similar to 2001 as Life & Savings markets in which AXA operates were adversely affected by the continued decrease in the global stock markets. Consequently, as noted in 2001, the consumer demand for unit-linked products was mediocre in most countries and encouraged consumers to be more cautious; this resulted in a return to more traditional financial protection products with fixed and guaranteed investment returns.

Despite the changes in financial markets during the last three years, the long-term view is of increasing demand for insurance products. In Europe, the post-World War II “baby-boom” generation is creating an ageing population and, as a result, more countries are reducing the level of state funded welfare systems. This trend has led to an increase in retirement and other saving-oriented product advice and services in respect of financial, tax and estate planning. Moreover, the continued uncertainty generated by stock markets volatility has reinforced the need for financial advice.

France. In 1999 and 2000, the French Life & Savings market had experienced a significant growth in gross premiums (13% and 20%, respectively), mainly driven by the success of unit-linked savings products. In 2001, the market was adversely affected by unfavorable stock market conditions, leading to a 7% decrease in gross premiums, the 40% decrease in gross premiums on unit-linked contracts being partly offset by an 18% increase in general account premiums. In 2002, as the financial markets remained adversely oriented, the same trends persisted with unit-linked premiums decreasing by 32%, offset by a +16% increase in general account premiums. As a result of these opposite trends, total gross premiums increased by +2% in 2002.

United States. U.S. investors faced a difficult and unsettling year as the equity markets continued its decline; interest rates were lowered to provide economic stimulus and concerns with corporate improprieties and economic growth continued. In the Life insurance market, there was a shift in sales away from variable universal (equity-linked) Life insurance (down 20% in the first nine months of 2002) to universal (fixed interest rate) and term Life insurance (up 33% and 16% respectively, in the first nine months of 2002). In the annuity market, sales of variable annuity/savings products were up 7% in the first nine months of 2002 while fixed annuity sales increased by 60% in the first nine months of 2002. Management believes that continued market uncertainty has increased the need for financial advice. One survey reported that the number of investors reporting they need “very little advice” fell from 53% in 1999 to 32% in 2001. The educational savings market continues to grow as parents save for their children’s education and take advantage of the income tax benefits of these plans. Funding of “529” education plans has grown to approximately $8.5 billion of assets through 2001 up from $2.5 billion at year-end 2000.

United Kingdom. New annualized business (new regular premiums plus 10% of single premiums) grew by approximately 5% in 2002 (compared with 16% in 2001), the lower growth rate being largely attributable to continuing adverse stock market conditions, especially their volatility. As in 2001, pensions were the principal growth area in 2002; an increasing proportion of business was written on Stakeholder on ‘1% world’ terms where a 1% limit is placed on annual charges for administering such products. There was no growth in overall sales of investment products in 2002 although sales of guaranteed bonds increased by over 60%, reflecting investors’ caution in uncertain investment conditions. Sales of “With-profit” bonds, the largest investment product sector, fell by around 20% as falling stock markets left providers with insufficient financial strength to write the business at the levels of previous years. Independent Financial Advisers continued to be the principal sales channel in 2002 accounting for around 70% of new business.

Asia / Pacific.

Japan. The Japanese Life insurance market experienced declining in-force business for the seventh consecutive year (a reduction of 3% compared to fiscal year 2001). In the midst of difficult conditions for Japanese domestic companies (4.0 point decrease of in-force business), the share of foreign Life insurers in the Japanese market reached 14%, a 3-point increase compared to 2001. AXA Japan retained the 12th position in the Japanese Life insurance industry with 1.8% market share at end of March 2002 (on total asset base).

Australia. In Australia and New Zealand, the savings related investment sector continued to be the growth area due to the ageing of the population and continued government support for self-funded retirement. Retail savings and investment sectors have been adversely impacted in 2002 by the poor performance of global investment markets, with net inflows 40% lower than the same period last year. Although Life insurance is a smaller segment of the market than investment related products, individual life and disability insurance products have grown at over 10% in 2002.

Hong Kong. The Hong Kong Life insurance market continued to experience strong growth fuelled by the aggressive entry of the major banks. This is being driven by investors' needs for advice in order to establish alternative wealth creation strategies following the property market downturn and low interest rate environment. In 2002, the Hong Kong economy has been weak and consumer confidence has been depressed by the slow economic recovery. The Hong Kong equity market (Hang Seng Index) fell 18% between January and end of December.

Germany. In 2002, growth of the Life & Savings market re-accelerated and was again higher than 4%, after it had slowed down in the two previous years (2001: 1.9%). However, the impact of the German pension reform on this growth was lower than expected. The supervisory authority took much longer to certify corporate pension solutions. Therefore, the consumers, following the advice of consumer associations, waited until late in the year when finally all types of offers were available from different providers. The ongoing need for individual financial protection will continue to have positive impact on the Life & Savings growth prospects. However, the downturn of the capital markets also severely affected the insurers that will force them either to reduce significantly promised policyholder returns for 2003 or – in extreme cases – even stop selling Life insurance with guaranteed returns. Health insurance showed highest growth rates with almost 6.0% (after 4.9% in 2001; 4.0% in 2000). The main reason was a strong increase of the number of individuals insured, who have left the state social security system. To stop this trend, the federal government has increased the threshold values of the minimum annual salary necessary for switching from a state to a private Health insurance (effective in 2003).

Belgium. After a general boom in unit-linked savings related products between 1997 & 2000 (CAGR[1]: 119%), the trend changed in 2001 and, in 2002, led to an expected decrease of 40%. This shift away from unit-linked products is primarily due to the deterioration in stock market performance. As a result, consumers returned to savings related insurance products with guaranteed returns (+ 30% in 2002) and bank savings products.

Southern Europe. Spanish Life **market**[2] increased by 15% driven by the legal requirement of group pension outsourcing, regulatory deadline being 2002 November 16th. In 2002, the **Italian** market witnessed high expansion rates: gross written premiums went up 18% vs. 12% in 2001. Traditional products with a guaranteed yield captured most of new business (+143% from last year, as at Sept. 30th) because of the poor performance of financial markets. On the contrary, new business growth for unit-linked products was weak. Banks underwrote 67% of total new business, while the rapid growth of financial advisors allowed them to seize the same share as agents, at 13% of total. **Portugal** market grew by 1.6% as compared to the same period last year. This growth was mainly attributable to the exceptional increase of two bank-insurers (Santander and BPI) whereas traditional insurers registered a decrease of their gross written premiums. Excluding these two bank-insurers, market decreased by 8.9%.

PROPERTY & CASUALTY

In 2002, the Property & Casualty market continued growing, with further significant rates increases allowing insurance companies to partly compensate the unfavorable effects of the further claims deterioration after numerous and significant climatic events, mainly in France, Central Europe, United Kingdom and Italy, and the increased reinsurance cost following the September 2001 terrorist attacks.

France. Market has experienced four consecutive years of growth since 1999. The increase in gross premiums has accelerated from 2% in 1999 to an estimated 7% in 2001 and in 2002 (including large risks). Growth was fuelled by the increase in French gross domestic product and the increase in rates in all lines of business, particularly large commercial lines in recent years. In 2001 and 2002, the escalating reinsurance costs were also a reason for commercial property & pommercial liability rates' upwards revisions.

Germany. Having reached a growth rate of 2.7% in 2001 (after 1.4% in 2000 which was preceded by four declining years), the market growth stabilized around 3% in 2002. The motor lines (about 43% of the total gross premiums written in the German Property & Casualty market) grew 2.9% in 2002 and 5% in 2001. Significant premium rate increases took place in the commercial lines, as insurers are no longer willing to accept the substantial underwriting losses of recent years, especially after the U.S. terrorist attacks in September 2001. As in previous years, major losses and cumulated losses are still affecting the German Property & Casualty insurance industry (e. g. the flood in Central Europe in August 2002). Claims charges grew considerably in 2002 making further increases of insurance premiums likely, especially in the commercial lines and in private motor.

United Kingdom. The market has been challenged through a number of adverse events in 2002 including:

- Reduction in underwriting capacity for some competitors, particularly in commercial property as a result of the decline in global equity markets.
- Continued rapid increase in claims costs on injury classes of business (motor and liability).
- Two weather events – one in January and a second in October – impacting property classes.
- A substantial increase in reinsurance premiums in response to September 11 and resulting capacity constraints in reinsurance markets.

(1) CAGR: Compounded Annual Growth Rate.
(2) Estimation of AXA Seguros taking as data source the "Instituto de Actuarios Españoles" 2003, January 22.

The financial market conditions have resulted in particularly hard market conditions in property & liability lines. Commercial rates have increased dramatically in non-motor lines. In liability lines rate increases across the market have been in excess of 40% with increases in Property up to 20% compared to 2001. In personal lines, motor rates have increased by around 4% reflecting the continuing competitive nature of this market and signaling the peak of the cyclical motor market. Household rates have increased by 6%.

Belgium. A strong competition prevails the Belgian saturated market for Property & Casualty insurance products. Market should report an approximate growth of 7% in 2002 (against 4% in 2001) as a result of rates increases in motor (which represents 36% of total Property & Casualty), industrial risks & household. Some companies also pruned portfolio in order to restore technical profitability. Workers compensation market remained adversely affected by intense competition, with rates remaining almost stable during 2002. In motor insurance, regulation is moving towards the abolition of the merit-rating (bonus-malus) system.

Southern Europe. The **Spanish** market had outperformed past years volume achievement, continuing the trend that it has achieved up to June 2002, with 13% increase in written premiums[1]. However, motor business is beginning to show some weakness; car sales decreased compared to last year (– 6.6%), while claims costs increased, especially the compulsory liability guarantee. As in 2001, companies operating in the **Italian** market have significantly increased motor premium rates (by over 10% in 2002) to improve technical profitability. The frequency of reported small motor claims has decreased as a result of particularly high tariff increases for clients with a high “malus”. Results of non-motor branches were adversely influenced by the natural events of the second half-year, most notably the floods in Northern Italy. In **Portugal,** the Property & Casualty market grew by 10% to €3,845 million[2]. Motor line increased by 7.7% to €1,810 million (representing 47% of total Property & Casualty business). Workers compensation grew 8.4% to €748 million (representing 20% of total Property & Casualty business).

INTERNATIONAL INSURANCE

On the reinsurance side, the huge claims experience in 2001 (September 11th events), the financial market crisis as well as some actors being hit by claims on previous underwriting years for long tail business have resulted in major difficulties for some reinsurers and in hardening market conditions in 2002 (rate increases, deductible increases, more stringent wording) that are anticipated to tighten further, an even more selective way, in 2003. However reinsurance has not been hit by exceptional claims in 2002, as it was the case in previous years.

The large risks insurance market has experienced similar effect of 2001 large claims and of current financial crisis, mainly in property and aviation business. The market conditions are expected to tighten significantly in 2003 especially in general liability where legal instability remains high in some countries.

ASSET MANAGEMENT

Asset Management business conditions were difficult in 2002 as stock markets around the world continued to suffer significant losses, reducing the market value of assets under management. The depressed markets also caused outflows in equity investments and in money market, partially offset by strong fixed income inflows. The decrease in average assets under management and the change in product mix impacted negatively the fees collected by Asset Management companies.

(1) Estimation of AXA Seguros taking as data source the “Instituto de Actuarios Españoles” 2003, January 22.
(2) Source Portuguese Insurance Association.

December 31, 2002 operating highlights

MAIN EVENTS

IMPACT OF DECLINE IN STOCK MARKETS

Following the significant decline in stock markets, additional allowances for permanent impairment of equity securities were accounted for in 2002, for a total amount of €–912 million (€–614 million net Group share). This amount was added to the €995 million booked in 2001 (€–636 million net Group share).

It included €–72 million of liquidity risk reserve (€–47 million net Group share), maintained in Group consolidated accounts for French regulatory reasons, relative to French Insurance companies, and despite the fact that analyses performed did not demonstrate any liquidity risk on assets in portfolio.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

In 2002, the focus was given to organic growth and to the improvement of operational performance.

ACQUISITIONS

On June 6, 2002, AXA and BNP Paribas announced that they had concluded an agreement in principle to the acquisition by AXA of 100% of **Banque Directe,** subsidiary of the BNP Paribas group. The operation was approved in September 2002 by the French regulator "CECEI"[1], and closed on September 2, 2002. The purchase price was €60 million, and the operation generated a goodwill of €+13 million, amortized within the year.

In **Australia,** AXA Asia Pacific Holdings Limited (AXA APH) purchased **ipac Securities Limited** for €118 million plus an element of deferred earn-out based on the achievement of performance hurdles. The related goodwill was €101 million. ipac is one of the most respected and leading wealth management advisory businesses in Australia, managing approximately €3.7 billion at the end of December 2002 for over 20,000 retail and wholesale clients.

DISPOSALS

In **Australia,** AXA APH sold **AXA Health Insurance Pty Limited,** its private health insurance arm, to Macquarie Bank Limited (Macquarie). The disposal is consistent with the Group's strategic direction to focus its growth on wealth management. The sale price, underwritten by Macquarie, is €343 million including a pre-completion dividend. The realized capital gain on sale is €87 million net Group share.

In **France,** on August 7, 2002, AXA and Crédit Foncier de France (CFF) reached an agreement with GECINA, under which their stakes (32% and 21%, respectively) in **SIMCO,** a property company listed on the Premier Marché of Euronext Paris, will be acquired through a public offer (in cash and shares) to be launched by GECINA on SIMCO. The sale was concluded on November 15, 2002 and generated a net profit of €115 million in French insurance companies (of which €113 million on French Life & Savings companies). Following the operation, the share of AXA Group in GECINA is 6.18% (of which 4.95% on French insurance and financial services companies).

(1) CECEI: "Comité des Etablissements de Crédit et des Entreprises d'Investissement".

CAPITAL AND FINANCING OPERATIONS

AXA ORDINARY SHARES HELD IN TREASURY

As at December 31, 2002, AXA held approximately 30.5 million of its ordinary shares at book value of €487 million or 1.7% of the outstanding total ordinary shares, stable compared to 2001.

FINANCING OPERATIONS

In January 2002, AXA entered into a 3-year bilateral credit facility for €100 million. In January and February 2002, AXA issued under its €3.0 billion Euro Medium Term Note Program (“EMTN”), a U.S.$ 100 million bond due 2004, a €200 million bond due 2004 and a €200 million bond due 2005. These operations were used to refinance existing debts.

CAPITAL OPERATIONS

The AXA Group has for several years offered its employees, in and outside France, the opportunity to subscribe for shares issued by way of capital increase reserved for employees. In 2002, employees invested 255 million euros (respectively €13 million in July 2002 and €242 million in December 2002). The 2002 offerings led to the issuance of 27.2 million additional shares, bringing the total number of shares in issue to 1,762 million as at December 20, 2002. As of December 31, 2002, employee shareholders represent approximately 4% of the outstanding share capital of AXA as compared to 2.3% as of December 31, 2001.

Events subsequent to December 31, 2002

In **Austria and in Hungary,** AXA Konzern announced on December 18, 2002 the terms of its discussions with UNIQA Versicherung AG, the first Life and fourth Non-Life Insurer in this country, for the sale of its business. This transaction has been signed by both parties in December 2002, but is still subject to the approval of local regulators. The estimated amount of the realized capital gain to be accounted for in 2003 is €45 million.

In **Australia,** on November 29, 2002, AXA Asia Pacific Holdings Limited announced that it had signed a memorandum of understanding to sell its 50% stake in Members Equity Pty Ltd for €51 million. The transaction was finalized early in 2003, at which time the realized capital gain on sale, of €11 million Group share will be booked in the Group consolidated accounts.

Consolidated operating results

CONSOLIDATED GROSS REVENUES

(in euro millions)

Consolidated gross revenues [a]	FY 2002	FY 2001	Change on a comparable basis [b]	FY 2000 [c]
Life & Savings	48,586	48,399	5.5%	45,997
Property & Casualty	15,948	15,896	5.7%	15,579
International Insurance	5,762	5,678	4.6%	3,651
Asset Management	3,411	3,730	(7.2%)	2,984
Other Financial Services	1,020	1,128	(9.9%)	11,760
TOTAL	**74,727**	**74,832**	**4.6%**	**79,971**

(a) Net of intercompany transactions.
(b) Percentages are on constant methodology, constant exchange rates, constant structural basis (“constant scope”).
(c) Including DLJ 9 months contribution in Other Financial Services activities

Consolidated gross revenues were €**74,727 million,** slightly down by **–0.1%** on a current basis, mainly due to negative impacts from:

– A stronger euro, mainly against the yen and U.S.$ (on a constant exchange rate, consolidated gross revenues would have been €+2,136 million higher).

– Starting January 1, 2002, “de-consolidation” or change in consolidation method for small entities (for which premiums were not exceeding 0.15% of total consolidated revenues) under AXA Group (€–532 million mainly relating to Turkey Life & Savings and Property & Casualty operations, Hong Kong and Singapore Property & Casualty operations, Direct Seguros in Spain, all equity-accounted).

On a comparable basis, consolidated gross revenues increased by **+4.6%:**

Life & Savings revenues (representing 65% of total consolidated revenues) were up by **+5.5%**, as a result of the very good performance of **United States (+15.4%)**, pulled by strong sales on the new Variable Annuity product launched in April 2002 and to a strong first quarter sales of a new Fixed Annuity product (SPDA) launched in September 2001, and **Japan (+28.8%)**, driven by the sharp increase in group pension premiums following acquisition of additional shares in several large contracts. This strong growth was partly offset by a lower performance from **France (–5.4%)** and the **UK (–6.5%)**, strongly impacted by declining markets driving customers away from unit-linked product sales. This trend was accelerated in the UK by the withdrawal from the “With-profit” bond market in July 2002.

Property & Casualty. Gross written premiums (representing 21% of total consolidated revenues), increased by **+5.7%**, with strong performance in the **UK (+12.6%)** and **France (+6.3%)**, driven by strong rates increases, combined with limited effects of stricter underwriting.

International Insurance revenues (representing 8% of total consolidated revenues) showed an increase of **+4.6%**, mainly in AXA Corporate Solutions (+4.1%), due to the favorable impact of rate increases, partly offset by a decrease in Reinsurance, mainly due to 2001 non-recurring premiums (September 11, 2001 reinstatement premiums).

Asset Management fees and other revenues (5% of total consolidated revenues) declined by –7.2%, mainly in Alliance Capital (–8.4%), where the drop in markets induced lower asset under management. Despite these unfavorable effects, overall, the Group’s asset managers collected €7.8 billion of net new money.

CONSOLIDATED ADJUSTED EARNINGS AND NET INCOME

(in euro millions)

Adjusted earnings & Net income (Group share)

	FY 2002	FY 2001	FY 2000 [b]
Gross written premiums	69,723	69,471	64,788
Bank revenues [c]	1,012	1,127	11,754
Fees, commissions and other revenues	3,992	4,234	3,429
Gross revenues	**74,727**	**74,832**	**79,971**
Change in unearned premium reserves	(382)	(355)	(439)
Net investment result [d]	(9,229)	(1,244)	9,908
Total revenues	**65,116**	**73,233**	**89,439**
Insurance benefits and claims	(47,922)	(56,668)	(62,160)
Reinsurance ceded, net [e]	(523)	1,163	1,002
Insurance acquisition expenses	(5,891)	(6,394)	(5,970)
Bank operating expenses [c]	(600)	(838)	(6,509)
Administrative expenses	(8,098)	(8,775)	(11,734)
Operating income	**2,081**	**1,721**	**4,069**
Income tax expense	(357)	(45)	(785)
Equity in income (loss) of unconsolidated entities	23	17	22
Minority interests	(390)	(492)	(1,013)
ADJUSTED EARNINGS [a]	**1,357**	**1,201**	**2,292**
Impact of exceptional operations [f]	235	–	1,431
Goodwill amortization (Group share)	(643)	(681)	(279)
NET INCOME	**949**	**520**	**3,444**

(a) Adjusted earnings represents AXA's consolidated net income, before goodwill amortization and exceptional operations. Adjusted earnings is a non-GAAP measure, which management believes provides a meaningful understanding of the results. It should be noted that "Adjusted earnings" as defined may not be comparable with similarly-titled measures reported by other companies as it is not defined under either French GAAP or U.S. GAAP.

(b) Pro forma New French GAAP according to the new French Regulations that became effective on January 1, 2001, as if New French GAAP had been in force since january 1, 2000.

(c) Following the disposal of Donaldson, Lufkin & Jenrette (DLJ) in the second half of 2000, these items are significantly lower in 2001 and in 2002.

(d) The change in fair value of separate accounts had adversely impacted the net investment result for €–17,576 million in 2002, €–11,613 million in 2001 and €–4,713 million in 2000.

(e) The variation is mainly due to the impact of September 11, 2001 events in 2001 and to 1999 storms in 2000.

(f) In 2000, the exceptional items included:

- *the consolidated net realized gain on the sale of Donaldson, Lukfin & Jenrette ("DLJ"), which totaled €2,004 million net Group share (€2,071 million net Group share and net of realized and unrealized losses on Credit Suisse group shares received in respect of that transaction of €67 million);*
- *realized losses and valuation allowances of €236 million (net Group share) relating primarily to the Equitable Life high yield bond portfolio as a result of broad weaknesses in credit markets from a slowing economy during the third and fourth quarter of 2000, coupled with a review of investment strategy following AXA's acquisition of the minority interests in AXA Financial; and*
- *provision of €125 million recorded during the period in connection with the sale of Banque Worms, which was completed in April 2001.*

The **net income** for full year 2002 strongly increased in 2002 to €949 million, or a €+429 million increase compared to full year 2001 level.

The 2002 net income Group share included €235 million **exceptional operations** relating to:
– the capital gain realized on the sale of AXA Asia Pacific Health activities (€87 million), and
– an exceptional profit of €148 million in Alliance Capital, as a result of the partial release (€+277 million) of the provision set up in 2000 to offset the dilution gain when acquiring Sanford C. Bernstein, Inc. This release was due to the buy-back of 8.16 million private units in Alliance Capital to the former shareholders of Sanford Bernstein, after these shareholders exercised their liquidity put option; it generated an additional goodwill, which was entirely amortized over the year (€–129 million at average exchange rate).

Excluding these items, the increase was €+194 million, mainly as a result of improved adjusted earnings.

Goodwill amortization Group share decreased by €37 million, mainly as a result of exchange rate impacts (€–15 million), 2001 Banque Worms goodwill amortization (€19 million) not repeated in 2002 and exceptional amortization in 2001 relating to ex-GRE entities (€22 million), partly offset by goodwill amortization in 2002 of Banque Directe (€–13 million), ipac and Sterling Grace in Australia (€–6 million).

Adjusted earnings increased by €+156 million to €1,357 million a +13% increase compared to 2001, thanks to the strong improvement of underlying earnings, the decrease in net capital gains being more than compensated by the lower cost resulting from September 11, 2001 events.

– **Net capital gains attributable to shareholders** were lower by €–469 million to €–240 million including valuation allowances on equities, following the strong further decline of financial markets, and mainly stemming from a significant decrease in realized gains by €– 491 million, partly offset by a lower level of valuation allowance on equity (€22 million)
– **The cost of September 11th 2001 terrorist attacks** was €–561 million in 2001. A further €–89 million was accounted for in International Insurance in the first half of 2002 due to the complexity of the claims and the time lag in reporting the information to the ceding company.

(in euro millions)

Adjusted earnings & Net income (Group share)

	FY 2002	FY 2001	FY 2000 (b)
Life & Savings	1,367	1,225	1,401
Property & Casualty	93	182	237
International Insurance	(149)	(378)	112
Total Insurance	**1,311**	**1,029**	**1,750**
Asset Management	258	346	211
Other Financial Services	133	144	273
Total Financial services	**391**	**489**	**484**
Holding companies	(344)	(318)	58
ADJUSTED EARNINGS (a)	**1,357**	**1,201**	**2,292**
Impact of exceptional operations	235	–	1,431
Goodwill amortization (Group share)	(643)	(681)	(279)
NET INCOME	**949**	**520**	**3,444**

(a) Adjusted earnings represents AXA's consolidated net income, before goodwill amortization and exceptional operations. Adjusted earnings is a non-GAAP measure, which management believes provides a meaningful understanding of the results. It should be noted that "Adjusted earnings" as defined may not be comparable with similarly-titled measures reported by other companies as it is not defined under either French GAAP or U.S. GAAP.
(b) Pro forma New French GAAP according to the new French Regulations that became effective on January 1, 2001, as if New French GAAP had been in force since January 1, 2000.

Life & Savings. Adjusted earnings increased by €+142 million, mainly as a result of lower valuation allowances on equity securities.

Property & Casualty. Group **combined ratio** strongly improved by –6 points, to 106.5% from 112.5%, or –5.7 points on a comparable basis (excluding the UK Discontinued business now presented in the International Insurance segment), reflecting a strong technical improvement in all major entities, driven by the impacts of stricter underwriting measures and rates increases, and despite the impact of natural disasters in 2002. This favorable trend was however more than offset by a €–387 million decrease in net capital gains.

International Insurance. Adjusted earnings improved by €+229 million, mainly as a result of the lower cost in 2002 compared to 2001 of September 11, 2001 terrorist attacks (€–89 million compared to €–515 million in 2001). Excluding September 2001 cost and slightly higher net capital gains, earnings deteriorated by €–169 million, as a result of unfavorable prior year loss development and increased cost of covers.

Asset Management. Asset Management adjusted earnings decreased by €–88 million, mainly due to Alliance Capital, where fees, commissions and other revenues strongly decrease in the context of lower average asset under management, only partly offset by lower interest and administrative expenses.

Other Financial Services. The deterioration in adjusted earnings (€–11 million) is mainly due to AXA Bank Belgium (€–40 million) following a 2001 release of provisions for corporate loans, partly offset by favorable run-off development in 2002 in other entities (€+26 million).

Holdings. Adjusted earnings decreased by €–26 million. Excluding a sharp decrease in net capital gains (€–145 million), earnings improved by €+119 million, mainly as a result of (i) a strong improvement in the Parent Company (€+153 million), primarily due to lower cost of debt (€+137 million), as a result of lower interest charge stemming from declining interest rates and the strengthening of the euro against mostly U.S. dollar, yen and sterling pound, partially offset by the amortization of redemption premiums on the convertible bonds issued by AXA SA, and (ii) the unfavorable impact of revised German tax rules regarding the use of tax credits (€–29 million).

CONSOLIDATED SHAREHOLDERS' EQUITY

At December 31, 2002, consolidated shareholders' equity totaled €23.7 billion. The movement in shareholders' equity since December 31, 2001 is presented in the table below:

	Shareholders' equity *(in euro millions)*	Number of ordinary shares outstanding *(in millions)*
At December 31, 2001	24,780	1,734.2
– Capital increases (to employees)	254	27.2
– Exercise of share options	8	0.8
– Cash dividend	(1,117)	
– Impact of foreign exchange fluctuations	(1,197)	
– Other	34	
At December 31, 2002 (before net income of the period)	**22,762**	**1,762.2**
Net income for the period	949	–
At December 31, 2002	**23,711**	**1,762.2**

CREATION OF SHAREHOLDER VALUE

EARNINGS PER SHARE ("EPS")

Based on adjusted earnings of €1,357 million in 2002, and a weighted fully diluted average number of outstanding shares of 1,739 million, fully diluted adjusted EPS amounted to €0.78, improving by +11.7% from 2001 (€0.70).

Excluding for both years the impact of September 2001 events and net gains and losses attributable to shareholders, the EPS amounted to €0.97 in 2002, compared to €0.89 in 2001, showing a +9% improvement.

RETURN ON EQUITY (ROE)

(in euro millions except percentages)

	FY 2002	FY 2001	Var. FY 2002/ FY 2001
Average Shareholder's equity	**23,643**	**24,323**	
Net income	949	520	
ROE	**4.0%**	**2.1%**	**1.8 bp**
Adjusted Earnings	1,357	1,201	
Adjusted ROE	**5.7%**	**4.9%**	**0.8 bp**
Underlying ROE	**7.1%**	**6.3%**	**0.8 bp**

Life & Savings

The following tables present the consolidated gross revenues, adjusted earnings and net income attributable to AXA's Life & Savings segment for the periods indicated.

(in euro millions)

Life & Savings [a]	FY 2002	FY 2001	FY 2000 [b]
Gross written premiums	48,080	47,921	45,561
Fees, commissions and other revenues	539	486	436
Gross revenues	**48,619**	**48,407**	**45,998**
Change in unearned premium reserves	(16)	(2)	(32)
Net investment result [c]	(10,684)	(3,531)	6,912
Total revenues	**37,920**	**44,875**	**52,878**
Insurance benefits and claims	(30,958)	(36,744)	(44,999)
Reinsurance ceded, net	288	139	119
Insurance acquisition expenses	(2,806)	(3,193)	(2,939)
Administrative expenses	(2,868)	(3,326)	(2,668)
Operating income	**1,575**	**1,751**	**2,392**
Income tax expense	(119)	(481)	(646)
Equity in income (loss) of unconsolidated entities	(7)	16	41
Minority interests	(83)	(61)	(387)
ADJUSTED EARNINGS	**1,367**	**1,225**	**1,401**
Impact of exceptional operations	–	–	488
Goodwill amortization (Group share)	(303)	(303)	(87)
NET INCOME	**1,063**	**922**	**1,802**

(a) Before intercompany transactions.
(b) Pro forma New French GAAP according to the new French Regulations that became effective on January 1, 2001, as if New French GAAP had been in force since January 1, 2000.
(c) The change in fair value of separate accounts had adversely impacted the net investment result for €–17,576 million in 2002, €–11,613 million in 2001 and €–4,713 million in 2000.

The Life & Savings contribution to 2002 group net income amounted to €1,063 million, increasing by €+141 million as compared to 2001.

The increase mainly derived from higher adjusted earnings by €+142 million, resulting from opposite trends as improvements in France (€+87 million), Japan (€+53 million) and the UK (€+182 million) were partly offset by Belgium (€–57 million), Germany (€–22 million), the Netherlands (€–75 million), and Italy (€–34 million).
Main variations are analyzed in the following pages.

(in euro millions)

Consolidated gross revenues [a]

	FY 2002	FY 2001	FY 2000
France	10,432	11,001	12,528
United States	12,726	11,642	12,483
United Kingdom	8,362	9,086	7,939
Japan	6,428	5,475	3,353
Germany	3,141	2,998	2,913
Belgium	1,629	1,686	1,099
Other countries	5,900	6,520	5,682
TOTAL	**48,619**	**48,407**	**45,998**
Intercompany transactions	(33)	(8)	(1)
Contribution to consolidated gross revenues	**48,586**	**48,399**	**45,997**

(a) Gross written premiums, plus fees, commissions and other revenues.

(in euro millions)

Adjusted earnings & Net income

	FY 2002	FY 2001	FY 2000 [a]
France	432	345	392
United States	520	518	373
United Kingdom	348	167	179
Japan	(45)	(99)	52
Germany	(0)	21	46
Belgium	8	65	172
Others countries	104	208	186
ADJUSTED EARNINGS	**1,367**	**1,225**	**1,401**
Impact of exceptional operations	–	–	488
Goodwill amortization (Group share)	(303)	(303)	(87)
NET INCOME	**1,063**	**922**	**1,802**

(a) Pro forma New French GAAP according to the new French Regulations that became effective on January 1, 2001, as if New French GAAP had been in force since January 1, 2000.

LIFE & SAVINGS OPERATIONS - FRANCE

(in euro millions)

Life & Savings operations - France	FY 2002	FY 2001	FY 2000 [(a)]
Gross written premiums	*10,432*	*11,001*	*12,528*
Investment margin	872	867	853
Fees & revenues	982	1,093	1,152
Net technical margin	104	121	26
Expenses (net of DAC/VBI)	(1,464)	(1,586)	(1,532)
Operating income	**495**	**494**	**499**
Income tax expense	(64)	(149)	(106)
Equity in income (loss) of unconsolidated entities	2	0	0
Minority interests	(1)	(1)	(1)
ADJUSTED EARNINGS	**432**	**345**	**392**

(a) Pro forma New French GAAP as if New French GAAP had been in force since January 1, 2000.

Gross written premiums were down by –5% on a comparable basis as financial markets remained negatively oriented, an unfavorable environment for individual savings unit-linked sales.

– *Investment & Savings:* individual savings gross written premiums (59% of gross written premiums) were down by 12% as a consequence of the drop in unit-linked sales (–61%) partly offset by an increase in general account sales (+33%). The sales forces succeeded in promoting general account products, which are perceived as less volatile by clients in the current financial market environment. General account premiums represented 79% of individual savings premiums, as compared to 52% in 2001.

Group retirement premiums (7% of gross written premiums) were up 9% as the level of renewal premiums from large clients remained high. Group unit-linked premiums (34% of group retirement) significantly increased (+17%) as compared to 2001.

– *Life & Health* premiums (34% of gross written premiums) grew by 5% as individual and group segments benefited from positive inflows and from a positive impact of group accident and health rates increases.

Investment margin increased by €5 million in 2002 as compared to 2001, mainly as a result of:

– An **improved investment income** (€+93 million or +3%) as income improved on fixed maturities (€+88 million), as the result of an increased asset base, on real estate (€+36 million), due to a higher yield (4.3% in 2002 as compared to 3.5% in 2001) and on equities (€+16 million). These increases were partly offset by a decrease in income from cash and cash equivalents (€–59 million), due to the combined impact of a reduced allocation to this asset class and of the decrease in short term interest rates.

– A strong decrease in **net investment gains** (€–194 million to €89 million), mainly on equities (€–228 million to €14 million in 2002). The 2002 program of disposal of equities was reduced, as compared to the 2001 program, due to market conditions. The 2002 program included a €113 million gain on sale of shares in the French listed real estate company SIMCO. In 2002, gains on sale of equities were offset by impairment allowances amounting to €–24 million and by net losses realized on sale of equities as part of the reallocation of some portfolios: notably in the group retirement line of business, from direct holdings in equity lines to holdings in mutual funds presenting a more diversified risk profile. Net investment gains on real estate increased by €81 million to €109 million, benefiting from favorable conditions on the French real estate market.

– Partly offset by **lower amounts credited to policyholders** for €106 million. The average rate credited to individual policyholders slightly decreased from 4.82% in 2001 to 4.75% in 2002. Amounts credited to group retirement policyholders decreased by €90 million, mainly as the consequence of net realized losses on sale of equities.

Fees and revenues decreased by €–111 million in 2002 as compared to 2001.

– The decrease is attributable to fees and revenues on unit-linked savings products (€–92 million or –37%) as a consequence of a –56% decrease in premiums and of a –8% decrease in average unit-linked policyholders' reserve. The average unit-linked policyholders' reserve drop in value remained largely inferior to the average decrease in French equity market index (CAC 40) as these reserves are mostly invested in balanced funds.

– Fees and revenues also decreased by €–18 million on group Life and Health products. This decrease is mainly due to product mix change, resulting from the fast development in 2002 of a new line of mortgage guarantee business featuring lower fees and revenues offset by a lower commission rate (€–63 million). The majority of existing mortgage guarantee contracts in force were converted into this new type of products at the end of 2001 and, mainly, starting January 1st 2002. This change was offset by lower expenses and is therefore neutral on adjusted income (see expenses). This product mix impact was partly offset by increased volumes and increased fee rates on the non-mortgage guarantee group Life and Health line of business.

Net technical margin decreased by €–17 million to €104 million mainly due to:

– The higher net technical margin on **savings products** (€+34 million to €16 million in 2002) as 2001 was negatively affected by a non-recurring increase in reserve for policyholders' dividends (€–39 million).

– Partly offset by a lower net technical margin on **group Life and Health products** (€–63 million to €58 million in 2002). The main factor for this decrease was the introduction of a new law, which reinforced the insurers' obligations as regards death coverage in the cases where group policies are not renewed. A non recurring €–40 million charge was registered in 2002 in order to cover the expected ultimate economic cost of this new obligation.

Expenses net of DAC and VBI decreased by €123 million to €1,464 million. The decrease is attributable to:

– **Distribution expenses** decreasing by €77 million. Distribution expenses were down by €–64 million on group Life & Health business as the consequence of the new line of mortgage guarantee business successfully marketed in 2002. On savings products, distribution costs were down by €18 million mainly due to reduced sales.

– **Other management expenses** decreasing by €37 million attributable to the AXA France cost cutting program primarily resulting in reduced IT, advertising and consulting expenses.

– **VBI amortization** lower by €11 million (to €26 million in 2002) as 2001 was negatively affected by a non-recurring amortization charge related to increased surrenders on an old portfolio of business.

The **cost income ratio** remained stable at 77% in 2002 as compared to 2001 as the cost structure of the French Life segment adapted to lower activity levels. Excluding realized gains net of policyholders' dividends, **underlying cost income ratio** improved by 3 points to 78% in 2002.

Income tax expense was down by €85 million as the result of a more favorable mix of non taxable income, income taxed at a reduced rate (20%) and expenses deductible at full rate (35%).

The 26% increase in **adjusted earnings** (€432 million in 2002 as compared to €345 million in 2001) is mainly attributable to the decrease in expenses (€123 million) and in income tax (€85 million) partly offset by the decrease in fees and revenues (€–111 million).

Underlying earnings increased by +25% to €355 million in 2002 as compared to €284 million in 2001. This increase mainly reflects the improvement of the cost base and the adjustment of policyholders' dividends in a context of volatile financial markets.

LIFE & SAVINGS OPERATIONS - UNITED STATES

(in euro millions)

Life & Savings operations - United States	FY 2002	FY 2001	FY 2000 [a]
Gross revenues	*12,726*	*11,642*	*12,483*
Investment margin	550	697	794
Fees & revenues	921	1,046	1,121
Net technical margin	348	574	553
Expenses (net of DAC/VBI)	(1,352)	(1,600)	(1,518)
Operating income	**467**	**717**	**949**
Income tax expense	53	(200)	(324)
Minority interests	(0)	0	(252)
ADJUSTED EARNINGS	**520**	**518**	**373**
Average exchange rate : US$ 1.00 = €	*1.06*	*1.12*	*1.08*

(a) Pro forma New French GAAP as if New French GAAP had been in force since January 1, 2000.

Gross revenues were up €1,084 million compared to full year 2001, or a 15% increase on a constant exchange rate basis, including a significant increase in the second half of 2002, up 23%, compared to the 8% growth recorded in the first half of 2002. The combined two main insurance business lines (investment & savings and life, which totaled 88% of US Life & Savings gross revenues) grew by 18% in 2002 and 20% in the second half of 2002, compared to the same periods in 2001. This trend is mainly due to strong sales of the new Variable Annuity Accumulator Series product line launched on April 1, 2002, and to high first quarter sales of the fixed annuity product (SPDA) launched last September 2001. The other premiums slightly increased by 1.9%. Excluding institutional separate account premiums, gross revenues were up €1,072 million or +16% compared to full year 2001 on a constant exchange rate basis.

Investment margin decreased by €–147 million in 2002 as compared to 2001,or a decrease of €–117 million on a constant exchange rate basis.

The decrease was mainly due to an increase in realized capital losses by €–133 million, as gains on sales of real estate (up €81 million) are more than offset by higher losses on telecommunications, airlines and energy sector bonds. Interest and bonus credited decreased by €–18 million as the impact of lower credited rates in life and annuity business was substantially offset by higher general account balances and higher amounts credited on Wind-up annuities, primarily due to capital gains on real estate.

Fees & revenues decreased by €–125 million in 2002 as compared to 2001, or a decrease of €–74 million on a constant exchange rate basis, mainly due to lower fees earned on separate account business (€– 89 million) and lower loadings on premiums and account balances (€–19 million) resulting from lower Life sales, partially offset by higher fees on third party brokerage insurance products (€+34 million) following higher sales. The decrease in fees earned on separate account business was attributable to the decline in separate account balances, due to the depreciation in the financial markets.

Net technical margin decreased by € – 226 million in 2002 as compared to 2001, or a decrease of €–206 million on a constant exchange rate basis. The decrease was mainly attributable to (i) the increase in reserves in 2002 for mortality and income benefit risks on annuity products with Guaranteed Minimum Death Benefits ("GMDB") and Guaranteed Minimum Income Benefits ("GMIB") features of €159 million due to the decline in the financial markets in 2002, (ii) higher GMDB claims, (iii) higher claims experience in reinsurance assumed product lines and (iv) an increased accrual for litigation partially offset by the absence of claims associated with the September 2001 terrorist attacks and an increase in surrender charges.

Expenses decreased by €–248 million in 2002 as compared to 2001, or a decrease of €–173 million on a constant exchange rate basis. The decrease in expenses was principally due to (i) overall net cost reductions of €175 million, in particular lower salary expense and consulting fees, and (ii) absence of a €118 million charge for severance costs related to staff reductions incurred in 2001. These decreases in expenses were partially offset by increased amortization of IT expenses net of capitalization of €81 million and higher qualified pension plan expenses of €39 million, including the impact of reducing the expected long-range return on assets from 10.25% as of January 1, 2001 to 9.0% as of January 1, 2002.

The **cost income ratio** was 101% versus 91% in 2001 as the reduction in expenses was more than offset by the decline in margins primarily due to the increase of reserves for GMDB/GMIB risks. However, excluding these reserves, the 2002 ratio would decline to 93% reflecting the lower revenues substantially offset by the reduction in expenses. The **underlying cost income ratio** (which excludes capital gains and losses and the impact of the terrorist attacks in 2001) was 86% versus 84% in 2001.

Income tax expense decreased by €–253 million in 2002 as compared to 2001, or a decrease of €–255 million on a constant exchange rate basis. The decrease is due to a €161 million benefit resulting from the favorable treatment of certain tax matters related to separate account investment activity arising during the 1997-2001 tax years and a settlement with the IRS with respect to such tax matters for the 1992-1996 tax years as well as the impact of lower pre-tax income.

Adjusted earnings increased by €2 million in 2002 as compared to 2001, or an increase of €31 million on a constant exchange rate basis. The increase is primarily due the impact of cost reductions and lower tax expense partially offset by lower investment margin, fees and revenues and technical margin.

Excluding net capital gains and losses, net of DAC and tax and claims associated with the terrorist attacks in 2001, **underlying earnings** increased by €63 million compared to 2001, or €+101 million on a constant exchange rate basis.

LIFE & SAVINGS OPERATIONS - UNITED KINGDOM

(in euro millions)

Life & Savings operations - United Kingdom	FY 2002	FY 2001	FY 2000 (a)
Gross revenues	*8,362*	*9,086*	*7,939*
Investment margin (b)	279	289	359
Fees & revenues (b)	335	378	360
Net technical margin (b)	48	30	9
Expenses (net of DAC/VBI) (b)	(465)	(520)	(445)
Health operating income	80	43	47
Operating income	**277**	**220**	**330**
Income tax expense	71	(56)	(100)
Equity in income (loss) of unconsolidated entities	0	2	11
Minority interests	(0)	(0)	(62)
AJUSTED EARNINGS	**348**	**167**	**179**
Average exchange rate : £ 1.00 = €	*1.59*	*1.61*	*1.64*

(a) Pro forma New French GAAP as if New French GAAP had been in force since January 1, 2000.
(b) Excluding Health business.

Gross revenues (17% of total Life & Savings): Total revenues fell by 6.5% to €8,362 million. Excluding Health (14% of total UK Life & Savings revenues), revenues have reduced by 9% to €7,228 million or 8% on a constant exchange rate basis, with new business on an Annual Premium Equivalent (APE)[1] basis down 6% on a constant exchange rate basis.

– *Investment & Savings* (78% of total UK Life & Savings revenues): Premium revenues are 8% lower than last year on a constant exchange rate basis, with new business APE[1] down 6%. Stock markets suffered increased volatility and sharp falls during the second half of 2002, depressing consumer confidence in equity backed products and resulting in reduced sales of traditional investment products. Additionally, consistent with its long held strategy of prudent financial management of its financial strength, AXA withdrew from the “With-profit” bond market in July. Group pensions business increased by 18%, benefiting from AXA’s strategy of focusing on key distributors in the intermediary market. This has offset a decline in sales of less profitable individual pensions from the exceptional level reached in 2001 when sales were driven by changes to tax legislation.

– *Life* (8% of total UK Life & Savings revenues): Total life premiums are down 7% predominantly due to our exit from the mortgage endowment market.

– *Health* revenues (14% of total UK Life & Savings revenues): Revenues increased by 1% with a 4% increase in individual premiums being partly offset by a 2% reduction in group premiums due to reduced volumes following strategic pricing increases.

(1) Excluding a non-recurrent bulk transfer in the first half 2001.

Life & Savings operating income:

Investment margin decreased by €–10 million in 2002 as compared to 2001, or €–8 million on a constant exchange rate basis. In line with other UK companies, "With-profit" bonus rates have been cut to reflect poor stock market performance in recent years. This reduced profit by €–60 million in 2002, as the profit recorded from UK participating funds represents 10% of the bonuses declared in the period. However this is offset by:

€+22 million of additional income arising in 2002 from the finalization on January 1, 2002 of the transfer of "Inherited Estate" assets under the financial reorganization, following the repeat proposal to policyholders in 2001.

+30 million increase in investment income on shareholder assets following the capital restructuring of the AXA Sun Life funds.

Fees and revenues decreased by €– 43 million in 2002 as compared to 2001, or €–39 million on a constant exchange rate basis, mainly attributable to unit-linked business:

€–20 million decrease in fees earned on account balances due to the decline in the stock market during the second half of 2001 and throughout 2002, offset by increased business in-force.

€–34 million decrease in loadings on premiums on Life and Investment & Savings products attributable to (i) a decrease in unit-linked new business fuelled by a lack of consumer confidence in the stock market, and (ii) changes to pension product design following the introduction in 2001 of stakeholder pensions.

€+15 million increase in fees generated by business transferred to the non-participating funds of AXA Sun Life following the financial reorganization on April 1, 2001.

Net technical margin has increased by €+18 million in 2002 as compared to 2001 or €+19 million on a constant exchange rate basis. Following the completion of the "Pensions Mis-Selling" review, compensation payments to policyholders have been finalized with total payments less than estimates provided in prior years.

Expenses, net of policyholder allocation[1] decreased by €–54 million in 2002 as compared to 2001, or €– 49 million on a constant exchange rate basis. Expenses decreased by €–67 million due to a reduction in costs: (i) €26 million savings on general expenses, and (ii) a reduction in the level of investment on strategic initiatives to reengineer systems and processes to face the new competitive environment (€48 million in 2002 as compared to €89 million incurred in 2001). The reduction in expenses was offset by increased amortization of DAC and Value of Business In-force as a result of changes in the long-term assumptions on the level of stock markets.

The **cost income ratio** improved 2 points from 74% in 2001 to 72% in 2002 as a result of expense savings offset by lower fees and revenues on unit-linked business. Excluding capital gains and losses, the underlying cost income ratio is stable at 72%.

(1) Part of these expenses are located in the "With-profit" funds and therefore are borne by policyholders.

Health operating income:

The **Health operating income reported by AXA PPP healthcare increased** by €37 million in 2002 as compared to 2001, or €38 million on a constant exchange rate basis. This improvement is explained by an increase in the underwriting result of €+53 million reflecting positive prior year claim reserve development, improved claims frequency, and the absence of an industry levy to fund UK insurance company insolvencies, and strong expense control (€+12 million). However, the favorable results were partly offset by an unfavorable change in investment result of €–27 million attributable to a reduction in realized gains net of valuation allowances on equities.

Income tax expense decreased by €128 million in 2002 as compared to 2001 on a current and constant exchange rate basis. The distribution tax that was previously recorded on the inherited estate attributed to AXA was released with a positive impact of €111 million as, in accordance with the scheme governing the financial reorganization, the "Inherited Estate" will not be distributed in the foreseeable future. Income tax also decreased in the year as more profit emerged in funds where effective tax rates are lower.

Adjusted earnings increased by €+181 million in 2002 as compared to 2001, or €+186 million on a constant exchange rate basis. The finalization of the transfer of Inherited Estate assets and the income tax release mentioned above increased adjusted earnings by €+133 million. A further non-recurring impact of €+19 million increased the technical margin. Excluding these impacts, the growth in the Health Margin of €38 million before tax and a €+49 million expense reduction in the Life companies has more than offset the reduction in fees and revenues resulting from the poor stock market performance and reductions in "With-profit" bonus rates.

Excluding net capital gains and losses, net of DAC and tax, **underlying earnings** increased by €187 million compared to 2001, or €192 million on constant exchange rate.

LIFE & SAVINGS OPERATIONS - JAPAN

(in euro millions)

Life & Savings operations - Japan [a]	FY 2002	FY 2001	FY 2000 [b]
Gross written premiums	*6,428*	*5,475*	*3,353*
Investment margin	(71)	(368)	5
Fees & revenues	927	992	492
Net technical margin	(43)	148	81
Expenses (net of DAC/VBI)	(759)	(864)	(464)
Operating income	**54**	**(93)**	**114**
Income tax expense	(100)	(9)	(58)
Minority interests	2	4	(4)
ADJUSTED EARNINGS	**(45)**	**(99)**	**52**
Average exchange rate : 1.00 € = Yen	*115.07*	*104.93*	*98.42*

(a) In Japan, AXA closes its books at September 30. Each year, earnings reported reflect the following period: from October 1st of previous year to September 30th of the current year.

(b) Pro forma New French GAAP as if New French GAAP had been in force since January 1, 2000.

Since 2001, AXA Japan has refined the presentation of its hedging transactions. In order to fairly reflect the evolution of Japanese operations, the following commentaries are based on a comparable presentation of hedging transaction impacts for 2001 and 2002.

Gross written premiums amounted to €6,428 million, showing an increase of 29% on constant exchange rate, driven by sustained efforts to increase the sales of higher margin individual Health and Life products. Gross written premiums also benefited from the strong growth in group pension business.

– *Investment & Savings:* Premiums increased by 93%, due to strong growth in the group pension business (+153%) as AXA increased its participation in several large contracts. Individual premiums decreased by 4%, reflecting the focus of the distribution channels on the more profitable products, most notably Health.

– *Life:* Premiums were down by 3%, impacted by the decrease of Life unit-linked (€–58 million, or –50%) due to a shift in premium mode from single premium to regular premium product. Traditional Life products slightly increased (€21 million) by 1.0%, driven by a 12% growth in whole Life, offset by a 9% decrease in endowment as there was a shift in focus towards more profitable traditional products.

– *Health:* Premiums increased by 7% as the sales forces focused on sales of medical whole Life products (+35%), which presently offer higher margins.

Investment margin increased by €+290 million on constant exchange rate (€+297 million on current exchange rate) to €–71 million. The further fall of capital markets in 2002 led to an additional €–68 million valuation allowance on impaired equities (€–62 million on current exchange rate), to be compared to a €–478 million valuation allowance in 2001.

Excluding equity valuation allowances, the investment result reduced by €–120 million on a constant exchange rate basis as compared to prior year reflecting both the implementation of a hedging strategy designed to protect the equity portfolio against market deterioration (€–90 million cost) and the impact of the restructuring of investment portfolio made in 2001. Through that restructuring, AXA Japan realized capital gains in 2001 and increased its holding in low-risk bonds, which triggered a lower income over 2002. As a result, the yield on invested assets decreased from 3.0% in 2001 to 2.3% in 2002. Early 2003 (over the last quarter 2002), in order to protect the bond portfolio yield against a further decline of Japanese interest rates, and to boost its investment performance, AXA Japan increased the weight of foreign corporate bonds within its portfolio.

Fees and revenues increased by €+25 million on constant exchange rate (a decrease by €–65 million on current exchange rate) to €927 million. This increase primarily came from the sales of high profitable products, in particular in the Health business.

Net technical margin amounted to €–43 million, a decrease of €–195 million on constant exchange rate (€–191 million on current exchange rate). In 2001, the surrender margin benefited from profits arising from high surrenders of unprofitable investment contracts, following the bankruptcy of two Japanese Life insurance companies. In 2002, AXA Japan registered losses resulting from anticipated conversions of customers from its medical term product in 2003. Significant competition in this sector has resulted in the company offering new products with reduced premiums to certain customers. The mortality margin, net of bonus, slightly increased with improved morbidity on Health products.

Expenses gross of DAC and VBI amortization increased by €–30 million on constant exchange rate or +3.3% (a decrease by €+52 million on current exchange rate) to €–845 million. This increase was primarily due to higher commissions (€–36 million) resulting from the combination of higher new business, change in product mix and revision of commission scales. On a constant exchange rate basis, non-commission expenses slightly decreased by €+6 million to €–437 million. **Expenses, net of DAC and VBI amortization** reduced by €+32 million on constant exchange rate or –3.7% (€–106 million on current exchange rate) to €–759 million in 2002, reflecting lower VBI amortization primarily due to the change in expected gross profits on the medical term business.

Tax increased by €–101 million on constant exchange rate (€–91 million on current exchange rate) to €–100 million, mainly from the large increase in operating income before tax and the strengthening of the valuation allowance on tax assets by €–40 million.

Cost income ratio was 104%, a decrease of 12 points versus last year, due to the higher investment margin in 2002, partially compensated by the lower technical margin. Excluding net capital gains and losses, the underlying cost income ratio increased from 80% to 104% in 2002, as a result of the lower investment income and technical margin.

Adjusted earnings for the year ended September 30, 2002 amounted to €–45 million, an increase of €+49 million on constant exchange rate, which resulted primarily from lower equity valuation allowances, mitigated by the costs of the hedging strategy. **Underlying earnings** were down by €–140 million to €–45 million mainly as a result of lower surrender margin and reduced investment income.

LIFE & SAVINGS OPERATIONS - GERMANY

(in euro millions)

Life & Savings operations - Germany	FY 2002	FY 2001	FY 2000 [a]
Gross written premiums	*3,141*	*2,998*	*2,913*
Investment margin [b]	36	7	30
Fees & revenues [b]	27	30	21
Net technical margin [b]	10	7	9
Expenses (net of DAC/VBI) [b]	(35)	(39)	(30)
Health operating income	23	19	26
Operating income	**61**	**24**	**57**
Income tax expense / benefit	(62)	(0)	(5)
Minority interests	0	(2)	(6)
ADJUSTED EARNINGS	**(0)**	**21**	**46**

(a) Pro forma New French GAAP as if New French GAAP had been in force since January 1, 2000.
(b) Excluding health business.

Gross written premiums rose by 5%, mainly due to Investment & Savings and Health.

– *Investment & Savings* (17% of total gross written premiums): Revenues increased by 9%, mainly driven by non unit-linked premiums up 8% (97% of total investment and savings premiums). This increase was supported by a strong growth in single premiums (+14%). German Pension Reform products only accounted for a small portion of the non unit-linked regular business. The supposed impact of “Pension Reform Business” lagged behind market-wide expectations. Portfolio in unit-linked continued to build up strongly, but still represents a small proportion of investment and savings premiums (3% versus 2% in the prior year).

– *Life* (54% of total gross written premiums): Revenues were slightly up (+0.4%), entirely driven by the continuing shift in product mix towards unit-linked Life premiums (10% of Life revenues compared to 8% last year), which grew by 24%.

– *Health* (22% of total gross written premiums): Gross written premiums increased by 13% due to continuous premium adjustments, strong new business (+24%) as well as higher customer loyalty, thus largely outperforming the estimated market growth of 5%.

– *Other gross written premiums* (7% of total gross written premiums – mainly consortium and medical councils business) grew by 7% mainly due to higher premiums in medical councils business.

Given the high legally regulated policyholder participation rates applied on all margins, the whole margin analysis is presented net of policyholder participation.

Despite reduced investment result, as a result of weak equity markets (leading to a shift from capital gains of €178 million in 2001 to capital losses of €–48 million in 2002), **investment margin** (€+29 million as compared to last year) was supported by a strong reduction in policyholder crediting rates (by 1.85 point to 4.70% for the major German Life company AXA Leben) in line with general market trends.

Fees and revenues decreased by €–3 million to €27 million mainly due to lower new business growth in unit-linked business in 2002.

Net technical margin increased by €+3 million to €10 million largely caused by an improved claims development in disability risk compared to the poor experience in 2001.

The decrease in **expenses** of €+4million was primarily due to lower non-commission expenses as a result of a successful realization of cost cutting measures in 2002.

As a result of the improved investment margin and reduced expenses, the **cost income ratio** decreased from 86.9% in 2001 to 85.1% in 2002. Excluding capital gains and losses attributable to shareholders, the underlying cost income ratio decreased even further from 89.5% in 2001 to 71.2% in 2002 mainly due to the above mentioned shift from capital gains in 2001 to capital losses in 2002.

The **Health operating income** increased by €+4 million to €23 million as compared to 2001. This positive development was primarily due to the improvement of the expenses and the technical margin which overcompensated the decreasing investment result.

The **income tax expenses** increased by €–62 million mainly due to (i) a €–20 million tax provision for potential tax claims from 2001 and (ii) a higher trade tax of €–27 million on dividends received from diversified participations following a new regulation introduced as of January 1, 2002. In addition, 2001 benefited from the release of deferred tax liabilities on equity securities as a result of the 2001 German tax reform (€–10 million).

Mainly driven by the high income tax expenses partly offset by a higher investment margin, **adjusted earnings** dropped by €21 million to zero in 2002. **Underlying earnings** also declined by €–14 million to €6 million.

LIFE & SAVINGS OPERATIONS - BELGIUM

(in euro millions)

Life & Savings operations - Belgium	FY 2002	FY 2001	FY 2000 [a]
Gross written premiums	*1,629*	*1,686*	*1,099*
Investment margin	61	165	210
Fees & revenues	128	133	116
Net technical margin	38	39	36
Expenses (net of DAC/VBI)	(195)	(186)	(162)
Operating income	**32**	**151**	**200**
Income tax expense	(24)	(85)	(28)
Minority interests	(0)	(0)	(0)
ADJUSTED EARNINGS	**8**	**65**	**172**

(a) Pro forma New French GAAP as if New French GAAP had been in force since January 1, 2000.

Gross written premiums went down by –3% from a record period a year ago (+53%).

– *Investment & Savings* (83% of Life & Savings gross written premiums). Premiums decreased by –4% to €1,353 million. A +6% increase in group life, due to a good level of new business, was more than offset by a –7% premium decrease in individual life. The decline in individual premiums was due to a –38% decrease in unit-linked contracts caused by difficult market conditions. The decline in unit-linked premiums was partly offset by higher sales in non unit-linked products, in particular of “Opti-Deposit” policies (15% of non unit-linked individual premiums), a product with minimum guaranteed return launched in November 2001. The premiums from the major product “Crest” (mostly single premiums) decreased by –16%, compared to a record level of premiums in 2001. This was driven by lower guaranteed rate conditions. However these premiums still represented 67% of non unit-linked individual premiums.

– *Life* (17% of Life & Savings gross written premiums). Premiums decreased by –2% to €276 million, in a mature market.

The **investment margin** decreased by €–104 million to €61 million, partly due to valuation allowance recorded in respect of impairments on equity securities for €112 million as compared to €91 million in 2001. Excluding these allowances, the investment margin would decrease by €–83 million to €173 million driven by:
– Lower net result on equity securities capital gains (€–26 million).
– Lower other net capital gains (€–26 million), most of which on bonds, following 2001 bonds portfolio restructuring.
– Higher net investment income (€+22 million) in relation to a higher level of technical reserves (+13%).
– Higher interests credited (€–53 million) due to higher reserves. However, the average policyholder crediting rate served in 2002 decreased by 10 basis points to 4.70%.

Fees and revenues decreased by €–5 million to €128 million, on the back of lower unit-linked sales.

The **net technical margin** was almost stable down to €38 million.

Expenses increased by €9 million, mainly driven by lower net DAC, and by a higher VBI amortization charge due to lower investment return expectations. Overhead costs and commissions decreased by €7 million. However, the **cost income ratio** increased by 26 points up to 84% mostly driven by lower net capital gains. Excluding capital gains and losses and allowance, the underlying cost income ratio increased from 67% in 2001 to 74% in 2002 mainly as a consequence of the decrease of the spread between investment income and interest credited.

Income tax expenses decreased by €61 million, as a result of a lower taxable income, driven by lower capital gains on bonds, and the fact that valuation allowances on equity are not tax deductible. The tax result was also impacted by discrepancies in the tax allocation between the Life and Property & Casualty segments[1].

Adjusted earnings decreased by €57 million to €8 million mainly as a result of lower capital gains and the lower tax charge.

Underlying earnings increased by €8 million to €55 million mostly driven by the lower tax charge. Before tax impacts underlying earnings are mainly negatively impacted by the decrease of the spread between investment income and interest credited.

(1) AXA Belgium is a composite Life and Property & Casualty company. Until 2001, the tax charge was allocated according to the adjusted earnings. As valuation allowances and capital gains on equity investments are tax free, it was decided in 2002 to allocate the tax charge according to the underlying earnings distribution.

LIFE & SAVINGS OPERATIONS - OTHER COUNTRIES

The following tables present the operating results for the other Life & Savings operations of AXA, which includes Australia / New Zealand, Hong Kong, The Netherlands, Italy, Spain as well as Portugal, Austria, Hungary, Singapore, Luxembourg, Switzerland, Canada, Morocco and Turkey for the years indicated.

(in euro millions)

Consolidated gross revenues	FY 2002	FY 2001 [a]	FY 2000
Australia / New Zealand	2,029	2,590	2,399
Hong Kong	936	1,353	837
The Netherlands	918	912	924
Italy	552	358	390
Spain	845	525	420
Other countries	620	782	712
TOTAL	**5,900**	**6,520**	**5,682**
Intercompany transactions	(23)	(3)	(0)
Contribution to consolidated gross revenues	**5,877**	**6,517**	**5,682**

(a) Includes 15 months of activities for Australia / New Zealand and Hong Kong.

(in euro millions)

Adjusted earnings & Net income	FY 2002	FY 2001 [c]	FY 2000 [a]
Australia / New Zealand [b]	59	29	1
Hong Kong	33	37	44
The Netherlands	(6)	70	57
Italy	2	36	45
Spain	30	22	14
Other countries	(14)	14	26
ADJUSTED EARNINGS	**104**	**208**	**186**
Impact of exceptional operations	–	–	–
Goodwill amortization (Group share)	(29)	(21)	(17)
NET INCOME	**75**	**187**	**169**

(a) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

(b) For the first time, includes the Australia and New Zealand mutual funds and financial advisory businesses. Previously these results were shown under NMFM in the Asset Management segment. The prior year has not been restated for this change, as it is not material to the consolidated results.

(c) Includes 15 months of activities for Australia / New Zealand and Hong Kong.

AUSTRALIA AND NEW ZEALAND

The AXA Asia Pacific Holdings group (AXA APH) changed their financial reporting year-end from September 30, to December 31, during 2001. The following commentary analyses operational results for the 12 months ended December 31, 2002 compared with the same period in 2001.

Total consolidated **gross revenues** for the Life & Savings and Health businesses were €2,018 million for the 12 months to December 2002. This reflects an increase of 2% on a comparable basis[1]. Despite the difficult investment environment throughout 2002, mutual fund sales, net of redemptions, of €478 million were 5% higher than 2001 following the acquisition of Sterling Grace and ipac.

Total **adjusted earnings**[2] for the Life & Savings and Health businesses were €58 million (Group share) compared to €29 million (Group share) for the 15 months to December 2001. Restating 2001 to be on a comparable basis[1], total Life & Savings and Health 2001 adjusted earnings were €45 million (Group share).

– Total **adjusted earnings** for the **Life & Savings** business increased by €44 million over the twelve months to December 2002 on a constant exchange rate basis, principally driven by improved claims experience for income protection business and reduced expenses following local management's continuing transformation program. *(Figures below reflect an analysis of result evolution at 100% on a constant exchange rate basis).*

  – The **investment margin** decreased by €60 million to €21 million[3] due to lower investment returns driven by the adverse investment climate this year and the inclusion in last year's result of the €43 million profit from the sale of NMFM's property management business.

  – The **technical margin** increased by €102 million to a profit of €15 million. The prior year margin included the €72 million strengthening of income protection reserves following poor claims experience. The favorable underwriting result in 2002 reflects improved claims management procedures and changes to product design.

  – **Fees and revenues** improved by €42 million to €420 million reflecting the expansion of financial advisory businesses, in particular with the acquisition of Sterling Grace in November 2001 (contributing fees of €33 million) and ipac Securities in August 2002 (with fees of €12 million).

  – **Expenses** (gross of DAC and VBI) decreased by €55 million to €369 million primarily due to reductions in administration expenses, from the outsourcing of selected service transactions, redesign of customer service processes to increase efficiencies and renegotiation of contracts with suppliers. Staff headcount (excluding Sterling Grace, ipac and AXA Health) has decreased by 5%.

  – The combined effect of the above analysis, most notably the improved technical margin and expense levels, explained the significant reduction in the **cost income ratio** from 114% to 81%. For the same reasons, the underlying cost income ratio excluding net realized capital gains and losses decreased from 147% to 78%.

(1) On a comparable calandar basis (restarting 2001 to be on 12 months to December 2001) and including NMFM Asset Management activities.
(2) The AXA Asia Pacific group is 51.66% owned by AXA.
(3) Includes losses of equity-accounted entities €–13 million held by policyholder funds.

– The **tax benefit** decreased to €17 million mainly due to improved profitability before tax and the booking in 2001 of a €13 million non-recurring tax benefit associated with the liquidation of a subsidiary.

– **Underlying earnings** for the **Life & Savings business** are €54 million (Group share) compared to a loss of €22 million (Group share) last year reflecting the operational improvements mentioned above.

– **Health adjusted earnings** decreased by €30 million (on a constant exchange rate basis) to €9 million. The activities of AXA Health, which was sold in 2002, contributed only eight months result to the AXA Group result[1]. Additionally, in 2001, the adjusted earnings benefited from the claims free period that existed under the incentives provided by the Government to encourage new members, reflecting the deterioration in the combined ratio from 86% in 2001 to 91% at the time of sale.

HONG KONG

Total **gross written premiums** of €936 million were 10% lower than for the 12 months to December 2001, as prior year revenues included internal conversions from the pre-existing retirement product offering to the Mandatory Provident Fund. Excluding these conversions, total gross written premiums were 1% lower than last year on a constant exchange rate basis. This trend reflected lower renewal premiums on a smaller inforce base following agent poaching in the Hong Kong market during 2001, partially offset by the growth in individual life sales following new product developments.

Adjusted earnings[2] were €33 million compared €37 million for the 15 months to December 2001. Restating 2001 to be on a comparable calendar basis, adjusted earnings were €17 million.

The 2002 adjusted earnings were adversely impacted by an increase in equity securities impairment (€52 million in 2002 versus €24 million in 2001) and lower interest income reflecting the drop in interest rates. However, these items were more than offset by: (i) lower crediting rates to policyholders, as the policyholders dividends were cut effective 2002 in line with market trends, (ii) lower DAC/VBI amortization (€19 million and €2 million respectively on a constant exchange rate basis) induced by lower investment yields, and (iii) operational improvements - favorable mortality and improved persistency experience following the abatement of agent poaching (with the discontinuance rate reducing from 13.5% last year to 9.9% in 2002). In addition, expenses gross of DAC/VBI improved reflecting the successful implementation of process improvement initiatives and a decline in administrative headcount by 10%.

U**nderlying earnings** increased by €24 million (on a constant exchange rate basis) to €95 million (Group share) for the 12 months to December 2002, reflecting mainly the operational improvements previously mentioned.

The cost income ratio remained stable at 87%; excluding net realized capital losses, the underlying cost income ratio improved 7 points to 52% driven by the above-mentioned favorable technical margin and expense experience.

(1) The realized capital gain on sale being recorded in AXA Asia Pacific Holdings.
(2) AXA China Region is part of the AXA Asia Pacific group and is 51.66% owned by AXA and all related figures are provided at Group share.

THE NETHERLANDS

Gross revenues decreased by 0.1% to €918 million in 2002 as compared to 2001 (on a comparable basis). Life insurance (63% of total gross revenues) decreased by 6.1% to €578 million, which is in line with general market developments in the Netherlands. The decrease of unit-linked products and Life non unit-linked could not be offset by an increase in non unit-linked investment and savings products. This change in product mix towards certain products that have guaranteed rates is in line with the market trends. Gross revenues on Health business increased by 12%, which was mainly due to premium rate increases.

In Life insurance, **adjusted earnings** were lower by €73 million presenting a loss of €–3 million. This was mainly driven by a €76 million lower **investment margin,** due to lower net investment income (€–8 million) and lower realized capital gains (€– 48 million), as well as a €17 million valuation allowance for impairment on equity securities. **Fees and revenues** were lower by €13 million mainly due to a decrease of loadings on unit linked business. The **net technical margin** decreased by €–29 million primarily driven by non-recurring profits in 2001 (€31 million, including an exceptional release of reserves, following a full review of reserves). **Expenses** decreased by €1 million, mostly attributable to a lower value of business inforce amortization charge (€14 million positive impact), partly offset by a €9 million valuation allowance for doubtful receivables, pension expenses (€3 million) and increased IT expenses for new projects (€1 million). **Income tax expense** decreased by €46 million as a result of the lower operating result. The cost income ratio has increased from 42% to 97%. This is mainly due to the above mentioned substantial decrease in investment margin. Excluding realized capital losses, the cost income ratio would amount to 86%.

In the Health business, **adjusted earnings** decreased by €3 million to a loss of €–3 million. This was mainly due to a strong rise in health care costs as a result of the Dutch Government initiatives in order to improve the health care system.

ITALY

AXA posted a significant growth in revenues, with **gross written premiums** up by 54.1% from last year to €552 million due to sales of guaranteed index-linked products (55% of total premiums), reflecting the benefits of a bank-insurance agreement signed in 2001 and the growing success of the agent network.

Adjusted earnings amounted to €2 million, decreasing by €34 million from last year mainly as a result of (i) a reduction of the net technical margin (€–11 million) primarily related to the strengthening of insurance reserves on an old-generation guaranteed index-linked product, (ii) an increase in non-commission expenses (€–9 million) notably attributable to the set-up of provisions with the public reinsurance body CONSAP and other one-offs, and (iii) a €–9 million lower tax benefit from the legal restructuring of AXA subsidiaries in Italy (€11 million vs. €20 million in 2001).

Underlying earnings reached €11 million, down by €32 million from last year due to the deterioration of technical margin, non-recurring expenses and the decrease in tax gain mentioned above.

The **cost income ratio** increased by 68 points to 115% due to non-recurring expenses, lower technical margin, and valuation allowances on impaired equities and South-American bonds. Excluding realized capital gains and allowances, the underlying cost income ratio increased by 45 points to 85%.

SPAIN

Gross written premiums increased by €320 million to €845 million, or +61.0% as compared to 2001, primarily due to large group single premium contracts relative to pension funds outsourcing, as well as the good performance of the agent network.

Adjusted earnings increased by €8 million as compared to 2001 to €30 million, mainly as a result of investment margin growth (€7 million post-tax) which reflected both (i) higher net realized capital gains (€+12 million post-tax) following the sale of several real-estate properties partly offset by the valuation allowances on equity securities, and (ii) the fact that 2001 investment margin included the release of deferred policyholders bonus following an asset/liability matching review (€7 million post-tax). Excluding net capital gains, **underlying earnings** decreased by €4 million to €13 million, 2001 earnings included the release of deferred policyholders bonus mentioned above.

The cost income ratio improved by 14 points to 61% driven by the higher realized capital gains. Excluding net capital gains, the underlying cost income ratio deteriorated by 2.8 points to 87% as compared to the same period last year due to the decrease in investment margin.

OTHER COUNTRIES

The other countries' adjusted earnings of €–14 million were mainly attributable to the following countries:

(in euro millions)

Adjusted earnings & Net income	FY 2002	FY 2001	FY 2000 [(a)]
Portugal	0	9	7
Luxembourg	1	1	2
Austria	2	1	2
Switzerland	(21)	1	3
Hungary	1	1	1
Morocco	1	1	2
Canada	4	4	4
Turkey	0	(0)	1
Singapore	(3)	(2)	2
China	–	(2)	(2)
South Korea	–	–	4
ADJUSTED EARNINGS	**(14)**	**14**	**26**
Impact of exceptional operations	–	–	–
Goodwill amortization (Group share)	(1)	(1)	(1)
NET INCOME	**(14)**	**14**	**25**

(a) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

Portugal

Gross written premiums declined by 4% to €129 million on a comparable basis driven by the poor development of unit-linked products in a very difficult financial market environment as well as the termination of the BBVA bank-insurance agreement.

Adjusted earnings deteriorated by €9 million mainly as a result of higher valuation allowances on impaired equities (€6 million post-tax). Despite cost cutting (€–1 million post-tax), **underlying earnings** reduced by €1 million to €9 million, driven by the decrease in technical margin, due to lower penalties on surrenders linked to a different mix of products.

Singapore

Adjusted earnings[1] were a loss of €–3 million Group share, compared to €–2 million Group share for the restated 12 months to December 31 2001. The current period result included valuation allowances on impaired securities of €–2 million (net of tax and policyholder rights).

Switzerland

Gross revenues increased by +22.5% up to €81 million, mainly as a result of a better product positioning, of difficulties met by competitors and of a closer relation with the tied agents network.

Adjusted earnings decreased by €–22 million to €–21 million in 2002, mainly due to a higher allowance for equity impairment (€–16 million), lower capital gains (€–3 million) and lower DAC capitalization (€–8 million), despite an increase in net technical margin (€+6 million) mainly attributable to a better mortality and savings margin.

Underlying earnings decreased by €–3 million to €–2 million mainly due to lower DAC capitalization (€–8 million), partly offset by an increase in technical margin.

(1) AXA Life Singapore is part of the AXA Asia Pacific group and is 51.66% owned by AXA. All related figures are provided at Group share.

Property & Casualty

The tables below present the gross premiums and net income attributable to AXA' s Property & Casualty segment for the periods indicated.

(in euro millions)

Property & Casualty [a]	FY 2002	FY 2001 (Pro forma) [c]	FY 2001 (Published)	FY 2000 [b]
Gross written premiums	15,969	15,893	15,925	15,605
Fees, commissions and other revenues	12	23	2	0
Gross revenues	**15,981**	**15,916**	**15,928**	**15,605**
Change in unearned premium reserves	(307)	(150)	(115)	(207)
Net investment result	1,230	1,868	1,916	2,241
Total revenues	**16,904**	**17,633**	**17,729**	**17,639**
Insurance benefits and claims	(12,038)	(12,881)	(13,007)	(13,122)
Reinsurance ceded, net	(229)	(99)	(112)	92
Insurance acquisition expenses	(2,754)	(2,862)	(2,868)	(2,683)
Administrative expenses	(1,658)	(1,823)	(1,803)	(1,905)
Operating income	**224**	**(32)**	**(60)**	**21**
Income tax expense / benefit	(153)	253	262	138
Equity in income (loss) of unconsolidated entities	19	5	5	1
Minority interests	3	(25)	(25)	78
ADJUSTED EARNINGS	**93**	**202**	**182**	**237**
Impact of exceptional operations	–	–	–	–
Goodwill amortization (Group share)	(111)	(130)	(130)	(102)
NET INCOME	**(19)**	**71**	**52**	**135**

(a) Before intercompany transactions.
(b) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.
(c) Discontinued business has been transfered to the International Insurance segment.

The Property and Casualty contribution to 2002 Group net income amounted to €–19 million, down by €–71 million, as compared to published 2001 net income. Restated for the UK Discontinued business now transferred to the International Insurance segment, the decrease was €–90 million, and mainly derived from lower adjusted earnings by €–109 million.

In all major countries, earnings benefited from a better operational performance, with improved combined ratios, but were also negatively impacted by the lower level of net realized gains following the decline in global markets.

(in euro millions)

Consolidated gross revenues [a]	FY 2002	FY 2001 (Pro forma) [b]	FY 2001 (Published)	FY 2000 [b]
France	4,383	4,171	4,171	4,001
Germany	2,867	3,165	3,165	3,102
United Kingdom	2,749	2,468	2,480	2,686
Belgium	1,401	1,331	1,331	1,301
Other countries	4,581	4,781	4,781	4,515
TOTAL	**15,981**	**15,916**	**15,928**	**15,605**
Intercompany transactions	(33)	(35)	(31)	(27)
Contribution to consolidated gross revenues	**15,948**	**15,880**	**15,896**	**15,579**

(a) Gross written premiums, plus fees, commissions and other revenues.
(b) Discontinued business has been transfered to the International Insurance segment.

(in euro millions)

Adjusted earnings & Net income	FY 2002	FY 2001 (Pro forma) [a]	FY 2001 (Published)	FY 2000 [b]
France	237	266	266	222
Germany	(28)	85	85	44
United Kingdom	(196)	(113)	(133)	(150)
Belgium	(29)	(5)	(5)	200
Other countries	109	(31)	(31)	(78)
ADJUSTED EARNINGS	**93**	**202**	**182**	**237**
Impact of exceptional operations	–	–	–	–
Goodwill amortization (group share)	(111)	(130)	(130)	(102)
NET INCOME	**(19)**	**71**	**52**	**135**

(a) Discontinued business has been transfered to the International Insurance segment.
(b) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

PROPERTY & CASUALTY OPERATIONS - FRANCE

(in euro millions)

Property & Casualty operations - France	FY 2002	FY 2001	FY 2000 [a]
Gross written premiums	*4,383*	*4,171*	*4,001*
Current accident year loss ratio (net)	78.7%	81.0%	81.8%
All accident year loss ratio (net)	78.8%	82.1%	82.2%
Net technical result	**913**	**744**	**711**
Expense ratio	24.1%	25.2%	25.4%
Net investment result	473	694	643
Operating income	**349**	**390**	**338**
Income tax expense	(113)	(124)	(116)
Minority interests	(0)	(0)	(0)
ADJUSTED EARNINGS	**237**	**266**	**222**

(a) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

As a consequence of successful rate increases, associated with a maintained strict underwriting policy, both in personal and commercial lines, **gross written premiums** were up by 6% on a comparable basis.

– *Personal lines* (54% of gross written premiums): premiums grew by 5% as a consequence of higher rates and sale of additional guarantees both in motor and non-motor.
– *Commercial lines* (46% of gross written premiums): the increase in premiums was 8% as the consequence of rate increases in a context of strict portfolio selection. Premiums grew by 12% in commercial property and 9% in commercial motor.

The **net technical result** improved by €169 million or +23% of which €27 million is attributable to the increase in gross earned premiums, €103 million to the improvement in net current year loss ratio (including a €22 million improvement in claims handling expenses) and €39 million to a more favorable loss reserve development.

The **net current accident year loss** ratio improved by 2.3 points to 78.7% in 2002 as compared to 81.0% in 2001.
– Net current accident year loss ratio improved by 5.6 points for **commercial lines.** This improvement is mainly attributable to rates increases and to a decrease in claims management expenses. This positive impact was partly offset by a higher cost of reinsurance ceded resulting from higher premiums ceded, notably on property treaties. Improvement in loss ratio was particularly significant in the commercial motor and construction lines.

– Net current accident year loss ratio stabilized (–0.1%) for **personal lines.** Deteriorations occurred in the natural disasters branch, primarily due to September 2002 flooding in the South of France, and personal property branches, due to increased theft frequency. These adverse trends were largely offset by the improvement in ratio for the personal motor line, attributable to lower frequency of bodily injury claims.

Loss reserve development totaled €–6 million in 2002 as compared to €–45 million in 2001. In 2001, the French Property & Casualty segment experienced a €–45 million unfavorable loss reserve development in respect of certain contracts on liability business, which are now in runoff. In 2002, an adverse loss development in respect of personal property was partly offset by a favorable development in the personal motor line.

Expenses, other than claims management expenses, decreased by €10 million to €–1,037 million. Distribution expenses increased by €–16 million, attributable to the growth in earned premiums partly offset by product mix. Other management expenses decreased by €26 million attributable to the AXA France cost cutting program primarily resulting in reduced IT, advertising and consulting expenses.

The **expense ratio** improved from 25.2% in 2001 to 24.1% in 2002 mainly as a consequence of the cost cutting program and of the increase in earned premiums.

The **combined ratio** significantly improved to 102.9% as compared to 107.3% in 2001 as the result of improvements in all accident years loss ratio and in expense ratio.

Net investment result dropped by €–221 million mainly due to:

– A sharp decrease of **net investment gains** by €–198 million from €268 million in 2001 to €70 million in 2002. **Net investment gains on equities** were down to €40 million in 2002, as compared to €263 million in 2001, and included valuation allowances for impairment for €–18 million. This decrease was partly offset by an increase in **net investment gains on real estate** to €20 million, as compared to €–4 million in 2001, attributable to the maintained favorable conditions on the French real estate markets.

– A marginal decrease of **investment income** yield (–0.2% or €–22 million) mainly due to **lower dividends on equities.**

Income tax expenses were down by €12 million from €–124 million in 2001 to €–113 million in 2002 due to the decrease in pre-tax income, the tax rate remaining stable at 32%.

Adjusted earnings decreased by €–29 million to €237 million in 2002 from €266 million in 2001 due to the €–198 million decrease in net investment gains partly offset by the €169 million improvement in net technical result.

Underlying earnings strongly increased as compared to 2001 by €109 million to €188 million primarily as the result of the increase in net technical result.

PROPERTY & CASUALTY OPERATIONS - GERMANY

(in euro millions)

Property & Casualty operations - Germany	FY 2002	FY 2001	FY 2000 [a]
Gross written premiums	*2,867*	*3,165*	*3,102*
Current accident year loss ratio (net)	86.2%	90.7%	88.8%
All accident year loss ratio (net)	77.0%	87.8%	84.8%
Net technical result	**665**	**387**	**471**
Expense ratio	30.3%	30.5%	30.2%
Net investment result	245	383	427
Operating income	**35**	**(198)**	**(41)**
Income tax expense / benefit	(70)	287	91
Equity in income (loss) of unconsolidated entities	5	5	1
Minority interests	3	(9)	(6)
ADJUSTED EARNINGS	**(28)**	**85**	**44**

(a) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

Gross written premiums (before inter-company eliminations) amounted to €2,867 million. Net of inter-company eliminations, gross written premiums decreased by –9.2% to €2,854 million resulting mainly from the transfer of contracts with large industrial companies to AXA Corporate Solutions (€155 million) and the transfer of the former Albingia French business to AXA SA (€88 million). Adjusted for these premium transfers, gross written premiums on a comparable basis decreased by –1.6%.

– *Personal* (61% of total gross written premiums): premiums decreased by –3.2% on a comparable basis due to lower written premiums in motor and liability, mainly as a result of re-underwriting measures, and increasing cancellations in property.

– *Commercial* (27% of total gross written premiums): premiums increased by 1.3% on a comparable basis due to rate increases, partly offset by a restrictive underwriting and re-underwriting strategy.

– *Other* (12% of total gross written premiums): premiums grew by 0.6% on a comparable basis due to a 23.6% growth in fine art insurance, which is partly offset by the decrease from the intensive re-underwriting measures at DARAG (marine).

The **Net technical result** showed an improvement of €278 million to €665 million.

– Current accident year loss ratio: The improvement of the current accident loss ratio of –4.5 points was primarily due to commercial lines following the portfolio-restructuring program and the lower number of large claims (impact of –2 points). Personal lines contributed to the development of the loss ratio by +0.6 point as a result of heavy storms and floods in 2002, while a continuously positive development was experienced in motor. Further improvement in the other segments, like assumed business and fine art, led to a decrease in the net loss ratio by –3.1 points. This decrease is partially explained by the September 11 U.S. terrorist attacks (–1.7 point). The total impact of the storms and floods on the current accident year loss ratio (personal and commercial lines) amounted to 4.8 points.

– **All accident year loss ratio** improved by 10.8 points due to (i) the improvement of the current accident year loss ratio by 4.5 points and (ii) the favorable development of the run-off result in the direct business (impact of 5.7 points) and other segments (impact of 0.6 point).

Expense ratio decreased by 0.2 point. Excluding (i) the posting of €41 million provision for early retirement in 2002 and (ii) the one-off release of restructuring provisions to an amount of €15 million in 2001, the non commission expenses decreased by €+117 million mainly as a result of the successful cost-cutting program. The cost-cutting program primarily included the reduction of personnel charges and IT costs as well as a strong decrease in professional services and marketing expenses.

As a consequence of the higher technical result, the **net combined ratio** improved by 11 points to 107.3%. Excluding the September 11 U.S. terrorist attacks in 2001, the improvement amounted to 9.3 points.

Net investment result decreased by €–138 million to €245 million as a result of (i) a lower net investment income by €–33 million mainly due to lower dividend income and lower bond yields, as well as (ii) net capital gains and losses, which decreased by €–105 million to €–55 million (capital loss in 2002). A valuation allowance on equity securities of €29 million was booked at year-end 2002.

Tax expenses increased by €–357 million. 2001 benefited from the following items: (i) use of a tax loss carry forward of € + 64 million, (ii) release of deferred tax liabilities (impact of €+273 million in 2001), of which €211 million on equity securities due to tax exemption of capital gains as a result of the German tax reform. In 2002, local tax charges amounted to €60 million given a positive operating income and the high proportion of fiscally non-deductible items in the investment income.

Adjusted earnings decreased by €–112 million, mainly resulting from (i) the more favorable tax position in 2001 and (ii) the decline in the investment result. These effects were partly offset by an improved net technical result and a successful decrease in expenses. As a result of this improvement in the net technical margin, the decline of dividend income and bond yields as well as the increase in income tax expenses, **underlying earnings** decreased by €59 million from €77 million to €18 million.

PROPERTY & CASUALTY OPERATIONS - UNITED KINGDOM

(in euro millions)

Property & Casualty operations - United Kingdom	FY 2002	FY 2001 (Pro forma) [a]	FY 2001 (Published)	FY 2000 [b]
Gross revenues	*2,749*	*2,468*	*2,480*	*2,686*
Current accident year loss ratio (net)	72.5%	77.2%	77.5%	80.0%
All accident year loss ratio (net)	78.7%	79.3%	82.1%	90.9%
Net technical result	**561**	**518**	**460**	**245**
Expense ratio	36.5%	36.0%	35.2%	35.9%
Net investment result	82	155	202	384
Operating income	**(308)**	**(216)**	**(244)**	**(334)**
Income tax expense / benefit	112	102	111	111
Minority interests	0	0	0	74
ADJUSTED EARNINGS	**(196)**	**(113)**	**(133)**	**(150)**
Average exchange rate : £ 1.00 = €	*1.59*	*1.61*	*1.61*	*1.64*

(a) Discontinued business has been transfered to the International Insurance segment.
(b) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

Gross revenues increased by €+281 million in 2002 or +13% on a comparable basis, following strong growth in the commercial account and the stabilization of the personal account.

– *Commercial lines* (50.2% of gross revenues) increased by +26% as AXA gained a number of large property accounts, benefiting from capacity constraints amongst some of its competitors and rate increases of up to 25%. The liability portfolio benefited from significant rate increases (between 25% and 45%) with very limited exposure growth.
– *Personal lines* (46.4% of gross revenues) slightly increased by +2% due to strong growth in creditor business partly offset by a decline in motor business as a result of improved risk selection and the effect of policy count reductions in 2001 following the high rate increases at the end of 2000.

The net technical result improved by €+43 million in 2002 as compared to 2001 or €+49 million on a comparable basis, reflecting AXA's focus on profitability and the impact of the "First Choice" business transformation project launched in June 2002.

The current accident year loss ratio net of reinsurance improved by 4.7 points to 72.5% in 2002, despite a €32 million pre-tax charge for severe weather-related losses during 2002. This positive trend reflects:

– A 7-point and 5-point improvement across **personal and commercial motor** respectively due to the focus of new business and customer retention activities on more profitable business and the implementation of new pricing models for Intermediary business.
– A 5-point improvement in **commercial property** driven by strong rating increases and a change in business mix partially offset by commission rate increases.
– A decrease in levies (1 point) as year 2001 included an industry levy to fund UK insurance company insolvencies.
– The positive trends are offset by a deterioration of 8 points across **liability lines** as a result of (i) the rapid rise in the cost of care (ii) increases in life expectancy; and (iii) ongoing increases in legal fees in the increasingly litigious environment. Further rating actions have been taken to address profitability on these lines of business.

The **all accident year loss ratio net of reinsurance** improved by 0.7 point to 78.7%. The positive effect of the current year was partly offset by prior year negative development, principally in respect of the increasing cost of large injury losses in the liability account. The prior year negative development follows a case-by-case review of large claim liabilities on personal injury classes during the second half-year.

The **expense ratio** increased by 0.5 point to 36.5% with a substantial improvement in underlying management expenses being offset by the investment in the First Choice strategy, a reduction in deferred acquisition costs and an increase in commissions.

– Underlying management expenses decreased by €+105 million or €+102 million on a comparable basis, driven by tight expense control and a –14% reduction in headcount across the business resulting from the efficiency improvements introduced under the “First Choice” strategy.

– The reduction in underlying expenses was partially offset by the investment of €–51 million (1.9 point of expense ratio), which commenced in 2002 in the “First Choice” business transformation program and a reduction of €–43 million in the level of deferred acquisition costs resulting from the overall reduction in expenses and the change in business mix towards commercial business which carries higher commission rates and lower expense rates.

– The earned commission rate increased by 1.8 point to 21.3% from 2001 representing an increase of €69 million or €76 million on a comparable basis. This was primarily driven by the growth of our largely intermediated commercial business, especially the higher commission ratio commercial property account offset by lower loss ratios and by the growth of the personal travel and creditor classes of business, which are also offset by lower loss ratios.

The improvement in the net technical result offset by a deterioration in the expense ratio led to a stabilization of the **combined ratio** at 115.2%. Including Health activities, which are up to now presented within the Life & Savings segment, the 2002 combined ratio would have amounted to 108.6%, compared to 110.2% in 2001.

Net investment result decreased by €–73 million, or €–72 million on a comparable basis, to €82 million in 2002. Investment income decreased by €–7 million, or €–5 million on a comparable basis, due to falling interest rates and a decline in the value of our equity portfolio, partly offset by higher equity yields and a switch from equities to cash and bonds. Net capital gains reduced by €–66 million or €–67 million on a comparable basis, from a loss of €–1 million in 2001 to €–68 million in 2002 due principally to a reduction of equity exposures and the decline in global stock markets. The valuation allowance on equity securities decreased by €15 million to €115 million in 2002.

The **income tax benefit** increased by €10 million, or €11 million on a comparable basis, mainly reflecting the positive tax effect of the decrease in the operating income partly offset by the one-off tax provision release of €+23 million in 2001.

Adjusted earnings decreased by €–83 million in 2002 as compared to 2001, or €–85 million on a comparable basis, reflecting the lower investment result.

Underlying earnings decreased by €–36 million, or €–38 million on a comparable basis.

PROPERTY & CASUALTY OPERATIONS - BELGIUM

(in euro millions)

Property & Casualty operations - Belgium	FY 2002	FY 2001	FY 2000 (a)
Gross written premiums	*1,401*	*1,331*	*1,301*
Current accident year loss ratio (net)	88.7%	94.5%	97.9%
All accident year loss ratio (net)	80.2%	84.6%	82.6%
Net technical result	**275**	**205**	**228**
Expense ratio	29.6%	32.0%	30.8%
Net investment result	150	216	413
Operating income	**15**	**(4)**	**237**
Income tax expense	(44)	(1)	(37)
Minority interests	0	0	(0)
ADJUSTED EARNINGS	**(29)**	**(5)**	**200**

(a) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

Gross written premiums increased by +5% to €1,401 million, with growth in both commercial and personal lines.

– *Personal lines* (62% of total gross written premiums) increased by 5%. In motor (+7%) portfolio registered a 1% growth despite rate increases (+5% on average). In household (+4%), rate increases offset decline in portfolio initiated during past years.
– *Commercial lines* (32% of total gross written premiums) were up by 3% due to strong growth in property (+26%), mainly due to new business and rate increases that offset a decrease in portfolio. Liability premiums increased by 16% driven by new business. Workers' compensation premiums decreased by 4% as a result of portfolio pruning, which more than offset rate increase impacts.
– *Health premiums* (5% of the total gross written premiums) increased by 14%, due to the launch of a medical assistance service concept as well as an important co-insurance contract.

The **net technical result** increased by €70 million to €275 million as compared to December 2001.

– The **current year loss ratio net of reinsurance** improved by 5.9 points to 88.7%. The key factor of this evolution was a decrease in claim frequency for most lines, in particular motor and commercial workers' compensation. household deteriorated as it suffered from storms in February and October 2002.

– The **loss ratio for all accident years net of reinsurance** improved by 4.4 points to 80.2%. The improvement in current year loss ratio was partially offset by a lower prior year's reinsurance result due to a large reinsured claim in 2001.

Compared to December 2001, the **expense ratio** decreased by 2.3 points to 29.6% as a result of lower IT costs. The reengineering of the back office, that took place in prior years, also started generating savings in 2002.

As a result, the **combined ratio** (all lines, workers' compensation included) decreased by 6.8 points to 109.8%. Workers' compensation excluded, the combined ratio decreased by 5.4 points to 107.4%

Net investment result declined by €66 million to €150 million. Valuation allowance recorded in respect of impairments on equity securities increased by €9 million to €97 million. Excluding valuation allowances, the net investment result decreased by €57 million, mainly explained by a lower level of realized capital gains (€–61 million).

Income tax expense increased by €43 million to €44 million, mainly due to (i) a decrease of recoverable deferred tax assets, in relation to a tax reform voted at the end of year 2002, (ii) a more important taxable income due to better technical results, and (iii) change in the tax allocation between Life and Property & Casualty segments.[1]

Adjusted earnings decreased by €24 million to a loss of €29 million, mainly due to lower capital gains and the higher tax charge, offsetting better technical results and lower expenses.

Underlying earnings increased by €53 million to €58 million, mainly as a result of (i) a better technical result and (ii) lower expenses, partially offset by (iii) tax allocation changes.

(1) AXA Belgium is a composite Life and Property & Casualty company. Until 2001, the tax charge was allocated according to the adjusted earnings. As valuation allowances and capital gains on equity investments are tax free, it was decided in 2002 to allocate the tax charge according to the underlying earnings distribution.

PROPERTY & CASUALTY OPERATIONS - OTHER COUNTRIES

(in euro millions)

Consolidated gross revenues	FY 2002	FY 2001	FY 2000
Italy	1,027	1,081	1,038
Spain	1,070	1,000	897
Canada	744	693	663
Ireland	554	492	424
The Netherlands	239	245	274
Other countries	947	1,269	1,219
TOTAL	**4,581**	**4,781**	**4,515**
Intercompany transactions	(3)	(1)	(2)
Contribution to consolidated gross revenues	**4,577**	**4,780**	**4,513**

(in euro millions)

Adjusted earnings & Net income	FY 2002	FY 2001	FY 2000 [(a)]
Italy	42	(6)	(66)
Spain	33	5	6
Canada	19	18	22
Ireland	59	30	(17)
The Netherlands	(3)	(31)	8
Other countries	(40)	(47)	(32)
ADJUSTED EARNINGS	**109**	**(31)**	**(78)**
Impact of exceptional operations	–	–	–
Goodwill amortization (Group share)	(39)	(36)	(37)
NET INCOME	**70**	**(67)**	**(115)**

(a) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

ITALY

Gross revenues decreased by 5.0% from last year to €1,027 million, driven by a loss of contracts on personal motor (62% of total premiums) following continuing portfolio cleansing measures and premium rate increases to improve profitability.

Adjusted earnings reached €42 million, up by €48 million from last year. This increase reflected (i) a €23 million gain from further improvement in combined ratio to 104.5% (versus 108.5% in 2001), mainly driven by the actions on motor mentioned above and cost cutting (expense ratio down by 1.9 point to 23.9%), (ii) a €15 million increase in net investment result, as a consequence of higher realized capital gains on bonds (€+31 million) and real estate (€+15 million) compensated by higher losses and valuation allowances on equity securities (€–10 million and €–21 million respectively), and (iii) a €9 million tax benefit deriving from the legal restructuring of AXA subsidiaries in Italy.

Underlying earnings reached €23 million, up by €33 million, from last year, driven by the 4-point combined ratio improvement and the tax gain mentioned above.

SPAIN

Gross written premiums increased to €1,070 million (+17.0% on a comparable basis). This evolution was mainly driven by (i) an increase in motor business by +11.0%, located both in commercial (+33.9%) and personal lines (+6.1%) and (ii) the strong development in mechanical warranties (multiyear contracts) by +49.5%.

Adjusted earnings increased by €28 million compared to 2001 to €33 million. Direct Seguros reached breakeven for the first time with a €2 million profit against a €2 million loss in 2001. This good performance was attributable to improved frequency and lower claim costs. Excluding Direct Seguros, adjusted earnings increased by €25 million to €31 million reflecting a 6.7 points improvement of combined ratio to 99.9% driven by (i) a favorable technical trend and a reduction in claims handling costs (€–8 million post-tax), and (ii) a decrease in expenses reflecting the impact of cost cutting program. The improvement in operational performance was partly offset by a decrease in net realized capital gains (€0 million post-tax in 2002 versus €9 million in 2001) mainly due to higher valuation allowances on impaired equity securities in 2002. As a result of improved operational performance, excluding net capital gains and losses, **underlying earnings** increased by €38 million to €33 million.

CANADA

Gross revenues increased by 12% to €744 million on a comparable basis. The growth was principally due to increases in premium rates in all lines of business following the hardening of the Canadian market, with the most important increases in Ontario's motor business and in commercial lines.

Adjusted earnings amounted to €19 million, an increase of €1 million on a constant exchange rate basis as compared to 2001. Excluding the adverse impact of (i) the €8 million write-off of deferred information technology development costs and (ii) the €4 million lower capital gains, earnings increased by €13 million. The expense ratio improved by 3.4 points to 29.7% due to the significant impact on expenses of the cost reduction project launched in 2001 as well as additional general cost containment combined with the increased level of premiums. Excluding the IT write-off, the improvement was 4.9 points. On the other hand, the loss ratio deteriorated by 1.5 point to 73.5% as compared to 2001 as the excellent results in Quebec were more than offset by the difficult situation prevailing in the Ontario motor industry. As a result, the **combined ratio** improved by 1.9 point to 103.2% (a 3.4 points improvement excluding the IT write-off).

IRELAND

Gross written premiums increased by €62 million (+13%) to €554 million in 2002 as compared to 2001 reflecting increases of 12% in personal lines business (79% of gross written premiums) and 14% in commercial lines business (21% of gross written premiums). This trend was driven by both (i) rating action taken on all branches of business, including increases of 8-9% applied to the personal and commercial motor accounts and (ii) growing volumes on motor mainly due to new business inflow combined with a strong retention rate on existing portfolios.

Adjusted earnings increased by €29 million compared to 2001, mainly explained by an improved net technical result, due to a 7.1 points reduction in the loss ratio from 87.9% in 2001 to 80.8% in 2002. This favorable change is attributable to higher average earned premium in 2002, reflecting the rating actions taken during 2001, together with an improvement in motor claims frequency in 2002 and an absence of prior year reserve strengthening. The result on the household account, while somewhat improved on the previous year, continues to be unsatisfactory due to weather-related catastrophes and increased reinsurance costs. Significant rating actions have been taken to correct this account. The expense ratio improved by 0.2 point. As a result of these evolutions, the combined ratio improved by 7.3 points to 95.7% in 2002.

There was also an improvement in the net investment result, mainly explained by a €6 million increase in realized capital gains, net of impairment.

The **underlying earnings** reached €55 million, up by €24 million.

THE NETHERLANDS

Gross written premiums decreased by –3.6%. In the authorized agents portfolio, premiums written in this portfolio have increased by €7.7 million. A decrease in premium of €12 million was shown in the agents portfolio, which was negatively influenced by the insufficient performance in the first half year of 2002.

Adjusted earnings improved by €+28.5 million. The increase was mostly driven by the loss ratio improvement from 98% in 2001 to 82.3% as a consequence of measures taken to improve profitability (increases in premium rates, review of the business portfolio and pruning actions). The expense ratio (excluding brokers activity) decreased by –6.3 points to 36.5% attributable to lower management expenses following the restructuring of the internal organization. The combined ratio stood at 118.8% in 2002 as compared to 140.8% in 2001.

OTHER COUNTRIES

Adjusted earnings are down to €–40 million, mainly attributable to the following countries:

(in euro millions)

Adjusted earnings & Net income

	FY 2002	FY 2001	FY 2000 (a)
Morocco	(4)	14	(14)
Portugal	(4)	2	18
Austria	1	0	(2)
Hungary	1	2	2
Switzerland	(19)	0	1
Luxembourg	1	2	3
Turkey	1	2	9
Japan	(25)	(46)	(58)
Hong Kong	6	(27)	7
Singapore	3	4	1
ADJUSTED EARNINGS	**(40)**	**(47)**	**(32)**
Impact of exceptional operations	–	–	–
Goodwill amortization (Group share)	(7)	(6)	(8)
NET INCOME	**(47)**	**(53)**	**(40)**

(a) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

Morocco

Gross written premiums decreased by –4% to €130 million, as a result (i) of the termination of a major policy in aviation, and (ii) of the cancellation of the agreements with some distributors in order to limit default payments, of which the effects were mainly observed in the major lines of business: motor (–1%) and workers' compensation (–5%).

Adjusted earnings decreased by €17 million to €–4 million in 2002 as compared to 2001. The deterioration was mainly explained by (i) a €–9 million decrease in net investment result, of which a €–2 million valuation allowance was recorded on equities, and (ii) a €–5 million net Group share related to a provision posted on non recoverable deferred tax asset. The combined ratio increased by 7 points to 112% with a loss ratio net of reinsurance of 89% as compared to 81% in 2001 deteriorating mainly in workers' compensation and liabilities businesses.

Underlying earnings amounted to €–1 million as compared to €+4 million in 2001, or a €–5 million decrease, mainly explained by €–5 million net Group share of non recoverable deferred tax asset.

Portugal

Gross written premiums amounted to €320 million showing a 1% decrease as compared to 2001 as a result of a –2.4% decrease in motor business (55% of written premiums) reflecting the more stringent and segmented underwriting and the reduction in commercial discounts. Workers' compensation (24% of written premiums) remained stable in a very competitive market.

Adjusted earnings declined by €6 million to €–4 million driven by higher valuation allowances on impaired equity securities (€6 million post-tax) and lower realized capital gains on fixed maturities (€5 million post-tax). **Underlying earnings** increased by €6 million to €9 million as a result of a 3.7 points improvement in combined ratio to 101.0% on a comparable basis, which reflected (i) the return to a more normalized trend in claims with 2001 being adversely impacted by climatic conditions and (ii) improved expense ratio (–1.8 point to 28.4%) following the cost-cutting program.

Switzerland

Gross revenues increased by +17% to €89 million mainly due to the acquisition of the Northern portfolio, or +2.5% on a comparable basis as a result of rate increases and despite portfolio pruning and stricter underwriting.

Adjusted earnings decreased by €–19.5 million to €–19 million in 2002 as compared to full year 2001.

Net technical margin decreased by €–5 million, mainly attributable to current year claims charge. The current year loss ratio strongly deteriorated by 10.1 points to 78.5%, mainly attributable to motor and property (natural catastrophes, higher frequency, large claims and fronting).

Expenses increased by €3 million. Excluding the Northern costs, they decreased by €1 million, following the cost cutting program implementation.

Net investment result decreased by €–11 million, due to lower capital gains (€–4 million) and a higher allowance for equity impairment (€–7 million).

As a result, **underlying earnings** were down by €8 million to €–9 million in 2002, mainly due to the deterioration in technical margin.

Japan

Gross written premium increased by +19% on a constant exchange rate basis to €77 million, primarily as a result of the progression of the motor portfolio (43%, 75% of the total revenues).

An **adjusted earnings** loss of €25 million, improved by €21 million compared to 2001, reflecting mainly the improvement of both the loss ratio (from 76% in 2001 to 72% in 2002) and the expense ratio driven by higher productivity leading to a decrease in personnel expenses, more cost-efficient acquisition of insurance contracts and savings in IT costs. In total the **combined ratio** improved from 184% to 146% in 2002. Continuing losses reflect the fact that Direct Japan has not yet reached its critical mass (operations commenced in mid-1999).

International Insurance segment

The following table present the gross premiums and net income for the International Insurance segment for the periods indicated:

(in euro millions)

Consolidated gross revenues [a]

	FY 2002	FY 2001 (Pro forma) [b]	FY 2001 (Published)	FY 2000
AXA Corporate Solutions (excluding AXA Cessions)	5,275	5,276	5,276	3,221
AXA Cessions	100	30	30	76
AXA Assistance	465	434	434	371
Other	31	26	10	28
TOTAL	**5,872**	**5,767**	**5,751**	**3,696**
Intercompany transactions	(110)	(73)	(73)	(46)
Contribution to consolidated gross revenues	**5,762**	**5,695**	**5,678**	**3,651**

(a) Gross written premiums, plus fees, commissions and other revenues.
(b) Discontinued business transferred from Property & Casualty segment.

(in euro millions)

Adjusted earnings & Net income

	FY 2002	FY 2001 (Pro forma) [b]	FY 2001 (Published)	FY 2000 [a]
AXA Corporate Solutions (excluding AXA Cessions)	(138)	(358)	(358)	117
AXA Cessions	(4)	8	8	15
AXA Assistance	1	13	13	12
Other	(8)	(60)	(41)	(32)
ADJUSTED EARNINGS	**(149)**	**(398)**	**(378)**	**112**
Impact of exceptional operations	–	–	–	–
Goodwill amortization (Group share)	(27)	(8)	(8)	(15)
NET INCOME	**(176)**	**(406)**	**(386)**	**97**

(a) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.
(b) Discontinued business transferred from Property & Casualty segment.

AXA CORPORATE SOLUTIONS

Note: The mother and reinsurance company AXA Corporate Solutions has changed its name back to AXA RE with effect November 15th 2002 while its subsidiary and large risk insurance company AXA Corporate Solutions Assurance keeps its denomination. This change is not reflected in this publication and will be in future AXA publications.

(in euro millions)

Reinsurance and International Insurance operations - AXA Corporate Solutions [(a)]

	FY 2002	FY 2001	FY 2000 [(c)]
Gross written premiums	5,348	5,280	3,297
Fees, commissions and other revenues	27	27	0
Gross revenues	**5,375**	**5,307**	**3,297**
Change in unearned premium reserves	(64)	(235)	(179)
Net investment result	312	415	588
Total revenues	**5,623**	**5,486**	**3,706**
Insurance benefits and claims, net of reinsurance ceded [(b)]	(5,224)	(5,510)	(3,043)
Insurance acquisition expenses [(b)]	(303)	(295)	(330)
Administrative expenses	(275)	(219)	(182)
Operating income	**(179)**	**(538)**	**151**
Income tax expense / benefit	45	193	(12)
Equity in income (loss) of unconsolidated entities	(1)	0	0
Minority interests	(7)	(5)	(7)
AJUSTED EARNINGS	**(142)**	**(350)**	**132**
Impact of exceptional operations	–	–	–
Goodwill amortization (Group share)	(26)	(7)	(15)
NET INCOME	**(168)**	**(357)**	**118**

(a) Before intercompany transactions.
(b) Reinsurance technical commissions have been posted in insurance claims instead of insurance acquisition expenses, in 2001.
(c) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

(in euro millions)

AXA Corporate Solutions

	FY 2002 [e]	FY 2001 (Pro forma) [f]	FY 2001 (Published)	FY 2000 [d]
Earned premiums	*5,188*	*5,018*	*5,045*	*3,118*
Attritional current year loss ratio [a] [b]	73.4%	76.6%	75.7%	80.4%
Reinsurance & Cessions [a] [b]	*72.3%*	*74.9%*	*70.0%*	*76.6%*
Insurance [a] [b]	*76.4%*	*83.0%*	*95.7%*	*88.6%*
Attritional all accident year loss ratio [a] [b]	75.1%	77.4%	76.6%	85.5%
Loss ratio [a] [c]	99.4%	114.0%	113.4%	96.5%
Net technical result (excluding fees)	**19**	**(476)**	**(465)**	**75**
Expense ratio	15.7%	14.8%	15.2%	23.9%
Net investment result	309	404	415	588
Operating income (excluding AXA Cessions)	**(173)**	**(551)**	**(538)**	**151**
Operating income AXA Cessions	(5)	13		
Operating income (including AXA Cessions)	**(179)**	**(538)**		

(a) Net of ceded reinsurance (cession and retrocession).
(b) Attritional data exclude (i) major losses in claims charge and (ii) covers' cost in ceded premiums.
(c) (Attritional claims charge and major losses cost on all accident years) divided by (net earned premiums).
(d) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.
(e) FY 2002 and FY 2001 proforma are presented excluding AXA Cessions.
(f) In the context of AXA Corporate Solutions activities restructuring (Insurance / Reinsurance / Cession), the proforma ratios presented have been computed gross of inter-company transactions for each activities. Ratios were previously presented as a single segment for which inter-company transactions were eliminated.

Consolidated gross revenues were €5,235 million in 2002 of which €22 million of fees and commissions. Gross revenues are stable compared to 2001:

– *Reinsurance* (66% of gross revenues): Premiums decreased by 2% to €3,472 million with a strengthening in Property line. Property & Casualty lines (90% of reinsurance activity) decreased by 4% mainly due to (i) a stringent underwriting accompanying the retrocession market upturn, (ii) a voluntary drop in proportional treaties in casualty motor business and cancellations in other lines. These downward trends are partly offset by the significant revisions of 2001 premiums on proportional treaties (in property and motor) due to the cautiousness of last year estimates.

– *Insurance* (34% of gross revenues): Premiums and fees increased by 14% to €1,762 million due to (i) market rate increase after September 11 U.S. terrorist attacks in Property & Casualty lines, (ii) portfolio recovery not only resulting in revision of underwriting terms applied to business in force but also in cancellations in Property & Casualty and marine business and (iii) prior years adjustments coming from an in depth full year review of 2001 underwritten policies.

Net attritional margin on current accident year increased significantly by €209 million.

– For *Reinsurance business,* it increased by €73 million to €873 million in 2002, with a net attritional loss ratio improving by 2 points down to 72% in 2002. The improvement of 2002 underwriting year loss ratio came from (i) the market rate increase and (ii) the absence of significant attritional loss in the year and was partly offset by the 2002 earning impact of less profitable treaties underwritten in 2001 such as whole accounts in marine. Commissions paid to ceding companies remained stable at €615 million.

– For *Insurance business,* the net attritional margin on the current accident year increased by €136 million to €295 million in 2002, with a net attritional loss ratio improving by 6 points down to 76% in 2002. Such improvement is the effect of the portfolio recovery together with the premium rate increase mainly in Property & Casualty lines.

Other technical items improved by €288 million as a result of the following:

– **Major losses** adversely impacted 2002 with a total estimated cost net of reinsurance of €133 million compared to €992 million in 2001 mainly coming from September 11 events (€762 million net of reinsurance gross of tax). The European floods occurred in August 2002 were the most significant claim of the year with an estimated cost net of reinsurance of €107 million.

– The cost of **cover programs** increased by €64 million to €572 million, resulting from the hardening market conditions.

– **Loss reserve adjustment on prior years** were recorded in 2002 (€–416 million), i.e. €507 million worse than in 2001, mainly due to unfavorable development of claims such as September 11 events claim (€–143 million net of reinsurance and gross of tax) and to extensive reserving review performed in 2002.

As a result, the **net technical margin** increased by €496 million to €46 million in 2002 with a 15-point improvement in the claims ratio for all accident years (net of reinsurance) to 99.4% in 2002. Excluding September 11 U.S. terrorist attacks, this ratio would be lowered by 4 points down to 95% versus 91% in 2001 mainly due to loss reserves adjustments on prior years.

General expenses increased by €23 million to €528 million mainly due to variation in scope and restructuring provisions. Adjusted for (i) a €14 million change in scope (principally AXA Germany's large risks portfolio partly renewed by AXA Corporate Solutions) and (ii) €31 million variation in extraordinary items including 2002 provisions for restructuring (mainly linked to U.S. strategic decisions) and provisions for departures, the administrative expenses decreased by €7 million or –2%. On the other hand, the acquisition expenses decreased by €15 million or –6% (the evolution of brokerage commissions being not strictly in line with premiums).

Net investment result decreased by €97 million to €307 million in 2002 as compared to 2001, mainly explained by a €68 million decrease in investment income and a €26 million decrease in net capital gains corresponding to (i) a €57 million increase in exchange rate result due to the U.S. dollar decrease and (ii) a €85 million decrease in net capital gains, including an allowance for equity impairments of €115 million in 2002.

Income tax expense had a positive impact of €+44 million in 2002 though €154 million lower than in 2001.

Adjusted earnings increased by €220 million to €–138 million in 2002 as compared to 2001. The increase was mainly due to (i) a €496 million increase in the net technical margin partly offset by (ii) a €23 million increase in general expenses (iii) a €97 million decrease in the net investment result and (iv) a €154 million increase in income tax expense.

Excluding the cost of September 11 U.S. terrorist attacks and net realised capital gains, **underlying earnings** amounted to €–67 million in 2002 as compared to €110 million in 2001.

AXA Cessions adjusted earnings decreased by €–12 million due to the setting-up of a bad debt reserve.

ASSISTANCE

Gross revenues increased by +11% on a comparable basis to €391 million, mainly attributable to the European area due to the strong increase of +19.5% in the UK National Healthcare Service business.

Adjusted earnings decreased by €12 million to €+1 million in 2002 as compared to 2001. The deterioration was mainly due to strengthening of bad debt provisions.

OTHER (EXCLUDING UK DISCONTINUED BUSINESS)

Adjusted earnings from the other transnational Insurance operations increased by €43 million to a €3 million losses in 2002 as compared to 2001. This improvement was primarily due to **Saint Georges Re.** A €+3 million net gain was recorded in 2002, or an increase by €+36 million as compared to 2001, mainly explained by (i) the losses related to the GRE businesses in run-off accounted last year (€34 million), and (ii) € + 4 million realised capital gains in real estate in 2002.

OTHER (UK DISCONTINUED BUSINESS)

Adjusted earnings improved by €9 million to €–10.7 million. This improvement is primarily due to lower loss reserve development compared to 2001.

Asset Management

The Asset Management segment includes third-party Asset Management and Asset Management on behalf of AXA insurance companies. The tables below present the revenues and the net income for the Asset Management segment for the periods indicated:

(in euro millions)

Consolidated gross revenues	FY 2002	FY 2001	FY 2000
Alliance Capital	2,903	3,347	2,743
AXA Investment Managers	820	696	558
National Mutual Funds Management (a)	–	57	51
TOTAL	**3,724**	**4,100**	**3,352**
Intercompany transactions	(313)	(370)	(368)
Contribution to consolidated gross revenues	**3,411**	**3,730**	**2,984**

(a) As a result of the joint-venture between AXA Asia Pacific Holdings and Alliance Capital, Asset Management operations previously run by National Mutual Funds Management are now run by Alliance Capital. Other previous activities of NMFM are now presented within AXA Life & Savings operations in Australia / New Zealand.

(in euro millions)

Adjusted earnings & Net income	FY 2002	FY 2001	FY 2000 (a)
Alliance Capital	195	273	160
AXA Investment Managers	63	58	48
National Mutual Funds Management	–	15	3
ADJUSTED EARNINGS	**258**	**346**	**211**
Impact of exceptional operations	148	–	–
Goodwill amortization (Group share)	(188)	(193)	(45)
NET INCOME	**218**	**153**	**166**

(a) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

ALLIANCE CAPITAL

(in euro millions)

Asset Management operations - Alliance Capital

	FY 2002	FY 2001	FY 2000 (a)
Fees, commissions and other revenues	2,903	3,347	2,743
Gross revenues	**2,903**	**3,347**	**2,743**
Net investment result	(53)	(55)	(40)
Total revenues	**2,850**	**3,292**	**2,703**
Administrative expenses	(2,236)	(2,470)	(1,944)
Operating income	**614**	**822**	**759**
Income tax expense	(102)	(132)	(151)
Minority interests	(317)	(417)	(448)
ADJUSTED EARNINGS	**195**	**273**	**160**
Average exchange rate : US$ 1,00 = €	*1.06*	*1.12*	*1.08*

(a) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

Assets under Management ("AUM") decreased by €144 billion to €369 billion at December 31, 2002, a decrease of €–69 billion, or –15% on a constant exchange rate basis, mainly due to the negative impacts of equity market depreciation (€–65 billion). Net outflows totaled €4.5 billion and were attributable to outflows in retail of €12.7 billion (of which €6.5 billion in net cash management outflows), partially offset by private clients and institutional net new money of €4.2 billion and €4.0 billion.

Fees, commissions and other revenues were down €443 million in 2002 as compared to 2001, or –8% on a constant exchange rate basis, due to lower distribution revenues and advisory fees, in line with lower average AUM, down 8% versus 2001. Institutional research services grew by 11% driven by expanded research coverage and broader trading capabilities.

Administrative expenses decreased by €234 million, or –4% on a constant exchange rate basis, driven by lower cash compensation and promotion expenses, partially offset by higher Bernstein acquisition related expenses (higher deferred compensation and rent), and legal costs.

Operating income decreased by €208 million, or –21% on a constant exchange rate basis (€–173 million), as a result of lower revenues (€–281 million), partly offset by lower interest and administrative expenses (€108 million). As a result, the **operating cost income ratio**[1] increased by 4.5 points from 66.3% in 2001 to 70.8% in 2002.

Net of minority interests, **adjusted earnings** decreased by €78 million, or –25% on a constant exchange rate basis (€–67 million), reflecting the impact of lower revenues and average AUM due to the declining market environment. As a result of the acquisition of 8.16 million private units, AXA Financial's ownership interest in Alliance Capital increased by 3 points from approximately 53% at year-end 2001 to 56% at year-end 2002.[2]

(1) The operating cost income ratio is computed after exclusion of distribution commissions from revenues and general expenses.
(2) On October 2, 2000, Alliance Capital acquired Sanford C. Bernstein, Inc. and the purchase price consisted of cash and 40.8 million newly issued private units in Alliance Capital. As a result, AXA Financial's ownership interest in Alliance Capital decreased by 10.5 points (from 63.3% to 52.8%) and the Group recorded a dilution gain of €928 million ($872 million). In conjunction with the acquisition, AXA Financial provided redemption rights to the former shareholders of Sanford C. Bernstein, Inc., after a two-year lockout period, to allow the 40.8 million private units of limited partnership interest to be sold to AXA Financial over the subsequent eight-year (generally not more than 20% of such units may be sold to AXA Financial in any one annual period). As a result of this contingency, the dilution gain of €928 million that should have benefited to AXA was offset by a provision recorded for a similar amount.
On November 8th 2002, the former shareholders of Sanford C. Bernstein, Inc. decided to exercise their right to sell 8.16 million private units in Alliance Capital to AXA Financial. This acquisition, at a price of $30.6 a unit, generated a goodwill of $122 million reflecting an increase of circa 3 points in AXA Financial's ownership interest in Alliance Capital. Consequently, the provision was released in proportion to the initial dilution (i.e. 3 points vs. 10.5 points), or €277 million ($261.5 million), and the goodwill was entirely amortized in the period, or €129 million. The release of the provision net of goodwill amortization was reported in the "impact of exceptional operations".

AXA INVESTMENT MANAGERS ("AXA IM")

(in euro millions)

Asset Management operations - AXA Investment Managers

	FY 2002	FY 2001	FY 2000 (a)
Fees, commissions and other revenues	820	696	558
Gross revenues	**820**	**696**	**558**
Net investment result	9	12	3
Total revenues	**830**	**708**	**561**
Administrative expenses	(716)	(602)	(471)
Operating income	**114**	**106**	**89**
Income tax expense	(38)	(34)	(28)
Minority interests	(13)	(14)	(13)
ADJUSTED EARNINGS	**63**	**58**	**48**

(a) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

Asset Under Management ("AUM") declined by €9 billion to €268 billion at December 31, 2002 (–0.4% on a comparable basis), with net new money inflows (€12 billion) more than offset by market depreciation (€–13 billion) and foreign exchange movements (€–8 billion).

Gross revenues, including those earned from AXA insurance companies eliminated in consolidation, reached €820 million, –1.4% on a comparable basis. Restated from intra-group transactions, gross revenues decreased by –1.4% on a comparable basis to €633 million. Most of the decrease relates to lower management and front-end fees collected by AXA IM on behalf of some unit-linked and retail products external distributors. Excluding those fees retroceded to distributors, net revenues increased by 11% on a comparable basis to €563 million. This increase is mainly driven by net management fees (up €+27 million or +5%), stemming from higher average AUM (+1.2%, at €274 billion) and from a favorable change in product mix towards higher-fee products, combined with higher real estate transaction fees (up €+20 million), while performance fees grew by €5 million, notably from AXA Rosenberg.

Administrative expenses, excluding commissions paid to third parties agents, increased by €57 million, i.e. increased by €40 million on a current scope basis. This increase is principally due to higher personnel expenses by €24 million in relation with business growth, and to higher marketing costs by €6 million. The main other changes are an increase in premises by €4 million and in depreciation by €5 million, offset by €7 million lower consulting fees and by €5 million lower IT expenses.

The cost income ratio is flat at 81.5% in 2002.

Consequently, **adjusted earnings** increased by €5 million in 2002 as compared to December 2001.

Other Financial Services

The tables below present the revenues and the net income for the Other Financial Services segment for the periods indicated:

(in euro millions)

Consolidated gross revenues

	FY 2002	FY 2001	FY 2000
Donaldson, Lufkin & Jenrette	–	–	10,686
French banks	137	198	207
German banks	133	114	82
AXA Bank Belgium	723	767	763
Other	52	89	62
TOTAL	**1,046**	**1,168**	**11,799**
Intercompany transactions	(26)	(40)	(39)
Contribution to consolidated gross revenues	**1,020**	**1,128**	**11,760**

(in euro millions)

Adjusted earnings & Net income

	FY 2002	FY 2001	FY 2000 [(a)]
Donaldson, Lufkin & Jenrette	–	–	197
French banks	(3)	15	23
German banks	2	(1)	4
AXA Bank Belgium	36	76	46
Other	98	54	2
ADJUSTED EARNINGS	**133**	**144**	**273**
Impact of exceptional operations	–	–	(125)
Goodwill amortization (Group share)	(14)	(47)	(27)
NET INCOME	**119**	**97**	**121**

(a) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

FRENCH BANKS

Adjusted earnings and **underlying earnings** decreased by €–18 million to €–3 million in 2002 as compared to 2001. AXA Banque adjusted earnings decreased by €18 million as compared to full year 2001 mainly due to (i) the transfer of the securities management activity outside the Group in July 2001 (€–8 million decrease in revenues compared to 2001) and to (ii) the losses linked to Banque Directe (€–4.5 million loss for the four last months of year 2002 as well as integration costs for €–2.3 million.

GERMAN BANKS

Adjusted earnings and **underlying earnings** increased by €3 million to €2 million in 2002 as compared to 2001. It was mainly attributable to an increased interest margin in AXA Bank and lower income taxes of the building society.

AXA BANK BELGIUM

Net sales of AXA savings products increased by €445 million as compared to 2001, mainly attributable to deposit accounts, which benefited from pricing actions.
Gross sales in third parties' products decreased due to weak stock markets. Net sales of loans increased by €538 million or +74% in 2002 following the decrease of the registration fees and the development of the sales through the brokers' network.

Adjusted earnings decreased by €–40 million in 2002 to €36 million as compared to full year 2001. In 2001 adjusted earnings had been positively impacted by release of provisions for corporate loans for €22 million and release of general banking provisions for €13 million. Net capital gains decreased by €–7 million to €33 million. Fee income decreased by €–5 million due to lower volumes in off balance sheet products following the bad performances on stock markets. On the other hand, administrative expenses decreased by €13 million driven by cost cutting efforts.

OTHER

Subgroup CFP **revenues** decreased by –32.5% to €58 million, or –40.5% on a comparable basis. CFP revenues (29% of the "Other" revenues) decreased by –57% in 2002 to €15 million due to the decrease in investment income following the sale in June 2001 of an important mutual fund asset. Holding SOFFIM revenues (24% of the "Other" revenues) decreased by –36% mainly due to lower loan interests and to lower credits granted.

Adjusted earnings increased by €44 million to €98 million in 2002, mainly attributable to a favourable run-off development (€+26 million). Holding SOFFIM also recorded a capital gain of €12.3 million net of tax on the sale of Simco securities.

Holding Company activities

The Holding Company activities consist of AXA' s non-operating companies, including mainly AXA Parent Company, AXA France Assurance, AXA Financial, AXA Asia Pacific Holdings and AXA UK Holdings.

(in euro millions)

Adjusted earnings & Net income	FY 2002	FY 2001	FY 2000 (a)
AXA, The Company	(162)	(218)	27
Other French holding companies	69	120	95
Foreign holding companies	(251)	(220)	(64)
ADJUSTED EARNINGS	**(344)**	**(318)**	**58**
Impact of exceptional operations	87	–	1,068
Goodwill amortization (Group share)	0	0	(3)
NET INCOME	**(257)**	**(318)**	**1,123**

(a) Pro forma New French GAAP, as if New French GAAP had been in force since January 1, 2000.

AXA (THE PARENT COMPANY)

2002 **adjusted earnings** improved by €56 million, as a result of (i) lower cost of debt (€+137 million) due to lower interest charge, as a result of declining interest rates and the strengthening of the euro against mostly U.S. dollar, yen and sterling pound, partially offset by the amortization of redemption premiums on the convertible bonds issued by AXA SA (ii) lower management expenses (€22 million post-tax) mainly due to lower AXA trade mark expenses and a decrease of AXA's ADR management cost, partly offset by (iii) a decrease in net capital gains by €–97 million compared to 2001.

OTHER FRENCH HOLDING COMPANIES

The €–51 million decline in **adjusted earnings** of other French holdings companies mainly derived from lower net realized capital gains, €103 million in 2002 against €135 million in 2001.

FOREIGN HOLDING COMPANIES

AXA FINANCIAL INC.

Adjusted earnings decreased by €2 million in 2002 as compared to 2001. On a constant exchange rate basis, adjusted earnings decreased by €7 million due to higher realized capital losses.

AXA ASIA PACIFIC HOLDINGS

Adjusted earnings (excluding one-off profit on sale of AXA Health, €87 million Group share) were a loss of €–19 million compared to €–40 million for the 15 months 2001, or €–31 million for the restated 12 months to December 31, 2001. This improvement reflected the inclusion of a tax crystallization upon the liquidation of a subsidiary offset by slightly higher financing costs resulting from a higher debt base used to fund acquisitions and despite lower average interest rates.

AXA UK HOLDINGS

Adjusted earnings decreased by €–27 million in 2002 as compared to 2001 due to the interest expense of increased borrowings to fund UK operations and to a lower level of realized gains on equities.

OTHER FOREIGN HOLDING COMPANIES

German Holding companies: **Adjusted earnings** deteriorated by €–28 million to a loss of €–87 million in 2002 primarily due to revised German tax rules regarding the use of tax credits from dividends received (additional tax burden of €–29 million).

Belgium Holding companies. Results 2002 **adjusted earnings** increased by €9 million mainly due to a tax settlement and to the booking in 2001 of a depreciation on real estate activities that was reversed in 2002.

Perspectives

2003 has started with a further decline of world equity markets arising from uncertainties in relation to a potential war in Iraq and its international ramifications, the weakness of the economic recovery in the United States and the worrying economic outlook in Japan and Germany.

In this context, AXA's focus on financial protection and wealth management, its renewed emphasis on operational performance, its financial strength, should allow the Group to be among the leading actors of the market, with significant net new money levels in Life & Savings and Asset Management, and solid organic growth in Property & Casualty.

As indicated in 2001, a combined ratio of 104% is expected in 2003; further efforts will be made to improve the combined ratio aiming at the 102% target for 2005. Additional expense savings are also planned through the combination of local initiatives and global programs at Group level.

Glossary

COMPARABLE BASIS

On a comparable basis means that the data for the current year period were restated using the prevailing foreign currency exchange rate for the same period of prior year (**constant exchange rate** basis) and eliminated the results of acquisitions, disposals and business transfer (**constant structural** basis) and of changes in accounting principles (**constant methodological** basis), in one of the two periods being compared.

ADJUSTED EARNINGS

Adjusted earnings represent the net income (Group share) before the impact of exceptional operations and amortization of goodwill.

Adjusted earnings per share **(adjusted EPS)** represents AXA's consolidated net income before the impact of exceptional operations and amortization of goodwill, divided by the weighted average number of outstanding ordinary shares.

Adjusted earnings per share diluted **(adjusted EPS diluted)** represents AXA's consolidated net income before the impact of exceptional operations and amortization of goodwill, divided by the weighted average number of outstanding ordinary shares, on a diluted basis (that is to say including the potential impact of all outstanding stock options, that are not anti-dilutive, being exercised and conversion of existing convertible debt into shares, assuming the impact is not anti-dilutive).

UNDERLYING EARNINGS

Underlying earnings correspond to adjusted earnings excluding (i) net realized capital gains attributable to shareholders and (ii) the impact of September 11, 2001 terrorist attacks.

LIFE & SAVINGS MARGIN ANALYSIS

Even though the presentation of margin analysis is not the same as the statement of income, it is based on the same GAAP measures as used to prepare the statements of income in accordance with French GAAP. As a result, the operating income under margin analysis is equal to that reported in AXA's statements of income for the segment. There are certain material differences between the detailed line-by-line presentation in the statements of income and the components of margin analysis as set out below.

(i) Gross premiums (net of deposits), fees and other revenues are allocated in the margin analysis based on the nature of the revenue between "Fees and revenues" and "Net technical margin".

(ii) Policyholders' interest in participating insurance contracts is reflected as a change in insurance benefits in the statements of income. In the margin analysis, it is allocated to the related margin, that is, primarily, the "Investment margin" and the "Net technical margin".

(iii) The "Investment margin" represents the net investment result in the statements of income and is adjusted to take into account the policyholders' participation (see above) and to exclude the loading on (or contractual charges included in) unit-linked business, which are included in "Fees and revenues".

Investment margin includes the following items:

(i) Net investment income,
(ii) Realized capital gains & losses,
(iii) Valuation allowance & release in respect of impaired invested assets,
(iv) Interests and bonuses credited to policyholders and unallocated policyholder bonuses, relating to the net investment result.

Fees and Revenues include:

(i) Revenues derived from mutual fund sales (which are part of consolidated revenues),
(ii) Loading charged to policyholders on premiums and on funds under management for separate accounts (unit-linked) business,
(iii) Loading on (or contractual charges included in) premiums received on all non unit-linked product lines (Life, Investment & Savings and Health),
(iv) Other fee revenues, e.g., fees received on financial planning, sales of third party products.

Net technical result is the sum of the following components:

(i) Mortality / morbidity margin: The amount charged to the policyholder in respect of mortality / morbidity for the related period less benefit claims. It is equal to the difference between income for assuming risk and the actual cost of benefits, including changes in valuation assumptions and additional reserves for mortality risk. This margin does not include the claims handling costs and change in claims handling cost reserves,
(ii) Surrender margin: The difference between the benefit reserve and the surrender value paid to the policyholder in the event of early contract termination,
(iii) Policyholder bonuses: If the policyholder participates in the risk margin and the expenses of the company.
(iv) Ceded reinsurance result.

Expenses are:

(i) Acquisition expenses, including commissions and general expenses allocated to new business, related to insurance products as well as to other activities (e.g., mutual fund sales),
(ii) Deferred Acquisition Costs (DAC): capitalization of acquisition expenses linked to new business, net of the corresponding Unearned Revenue Reserve (URR),
(iii) DAC: amortization of acquisition expenses on current year and prior years new business. This amortization also includes the impact of interest capitalized and is net of the corresponding change in URR in the period,
(iv) VBI: amortization of value of purchased Life business in-force,
(v) Administrative expenses.

Operating income corresponds to the income derived from operations, before tax, minority interest, and goodwill amortization.

LIFE & SAVINGS EXPENSE RATIO

Three types of expense ratio are calculated:

(i) **Ratio of gross operating expenses to total gross insurance reserves:** gross operating expenses / total gross insurance reserves, where:

- gross operating expenses are total expenses excluding (1) expenses related to mutual fund business (mainly fees paid to the sales force), (2) deferral or amortization of deferred acquisition costs (DAC), and (3) amortization of value of purchased Life business in-force (VBI); they include capitalization and amortization of software expenses,
- gross insurance reserves are total insurance liabilities, gross of reinsurance, including benefit and claims reserves, unearned premiums reserves, and separate account liabilities.

(ii) **Cost income ratio:** expenses / operating margin, where:

- Expenses are total expenses, excluding expenses related to mutual fund business (mainly fees paid to the sales fore), gross of deferral and amortization of deferred acquisition costs (DAC) and gross of amortization of value of purchased Life business in-force (VBI),
- Operating margin is the sum of (i) Investment margin, (ii) Fees and revenues, and (iii) Net technical margin (items as defined above in the margin analysis above).

(iii) **Underlying cost income ratio:** expenses / “underlying” operating margin, where:

- Expenses are total expenses, excluding expenses related to mutual fund business (mainly fees paid to the sales fore) net of participating benefits, gross of deferral and amortization of deferred acquisition costs (DAC) and gross of amortization of value of purchased Life business in-force (VBI),
- “Underlying” operating margin is the sum of (i) Investment margin excluding net capital gains / losses attributable to shareholders; (ii) Fees and revenues, and (iii) Net technical margin (items as defined in the margin analysis).

PROPERTY & CASUALTY

Net investment result includes the following items:

(i) Net investment income,

(ii) Realized capital gains and losses,

(iii) Valuation allowances and release in respect of impaired invested assets.

Net technical result is the sum of the following components:

(i) Earned premiums, gross of reinsurance,

(ii) Claims charges, gross of reinsurance,

(iii) Change in claims reserves, including claims handling costs reserves and equalization reserves, gross of reinsurance,

(iv) Claims handling costs,

(v) Net result of ceded reinsurance.

Expense ratio is the ratio of:

(i) Expenses (excluding claims handling costs but including non recurring expenses), to

(ii) Earned premiums, gross of reinsurance.

Current accident year loss ratio (Property & Casualty) net of reinsurance, is the ratio of:

(i) (current year claims charge gross of reinsurance + claims-handling costs + result of reinsurance ceded on current accident year), to

(ii) Earned premiums, gross of reinsurance.

All accident years loss ratio (Property & Casualty) net of reinsurance, is the ratio of:

(i) (all accident years claims charge gross of reinsurance + claims-handling costs + result of reinsurance ceded on all accident years), to

(ii) earned premiums, gross of reinsurance.

The **combined ratio** is the sum of (i) the expense ratio and (ii) the loss ratio (all accident years).

AXA CORPORATE SOLUTIONS

Covers are specific reinsurance treaties, bought to protect all or a portion of the company's portfolio against **major losses.** If such losses do not occur over the insured period, a profit commission (or "no-claim bonus") is paid to the ceding company. In general, the **cost of a cover** is accrued (or by extension "earned") ratably over the treaty period.

Major losses are defined as any event whose net ultimate cost is greater than $50 million (approx. 3% of AXA Corporate Solutions consolidated shareholders' equity); the **Net "ultimate" cost** is the result of the claim cost (net of reinsurance) minus the reinstatement premiums (net of reinsurance).

Net technical margin includes:

(i) earned premiums, net of reinsurance (cession / retrocession and covers),
(ii) claims charge all accident years, net of reinsurance, including major losses,
(iii) commissions (fixed commissions, sliding scale commissions as well as profit commissions), (a) paid to the ceding companies and (b) received from the reinsurance companies,
(iv) claims handling costs.

Net attritional margin on current accident year includes the following elements:

(i) earned premiums, net of cession / retrocession (reinsurance ceded excluding covers),
(ii) current year claims charge (excluding major losses), net of cession / retrocession,
(iii) commissions (fixed commissions, sliding scale commissions and profit commissions), (a) paid to the ceding companies and (b) received from the reinsurance companies, excluding commissions related to covers,
(iv) claims handling costs.

ASSET MANAGEMENT

Net new money: Inflows of client money less outflows of client money. Net new money measures the impact of sales efforts, product attractiveness (mainly dependent on performance and innovation), and the general market trend in investment allocation.

Operating cost income ratio: operating expenses over gross revenues (including performance fees).

Financial statements

Consolidated balance sheet

(in euro millions)

Notes	Assets	2002	At December 31, 2001	2000 (a)
6	**Goodwill**	**14,407**	**15,879**	**15,865**
7	Value of purchased life business inforce	3,224	3,739	3,724
	Other intangible assets	701	396	403
	Total other intangible assets	**3,925**	**4,135**	**4,127**
	Real estate	12,714	13,409	13,825
	Investments in participating interests	3,784	3,828	3,113
	Fixed maturities	147,750	143,527	134,214
	Equity investments	57,303	64,537	65,773
	Mortgage, policy and other loans	18,265	22,907	26,316
8	**Total investments from insurance activities**	**239,816**	**248,208**	**243,241**
9	**Separate account (unit-linked) assets**	**90,458**	**115,723**	**117,261**
10	**Total investments from non-insurance activities**	**9,024**	**10,355**	**10,773**
11	**Investment in affiliated companies (equity method)**	**2,093**	**1,570**	**1,217**
	Reinsurers' share of insurance liabilities	9,910	11,591	9,142
	Reinsurers' share of separate accounts (unit-linked) liabilities	20	28	92
19	**Reinsurers' share of insurance liabilities**	**9,930**	**11,619**	**9,234**
12	**Receivables from insurance and reinsurance activities**	**14,003**	**15,571**	**13,817**
	Receivables (bank customers)	7,889	7,130	6,577
	Receivables (other)	3,477	4,303	4,142
	Receivables from non-insurance activities	**11,367**	**11,433**	**10,719**
13	**Cash and cash equivalents**	**17,592**	**17,646**	**28,728**
	Tangible assets	1,239	1,944	1,790
	Other tangible assets	7,241	7,493	5,841
	Other assets	**8,480**	**9,437**	**7,631**
14	**Deferred acquisition costs**	**10,965**	**10,917**	**9,359**
	Other prepayments and deferred charges	12,599	13,106	14,540
	Prepayments and accrued income	**23,563**	**24,023**	**23,899**
	TOTAL ASSETS	**444,657**	**485,599**	**486,513**

(a) The December 31, 2000 financial statement data, as reported, have been presented under a new basis of presentation following the implementation of new French Regulations effective January 1, 2001.

(in euro millions)

Notes	Liabilities	At December 31, 2002	2001	2000 [a]
	Ordinary shares	4,035	3,971	3,809
	Capital in excess of nominal value	13,824	13,627	12,379
	Retained earnings brought forward	4,902	6,662	4,230
	Net income for the financial year	949	520	3,904
15	**Shareholders' equity**	**23,711**	**24,780**	**24,322**
	Minority interests' share in retained earnings brought forward	2,444	3,024	1,578
	Minority interests' share in net income for the financial year	368	385	2,124
16	**Minority interests**	**2,812**	**3,409**	**3,702**
	Total minority interests and shareholders' equity	**26,523**	**28,189**	**28,023**
17	**Mandatorily convertible bonds and notes**	**–**	**–**	**192**
18	**Subordinated debt**	**8,300**	**8,867**	**8,261**
19	**Insurance liabilities, gross of reinsurance**	**263,172**	**272,125**	**263,174**
19	**Separate account (unit-linked) liabilities, gross of reinsurance**	**90,011**	**115,305**	**117,469**
20	**Provisions for risks and charges**	**9,775**	**10,553**	**11,530**
12	**Payables arising from insurance and reinsurance activities**	**8,299**	**8,806**	**9,543**
	Payables (bank customers)	10,656	9,985	10,385
	Payables (other)	15,656	16,556	18,955
	Payables arising from non-insurance activities	**26,313**	**26,541**	**29,340**
21	**Non-subordinated debt instruments issued**	**4,682**	**6,140**	**6,897**
22	**Amounts owed to credit institutions**	**5,018**	**6,609**	**9,412**
	Accrued expenses	**2,564**	**2,464**	**2,671**
	TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	**444,657**	**485,599**	**486,513**

(a) The December 31, 2000 financial statement data, as reported, have been presented under a new basis of presentation following the implementation of new French Regulations effective January 1, 2001.

(in euro millions)

Notes	Off balance sheet commitments	At December 31, 2002	2001	2000
30	**Other commitments received**			
	– Insurance activities	4,773	3,450	2,295
	– Banking activities	7,873	7,176	6,339
	– Other activities	5,693	4,640	45
	Total	**18,338**	**15,267**	**8,679**
30	**Other commitments given**			
	– Insurance activities	4,643	3,471	3,648
	– Banking activities	9,848	9,837	6,751
	– Other activities	1,635	2,269	882
	Total	**16,126**	**15,577**	**11,282**

Consolidated statements of income

(in euro millions, except per ordinary share amounts)

Notes	Consolidated statements of income	Years ended December 31, 2002	2001	2000 [(a)]
	Gross written premiums	69,723	69,471	64,788
	Revenues from banking activities	1,012	1,127	11,754
	Other revenues	3,992	4,234	3,429
23	**Gross premiums and financial services revenues**	**74,727**	**74,832**	**79,971**
	Change in unearned premium reserves	(382)	(355)	(439)
24	Net investment result	(8,713)	(1,244)	14,811
	Total Revenues	**65,632**	**73,233**	**94,342**
	Insurance benefits and claims	(47,922)	(56,668)	(61,828)
25	Reinsurance ceded, net	(523)	1,163	1,001
26	Insurance acquisition expenses	(5,891)	(6,394)	(5,958)
	Bank operating expenses	(600)	(838)	(6,509)
26	Administrative expenses	(8,098)	(8,775)	(11,871)
	Income before income tax expense	**2,597**	**1,721**	**9,176**
27	Income tax expense	(426)	(45)	(2,773)
	Net income	**2,171**	**1,676**	**6,403**
11	Equity in income from affiliated entities	23	17	(23)
6	Goodwill amortization, net	(877)	(788)	(353)
	Minority interests	(368)	(385)	(2,124)
	NET INCOME GROUP SHARE	**949**	**520**	**3,904**
28	Net income per ordinary share (basic) [(b)]	0.55	0.30	2.57
28	Net income per ordinary share (diluted) [(b)]	0.55	0.32	2.44
	Impact of exceptional operations [(d)]	(235)	–	(1,643)
	Goodwill amortization (Group share)	643	681	279
	ADJUSTED EARNINGS , GROUP SHARE [(c)]	**1,357**	**1,201**	**2,540**
28	Adjusted earnings per ordinary share (basic) [(b)]	0.78	0.70	1.67
28	Adjusted earnings per ordinary share (diluted) [(b)]	0.78	0.70	1.60

(a) The December 31, 2000 financial statement data, as reported, have been presented under a new basis of presentation following the implementation of new French Regulations effective January 1, 2001.

(b) 2000 per ordinary share data restated for the effect of the 4-for-1 stock split approved by the shareholders at the annual general meeting held on May 9, 2001.

(c) Adjusted earnings represents AXA's consolidated net income before goodwill amortization and exceptional operations. Adjusted earnings is a non-GAAP measure, which management believes provides a meaningful understanding of the results. It should be noted that "Adjusted earnings" as defined may not be comparable with similarly-titled measures reported by other companies as it is not defined under either French GAAP or U.S. GAAP.

(d) The exceptional operations included:

In 2002:

– the realized capital gain on the sale of AXA Australia Health activities (National Mutual Health Insurance – €87 million Group share),

– an exceptional profit of €148 million in Alliance Capital due to the partial release (€277 million) of the provision set up in 2000 to offset the dilution gain recorded when acquiring Sanford C, Bernstein, Inc, This release was due to the buy-back of 8,16 million private units in Alliance Capital to the former shareholders of Sanford Bernstein, after these shareholders exercised thier liquidity put options. This operation generated and additional goodwill for €122 million that was entirely amortized during the year (€129 million)."

In 2000:

– the consolidated net realized gain on the sale of Donaldson, Lukfin & Jenrette ("DLJ"), which totaled €2,004 million net group share (€2,071 million net Group share and net of realized and unrealized losses on Credit Suisse group shares received in respect of that transaction of €67 million);

– realized losses and valuation allowances of euro 236 million (net Group share) relating primarily to the Equitable Life high yield bond portfolio as a result of broad weaknesses in credit markets from a slowing economy during the third and fourth quarter of 2000, coupled with a review of investment strategy following AXA's acquisition of the minority interests in AXA Financial; and

– provision of €125 million recorded during the period in connection with the sale of Banque Worms.

Note to the consolidated financial statements

Preliminary note: in the present notes, "the Company" refers to AXA SA, the holding company, and "AXA" refers the Company and its consolidated subsidiaries.

1 Year 2002 operating highlights

The Company is a holding Company for AXA, an international group of companies offering financial protection and wealth management products. Based on available information, at December 31, 2001 AXA was the French, European and world's largest insurance group[1] and the world's sixth largest asset manager[2]. AXA operates principally in Western Europe, in Northern America and in the Asia / Pacific region. To a lesser extent, AXA is also present in the Middle-East, in Africa and in South America. In AXA's annual report and financial statements, the segment analysis is based on five types of activities: "Life & Savings", "Property & Casualty", "International Insurance" (including reinsurance) and "Other Financial Services". An additional "Holdings" segment includes all non-operational activities.

1.1. MAIN EVENTS

IMPACT OF DECLINE IN STOCK MARKETS

AXA, like many investors, has experienced for the third year in a row a significant decline in stock markets. In 2002, the CAC index declined –33.7%, the Dow Jones –17% while the Nikkei fell –18.6%. As a consequence, AXA has recorded valuation allowances for impaired equity securities of €912 million with an impact on net Group share earnings of €–614 million. These valuation allowances also include a liquidity risk reserve for €72 million (€47 million net Group share) for specifically French regulatory reasons and in spite of surveys demonstrating a sufficient asset liquidity.

1.2. SIGNIFICANT ACQUISITIONS AND DISPOSALS

1.2.1 ACQUISITIONS

On September 2, 2002, AXA and BNP Paribas announced that they had concluded an agreement for the acquisition by AXA of 100% of **Banque Directe,** a subsidiary of BNP Paribas group. The purchase price was €60 million, and the operation generated goodwill of €13 million, amortized within the year.

In Australia, AXA Asia Pacific Holdings Limited (AXA APH) announced on July 19th the acquisition of the Australian company **ipac Securities Limited,** for AU$205 million (€118 million using the average AU$/€ exchange rate for the period). The goodwill generated by this operation amounts to €101 million (using the closing AU$/€ exchange rate) and will be amortized over 15 years.

1.2.2 DISPOSALS

In Australia, the sale of **AXA Health Insurance Pty Limited** was finalized in the second half of the year 2002. The realized capital gain on the sale was €87 million net Group share and was recorded as an exceptional operation in the 2002 consolidated accounts.

(1) Source: FFSA 2001 (based on total revenues).
(2) Source: Citygroup (based on 2001 assets under management).

In France, on August 7, 2002, AXA and Crédit Foncier de France (CFF) reached an agreement with GECINA, under which their stakes (32% and 21%, respectively) in **SIMCO**, a property company listed on the Premier Marché of Euronext Paris, will be acquired through a public offer (in cash and shares) to be launched by GECINA on SIMCO. The sale was concluded on November 15, 2002 and generated a net profit of €115 million in French insurance companies (of which €113 million on French Life & Savings companies). Following the operation, the share of AXA Group in GECINA is 6.18% (of which 4.95% on French insurance and financial services companies).

1.3. CAPITAL AND FINANCING OPERATIONS

1.3.1 CAPITAL OPERATIONS

The AXA Group has for several years offered its employees, in and outside France, the opportunity to purchased its shares issued by way of capital increase reserved for employees. In 2002, employees invested €255 million (respectively €13 million in July 2002 and €242 million in December 2002). The 2002 offerings led to the issuance of 27.2 million additional shares, bringing the total number of shares in issue to 1,762 million as at December 20, 2002. As of December 2002, employee shareholders represented approximately 4% of the outstanding share capital of AXA as compared to 2.3% as of December 2001.

1.3.2. FINANCING OPERATIONS

In January 2002, AXA negotiated a 3-year bilateral credit facility for €100 million. In January and February 2002, AXA issued under its €3.0 billion Euro Medium Term Note Program (“EMTN”), a US$100 million bond due 2004, a €200 million bond due 2004 and a €200 million bond due 2005. These operations were used to refinance existing debts.

2. Events subsequent to December 31, 2002

In **Austria** and in **Hungary,** AXA announced on December 18, 2002 the terms of its discussions with certain shareholders of UNIQA Versicherung AG, the first Life and fourth non-life insurer in Austria, for the sale of its business. This transaction has been signed by both parties in December 2002, but is still subject to the approval of local regulators. The estimated amount of the realized capital gain to be accounted for in 2003 is €45 million.

In **Australia,** on 29 November 2002, AXA Asia Pacific Holdings announced that it had signed a memorandum of understanding to sell its 50% stake in Members Equity Pty Ltd for €51 million. The transaction was finalized early in 2003, at which time the realized capital gain on sale, of €11 million net Group share will be booked in the Group consolidated accounts.

3. Accounting policies and consolidation method

3.1. FINANCIAL STATEMENT PRESENTATION

GENERAL PRINCIPLES

AXA, a French “société anonyme” (the “Company” and, together with its consolidated subsidiaries, “AXA”), is the holding (Parent) Company for an international financial services group focused on financial protection, insurance and asset management. The list of AXA’s consolidated entities is provided in note 4.

AXA’s consolidated financial statements are prepared as at December 31. Certain entities within AXA have a reporting year-end that does not coincide with December 31, in particular AXA Life Japan and its insurance subsidiaries, which have a September 30 financial year-end. Prior to 2001, AXA Asia Pacific Holdings and its subsidiaries also had a financial year ending September 30, however, the financial year-end was changed to December 31 in 2001. Therefore, AXA’s 2001 consolidated financial statements included 15 months of operating results beginning October 1, 2000 for this group of companies.

Assets and liabilities of subsidiaries denominated in non-euro currencies, being the functional currency of the local subsidiary, were translated into euro using year-end spot foreign exchange rates. Revenues and expenses transacted in foreign currencies were translated into euro using the average exchange rate for the accounting period. The impact of foreign exchange rates is recorded within consolidated shareholders’ equity.

3.2. GENERAL ACCOUNTING PRINCIPLES

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in France (referred to as “French GAAP”). French GAAP is based on the:

– French Law of January 3, 1985 and its decree of application regarding consolidation; and
– Regulations issued by the French Accounting Regulations Committee (“Comité de la Réglementation Comptable”) including the new French Regulation No. 2000-05 that became effective on January 1, 2001 and introduced certain new accounting and disclosure principles for preparing and presenting the consolidated financial statements of an insurance company.

3.3. CHANGES IN ACCOUNTING PRINCIPLES

Effective from January 1, 2002, AXA complies with the regulation no. 2000-06 issued by the French Accounting Regulations Committee (“Comité de la Réglementation Comptable”) in respect of liabilities. This new regulation did not impact AXA’s consolidated financial statements.

There were no changes in accounting principles adopted in 2002.
In 2001, there were changes in accounting principles due to (i) the implementation of the new French Regulations (n° 2000-05) for preparing and presenting consolidated financial statements of French insurance companies, and (ii) in respect of the accounting for UK “With-profit” contracts.

3.4. ACCOUNTING PRINCIPLES

3.4.1 BASIS OF CONSOLIDATION

Companies in which AXA exercises controlling influence are **fully consolidated.** Controlling influence is presumed when AXA directly or indirectly holds at least 40% of the voting rights and no other shareholder directly or indirectly holds a percentage interest greater than that held by AXA.

Companies in which AXA directly or indirectly holds 20% or more 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 long-term influence, that is, affiliated companies, are accounted for as an investment using the **equity method** of accounting. Significant influence is presumed when AXA directly or indirectly holds 20% or more of the voting rights or when significant influence is exercised through an agreement with other shareholders. Certain entities are also accounted for as investments under the equity method if their contribution to revenue, net income or net financial position is not significant.

Investments in mutual funds, investment and real estate companies principally held by AXA's insurance entities are not consolidated but accounted for at cost, if the exclusion from consolidation does not impact the true and fair presentation of AXA's consolidated financial condition or operating results.

Subsidiaries and investments in affiliates are accounted for at cost rather than being consolidated if the following conditions are met:
– from the date of acquisition, the entity is held for sale,
– the subsidiary does not have a material impact on AXA's consolidated financial position and consolidated operating results, or
– the information required to prepare the consolidated financial statements cannot be readily obtained, either for reasons of cost or timeliness of preparing such information.

The equity holdings of entities that are not consolidated, which are used to support separate account (unit-linked) contracts, are included in the calculation of AXA's controlling interest but are excluded from the calculation of the percentage of ownership interest.

3.4.2. PURCHASE ACCOUNTING AND GOODWILL INCLUDING ACQUISITIONS OF MINORITY INTERESTS

Valuation of assets acquired and liabilities assumed

At the first consolidation, the identifiable assets and liabilities of the acquired company are recorded at their estimated fair value. However, the insurance liabilities are maintained at the predecessor's carrying value if the measurement basis is consistent with AXA's accounting principles. In conjunction with purchase accounting relating to acquired life insurance operations, an asset is recorded corresponding to the present value of estimated future profits emerging on purchased life insurance business in-force at the date of acquisition (also referred to as value of purchased Life insurance business in-force or VBI). The present value of future profits is estimated using actuarial assumptions based on anticipated experience determined as of the purchase date using a discount rate that includes a risk premium.

Acquisitions of minority interests

In respect of acquisitions of minority interests of an existing consolidated entity, the portion of assets acquired and liabilities assumed are maintained at their carrying values at the date of acquisition and not adjusted to reflect their estimated fair values.

Determination of purchase price

The purchase price includes the direct costs and external fees related to the transaction, including the costs of settling or exchanging outstanding employee share options of the target company (applicable to all acquisitions including acquisitions of minority interests). If the transaction is based in a foreign currency, the impact of the foreign currency is included in the purchase price at the date of the transaction or the initial date of the transaction (if it occurs over a period of time).

Goodwill

The difference between the purchase price and the net assets acquired represents goodwill. If goodwill is positive, goodwill is recorded as an asset.

If goodwill is negative, the following adjustments are made:
– acquisition of a company that was not previously consolidated: the estimated fair value determined for real estate is decreased to the extent necessary to eliminate such excess,
– acquisition of ownership interest of an existing consolidated company: the net book value of the assets are reviewed and decreased in value where appropriate, with the remaining negative goodwill offset against any pre-existing goodwill asset arising from previous partial acquisitions of the relevant company.

Any excess remaining after the adjustments above is recorded as a liability and is referred to as negative goodwill. Revisions can be made to goodwill up until the end of the fiscal year end following the year of the acquisition, if new information becomes available.

Goodwill recorded is allocated (i) to the companies or portfolios of business acquired in respect of importance in the market and their expected profitability, and (ii) to the segments and entities within the AXA Group that will benefit from the activities acquired.

For acquisitions undertaken prior to January 1, 2001, when new shares were issued by AXA (the Company) to partly finance an acquisition, a portion or all of the goodwill could be charged directly to retained earnings and reserves (in proportion to the value of shares issued by AXA to total purchase price). The value recorded in retained earnings and reserves would remain unchanged unless there was a dilution of ownership interest in the acquired company (see “Net Investment Results” below). Any remaining goodwill would have been recorded as a goodwill asset and amortized. This prior treatment was not subject to a retroactive adjustment upon adoption of the new French Regulations in 2001.

However, acquisitions can be accounted for using the derogatory method detailed in article n° 215 of the new regulation “Posting of interests” if they fulfill the required conditions.

3.4.3. INTER-COMPANY TRANSACTIONS

From January 1, 2001, the entire effect of inter-company transactions is eliminated upon consolidation unless there are durable losses, which are recorded immediately.

When an asset is disposed of internally and not intended for durable holding within AXA’s assets:
– the tax corresponding to the realized capital gain or loss is eliminated upon consolidation through a deferred tax posted to the balance sheet,
– the same applies to the potential policyholders benefit in respect of the disposal gain (a deferred policyholder’s benefit is then posted to the balance sheet).

In addition, the total or partial transfer of securities between two consolidated subsidiaries (for which AXA has a level of interest less than 100% in either entity) will not effect the consolidated operating results, with the exception of the recognition of any related deferred tax and policyholders benefit, as it is reported as a change within shareholders' equity (and presented separately in the statement of shareholders' equity as "effect of restructurings").

3.5. VALUATION OF ASSETS

3.5.1. GOODWILL

The goodwill amortization period is dependent on the type of business activity acquired, and whether the segment to which it was allocated can be considered as significant at the Group level. The amortization period generally does not exceed 30 years for insurance operations, including banks and asset management companies whose principal activity is the management of assets on behalf of insurance companies of AXA. For Asset Management operations that manage assets on behalf of third parties, the goodwill amortization period does not exceed 20 years, or five years for brokerage operations.

If the goodwill is less than €10 million (€1.5 million for brokerage operations), then the goodwill asset is fully amortized as a charge against earnings in the year of acquisition.

If parameters used to determine the initial amortization period (value of assets, future operating profits, market share) do not change in the course of this period, the initial amortization pattern remains the sames. If there are significant adverse changes, an exceptional goodwill amortization charge is recorded (or a modification to the initial pattern). However, no exceptional amortization charge is recorded if the amount is less than the cumulative amortization charge over a period equal to 1/5th of the initial amortization period and (i) there is an intention to hold the interest in the Company, and (ii) based on available information it is more likely than not that deterioration is not definitive.

3.5.2. INTANGIBLE ASSETS

Value of purchased Life insurance business in force ("VBI")

The VBI, in respect of acquired Life insurance companies, is determined based on profits emerging over the contract period and is amortized over the life of the relevant contracts. VBI is subject to annual recoverability testing based on actual experience and expected trends with respect to the principal assumptions used to calculate the VBI.

Other intangible assets

Other intangible assets include principally certain costs associated with developing software for internal use are capitalized and amortized on a straight-line basis over the estimated useful life of such assets (in general not to exceed five years).

3.5.3. INVESTMENTS FROM INSURANCE, BANKING AND OTHER ACTIVITIES

In general, the accounting for investments is described below.

– **Real estate investments** are stated at historical cost less accumulated depreciation and any valuation allowances. Valuation allowances are recorded for a decline in the value of a property that is deemed to be other-than-temporary. Real estate acquired in satisfaction of debt is valued at estimated fair value at the date of foreclosure.
– **Fixed maturity securities** are stated at amortized cost less valuation allowances. A valuation allowance is recorded for a decline in the value of a specific fixed maturity security that is deemed to be other-than-temporary whereby the amount may not be fully recoverable.
– **Equity securities** are stated at historical cost less any valuation allowances for declines in the estimated fair values of specific equity investments that are deemed to be other-than-temporary.

Valuation allowances are determined according to a regulation issued by the French standard setter (l'Avis du Comité d'urgence du Conseil National de la Comptabilité) on December 18, 2002 in respect of durable impairments. It is presumed that there is a durable impairment when the unrealized loss is significant and for a continuous period of 6 months or more prior to year-end. The criteria for determining whether an unrealized loss is significant is 20% of carrying value in periods where the markets are slightly volatile and increases to 30% when the markets are volatile. Due to the significant deterioration in the markets during 2002, the 30% criterion was applied. Certain equity securities that do not fall under this criteria may be also subject to a valuation allowance if the decline in value is determined to be durable based on specific facts and circumstances of the issuer or if a security (in an unrealized loss position) is to be sold shortly after year-end.

The valuation allowance recorded for equity securities that are determined to have a durable impairment is equal to the difference between the net carrying value and the recoverable value at year-end. The recoverable value is not, except in circumstances, the market value at year-end but rather a value determined based on the net worth, future cash flows and specific considerations relating to the industry sector/activities of the issuer. The investments that are intended to be held for business purpose are not subject to a valuation allowance if there are no indications that the fall in value is linked to the issuer; in other cases of long-term holding intention, the recoverable value is the greater of market value at year-end or the value determined above. In the contrary, if it is determined before year-end that the security will be sold shortly after year-end, the recoverable value is the market value and for other securities the value is the greater of the average market value in the last month before the year end or the market value at year end.

Valuation allowances recorded for the impairment of equity securities may be reversed in subsequent periods.

– **Policy loans** are stated at outstanding principal balances.
– **Mortgage loans** on real estate are stated at outstanding principal balances, net of unamortized discounts and valuation allowances. Impairment measurement is based on the present value of expected future cash flows, 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.

Investments in real estate companies and mutual funds are accounted for as real estate investments or as equity securities, respectively.

Investments for certain activities are stated at fair value with the change in fair value included in income under "net investment result". The activities in which investments can be valued at fair value are set out below:

– invested assets in respect of **separate account (unit-linked) contracts** and invested assets supporting the **UK "With-profit" funds;** an adjustment in insurance liabilities is required if a change in fair value occurs,
– certain investments held by **non-European Life insurance subsidiaries,** for which the unrealized gains and losses of invested assets are included within insurance liabilities,
– invested assets held by AXA's banking subsidiaries for **trading purposes,** for which the change in fair value is recorded in the net investment result.

3.5.4. OTHER ASSETS

Real estate (property) owned and occupied by AXA is included under the balance sheet caption "Other assets" and depreciated on a straight-line basis over the estimated useful life of the buildings, ranging from 20 to 50 years. This includes materials, fixtures and equipment that are depreciated on a straight-line basis over the estimated useful life for each asset.

3.5.5. DEFERRED ACQUISITION COSTS ("DAC") IN RESPECT OF LIFE INSURANCE OPERATIONS

The costs of acquiring new and renewal business that vary with and are primarily related to the production of new business are specifically identified and deferred by establishing an asset. This asset is amortized based on the estimated gross profits emerging over the contract term. Estimates of gross profits are reviewed at the end of each accounting period and the amount not deemed recoverable from future estimated gross profits is recorded as a charge against income.

DAC is reported net of unearned revenue reserves, which are recorded in income over the contract term using the same amortization basis used for DAC.

3.5.6. REINSURANCE CEDED UNDER NON-PROPORTIONAL TREATIES

Ceding of insurance to reinsurers and of reinsurance to reinsurers (the latter called, "retrocession") are accounted for in the balance sheet and statements of income in a manner consistent to the accounting for the underlying direct insurance contract and takes into account contractual clauses.

3.6. VALUATION OF LIABILITIES

3.6.1 PROVISIONS FOR RISKS AND CHARGES

Restructuring Costs

In connection with **a business combination,** restructuring costs relating to employee termination benefits, the closing of office sites and image changes in respect of the acquired company are included in a restructuring provision recognized in the opening balance sheet of the acquired company. When a restructuring provision impacts the acquirer or its subsidiaries, a restructuring provision is recorded as a liability and included in the purchase price. In the event that the provision is not fully utilized, the release of the provision does not impact the post-acquisition operating results.

In other cases, restructuring provisions are recorded in the period a restructuring plan is approved with any release in provision recorded in the operating results.

Pensions and other post-retirement benefits

Long-term liabilities of employee benefits are calculated according to the "preferred method" under French regulation. They include the benefits payable to AXA group employees when they retire (departure compensation, pension complement, medical cover, long-service benefits). In order to face those commitments, some regulators have allowed or imposed the set-up of dedicated funds. The funding and implementation methods are specific to each country and each fund.

Employee benefit liabilities are either in defined contribution plans and / or defined benefit plans.

– Defined contribution plans are characterized by the payment(s) to institutions, which makes the employer free of future commitments. Those institutions are responsible for paying the amounts due to the employees. Indeed, once the contributions are paid by the employer, there is neither commitment nor liability in the Group financial statements. The cost of the contributions paid which is an expense in the Profit and Loss account.
– Defined benefit plans are characterized by an actuarial assessment of the commitments based on each plans' internal rules. The present value of the future benefits paid by the employer, PBO (Projected Benefit Obligation), is calculated based on long-term projections (salary increase rate, inflation rate, mortality, turnover, pension indexation and remaining service lifetime).

The balance sheet information for employee benefits captures the difference between the Projected Benefit Obligation and the market value of the corresponding invested plan assets increased by the unrecognized loss or decreased by the unrecognized gains. When this difference is positive a contingency and loss reserve is booked within the balance sheet liability. When it is negative, an asset is recorded in the balance sheet.

Income taxes

Current income tax expense (benefit) is recorded in earnings based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year based on the relevant local tax regulation. 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 carry forwards, if any. Valuation allowances are recorded for deferred tax assets that are not expected to be recovered.

3.6.2. LIABILITY FOR INSURANCE BENEFITS AND CLAIMS

Unearned premium reserves

An unearned premium reserve is established and represents the portion of gross premiums written which has not yet been earned in the period. A portion is included in income over the periods benefited, as the portion of the unearned premium reserve earned in the period is calculated on a pro rata basis in proportion to the insurance still in force at period-end. The deferred acquisition costs related to such contracts are included as an asset under the heading "Prepayments and accrued income" using the same basis.

Insurance liabilities

For **traditional life insurance contracts** (that is, those contracts with significant mortality risk), the liability for future policy benefits is calculated in accordance with the applicable regulatory principles of each country on the basis of actuarial assumptions as to investment yields, mortality, morbidity and expenses, using a prospective approach. An additional provision is recorded in the event of an adverse impact on the benefits due to a change in mortality tables. If the contracts include a minimum guaranteed rate of return, the insurance liability will also include a provision necessary to cover the guarantee in the event that the future returns are insufficient.

The liability for **savings contracts or other investment contracts,** in which there is minimal mortality or morbidity risk and that are not separate account (unit-linked) contracts, is determined using the retrospective method. Under this method, the liability represents an account balance based on the premiums received to date plus any interest or bonus credited to the policyholders less policy charges, such as, for insurance administration and surrenders. In respect of participating life insurance contracts, whether allocated or not, the future policy benefit liability includes a value attributable to anticipated participation rights arising from the operating results or net investment return for the period.

The method in determining the insurance benefits is in line with the preferred method set out in the new French Regulations effective from January 1, 2001, in particular, the discount rates used by the group are, in effect, lower than the expected future investment yield recommended in the Regulations.

Specific to future policy benefits on the UK "With-profit" contracts and as a result of AXA Equity & Law's plan of financial reorganization completed in 2001 (see "Changes in accounting principles under French GAAP" above), the future policy benefits for such contracts include 100% of the "Fund for Future Appropriation" (FFA), which principally covers the future terminal bonuses according to the terms of these contracts. The FFA and, therefore, the future policy benefits vary with the change in market value of the assets supporting the participating "With-profit" funds.

Reserves for **guarantees** in respect of separate account (unit-linked) contracts in respect of direct insurance and reinsurance activities are determined using a prospective approach. The current value on future benefit obligations to be paid to the policyholder in the event that the guarantee is triggered is estimated based on reasonable scenarios.

The assumptions include an investment return and related volatility, surrender rates and mortality. This current value of future benefit obligations is set up as a provision such that the total average cost of the guarantees is recognized over the contract life.

Provisions for future negative margins can be recorded by each insurance company based on local regulatory requirements (for example, the premium deficiency reserve). To be maintained at the consolidation level, this provision must be necessary from an economic point of view. In the case of life insurance companies, this provision must consider the insurer's recoverability of VBI and DAC.

Insurance claims and claims expenses

The claims reserves are determined on a basis to cover the total cost of settling an insurance claim. With the exception of disability annuities, annuities for which the payments are fixed and determinable, the claims reserves are not discounted.

The claims reserves include the claims incurred and reported in the accounting period, claims incurred but not reported ("IBNR") in the accounting period and costs associated with the claims settlement management. The claims reserve is based upon estimates of the expected losses and unexpired risks for all lines of business taking into consideration management's judgement on the anticipated level of inflation, regulatory risks and the trends in cost and frequency of claims, actual against estimated claims experience, other known trends and development, and local regulatory requirements.

Claims reserves include unexpired risk provisions, equalization provisions as set out below:

– Equalization provisions are determined based on local regulation in certain of the countries in which AXA operates and, principally, relate to catastrophe risks, such as hail, storms, floods, nuclear accidents, pollution liability and terrorist attacks.
– Unexpired risk provisions are established for contracts for which the premiums are expected to be insufficient to cover expected future claims and claims expenses. The calculation of the provision includes estimated future losses, administration expenses and investment income.

3.6.3. PROVISION FOR LIQUIDITY RISK

A provision for liquidity risk must be recorded as a liability by an insurance company if there is a risk of liquidity, principally in the case of a large contract surrender, and if the total net book value of investments (excluding fixed maturity investments) of such company is greater than its total market value.

Even though analyses performed did not demonstrate any liquidity risk, for French regulatory reasons, a provision was maintained in the consolidated accounts for approximately €72 million before tax, or €47 million net Group share.

3.6.4. SEPARATE ACCOUNT (UNIT-LINKED) CONTRACTS

These contracts are linked to a specific pool of investment funds / assets and are written by AXA's Life insurance companies. In respect of these contracts, the investment risks and rewards are principally transferred to the policyholders and the guarantees on the benefits are realized and supported by the investment funds. For these contracts the liability represents the fair value of the investment funds / assets linked to those contracts at the balance sheet date.

3.6.5. CAPITALIZATION RESERVE

In France, increases and decreases in capitalization reserve are accounted for in the local statutory accounts and are eliminated in preparing consolidated accounts. A deferred tax charge is recorded if there is a strong probability that this reserve will be released. In the event that the entity is a Life insurance company, this will also include a deferred policyholder participating benefit.

3.7. DERIVATIVE INSTRUMENTS

Derivative instruments are accounted for according to the opinion of the French standard setter (Comité de Réglementation Comptable) issued on December 12, 2002 for certain financial instruments (forwards) issued by insurance companies. This opinion is consistent with the principles already applied by AXA, with the exception of the recognition until 2001 of unrealized gains on derivatives instruments that are not in qualifying hedges.

For derivative instruments that qualify as hedges that AXA uses in asset-liability management or to cover certain designated assets or liabilities against the change in fair value or future anticipated cash flows, the total change in value is recorded in a similar manner as the underlying hedge item; related charges and revenues are recorded in the net investment result. Tests of effectiveness are performed on a routine basis. For foreign currency hedges in net investments in foreign operations, the unrealized and realized gains and losses are recorded in shareholders' equity until the foreign subsidiary is sold, at which time the amount is included in income. In the case of a strategic investment / divestment, the results are deferred until the asset is acquired or sold.

Other derivative instruments are accounted for on the balance sheet at estimated fair value. The unrealized losses are included in the net investment result with a credit to other provisions for risks and charges. The estimated fair value is determined using market value, if available, otherwise determined using other valuation techniques such as option pricing models, or other internal estimates.

3.8. REVENUE RECOGNITION

3.8.1 GROSS PREMIUMS AND FINANCIAL SERVICES REVENUES

Gross premiums written correspond to the amount of **premiums written** on business incepted in the year for insurance and reinsurance companies, net of policy cancellations and gross of reinsurance ceded. In the reinsurance sector, the premiums are recorded on a basis as declared by the cedant and may include estimates of gross premiums written but not yet reported in the period, which are adjusted in future periods to reflect actual gross premiums written and ceded to the reinsurer.

Gross revenues **in respect of banking and other activities** are determined principally as follows:

- commissions received upon the sale of financial products, including those revenues received by the insurance companies on such activities,
- commissions received and fees for services rendered in respect of asset management activities,
- rental income received by real estate management companies and
- sales proceeds received on buildings constructed or renovated and subsequently sold by real estate businesses.

3.8.2. CHANGE IN UNEARNED PREMIUM RESERVES

The unearned premium reserve is reported as a liability (see "Unearned Premium Reserve" above). Total revenues in the period include the change in unearned premium reserve, which represents the earned premium in the period, gross of reinsurance.

3.8.3. NET INVESTMENT RESULT

The net investment result in respect of insurance activities includes:

– investment income from the insurance-related invested assets, net of depreciation expense on real estate investments (depreciation expense on real estate not held for investment is included in administrative expenses),
– financial charges and expenses,
– realized investment gains and losses net of valuation allowances for investment impairment, and
– unrealized investment gains and losses on invested assets in respect of separate account (unit-linked) assets, assets allocated to UK “With-profit” contracts and other invested assets whereby such assets are stated at market value (refer to “Investments from insurance, banking and other activities” above).

In respect of banking activities, interest income and financial charges, including interest expenses are included in bank operating income and bank operating expenses, respectively.

From time to time subsidiaries that are not wholly owned by AXA may issue additional capital. As a result, AXA’s ownership interest in that subsidiary decreases and a dilution gain or loss arises. This gain or loss is recorded in the net investment results.

3.9. TREASURY SHARES

Treasury shares are recorded as a reduction of consolidated shareholders’ equity. However, such investments in Parent Company stock are accounted for as an investment in equity securities if the treasury shares are held to stabilize the Company’s share price in the market, to be attributed to employees in connection with share purchase programs, or are treated as investments supporting separate account (unit linked) contracts.

3.10. ACCOUNTING FOR SHARE OPTIONS

The accounting principles adopted by AXA for the accounting of stock option plans will vary according to the type of stock option plan.

3.10.1. OPTIONS TO SUBSCRIBE FOR SHARES (INCREASES AXA’S CAPITAL)

For share option plans issued by AXA (the Company) that **do not provide a guarantee of liquidity** given by AXA (the Company) to the employee, in principle, an expense is not recorded. For share option plans issued by AXA entities other than AXA (the Company) in which the grant provides an advantage to the employees (the exercise price is less than the market price at the date the number of options and the exercise price are known), a liability is recorded on a systematic basis over the vesting period.

For all share options granted by AXA (the Company) or any other AXA entity that provide a **guarantee for liquidity,** a liability (corresponding to the difference between the market value of the shares and the exercise price) is determined at measurement date, being the vesting or exercise date. Accordingly, an estimate of the compensation charge is determined at the end of each interim reporting period dependent on the market value of the underlying shares at such interim date.

In respect of acquisitions of minority interests, the share repurchase induces an increase in the Group's interest. The cost of settling or exchanging outstanding employee share options of the target company is included in the purchase price, as the buyout includes the cost of acquiring the minority shareholders interests plus the potential shares to be issued by the target company in respect of the share options granted to its employees. The excess price should be split between a charge corresponding to the Group increase in interest to the level of the initial interest level and an additional goodwill up to the complementary interest acquired.

3.10.2. OPTIONS TO PURCHASE SHARES (WHICH ARE PURCHASED WITHIN THE MARKET)

When employee share options to purchase shares are issued by AXA, a provision is recorded (corresponding to the difference between the market value of the shares to be acquired in the market and the exercise price) over the acquisition period. This provision is adjusted on an annual basis to reflect the change in market value of the underlying shares up until the date the shares are to be acquired.

4. Scope of consolidation

4.1. CHANGE IN SCOPE

4.1.1. PRINCIPAL CHANGES IN CONSOLIDATION IN 2002

The main change in scope of consolidation in 2002 is linked to the sale of **AXA Health Insurance Pty Ltd** in Australia, concluded and taken into account as of August 31, 2002 (8 months of activity in 2002).

The activities of **Banque Directe** have been merged with AXA Banque. The activities of **ipac Securities Limited** have been integrated within the AXA Australia New Zealand sub-group at acquisition date.

Other 2002 changes are detailed in the schedules presented in paragraph 4.2.

4.1.2. PRINCIPAL CHANGES IN CONSOLIDATION IN 2001

The principal change in the scope of consolidation in 2001 was the sale of **Banque Worms** to Deutsche Bank that was completed on April 2, 2001. Since January 1, 2001, Banque Worms is not consolidated anymore.

4.2. CONSOLIDATED COMPANIES

4.2.1. FULLY CONSOLIDATED COMPANIES

Certain entities below represent the Parent Company of sub-groups that can hold an interest in entities in more than one country and, therefore, may be consolidated with an ownership interest less than that indicated for the Parent Company of the sub-group.

Parent and holding companies	Change in scope	December 31, 2002 Voting rights	December 31, 2002 Ownership interest	December 31, 2001 Voting rights	December 31, 2001 Ownership interest
France					
AXA		Parent Company		Parent Company	
AXA China		100.00	76.31	100.00	75.99
AXA France Assurance		100.00	100.00	100.00	100.00
Colisée Excellence		100.00	100.00	100.00	100.00
AXA Participations II (formerly Financière Mermoz)		100.00	100.00	100.00	100.00
Jour Finance		100.00	99.94	100.00	100.00
Mofipar		100.00	99.90	100.00	100.00
Société Beaujon		99.99	99.99	99.99	99.99
AXA Technology Services		100.00	99.99	100.00	99.81
United States					
AXA Financial. Inc.		100.00	100.00	100.00	100.00
United Kingdom					
Guardian Royal Exchange Plc		100.00	99.99	100.00	99.99
AXA UK Holdings Limited		100.00	100.00	100.00	100.00
AXA UK Plc		100.00	99.99	100.00	99.99
AXA Equity & Law Plc		99.95	99.95	99.94	99.94
Asia / Pacific					
National Mutual International Pty Ltd		100.00	51.66	100.00	51.00
AXA Insurance Holding Co. Japan		96.42	96.42	96.42	96.42
AXA Asia Pacific Holdings Ltd		51.66	51.66	51.00	51.00
Germany					
GRE Continental Europe Holding GmbH		100.00	90.17	100.00	90.17
Kölnische Verwaltungs AG für Versicherungswerte		99.56	97.30	99.56	97.30
AXA Konzern AG		90.86	90.17	90.86	90.17
Belgium					
AXA Holdings Belgium		99.98	99.88	99.98	99.87
Royale Belge Investissement		100.00	99.88	99.98	99.87
Luxembourg					
AXA Luxembourg SA		100.00	99.88	100.00	99.87
Austria					
AXA Nordstern Holding		100.00	90.17	100.00	90.17
The Netherlands					
AXA Verzekeringen		100.00	99.88	100.00	99.87
Gelderland		100.00	99.88	100.00	99.87
Royale Belge International	Merger with *Gelderland*	–	–	100.00	99.87
Vinci BV		100.00	100.00	100.00	100.00
AXA Nederland BV	Merger with *Gelderland*	–	–	94.36	99.87
Spain					
AXA Aurora SA		100.00	100.00	100.00	100.00
Italy					
AXA Italia SpA		100.00	100.00	100.00	100.00
Morocco					
AXA Ona		51.00	51.00	51.00	51.00

Life & Savings and Property & Casualty	Change in scope	December 31, 2002 Voting rights	December 31, 2002 Ownership interest	December 31, 2001 Voting rights	December 31, 2001 Ownership interest
France					
AXA France Iard		99.92	99.92	100.00	100.00
AXA Conseil Iard	Merger with AXA Assurances IARD	–	–	100.00	100.00
AXA Conseil Vie	Merger with AXA Assurances Vie	–	–	100.00	100.00
Direct Assurances Iard		100.00	100.00	100.00	100.00
Direct Assurances Vie	Deconsolidated (*)	–	–	100.00	100.00
AXA France Vie		100.00	99.95	100.00	99.93
AXA France Collectives		99.40	99.39	99.40	99.40
AXA Courtage Iard	Merger with AXA Assurances IARD	–	–	99.65	99.65
Juridica		98.51	98.51	98.51	98.51
United States					
The Equitable Life Assurance Society of the United States		100.00	100.00	100.00	100.00
Canada					
AXA Canada Inc.		100.00	100.00	100.00	100.00
United Kingdom					
AXA Equity & Law Life Assurance Soc.	Merger with AXA Sun Life	–	–	100.00	99.99
AXA Insurance Plc		100.00	99.99	100.00	99.99
AXA Sun Life Plc		100.00	99.99	100.00	99.99
GREA Insurance (Discontinued activity)		100.00	99.99	100.00	99.99
PPP Group Plc		100.00	99.99	100.00	99.99
PPP Healthcare Ltd		100.00	99.99	100.00	99.99
PPP Lifetimecare	Merger with AXA Sun Life	–	–	100.00	99.99
E-business AXAUK	Merger with AXA UK Plc	–	–	100.00	99.99
Ireland					
Guardian PMPA Group Ltd		100.00	99.99	100.00	99.99
Asia / Pacific					
AXA Group Life Insurance (Japon)		100.00	96.42	100.00	96.42
AXA Insurance Co (Japon)		100.00	96.42	100.00	96.42
AXA Life Insurance Singapore		100.00	51.66	100.00	51.00
AXA Non Life Insurance Co Ltd (Japon)		100.00	100.00	100.00	100.00
AXA Australia New Zealand		100.00	51.66	100.00	51.00
AXA China Region Limited		100.00	51.66	100.00	51.00
National Mutual Health Insurance	Sold (8 months activity in 2002)	–	–	100.00	51.00
Australian Casualty Insurance Pty Ltd	Liquidation / Merger with National Mutual	–	–	100.00	51.00
AXA Minmetals Assurance Co Ltd (Chine)	Deconsolidated (*)	–	–	51.00	38.75
Germany					
AXA Versicherung AG		100.00	90.17	100.00	90.17
AXA Leben Versicherung AG		100.00	90.17	100.00	90.17
Die Alternative Versicherung AG		100.00	100.00	100.00	100.00
AXA Kranken Versicherung AG		99.42	89.43	99.40	89.63

(*) Entity had no activity in 2002 and therefore, was not material and was deconsolidated.

Life & Savings and Property & Casualty	Change in scope	December 31, 2002 Voting rights	December 31, 2002 Ownership interest	December 31, 2001 Voting rights	December 31, 2001 Ownership interest
Hungary					
AXA Biztosito Rt		100.00	90.17	100.00	90.17
Austria					
AXA Versicherung		100.00	90.17	100.00	90.17
Belgium					
Ardenne Prévoyante		100.00	99.88	100.00	99.87
AXA Belgium SA		100.00	99.88	100.00	99.87
UAB		100.00	99.88	100.00	99.87
Luxembourg					
AXA Assurances Luxembourg		100.00	99.88	100.00	99.87
AXA Assurances Vie Luxembourg		100.00	99.88	100.00	99.87
The Netherlands					
AXA Leven N.V.		100.00	99.88	100.00	99.87
AXA Schade N.V.		100.00	99.88	100.00	99.87
AXA Zorg N.V.		100.00	99.88	100.00	99.87
Unirobe Groep B.V.		100.00	99.88	100.00	99.87
Spain					
Ayuda Legal SA de Seguros y Reaseguros		100.00	99.68	100.00	99.68
AXA Aurora SA Iberica de Seguros y Reaseguros		99.68	99.68	99.68	99.68
AXA Aurora SA Vida de Seguros y Reaseguros		99.68	99.68	99.68	99.68
AXA Aurora SA Vida		99.96	99.65	99.96	99.65
Italy					
AXA Interlife		100.00	100.00	100.00	100.00
UAP Vita		100.00	100.00	100.00	100.00
AXA Assicurazioni		100.00	99.98	100.00	99.98
Switzerland					
AXA Compagnie d’Assurances sur la Vie		100.00	100.00	99.99	99.98
AXA Compagnie d’Assurances		100.00	100.00	99.95	99.95
Portugal					
AXA Portugal Companhia de Seguros SA		99.61	99.36	99.62	99.39
AXA Portugal Companhia de Seguros de Vida SA		95.09	95.05	95.09	95.09
Morocco					
AXA Assurance Maroc		100.00	51.00	99.99	51.00
Epargne Croissance		99.59	50.79	99.59	50.80

International Insurance (entities having worldwide activities)	Change in scope	December 31, 2002 Voting rights	December 31, 2002 Ownership interest	December 31, 2001 Voting rights	December 31, 2001 Ownership interest
AXA Corporate Solutions (sub-group)		100.00	100.00	100.00	99.99
AXA Assistance SA (sub-group)		100.00	100.00	100.00	100.00
AXA Cessions		100.00	99.99	100.00	100.00
English & Scottish		100.00	100.00	100.00	100.00
Créalux		100.00	99.88	100.00	99.87
Futur Ré		100.00	98.49	100.00	98.48
Paneuroré	Sold	–	–	100.00	97.94
Saint-Georges Ré		100.00	100.00	100.00	100.00

Asset Management (entities having worldwide activities)	Change in scope	December 31, 2002 Voting rights	December 31, 2002 Ownership interest	December 31, 2001 Voting rights	December 31, 2001 Ownership interest
AXA Investment Managers (sub-group)		95.56	93.11	96.00	94.06
Alliance Capital (sub-group)		55.72	55.72	52.28	52.28
National Mutual Funds Management (sub-group)		100.00	51.66	100.00	51.00

Other Financial Services	Change in scope	December 31, 2002 Voting rights	December 31, 2002 Ownership interest	December 31, 2001 Voting rights	December 31, 2001 Ownership interest
France					
AXA Banque		100.00	99.98	100.00	100.00
AXA Crédit		65.00	64.99	65.00	65.00
Banque des Tuileries	Merger with Compagnie Financière de Paris	–	–	100.00	100.00
Colisée Suresnes		96.33	96.30	100.00	96.32
Compagnie Financière de Paris		100.00	100.00	100.00	100.00
Holding Soffim		100.00	100.00	100.00	100.00
Sofapi		100.00	100.00	100.00	100.00
Sofinad		100.00	100.00	100.00	100.00
AXA France Finance	Merger with AXA Banque	–	–	100.00	99.97
Germany					
AXA Vorsorgebank		100.00	90.17	100.00	90.17
AXA Bausparkasse AG		99.69	89.89	99.67	89.87
Belgium					
AXA Bank Belgium		100.00	99.88	100.00	99.87
IPPA Vastgoed		100.00	99.88	100.00	99.87
Hungary					
AXA Biztosito Pension Fund		100.00	90.17	100.00	90.17

4.2.2. PROPORTIONALLY CONSOLIDATED COMPANIES

Life & Savings and Property & Casualty	Change in scope	December 31, 2002 Voting rights	December 31, 2002 Ownership interest	December 31, 2001 Voting rights	December 31, 2001 Ownership interest
France					
Natio Assurances		50.00	49.96	50.00	50.00
NSM Vie		40.07	40.07	40.07	40.07
Fonds immobiliers Paris Office Funds	Scope entry	50.00	49.89	–	–
Belgium					
Assurances de la Poste		50.00	49.94	50.00	49.94
Assurances de la Poste Vie		50.00	49.94	50.00	49.94

4.2.3. INVESTMENTS IN AFFILIATED COMPANIES (EQUITY METHOD)

	Change in scope	December 31, 2002 Voting rights	December 31, 2002 Ownership interest	December 31, 2001 Voting rights	December 31, 2001 Ownership interest
France					
Compagnie Financière de Paris Crédit	Accounted by for the equity method in 2002	100.00	100.00	100.00	100.00
Argovie	Accounted by for the equity method in 2002	94.03	93.46	94.03	93.46
Banque de Marchés et d'Arbitrages		27.71	27.70	27.71	27.68
Germany					
General Ré		49.90	44.99	49.90	44.99
Asia / Pacific					
AXA General Insurance Hong Kong Ltd	Accounted by for the equity method in 2002	100.00	100.00	100.00	100.00
AXA Insurance Investment Holding	Accounted by for the equity method in 2002	100.00	100.00	100.00	100.00
AXA Insurance Hong Kong Ltd	Accounted by for the equity method in 2002	100.00	100.00	100.00	100.00
AXA Insurance Singapore	Accounted by for the equity method in 2002	100.00	100.00	100.00	100.00
National Mutual Home Loans Origination Fund No. 1		100.00	51.66	100.00	51.00
Members Equity Pty Ltd		50.00	25.83	50.00	25.50
Ticor		28.62	14.98	28.62	14.60
Spain					
Hilo Direct SA de Seguros y Reaseguros	Accounted by for the equity method in 2002	50.00	50.00	50.00	50.00
Turkey					
AXA Oyak Holding AS	Accounted by for the equity method in 2002	50.00	50.00	50.00	50.00
AXA Oyak Hayat Sigorta AS	Accounted by for the equity method in 2002	100.00	50.00	100.00	50.00
AXA Oyak Sigorta AS	Accounted by for the equity method in 2002	70.91	35.45	70.92	35.46

5. Total asset by segment

An analysis of total assets by segment is given below:

(in euro millions)

	December 31, 2002	December 31, 2001	December 31, 2000
Life & Savings	336,681	370,287	373,263
Property & Casualty	39,127	41,601	40,985
International Insurance	17,095	17,921	14,004
Asset Management	7,132	9,828	9,102
Other Financial Services	17,474	17,406	16,125
Holding Companies	27,148	28,556	33,033
TOTAL ASSETS	**444,657**	**485,599**	**486,513**

The 2002 and 2001 breakdown of total assets by activity remains comparable. The decrease in total assets is attributable to unfavorable financial market conditions.

6. Goodwill

An analysis of goodwill by principal acquisition and segment is presented in the table below. The figures presented usually refer to several operational entities for which the goodwill amortization charge decreases the contribution to earnings.

(in euro millions)

	At December 31, 2000 Carrying value	Acquisition	Currency changes	Amorti-zation	Other changes
AXA Colonia (acquisition of minority interests)	217	4	–	(10)	–
AXA China Region	314	–	(18)	(20)	–
AXA Investment Managers (including AXA Rosenberg)	109	–	7	(9)	–
Guardian Royal Exchange (excluding Albingia)	426	–	8	(23)	–
Guardian Royal Exchange (Albingia)	343	–	–	(20)	–
Royale Belge (acquisition of minority interests)	616	–	–	(22)	–
UAP	250	–	–	(15)	–
Alliance Capital	557	–	38	(30)	–
Sanford C. Bernstein	3,566	–	235	(190)	8
Nippon Dantaï (AXA Nichidan)	1,976	–	(252)	(65)	130
SLPH (acquisition of minority interests)	1,863	–	–	(72)	–
AXA Financial, Inc. (acquisition of minority interests)	4,782	–	–	(191)	7
AXA Aurora (acquisition of minority interests)	104	–	–	(3)	–
Sterling Grace	–	129	–	–	–
ipac	–	–	–	–	–
Financial reorganization AXA Equity & Law	–	451	10	(11)	–
Goodwill under €100 million each	741	-	6	(107)	40
TOTAL	**15,865**	**584**	**34**	**(789)**	**185**
Total by segment:					
Life & Savings [(b)]	8,062	580	(259)	(315)	104
Property & Casualty	2,264	4	8	(133)	26
International Insurance	54	–	1	(8)	–
Asset Management	5,359	–	284	(286)	55
Other	126	–	–	(47)	–

(a) The portion of goodwill attributed to the Asset Management activities is to be amortized over 20 years (18 years remaining).
(b) In 2001, €47 million have been reclassified from "Acquisition" to "Other changes".

At December 31, 2001 Carrying value	Acquisition	Currency changes	Amorti-zation	Other changes	At December 31, 2002 Carrying value	Years remaining
211	–	–	(6)	(51)	154	27 years
276	–	(18)	(16)	(8)	235	17 years
107	46	(15)	(11)	4	131	12 years
411	–	(17)	(13)	(0)	381	27 years
323	–	–	(14)	50	359	27 years
593	–	–	(22)	(2)	570	26 years
235	–	–	(10)	–	226	24 years
565	–	(87)	(28)	(0)	449	18 years
3,619	–	(559)	(308)	127	2,879	18 years
1,789	–	(154)	(60)	(1)	1,574	28 years
1,791	–	–	(64)	(1)	1,726	29 years
4,599	–	–	(191)	1	4,409	29 years [(a)]
101	–	–	(3)	(0)	97	28 years
129	5	(9)	(9)	–	116	14 years
–	108	(7)	(2)	–	99	15 years
449		(28)	(15)	(0)	406	28 years
680	–	–	(107)	23	597	–
15,879	**159**	**(895)**	**(879)**	**142**	**14,407**	
8,171	113	(216)	(319)	8	7,758	
2,168	–	(17)	(113)	23	2,061	
48	–	–	(27)	(5)	16	
5,412	–	(662)	(405)	151	4,497	
79	46	–	(15)	(34)	76	

Goodwill is attributable to following operations and entities:

6.1. AXA UK (2001)

As a result of AXA Equity & Law's financial reorganization, AXA acquired a portion of the surplus assets held in the participating ("With-profit") fund and related future benefits based on the percentage of policyholders who elected in favor of the plan. This acquisition was effectuated by the payment of an incentive bonus of approximately £260 million plus £18 million of direct expenses associated with the transaction (or approximately €451 million in the aggregate using the average £/€ exchange rate for the period). This cost represents goodwill and will be amortized over 30 years. The annual goodwill amortization expense will be €15 million.

6.2. AXA FINANCIAL – BUY-OUT OF MINORITY INTERESTS (2000)

The aggregate purchase consideration was €11,213 million and included the following items:

– €3,868 million, representing the value of the 25.8 million ordinary shares issued by AXA at a price of €149.90 per share at December 22, 2000, being the closing date of the initial offer period, and
– €7,316 million in cash relating to the cost of settling or exchanging outstanding employee share options of AXA Financial and direct transaction costs.

As a result, AXA increased its ownership interest in AXA Financial from 60% to 100%. For purposes of these consolidated financial statements, the date of acquisition was December 31, 2000 given that pursuant to the Merger Agreement, AXA had an obligation to acquire all of the remaining shares of AXA Financial common stock outstanding through the merger of AXA Merger Corp. with and into AXA Financial (completed on January 2, 2001).

Based on the carrying value of the portion of net assets acquired of €3,913 million, the excess purchase price was €7,301 million. In application of the article D248-3 of the decree dated January 17, 1986 and of the recommendations issued by the "Commission des Opérations de Bourse" (French equivalent to SEC) in its January 1998 bulletin n° 210, excess purchase price was charged directly to retained earnings and reserves for €2,518 million, i.e. the entire excess purchase price in proportion to the value of ordinary shares issued by AXA to total purchase price.

The remaining €4,782 million of the excess purchase price was recorded as a goodwill asset and represented an annual amortization charge of €191 million in 2002 of which 80% was attributed to the Life insurance operations (being amortized over 30 years) and 20% was attributed to the Asset Management operations of Alliance Capital (being amortized over 20 years).

Had no goodwill been charged directly to retained earnings and reserves, additional goodwill amortization of €92 million would have been recorded against income in future periods.

6.3 SANFORD C. BERNSTEIN TRANSACTION (2000)

The purchase price was US$3.5 billion (€4.0 billion) and consisted of cash in the amount of US$1.5 billion and 40.8 million newly issued private units in Alliance Capital. A portion of the cash was funded by AXA Financial through a financing agreement whereby in June 2000 AXA Financial purchased units of limited partnership interest of Alliance Capital Management L.P. for an aggregate purchase price of US$1.6 billion and, as a result, recorded goodwill of €583 million. Added to the €3,689 million recorded at time of acquisition, the total goodwill linked to the acquisition of Sanford C. Bernstein amounted to €4,272 million amortised over 20 years. The excess purchase price paid by Alliance Capital over the fair value of the net assets acquired in Sanford C. Bernstein, Inc. totaled US$3.5 billion (or €4.0 billion). The goodwill amortization in 2002 was €336 million at 100% (€187 million net Group share).

In connection with this acquisition, AXA Financial agreed in 2000 to provide liquidity to the former shareholders of Sanford C. Bernstein over an eight-year period following a two-year lockout period. Not more than 20% of the original units issued to the former Bernstein shareholders may be put to AXA Financial in any one annual period.

After the completion of this lockout period in October 2002, Sanford C. Bernstein's former shareholders exercised their options and AXA Financial acquired 8.16 million of their units, thus generating a complementary goodwill of US$122 million amortized completely in 2002 (€127 million at 2002 closing exchange rate).
See table footnote (d) note on page 180.

6.4. SUN LIFE & PROVINCIAL HOLDINGS (SUBSEQUENTLY RENAMED AXA UK HOLDINGS) – BUY-OUT OF MINORITY INTERESTS (2000)

AXA acquired the 44% minority interests in Sun Life & Provincial Holdings (SLPH), which was subsequently renamed AXA UK Holdings for a purchase price of £2.3 billion (approximately €3.7 billion). The excess purchase price over the carrying value of the portion of net assets acquired was €1,971 million. The entire excess purchase price was attributed to goodwill and is being amortized over 30 years. The goodwill amortization charge was €64 million in 2002.

6.5. AXA NICHIDAN (SUBSEQUENTLY KNOWN AS AXA LIFE JAPAN)

AXA and the shareholders of Nippon Dantai contributed their Japanese Life insurance operations to a new holding company, AXA Nichidan Holding. In addition, AXA contributed cash to increase AXA Nichidan's capital. The goodwill in respect of this acquisition was €1,856 million, to be amortized over 30 years. Following the revaluation of an intangible asset that decreased the opening balance sheet by €130 million (Group share), goodwill was subsequently increased. The goodwill amortization charge in 2002 was €60 million.

6.6. AXA CHINA REGION – BUY-OUT OF MINORITY INTERESTS (2000)

In November 1999, AXA Australia purchased the minority interests in AXA China Region for €519 million. The excess purchase price over the carrying value of the portion of net assets acquired totaled €300 million and is being amortized over 20 years and is consistent with the estimated useful life used in the accounting for the acquisition of AXA Asia Pacific Holdings (formerly National Mutual Holdings and the parent company of AXA China Region) in 1995. The goodwill amortization charge in 2002 was €16 million.

6.7. GUARDIAN ROYAL EXCHANGE (1999)

The excess purchase price over the fair value of net assets acquired of €1,138 million was attributed to goodwill and is being amortized over 30 years.

A portion of the goodwill was attributable to a decrease in net assets of the acquired companies at date of acquisition, as there was a significant deficiency in insurance claims reserves recorded in the opening balance sheet by AXA. This deficiency related to the difference between local statutory basis and AXA's accounting policies on establishing Property & Casualty claims reserves. Consequently, an exceptional amortization of goodwill of €446 million (€259 million, net Group share) was recorded as a charge against French GAAP income in 1999.

In 2000 there was deterioration in the claims ratios relating to the former GRE Property & Casualty insurance portfolios in the United Kingdom and Ireland from the pre-acquisition period. As a result, the opening balance sheet of GRE had been revised and, therefore, goodwill had increased. At December 31, 2000, gross goodwill was €1,261 million, accumulated amortization was €505 million (of which €25 million represented an amortization charge in 2000) and, therefore, goodwill net of accumulated amortization totaled €770 million, after taking account of foreign currency fluctuations of €14 million. The goodwill amortization charge in 2002 was €27 million.

6.8. ROYALE BELGE (1998)

At December 31, 1999, gross goodwill from this transaction was €1,007 million of which €337 million was paid in cash from the issuance of treasury shares and charged directly to retained earnings and reserves. The remaining balance at December 31, 2001, represented a goodwill asset of €670 million, with accumulated amortization totaled €77 million (of which €22 million represented an amortization charge in 2001) with a net carrying value of €593 million.

In 2002, the goodwill charge was €22 million. Had no goodwill been charged directly to retained earnings and reserves, additional goodwill amortization of €11 million would have been recorded against income.

6.9. UAP (1997)

In 1997 AXA acquired Companie UAP ("UAP") and €1,863 million represented the excess purchase price over the net identifiable assets acquired, of which €1,641 million of the excess purchase price was charged directly to retained earnings and reserves. As a result of purchase accounting adjustments made in 1998 and in 1999, the excess purchase price increased to €1,866 million at December 31, 1999, of which €1,584 million represented the amount charged directly to retained earnings and reserves.

At December 31, 2002, the gross goodwill asset was €289 million, accumulated amortization was €63 million (of which €10 million represented an amortization charge in 2002) and, therefore, goodwill net of accumulated amortization totaled €226 million. Had no goodwill been charged directly to retained earnings and reserves, additional goodwill amortization of €53 million would have been recorded against income.

An analysis of goodwill amortization (positive and negative) is presented below:

(in euro millions)

	Years ended December 31, 2002	2001	2000
Goodwill on consolidated entities	(879)	(789)	(360)
Goodwill from companies accounted for by the equity method	–	–	–
Negative goodwill on consolidated entities	1	1	7
TOTAL AMORTIZATION OF GOODWILL	**(877)**	**(788)**	**(353)**

At December 31, 2002, accumulated amortization on goodwill totaled €3,083 million (2001: €2.394 million).

6.10. GOODWILL CHARGED DIRECTLY TO RETAINED EARNINGS AND RESERVES

At December 31, 2002, goodwill (net of notional amortization) recorded in retained earnings and reserves totaled €3,882 million, or a gross goodwill amount of €4,439 million (2001: €4,038 million net and 2000: €4,194 million net). The notional amortization in 2002 was €156 million and included €11 million for the Royale Belge, €53 million for the UAP and €92 million for the AXA Financial.

From January 1, 2001, goodwill can no longer be charged directly against shareholders' equity, this explains the absence of variation between 2001 and 2002 (to the exception of notional amortization allowances).

7. Value of purchase life business in force

At December 2002, the value of purchase Life business in force (acquired in external growth operations) totaled €3,224 million.

In connection with the plan of financial reorganization of AXA Equity & Law (UK Life & Savings subsidiary) in 2001, the unit-linked business was transferred from a participating fund to a non-participating fund. As a result of this transfer, VBI of €466 million was recorded. In March 2000, AXA acquired AXA Nichidan.

The value of purchased Life business in force on a consolidated basis and by product type, including the changes thereto, are as follows:

(in euro millions)

		2002	2001	2000
Balance beginning of year		**3,739**	**3,724**	**2,438**
Additions		–	466	1,365
Interest accrued		150	210	167
Amortization expense		(395)	(531)	(371)
Impact of foreign currency fluctuations		(263)	(150)	125
Other		(7)	20	1
Balance end of year		**3,224**	**3,739**	**3,724**
– Life contracts (including endowment)	Gross	1,937		
	Net	1,426		
– Retirement, annuity, investment	Gross	1,771		
	Net	1,343		
– Health	Gross	629		
	Net	455		
– Other	Gross	3		
	Net	0		

Amortization of the value of purchased Life business in force, net of accrued interest, expected to be recorded in each of the next five years is €272 million in 2003 and €252 million, €239 million, €230 million and €189 million thereafter. 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.

8. Investments

8.1. DETERMINING FAIR VALUE

The accounting of principles applicable to investments are decribed below:

– For publicly traded fixed maturities and equity investments, estimated fair value is determined using quoted market prices.

– Real estate investments are subject to periodic valuations conducted by qualified external appraisers based on local legal requirements. Such expert valuations are based on a number of techniques including comparative studies and capitalization of income.

– 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, non-performing mortgages and other loans are limited to the estimated fair value of the underlying collateral, if lower than the estimated discounted cash flows.

– In other cases, the fair value is estimated based on financial and other information available in the market, including reference to quoted prices for similar securities, or estimated discounted cash flows, including an element of premium risk.

The estimated fair value does not take into account supplemental charges or a reduction due to selling costs that may be incurred nor the tax impact of realizing the unrealized capital gains and losses.

The difference between the net carrying value and the estimated fair value represents the unrealized gains or losses. Upon disposal of the investment, the realized investment gains and losses included in AXA's consolidated operations result may be impacted by the allocation to participating Life insurance contracts (as a change in future policy benefits), minority interests and tax.

8.2. ANALYSIS OF FIXED MATURITY AND EQUITY SECURITY INVESTMENTS

A. An analysis of investments is presented below:

(in euro millions)

Invested assets	December 31, 2002 Insurance activities Gross carrying value	Insurance activities Net carrying value	Insurance activities Fair value [(a)]	Other activities Gross carrying value	Other activities Net carrying value	Other activities Fair value [(a)]	TOTAL Gross carrying value	TOTAL Net carrying value	TOTAL Fair value [(a)]
– Equity securities and holdings in equity security-based mutual funds		26,006	23,712		377	395		26,383	24,107
– Equity holdings in fixed maturity-based mutual funds		16,526	16,444		40	49		16,566	16,493
– Other mutual funds		14,771	11,892		4	4		14,775	11,896
Equity securities and holdings in mutual funds	59,349	57,303	52,048	455	421	447	59,804	57,724	52,495
Fixed maturities	149,640	147,750	156,412	7,367	7,364	7,560	157,007	155,115	163,972
Real estate	13,899	12,714	14,932	247	214	236	14,147	12,928	15,167
Mortgages, policy and other loans	18,362	18,265	19,004	226	170	179	18,588	18,434	19,183
Invested assets excluding investments in participating interest	**241,250**	**236,032**	**242,396**	**8,295**	**8,170**	**8,422**	**249,545**	**244,202**	**250,817**
– Of which listed		167,436	171,552		7,665	7,891		175,101	179,443
– Of which non-listed		68,596	70,843		505	531		69,100	71,374
Investments in participating interests	**3,984**	**3,784**	**4,166**	**842**	**854**	**863**	**4,827**	**4,638**	**5,029**
TOTAL INVESTED ASSETS	**245,235**	**239,816**	**246,562**	**9,138**	**9,024**	**9,284**	**254,372**	**248,840**	**255,847**
– Life & Savings	208,151	204,359	210,806				208,151	204,359	210,806
– Property & Casualty	29,841	28,439	28,585				29,841	28,439	28,585
– International insurance	7,244	7,018	7,172				7,244	7,018	7,172

(a) The realization of unrealized gains and losses upon disposal of the investments may give rise to an allocation to participating insurance contracts, minority interests and tax.

(in euro millions)

Invested assets	December 31, 2001 Insurance activities Gross carrying value	Insurance activities Net carrying value	Insurance activities Fair value [(a)]	Other activities Gross carrying value	Other activities Net carrying value	Other activities Fair value [(a)]	TOTAL Gross carrying value	TOTAL Net carrying value	TOTAL Fair value [(a)]
– Equity securities and holdings in equity security-based mutual funds		37,918	38,711		471	500		38,389	39,210
– Equity holdings in fixed maturity-based mutual funds		11,839	12,049		81	82		11,920	12,131
– Other mutual funds		14,780	15,221		9	24		14,789	15,244
Equity securities and holdings in mutual funds	66,061	64,537	65,981	614	562	605	66,674	65,098	66,586
Fixed maturities	145,388	143,527	147,695	8,287	8,285	8,374	153,675	151,812	156,069
Real estate	14,676	13,409	15,747	353	320	358	15,028	13,729	16,105
Mortgages, policy and other loans	23,001	22,907	23,215	244	219	219	23,246	23,127	23,434
Invested assets excluding investments in participating interest	**249,126**	**244,380**	**252,638**	**9,497**	**9,385**	**9,556**	**258,623**	**253,765**	**262,195**
– Of which listed		171,034	176,878		8,777	8,908		179,811	185,786
– Of which non-listed		73,346	75,760		609	648		73,954	76,408
Investments in participating interests	**4,069**	**3,828**	**4,902**	**1,006**	**970**	**1,415**	**5,074**	**4,797**	**6,317**
TOTAL INVESTED ASSETS	**253,195**	**248,208**	**257,540**	**10,503**	**10,355**	**10,971**	**263,698**	**258,563**	**268,512**
– Life & Savings	214,666	211,002	218,343				214,666	211,002	218,343
– Property & Casualty	31,767	30,554	32,321				31,767	30,554	32,321
– International insurance	6,761	6,652	6,877				6,761	6,652	6,877

(a) The realization of unrealized gains and losses upon disposal of the investments may give rise to an allocation to participating insurance contracts, minority interests and tax.

B. At December 31, 2002, AXA ordinary shares held by AXA (the Company) or its subsidiaries (“treasury shares”) totaled 30.5 million (or a slight decrease of – 0.2 million compared to December 31, 2001). At December 31, 2002, the carrying value of such shares was €487 million, representing 1.7% of outstanding ordinary shares stable compared to 2001. The treasury shares held at December 31, 2002 are to cover the potential ordinary shares to be issued upon conversion of outstanding share options in AXA ordinary shares (in the form of AXA ADS’s) by employees of AXA Financial, Inc. In 2002, AXA sold 0.7 million shares held in treasury with no realization of capital gains as in 2001 (in 2000 €60 million, net Group share, were sold).

8.3 INVESTMENTS IN PARTICIPATING INTERESTS

The following table sets forth an analysis of investments in entities in which a participating interest exists at December 31, 2002:

(in euro millions)

	Net carrying value	Fair value	Shareholder’s equity	Last fiscal year net income		Fiscal year end	Percentage of ownership
				Amount			
Listed companies:							
BNP - Paribas	1,585	1,801	25,400	3,295	2002	12.31.02	5.2%
Crédit Lyonnais	498	956	9,207	853	2002	12.31.02	5.1%
Schneider	141	178	7,363	422	2002	12.31.02	1.6%
Banque de Crédit Marocain	115	90	567	84	2001	12.31.01	10.6%
Unlisted companies :							
Lor Patrimoine	53	53	53	0	2002	12.31.02	100.0%
SGCI	144	144	115	9	2002	12.31.02	100.0%
Millenium Entertainment Partners	64	71	315	(1)	2002	12.31.02	13.4%
Subtotal	**2,599**	**3,293**					
Investment holdings under €50 million each and affiliated companies	2,040	1,736					
TOTAL for year ended December 31, 2002	**4,639**	**5,029**					
– Held by insurance companies	3,785	4,166					
– Held by non-insurance companies	854	863					

8.4 FIXED MATURITY AND EQUITY SECURITIES

Securities (excluding assets in representation of unit-linked accounts) are detailed below. The amortized or historical cost represents the acquisition cost of the securities, net of discount or premium in respect of fixed maturity securities acquired.

(in euro millions)

	At December 31, 2002			
	Amortized or historical cost	Gross unrealized gains (1)	Gross unrealized gains (1)	Fair value
Fixed maturities:				
(a) Held to maturity and available for sale	138,265	9,595	(738)	146,546
French government	24,437	2,878	(145)	27,170
Foreign governments	41,499	2,357	(57)	43,758
Other local governments and agencies	4,999	380	(36)	5,336
Government-controlled corporations	10,944	667	(54)	11,490
Non-government controlled corporations	48,382	2,767	(383)	50,323
Mortgage-backed securities	5,863	319	(6)	6,175
Other	2,143	227	(56)	2,295
(b) Allocated to UK "With-profit" business trading				15,362
(c) Other trading securities				2,065
Total fixed maturities				**163,972**
Total equity investments (including holdings in mutual funds)				
(a) Available for sale	48,332	1,561	(6,790)	41,024
(b) Allocated to UK "With-profit" business trading				10,342
(c) Other trading securities				1,130
Total equity investments (including holdings in mutual funds)				**52,495**
Investment in participating interests				**5,029**
TOTAL				**221,497**

(1) The realization of unrealized gains and losses upon disposal of the investments may give rise to an allocation to participating insurance contracts, minority interests and tax.

(in euro millions)

	At December 31, 2001			
	Amortized or historical cost	Gross unrealized gains (1) (2)	Gross unrealized gains (1) (2)	Fair value
Fixed maturities:				
(a) Held to maturity and available for sale	139,639	5,345	(1,087)	143,288
French government	26,385	1,908	(164)	28,128
Foreign governments	44,822	1,232	(198)	45,781
Other local governments and agencies	884	114	(4)	997
Government-controlled corporations	10,533	390	(52)	10,869
Non-government controlled corporations	52,537	1,650	(661)	52,997
Mortgage-backed securities	2,948	48	(8)	2,988
Other (b)	1,530	3	(0)	1,527
(b) Allocated to UK "With-profit" business trading				10,859
(c) Other trading securities				1,922
Total fixed maturities				**156,069**
Total equity investments (including holdings in mutual funds)				
(a) Available for sale	45,361	3,713	(2,291)	45,273
(b) Allocated to UK "With-profit" business trading				19,792
(c) Other trading securities				1,522
Total equity investments (including holdings in mutual funds)				**66,586**
Investment in participating interests				**6,317**
TOTAL				**228,972**

(1) The realization of unrealized gains and losses upon disposal of the investments may give rise to an allocation to participating insurance contracts, minority interests and tax.
(2) After reclassifications from unrealized gains to unrealized losses on equity and fixed maturity securities for €–557 million and €+119 million respectively.

8.5. INVESTMENT VALUATION ALLOWANCE

Investment valuation allowances, which have been deducted in arriving at investment net carrying values as presented in the consolidated balance sheet, and changes are shown below.

(in euro millions)

	Balance at January 1, 2002	Additions	Deductions	Other changes [b]	Balance at December 31, 2002
Real estate	463	58	(95)	78	504
Equity investments and holdings in mutual funds	1,853	1,147	(563)	(169)	2,268
Fixed maturities and other fixed income securities	608	361	(303)	(89)	577
Mortgages and other loans	119	73	(19)	(19)	154
SUBTOTAL [a]	**3,043**	**1,640**	**(980)**	**(199)**	**3,503**
Depreciation of real estate used for operating purposes	837	115	–	(238)	714
TOTAL	**3,880**	**1,754**	**(980)**	**(437)**	**4,217**

(a) Includes provisions on assets from banking activities.
(b) "Other changes" relate principally to changes in scope of consolidation and foreign currency fluctuations.

(in euro millions)

	Balance at January 1, 2001	Additions	Deductions	Other changes [b]	Balance at December 31, 2001
Real estate	123	127	(253)	466	463
Equity investments and holdings in mutual funds	509	1,178	(282)	447	1,853
Fixed maturities and other fixed income securities	153	419	(706)	742	608
Mortgages and other loans	433	99	(71)	(342)	119
SUBTOTAL [a]	**1,218**	**1,823**	**(1,313)**	**1,314**	**3,043**
Depreciation of real estate used for operating purposes	1,060	134	–	(357)	837
TOTAL	**2,278**	**1,957**	**(1,313)**	**958**	**3,880**

(a) Includes provisions on assets from banking activities,
(b) "Other changes" relate principally to changes in scope of consolidation and foreign currency fluctuations. They include U.S. fixed maturity investment allowances of €774 million.

(in euro millions)

	Balance at January 1, 2000	Additions	Deductions	Other changes [b]	Balance at December 31, 2000
Real estate	306	169	(387)	34	123
Equity investments and holdings in mutual funds	596	645	(206)	(525)	509
Fixed maturities and other fixed income securities	230	54	(37)	(93)	153
Mortgages and other loans	424	69	(125)	66	433
SUBTOTAL [a]	**1,555**	**937**	**(755)**	**(519)**	**1,218**
Depreciation of real estate used for operating purposes	1,119	171	–	(230)	1,060
TOTAL	**2,674**	**1,108**	**(755)**	**(749)**	**2,278**

(a) Includes provisions on assets from banking activities.
(b) "Other changes" relate principally to changes in scope of consolidation and foreign currency fluctuations.

The increase and decrease in provisions for valuation allowances presented in the tables above are included in the net investment result. 2002 was affected by the deterioration of the stock markets and, consequently, valuation allowances on equity securities increased. Other provisions relate to (i) financial services operations (included in bank operating expenses) and to (ii) provisions on non-listed securities (mainly in Germany).

9. Separate account (unit-linked) assets

Assets that are represented by separate account (unit-linked) contracts and stated at market value (refer to Note 3-5 on accounting principles) are presented in the table below. “Holdings in other mutual funds” were essentially represented by investments of the French Life insurance companies in mutual funds that invest predominantly in real estate.

(in euro millions)

Separate account (unit-linked) assets	At December 31, 2002	At December 31, 2001
Real estate investments	4,531	5,365
Equity securities and other variable yield securities	48,837	71,063
Holdings in equity investment-based mutual funds	6,613	5,674
Fixed maturities and other fixed income securities	13,828	13,617
Holdings in fixed maturity-based mutual funds	2,978	3,723
Holdings in other mutual funds	13,671	16,282
TOTAL SEPARATE ACCOUNT (UNIT-LINKED) ASSETS	**90,458**	**115,723**

10. Investments from the non-insurance activities

Assets from the banking sector and other are presented in note 8 above.

11 Investments in affiliated companies (Equity method)

Companies that were accounted for by using the equity method are presented in note 4, along with AXA's ownership interest percentage. An analysis of net carrying value and contribution to net income is given below.

(in euro millions)

	Carrying value at January 1, 2002	Change in scope	Other changes [(a)]	Carrying value at December 31, 2002	contribution to Net income
AXA Germany affiliates:					
– Général Ré - CKAG	654	–	–	654	–
AXA Asia / Pacific Holdings affiliates:			–		
– NM Home Loans Trust	69	–	(5)	65	–
– NM Property Trust	85	–	(7)	78	(2)
– Ticor	31	–	3	35	6
– Other affiliates	678	247	(58)	867	(17)
AXA Seguros affiliates:					
– Hilo Direct de seguros y reaseguros	–	39	–	39	4
AXA France Assurances affiliates					
– Argovie	–	26	–	26	2
AXA Insurance Hong Kong	–	69	–	69	6
AXA Insurance Singapore	–	49	–	49	3
AXA Oyak Sigorta	–	59	–	59	0
Other affiliates [(b)]	51	97	4	153	21
TOTAL	**1,570**	**586**	**(63)**	**2,093**	**23**

(a) Includes foreign currency fluctuations and net income for the period adjusted for dividends received.
(b) Includes €60 million from hungarian and austrian entities in application of the Règlement 99-02 and €34 million from the Compagnie Financière de Paris Crédit equity-accounted from 2002.

(in euro millions)

	Carrying value at January 1, 2001	Change in scope	Other changes [(a)]	Carrying value at December 31, 2001	contribution to Net income
AXA Germany affiliates:					
– Général Ré - CKAG	654	–	–	654	–
AXA Asia / Pacific Holdings affiliates:					–
– NM Home Loans Trust	74	–	(5)	69	–
– NM Property Trust	89	–	(4)	85	(2)
– Ticor	63	–	(32)	31	5
– Other affiliates	229	490	(40)	678	8
Banque Worms	54	(54)	–	–	–
Other affiliates	55	1	(5)	51	7
TOTAL	**1,217**	**438**	**(85)**	**1,570**	**17**

(a) Includes foreign currency fluctuations and net income for the period adjusted for dividends received.

The change in scope in 2001 was related to the sale of Banque Worms to Deutsche Bank and the treatment of real estate entities in Australia and New Zealand as investments under the equity method.

The 2002 changes in scope are mainly related to entities which were consolidated under the equity method for 2002 (and which were previously fully consolidated), since they no longer meet Group materiality requirements. The complete list of these entities is available in Note 4. The change in scope on AXA Asia Pacific Holdings subsidiaries (€247 million) is linked to increasing participations.

For the years ended December 31, 2002, 2001 and 2000, AXA received cash dividends from companies accounted for by the equity method of €46 million, €63 million and €4 million, respectively. The decrease in dividends received in 2002 related to the dividends paid by the Australian entities following negative level of result in 2001.

Entities newly equity-accounted have not yet provided cash dividends.

12. Receivables and payables from insurance and reinsurance activities

The receivables and payables from insurance and reinsurance activities are as follows:

(in euro millions)

	Receivables			Payables
	Gross book value	Provisions	Carrying value	
Deposits and guarantees	4,408	–	4,408	1,730
Current accounts from other companies	2,190	(62)	2,128	2,975
Policyholders, brokers, general agents	4,477	(260)	4,217	2,951
Estimated premiums not yet recorded	2,769	–	2,769	–
Other	536	(54)	481	643
TOTAL at December 31, 2002	**14,379**	**(376)**	**14,003**	**8,299**
TOTAL at December 31, 2001	15,911	(341)	15,571	8,806

13. Cash and cash equivalents

Cash and cash equivalent are mainly liquid and short-term investments. The table below details those cash and cash equivalents by segment.

(in euro millions)

	At December 31, 2002	2001
Cash and cash equivalents	**17,592**	**17,646**
From insurance activities	16,362	15,955
From banking activities	259	361
From other companies	971	1,330

14. Deferred acquisition costs (DAC)

The table below presents the deferred acquisition costs (DAC) by Insurance segment:

(in euro millions)

	At December 31, 2002				At December 31, 2001	At December 31, 2000
	Life & Savings	Property & Casualty	International Insurance	TOTAL		
Deferred acquisition costs on unearned premiums	25	1,003	380	1,408	1,305	1,206
Other deferred acquisition costs						
– gross of unearned revenue reserves	11,395			11,395	11,344	9,676
– unearned revenue reserves	(1,837)			(1,837)	(1,729)	(1,523)
Other deferred acquisition costs (net)	9,557			9,557	9,613	8,154
TOTAL DEFERRED ACQUISITION COSTS	**9,582**	**1,003**	**380**	**10,965**	**10,917**	**9,359**

The movements of other deferred costs acquisitions of the Life & Savings segment are provided below :

(in euro millions)

Other deferred acquisition costs (net of unearned revenue reserves)	2002	2001	2000
BALANCE BEGINNING OF YEAR	**9,613**	**8,154**	**6,779**
Impact of New French GAAP restatements	–	(47)	–
Costs capitalized	2,137	2,265	1,995
Interest accrued	640	707	567
Amortization expense	(1,397)	(1,632)	(1,249)
Net change in unearned revenue reserve	(170)	(161)	(196)
Impact of foreign currency fluctuations	(1,192)	344	386
Other	(72)	(18)	(129)
BALANCE END YEAR	**9,557**	**9,613**	**8,154**

15. Shareholder's equity

The movement in consolidated shareholder's equity since December 31, 2000 is presented in the table below:

(in euro millions, except number of shares in millions)

	Ordinary shares Number in millions	Ordinary shares Nominal value	Capital in Excess of nominal value	Retained earnings brought forward	Retained earnings for the financial year	TOTAL
Balance at December 31, 1999	**356.3**	**3,260**	**5,350**	**4,195**	**3,552**	**16,357**
– Conversion of 6,0% mandatorily convertible bonds at maturity	4.1	38	245	–	–	282
– Merger of AXA Participations	2	19	197	–	–	216
– Capital increase in June 2000	30.2	277	3,404	–	–	3,681
– Employee stock purchase program (July 2000)	2.0	18	217	–	–	235
– Exchanged in the buy-out of minority interests in AXA Financial, Inc.	20.9	191	2,940	–	–	3,131
– Exercise of stock options and conversion of bonds	0.7	7	27	–	–	34
– Cash dividends	–	–	–	(713)	–	(713)
– Impact of foreign currency fluctuations	–	–	–	(296)	–	(296)
– Goodwill from buy-out of minority interests in AXA Financial, Inc.	–	–	–	(2,518)	–	(2,518)
– Effect of restructurings	–	–	–	8	–	8
– Net income	–	–	–	–	3,904	3,904
Balance at December 31, 2000	**416.2**	**3,809**	**12,380**	**676**	**7,456**	**24,321**
Balance at December 31, 2000 (a)	**1,664.9**	**3,809**	**12,380**	**676**	**7,456**	**24,321**
– Impact of New French GAAP restatements	–	–	–	(593)	–	(593)
– Impact of change in methodology (AXA Equity & Law Inherited Estate)	–	–	–	(79)	–	(79)
– Conversion of 4,5% mandatorily convertible bonds at maturity	28.7	66	254	–	–	320
– "Squeeze out merger in the buyout of minority interests in AXA Financial, Inc.")	19.7	45	692	–	–	737
– Employee stock purchase program (July and December 2001)	18.3	42	279	–	–	321
– Exercise of share options	2.6	9	22	–	–	31
– Cash dividend	–	–	–	(1,053)	–	(1,053)
– Impact of foreign currency fluctuations	–	–	–	300	–	300
– Other	–	–	–	(49)	–	(49)
– Net income	–	–	–	–	520	520
Balance at December 31, 2001	**1,734.2**	**3,971**	**13,627**	**(796)**	**7,976**	**24,779**
– Employee stock purchase program (July and December 2002)	27.2	62	192	–	–	254
– Exercice of share options	0.8	2	6	–	–	8
– Cash dividends (b)	–	–	–	(1,117)	–	(1,117)
– Impact of foreign currency fluctuations	–	–	–	(1,197)	–	(1,197)
– Other	–	–	–	34	–	34
– Net income	–	–	–	–	949	949
Balance at December 31, 2002 (c)	**1,762.2**	**4,035**	**13,824**	**(3,076)**	**8,925**	**23,711**

(a) The movement in the number of ordinary shares outstanding in 2000 and 1999 was restated to reflect the 4-for-1 stock split approved by the shareholders in May 2001.
(b) Includes the cash dividend paid of €971 million and supplemental tax charge arising from such distribution of €146 million.
(c) Includes a €906 million capitalization reserve.

16. Minority interests

Changes in minority shareholder's interests are summarized as follows:

(in euro millions)

	2002	2001	2000
Minority interests at January 1,	**3,409**	**3,702**	**7,454**
Impact of New French GAAP restatements	–	(16)	–
Change in scope	(129)	(228)	–
Acquisitions	–	–	(5,423)
Dividends paid by consolidated subsidiaries	(467)	(560)	(513)
Impact of foreign currency fluctuations	(375)	68	84
Other changes (including internal restructurings)	6	58	(25)
Minority interests in income of consolidated subsidiaries	368	385	2,124
Minority interests at December 31,	**2,812**	**3,409**	**3,702**

Changes in consolidation scope and impact of acquisitions:

The decrease in minority interests in 2000 was primarily attributable to the buyout of minority interests in AXA Financial (€3,457 million), AXA UK Holdings (€1,718 million), and, to a lesser extent, the buyout of minority interests in AXA China Region and AXA Aurora.

The €–228 million decrease in 2001 primarily related to the deconsolidation of AXA Millésimes (€–135 million) and of real estate companies in Australia and New Zealand as well as to the exercise of Alliance Capital stock options of €22 million (decreasing AXA's ownership interest from 52.64% at December 31, 2000 to 52.28% at December 31, 2001).

In 2002, the principal change of €113 million is attributable to the increase in Group's interest in Alliance Capital by 3.4% (from 52.3% to 55.7%) as 8.16 million units were bought back from former Sanford Bernstein shareholders.

Minority interests

The minority interests' share in the 2002 total equity included €1,683 million in respect of Alliance Capital, with the remaining balance from non-wholly owned operations in Australia / New Zealand, Germany and Japan.

17. Mandatorily Convertible bonds and notes

At December 31, 2000 other equity only included a convertible bond for €192 million (€320 million before intra-group elimination for the Company). At December 31, 2001, this loan was fully repaid. As a consequence, 28.7 million shares were created after the 4 for 1 stock split, of which 11.2 million are held by AXA's subsidiaries. This operation led to a €320 million increase in AXA capital equity. The remaining balance is consequently nil at December 2002 and at December 2001.

18. Subordinated debt

At December 31, 2002 the subordinated debt totaled €8,300 million (2001 : €8.868 million).

(in euro millions, at December 31,)

		2002	2001
AXA, The Company			
Subordinated Perpetual Notes, variable (U.S.$ and €)		941	1,033
Perpetual Notes, 3.29% / variable (¥)		217	234
Subordinated Convertible Notes, 2.5% due 2014 (€)		1,518	1,518
Subordinated Perpetual Debt (€)		234	234
Subordinated Perpetual Notes, 7.25% (€)		500	500
Subordinated Convertible Notes, 3.75% due 2017 (€)		1,099	1,099
Subordinated Convertible Notes, variable, due 2020 (€)		215	215
U.S. registered subordinated debt, 8.60%, 2030 (U.S.$)	(a)	1,192	1,418
U.S. registered subordinated debt, 7.125%, 2020 (U.S. $)		500	534
U.S. registered subordinated debt, 6.75%, 2020 (€)	(b)	1,070	1,090
Amount of derivatives hedging subordinated debt		(289)	(193)
AXA Financial			
Surplus Notes, 6.95% due 2005		381	453
Surplus Notes, 7.70% due 2015		191	227
AXA Life Japan (fomerly Nichidan Life)			
Subordinated Notes, variable, due 2010		144	166
AXA Bank Belgium (formerly IPPA Bank)			
Subordinated Notes, 3.14% to 6.90%, through 2008		156	156
Other subordinated debt (under €100 million each)		*232*	*183*
TOTAL		**8,300**	**8,868**

At December 31, 2002 the aggregate maturities of subordinated debt based on required principal payments at maturity for 2003 and the following four years totaled €59 million in 2003, €40 million in 2004, €401 million in 2005, nil in 2006 and 2007, and €7,800 million in 2008 and thereafter.

In 2002, the impact of foreign exchange rates (€–582 million) accounts for most of the €–568 million decrease compared to 2001.

In 2001, excluding the impact of foreign exchange rates the principal movements were the following:
– In February 2001 and in response to favorable market conditions, AXA increased the amount of debt issued under its U.S.$5.0 billion debt shelf registration statement filed with the U.S. SEC in 2000 by U.S.$ 770 million (approximately €827 million at transaction date). The debt securities issued were denominated in two currencies: U.S. dollar **(a)** and euro **(b)**.
– The repayment by AXA Australia of a subordinated debt.

19. Insurance liabilities

The table below presents the insurance liabilities by segment:

(in euro millions at December 31,)

	Life & Savings		Property & Casualty [a]		International Insurance [a]		Total Insurance	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**
Gross insurance reserves:								
– Future policy benefits[b]	209,800	215,227	20	33	216	218	210,037	215,478
– Claim reserves	5,196	5,183	23,730	25,162	11,533	11,841	40,459	42,186
– Other reserves	2,360	3,846	2,824	2,812	87	84	5,272	6,742
– Unearned premiums reserves	560	637	5,037	5,072	1,807	2,011	7,405	7,720
Total insurance liabilities, gross of reinsurance ceded	**217,916**	**224,892**	**31,612**	**33,079**	**13,644**	**14,154**	**263,172**	**272,125**
Separate account (unit-linked) liabilities, gross of reinsurance ceded	**90,011**	**115,305**	**–**	**–**	**–**	**–**	**90,011**	**115,305**
Less reinsurance ceded on:								
– Future policy benefits	3,410	3,640	–	–	7	7	3,417	3,647
– Claim reserves and other reserves	400	397	2,405	2,775	3,333	4,243	6,138	7,415
– Unearned premiums reserves	2	5	107	165	247	359	355	529
Total reinsurance ceded on insurance liabilities	**3,812**	**4,042**	**2,512**	**2,940**	**3,586**	**4,609**	**9,910**	**11,591**
Reinsurance ceded on separate account (unit-linked) liabilities	**20**	**28**	**–**	**–**	**–**	**–**	**20**	**28**
TOTAL INSURANCE LIABILITIES, NET OF REINSURANCE CEDED	**304,096**	**336,127**	**29,100**	**30,140**	**10,057**	**9,544**	**343,253**	**375,811**
(b) Which includes:								
– Policyholders' participation (bonuses), excluding UK "With-profit" business	9,737	10,832						
– UK "With-profit" business liabilities	30,745	35,041						

(a) Transfers as at January 1, 2002 of UK discontinued business from "Property & Casualty" to "International Insurance" for €988 million.

The movement in gross claims reserves for claims to be paid is presented below, in respect of the Property & Casualty segment and the International Insurance segment.

(in euro millions)

	2002		2001		2000	
	Property & Casualty	International Insurance	Property & Casualty	International Insurance	Property & Casualty	International Insurance
Gross claims reserves to be paid, January 1	**25,162**	**11,841**	**24,012**	**8,602**	**23,007**	**8,194**
Changes in scope of consolidation, portfolio transfers and change in accounting principles [a]	(1,619)	1,136	191	(9)	706	271
Impact of foreign currency fluctuations [b]	(479)	(1,345)	58	235	11	51
	23,064	11,632	24,261	8,828	23,723	8,517
Provision attributable to the current year	10,884	2,904	12,125	5,100	11,879	2,684
Increase (decrease) in provision attributable to prior years	(118)	1,008	(262)	920	247	951
Total claims and claims expenses	**10,766**	**3,912**	**11,863**	**6,020**	**12,127**	**3,635**
Claims and claims expenses attributable to current year	(4,279)	(1,266)	(4,882)	(1,264)	(4,992)	(1,856)
Claims and claims expenses attributable to prior years	(5,820)	(2,744)	(6,080)	(1,743)	(6,845)	(1,693)
Total payments	**(10,099)**	**(4,011)**	**(10,962)**	**(3,006)**	**(11,838)**	**(3,550)**
Gross claims reserves to be paid, December 31	**23,730**	**11,533**	**25,162**	**11,841**	**24,012**	**8,602**

(a) Changes in the scope of consolidation are mainly due to the transfer of the UK discontinued business from "Property & Casualty" to "International Insurance" for €1,142 million as at January 1, 2002, the disposal of Austria and Hungary (€–234 million) and the de-consolidations or new entities accounted by for the equity method : principally Hong Kong Property & Casualty (€–176 million), Direct Assurances (in Spain) (€–48 million), and Singapore Property & Casualty (€–60 million).
(b) "International Insurance" currency fluctuations in 2002 are mainly due to insurance reserves on WTC (accounted to in U.S. dollars).

ENVIRONMENTAL POLLUTION, ASBESTOS AND OTHER EXPOSURES

In prior years, AXA has issued insurance policies and assumed reinsurance for cover 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. AXA has received and continues to receive notices of potential 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.

In France, the French Supreme Court *(Cour de Cassation)* has recently extended the notion of inexcusable offense to professional diseases. AXA companies concerned by this new case law have reviewed their portfolio so as to identify the contracts that may be concerned by this extended guarantee.

Under insurance and reinsurance contracts related to environmental pollution and asbestos, AXA paid claims and legal costs of approximately €45 million in 2002 (2001: €77 million and 2000: €67 million). At December 31, 2002, AXA has made cumulative payments relating to such contracts of €377 million (2001: €332 million).

At December 31, 2002 and specific to environmental pollution and asbestos claims, AXA had insurance claim reserves for €909 million of which (i) reported insurance and reinsurance claims of €350 million (2001: €349 million) and (ii) additional reserves for incurred but not reported (IBNR) claim liabilities of €559 million (2001: €577 million). The IBNR liabilities are estimated and evaluated regularly based on information received by management. AXA carefully monitors potential claims for which it has received notice.

20. Provisions for risks and charges

(in euro millions)

		At December 31, 2000	At January 1, 2001 [a]	At December 31, 2001	At December 31, 2002
I	Deferred taxes	5,354	5,176	4,420	4,592
II	Pension obligations and other similar liabilities [b]	3,396	3,416	2,953	2,865
III	Provision for restructuring costs	640	673	368	154
	Provision for real estate companies	67	67	67	28
IV	Other provisions [b]	2,074	2,074	2,744	2,136
TOTAL		**11,530**	**11,406**	**10,553**	**9,775**

(a) As restated for the new French Regulations effective from January 1, 2001.
(b) In 2001, the provision for the cost associated with settling / exchanging the outstanding stock options of AXA Financial of euro 539 million (net of tax) from AXA's buyout of minority interests in AXA Financial in 2000 was reclassified from "pension obligations and other similar liabilities" to "other provisions".

I) DEFERRED TAX

An analysis of deffered tax is given below:

(in euro millions)

	At December 31, 2002		At December 31, 2001	
	Net Deferred Tax Asset [a]	Net Deferred Tax Liability	Net Deferred Tax Asset	Net Deferred Tax Liability
Investments	1,454	(2,278)	1,834	(2,215)
Insurance operations	1,160	(1,808)	1,064	(1,680)
Compensation and related benefits	1,023	(463)	1,388	(412)
Other	1,126	(42)	877	(113)
TOTAL	**4,763**	**(4,592)**	**5,164**	**(4,420)**
Net Deferred Asset (liability)	**171**	**–**	**743**	**–**

(a) Net of reserves.

On a constant exchange rate basis, the decrease in the net deferred tax balance between 2001 and 2002 (€–610 million) principally due to the following elements:

– An increase in the deferred tax asset depreciation reserve in Japan (€–40 million).

– A write-off of the deferred tax asset previously recorded on mutual funds unrealized gains for the France Property & Casualty activity (€–115 million).

– A write-off of the deferred tax asset previously recorded on expenses associated with stock-options paid to AXA Financial employees at the time of the minority interest buy-out. The corresponding tax credit has been repaid in 2002 (€–78 million).

– A strong decrease in the deferred tax net balance in the United States Life & Savings activity, due to lower deferred tax assets (€–105 million due to temporary differences on contribution to pension funds and €–20 million due to the repayment of a tax credit) and higher deferred tax liabilities (€+287 million due to differences between the accounting and tax base on the deferred acquisition costs amortization pattern).

– The accounting in the Company of a deferred tax asset related to unrealized foreign exchange gains on a debt hedging an intrument (€+170 million).

II) EMPLOYEE BENEFITS

Long-term liabilities of employee benefits are calculated according to the “preferred method” under French regulation. They include the benefits payable to AXA Group employees when they retire (departure compensation, pension complement, medical cover, long-service benefits). In order to cover those commitments, some regulators have allowed or imposed the establishment of dedicated funds. The funding and implementation methods are specific to each country and each fund.

Employee benefit liabilities are either in defined contribution plans and/or defined benefit plans.

A) Defined contribution plans are characterized by the payment(s) to institutions, which makes the employer free of future commitments. Those institutions are responsible for paying the amounts due to the employees. Indeed, once the contributions are paid by the employer, there is neither commitment nor liability in the Group financial statements. The cost of the contributions paid which is an expense in the Profit & Loss account.

B) Defined benefit plans are characterized by an actuarial assessment of the commitments based on each plans' internal rules. The present value of the future benefits paid by the employer, PBO (Projected Benefit Obligation), is calculated based on long-term projections (salary increase rate, inflation rate, mortality, turnover, pension indexation and remaining service lifetime). The assumptions for each plan are consistent with the economic features of the countries in which the liabilities lie. Average assumptions for various regions are as follows:

December 2001 calculation assumptions:	Europe	North America	Japan	Others
Discount rate	5.8%	7.2%	2.3%	6.6%
January 2001 expected rate of return on assets for 2001	7.0%	10.2%	3.5%	8.2%
Salary increase rate for future years	3.5%	7.0%	2.5%	4.4%
December 2002 calculation assumptions :	**Europe**	**North America**	**Japan**	**Others**
Discount rate	5.5%	6.8%	2.3%	6.6%
January 2002 expected rate of return on assets for 2002	6.5%	9.0%	3.5%	8.2%
Salary increase rate for future years	3.5%	7.0%	2.5%	4.4%

Annual change in liabilities:

A yearly evolution of the PBO (Projected Benefit Obligation -present value of future benefits-) is made based on the following items:

– service cost (representing the increase in the projected benefit obligation attributable to one year of additional service),
– interest cost (cost of one year less discount),
– benefits paid,
– actuarial gain or losses (change in long term assumptions, change in staff, ...),
– change in plans.

Given the long-term trend of employee benefit liabilities, the changes due to financial market variations and other actuarial gains or losses are amortized[1] over the liability duration (approx. 15 years). They are brought into the income statement as an expense from the following accounting year.

(1) For the amount which exceeds the 10% corridor (the greater of 10% of the present value of future benefits paid and 10% of the fair value of plan assets).

The analysis of annual expenses (Net periodic benefit cost) recorded in the income statement is the following:

(in euro millions)

	Pension benefits 2002	Pension benefits 2001	Other benefits 2002	Other benefits 2001
Service cost	180	212	6	7
Interest cost	495	529	38	40
Expected return on plan assets	(524)	(625)	0	0
Amortization of unrecognized amounts [a]	37	6	0	(5)
Settlement / Curtailment and Employee contributions	12	(11)	(1)	(1)
Net Periodic Benefit Cost	**201**	**111**	**43**	**41**

(a) i.e. not yet recorded in financial statements.

The **balance sheet information** for employee benefits captures the difference between the projected benefit obligation and the market value of the corresponding invested plan assets increased by the unrecognized loss[1] or decreased by the unrecognized gains. When this difference is positive a contingency and loss reserve is booked within the balance sheet liability. When it is negative, an asset is recorded in the balance sheet.

(in euro millions)

	Pension benefits 2002	Pension benefits 2001	Other benefits 2002	Other benefits 2001
Benefit obligation, beginning of year	**9,010**	**8,049**	**578**	**587**
Service cost	180	212	6	7
Interest cost	495	529	38	40
Actuarial gains or losses	243	571	92	(27)
Amendments	(67)	(89)	(27)	(11)
Benefits paid	(354)	(423)	(5)	(4)
Benefits directly paid by the employer	(95)	(139)	(35)	(37)
Effect of foreign currency fluctuation	(650)	300	(81)	23
Benefit obligation, end of year (A)	**8,762**	**9,010**	**567**	**578**
Fair value of plan assets, beginning of year	**6,876**	**7,503**	**7**	**9**
Actual return on plan assets	(813)	(553)	1	0
Employer contributions	467	95	1	1
Employee contributions	9	12	1	1
Net transfers [a]	(77)	(100)	0	0
Benefits paid	(354)	(423)	(4)	(4)
Effect of foreign currency fluctuation	(577)	342	0	0
Fair value of plan assets, end of year (B)	**5,531**	**6,876**	**7**	**7**
Funded status (B) - (A)	(3,231)	(2,133)	(560)	(571)
Unrecognized (gains) and losses [b]	3,517	2,174	119	60
Net position	**285**	**42**	**(441)**	**(511)**
Recorded in the balance sheet for plans:				
With a positive net position (Asset)	**2,029**	**1,758**	**–**	**–**
With a negative net position (Liability)	**1,743**	**1,716**	**441**	**511**

(a) This amount does not necessarily equal to the amount used in the PBO calculation because pension plans are not always covered (fully funded) by assets.
(b) i.e. not yet recorded in financial statements.

(1) i.e. not yet recorded in financial statements.

The balance sheet evolution for a defined benefit plan is function therefore of:
– the cumulated cost recorded in the income statement,
– the cumulated benefits directly paid by the employer,
– the cumulated employer contributions to the plan.

(in euro millions)

	Pension Benefits 2002	Pension Benefits 2001	Other Benefits 2002	Other Benefits 2001
Beginning of year net position	**42**	**(161)**	**(511)**	**(489)**
Net periodic pension cost	(201)	(111)	(43)	(41)
Benefits directly paid by the employer	95	139	35	37
Employer contributions	467	95	1	1
Effect of foreign currency fluctuation	(118)	80	76	(19)
End of year net position	**285**	**42**	**(441)**	**(511)**

The overall amount of liabilities recorded in the balance sheet for pension benefits and similar obligations is the following:

(in euro millions)

	2002	2001
Negative net position:		
Pension benefits & other benefits	2,184	2,227
Other social liabilities [a]:	681	726
Total	**2,865**	**2,953**

(a) Mainly pre-retirement benefits.

III) PROVISIONS FOR RESTRUCTURING COSTS

(in euro millions)

	2002			2001		
	Provisions established in purchase accounting	Other provisions	Total	Provisions established in purchase accounting	Other provisions	Total
At January 1,	**144**	**224**	**368**	**179**	**461**	**640**
Impact of New French GAAP restatements	–	–	–		33	33
Reclassification	(89)	16	(74)	109	(109)	–
Additions to existing provisions						
Purchase accounting adjustment	2	–	2	57	–	57
Through net income	0	26	26	93	144	237
Provisions utilized	**(15)**	**(141)**	**(156)**	**(246)**	**(159)**	**(405)**
Release of provision						
Purchase accounting adjustment	–	–	–	–	–	–
Through net income	(1)	(1)	(2)	(48)	(112)	(160)
Other changes	**(2)**	**(7)**	**(10)**	**–**	**(34)**	**(34)**
At December 31,	**38**	**116**	**154**	**144**	**224**	**368**

The low level of additional provision recorded in 2002 is directly related to the low level of significant acquisitions. Most of the additional provisions recorded in 2002 were in respect of “end-of-career” measures in France (€15 million) and in Germany (€8 million). Other allowances are from the United Kingdom (€4 million in respect of the “First Choice” project of which €2 million were used in 2002) and to Australia / New Zealand following the acquisition of ipac (€2 million).

In 2002, provisions were utilized for restructuring costs in the United Kingdom (€6 million for the “Blue Print” project) and in Belgium (€9 million). In addition to the provisions utilised by AXA Financial (restructuring costs of €28 million for the head office and €9 million for the sales force), €78 million were used in France for “end-of-career” measures and €12 million in Australia / New Zealand for restructuring costs.

IV) OTHER PROVISIONS

Other provisions include principally

– The remaining €583 million balance of the provision set-up in 2000 to offset the dilution profit realized by AXA Financial when acquiring Sanford C. Bernstein, Inc.
– The remaining €236 million balance on the provisions recorded in 2000 in connection with the sale of Banque Worms. In 2002, €137 million were released of which €50 million linked to provisions, no longer necessary, and €75 million utilized on provision recorded in 2001 for loans that were sold below their nominal value in 2002.
– A provision of €277 million associated with the cost of settling/exchanging outstanding share options of AXA Financial in connection with the buyout of minority interests of AXA Financial in 2000. This provision decreased by €66 million in 2002 mainly due to these options expiring.
– Provisions for the deferred compensation plans of AXA Financial (€149 million) and Alliance Capital (€120 million).

21 Non-subordinated debts instruments issued

(At December 31, in euro millions)

	2002	2001
FINANCING DEBT	**3,622**	**4,712**
AXA, The Company		
Medium Term Notes due through 2005	–	162
Euro Medium Term Notes due through 2013	1,370	1,025
Commercial Paper	–	826
Other	22	71
AXA Germany		
Redeemable Notes, 6.0%	258	258
AXA Financial, Inc.		
Senior Notes, 7.75% due 2010	455	541
Senior debentures, 7.0% due 2028	332	395
Senior Notes, 6.5% due 2008	238	283
Senior Notes, 9.0% due 2004	286	341
Senior Notes, 6,75% / 7.30% due through 2003	74	151
AXA UK Holdings		
GRE Loan Notes, 6.625% due through 2023	238	255
Wholly-owned and Joint venture Real Estate (AXA Financial, Inc.)		
Mortgage Notes, 4.92% / 12% due through 2017	334	397
Other financing debt (under euro 100 million each)	*16*	*8*
OPERATING DEBT	**1,060**	**1,245**
Alliance Capital		
Senior Notes, 5.625% due 2006	386	452
Commercial Paper program	21	261
French banks		
AXA Banque	357	530
Other financial services in France		
Fonds immobilier Paris Office Funds (FIPOF)	63	–
AXA SA operating debts on behalf of its French and German subsidiaries	*232*	–
Other	*1*	*2*
ACCRUED INTEREST (a)	**–**	**183**
TOTAL	**4,682**	**6,140**

(a) Since January 1, 2002, accrued interest are no longer included in "non-subordinated debt instruments issued", but are included in "accrued expenses".

At December 31, 2002, aggregate maturities of non-subordinated debt instruments issued by AXA and its subsidiaries based on required principal payments at maturity for 2003 and the following four years amounted to €0.7 million, €0.7 million, €0.4 million and €0.4 million, €0.2 million respectively with the balance due in 2008 and thereafter (€2.3 billion).

In 2002, non-subordinated debt decreased due to the following elements:
– favorable foreign exchange impact (€–528 million),
– the repayment of the Company's commercial paper issued in 2000 (€–826 million),
– the partial repayment of AXA Financial Senior Obligations (€–53 million) partly compensated by a new €532 million issued under the Company's Euro Medium Term Note Program ("EMTN"),
– the decrease in the operating debt (€–185 million) in particular at Alliance Capital (decrease in the commercial debt following issuance of senior notes in 2001) and at AXA Banque (decrease in financing needs).

Changes occurred in 2001 in non-subordinated debt Instruments are summarized as follows:
– €1.0 billion issued by the Company in June 2001 under a €3.0 billion Euro Medium Term Note Program ("EMTN").
– Repayment of commercial paper (issued end of 2000) refinanced by AXA.
– Repayment of debt at maturity by AXA UK Holdings.
– In August 2001, Alliance issued U.S.$ 400 million 5.625% notes due 2006 in a public offering that are redeemable at any time. The registration statement filed with the U.S. SEC allows for the issuance of up to U.S.$600 million in senior debt securities. The proceeds were used to reduce commercial paper and credit facility borrowings and for other general partnership purposes.

22. Amounts owed to credit institutions

The movement of amounts owed to credit institutions in 2002 (€–1,591 million) is mainly due to the decreasing operating debt of AXA Banque (lower financing needs in 2002), CFP Crédit and AXA Bank Belgium (principally on deposit accounts).

In 2001, the movements were linked to the repayment of committed credit facilities for €3.0 billion by the Company.

(At December 31, in euro millions)

	2002	2001
FINANCING DEBT	**304**	**246**
AXA		
Other credit lines	254	145
Other entities	*50*	*100*
OPERATING DEBT	**3,635**	**4,735**
Other financial services in France		
Compagnie Financière de Paris	93	422
AXA Banque	408	758
AXA France Finance	–	50
Other financial services in Germany		
Colonia Bausparkasse	350	351
AXA Vorsorgebank	213	5
Other financial services in Belgium		
AXA Bank Belgium	2,570	3,149
BANK OVERDRAFTS	**1,077**	**1,628**
TOTAL	**5,017**	**6,608**

23. Segment information and technical results

23.1. GROSS WRITTEN PREMIUMS AND FINANCIAL REVENUES

The following table presents AXA's consolidated gross premiums and financial services revenues by segment:

(Years ended December 31, in euro millions)

Gross written premiums and financial revenues	2002	2001	2000
Life & Savings	**48,586**	**48,399**	**45,997**
Direct premiums written	*46,351*	*46,400*	*44,044*
Reinsurance assumed	*1,696*	*1,513*	*1,516*
Other	*539*	*486*	*436*
France	10,423	10,997	12,528
United States	12,726	11,642	12,483
United Kingdom	8,362	9,086	7,939
Japan	6,428	5,475	3,353
Germany	3,140	2,997	2,912
Belgium	1,629	1,686	1,099
Other countries	5,877	6,517	5,682
Property & Casualty	**15,948**	**15,896**	**15,579**
Direct premiums written	*15,569*	*13,478*	*15,175*
Reinsurance assumed	*367*	*2,416*	*404*
Other	*12*	*2*	*–*
France	4,383	4,171	4,001
Germany	2,843	3,142	3,085
United Kingdom	2,749	2,480	2,683
Belgium	1,395	1,323	1,297
Other countries	4,577	4,780	4,513
International Insurance	**5,762**	**5,678**	**3,651**
Direct premiums written	*1,276*	*1,525*	*1,106*
Reinsurance assumed	*4,464*	*4,139*	*2,544*
Other	*22*	*14*	*1*
AXA Corporate Solutions	5,335	5,288	3,297
AXA Assistance	397	381	328
Other	30	9	26
Asset Management	**3,411**	**3,730**	**2,984**
Alliance Capital	2,778	3,200	2,577
AXA Investment Managers	633	503	383
National Mutual Funds Management	–	26	24
Other financial services	**1,020**	**1,128**	**11,760**
Donaldson, Lufkin & Jenrette (DLJ)	–	–	10,686
French banks	134	187	182
German banks	117	100	82
AXA Bank Belgium	717	763	757
Other	52	77	53
TOTAL	**74,727**	**74,832**	**79,971**

23.2. SEGMENT INFORMATION

The following tables set forth the analysis of technical result by insurance segment:

(in euro millions)

Life & Savings	Gross revenues Years ended December 31, 2002	2001	2000	Insurance reserves at December 31, 2002
Retirement / annuity / investment contracts				
– individual	24,136	22,426	23,332	171,319
– group	5,298	4,083	3,313	35,000
Life contracts (including endowment contracts)	10,481	13,407	12,006	77,533
Health contracts	6,067	5,474	4,244	9,696
Other	2,065	2,522	2,664	14,379
TOTAL Gross written premiums	**48,048**	**47,913**	**45,560**	**307,927**
Other revenues	*539*	*486*	*436*	*–*
TOTAL	**48,586**	**48,399**	**45,997**	**–**
Total gross written premiums include:				
– Separate account (unit-linked) contracts	*14,344*	*16,767*	*19,612*	*90,011*
– UK "With-profit" business	*3,128*	*3,443*	*2,383*	*30,745*

(in euro millions)

Property & Casualty	Gross revenues Years ended December 31, 2002	2001	2000	Insurance reserves at December 31, 2002
Personal lines				
– Automobile	5,686	5,880	5,939	10,577
– Property damage	2,273	2,330	2,223	2,096
– Other	1,548	1,514	1,136	3,145
Commercial lines				
– Automobile	1,252	1,231	1,121	1,412
– Property damage	2,078	1,896	1,695	2,244
– Liability	1,111	1,058	1,238	4,588
– Other	1,179	1,162	1,704	4,960
Other	808	823	523	2,590
TOTAL Gross written premiums	**15,936**	**15,894**	**15,579**	**31,612**
Other revenues	*12*	*2*	*–*	*–*
TOTAL	**15,948**	**15,896**	**15,579**	**–**

(in euro millions)

International Insurance	Gross revenues Years ended December 31, 2002	2001	2000	Insurance reserves at December 31, 2002
Property damage	2,852	2,945	1,589	5,025
Automobile, Marine, Aviation	1,235	836	738	4,095
Casualty / Liability	689	470	473	3,272
Assistance	397	381	328	142
Other	566	1,032	525	1,109
TOTAL Gross written premiums	**5,740**	**5,664**	**3,651**	**13,644**
Other revenues	*22*	*14*	*1*	*–*
TOTAL	**5,762**	**5,678**	**3,652**	**–**

23.3. CONSOLIDATED STATEMENTS OF INCOME BY ACTIVITY

The tables below present AXA's consolidated statements of income by activity:

(in euro millions)

	Year ended December 31, 2002							
	Life & Savings	Property & Casualty	International Insurance	Asset Management	Other Financial Services	Holding companies	Inter-segments eliminations	Total
	Data before inter-segments eliminations							
Gross written premiums	48,080	15,969	5,844	–	–	–	(169)	69,723
Revenues from banking activities	–	–	–	–	1,038	–	(26)	1,012
Other revenues	539	12	28	3,724	8	–	(319)	3,992
Gross written premiums and financial services revenues	**48,619**	**15,981**	**5,872**	**3,724**	**1,046**	**–**	**(514)**	**74,727**
Change in unearned premium reserve	(16)	(307)	(58)	–	–	–	(2)	(382)
Net investment result	(10,684)	1,230	396	233	98	(33)	47	(8,713)
Total revenues	**37,920**	**16,904**	**6,210**	**3,957**	**1,144**	**(33)**	**(470)**	**65,632**
Insurance benefits and claims	(30,958)	(12,038)	(5,035)	–	–	–	110	(47,922)
Reinsurance ceded, net	288	(229)	(638)	–	–	–	57	(523)
Insurance acquisition expenses	(2,806)	(2,754)	(351)	–	–	–	20	(5,891)
Bank operating expenses	–	–	–	–	(625)	–	25	(600)
Administrative expenses	(2,868)	(1,658)	(367)	(2 952)	(335)	(177)	259	(8,098)
Income before tax expense	**1,575**	**224**	**(182)**	**1,005**	**184**	**(210)**	**–**	**2,597**
Income tax expense	(119)	(153)	43	(140)	(64)	8	–	(426)
Income after income tax expense	**1,456**	**71**	**(139)**	**865**	**120**	**(202)**	**–**	**2,171**
Equity in income from affiliated entities	(7)	19	(1)	–	14	(2)	–	23
Amortization of goodwill, net	(319)	(113)	(27)	(405)	(14)	–	–	(877)
Minority interests	(68)	5	(9)	(242)	(1)	(53)	–	(368)
NET INCOME, GROUP SHARE	**1,063**	**(19)**	**(176)**	**218**	**119**	**(257)**	**–**	**949**

(in euro millions)

	Life & Savings	Property & Casualty	International Insurance	Asset Management	Other Financial Services	Holding companies	Inter-segments eliminations	Total
	Year ended December 31, 2001							
	Data before inter-segments eliminations							
Gross written premiums	47,921	15,925	5,724	–	–	–	(100)	69,471
Revenues from banking activities	–	–	–	–	1,167	–	(40)	1,127
Other revenues	486	2	27	4,100	1	1	(383)	4,234
Gross written premiums and financial services revenues	**48,407**	**15,928**	**5,751**	**4,100**	**1,168**	**1**	**(522)**	**74,832**
Change in unearned premium reserve	(2)	(115)	(238)	–	–	–	–	(355)
Net investment result	(3,531)	1,916	445	4	69	(217)	70	(1,244)
Total revenues	**44,875**	**17,729**	**5,958**	**4,104**	**1,236**	**(217)**	**(452)**	**73,233**
Insurance benefits and claims	(36,744)	(13,007)	(6,972)	–	–	–	55	(56,668)
Reinsurance ceded, net	139	(112)	1,101	–	–	–	35	1,163
Insurance acquisition expenses	(3,193)	(2,868)	(340)	–	–	–	6	(6,394)
Bank operating expenses	–	–	–	–	(874)	–	36	(838)
Administrative expenses	(3,326)	(1,803)	(299)	(3,130)	(315)	(222)	320	(8,775)
Income before tax expense	**1,751**	**(60)**	**(551)**	**974**	**47**	**(439)**		**1,721**
Income tax expense	(481)	262	179	(180)	98	77	–	(45)
Income after income tax expense	**1,269**	**201**	**(372)**	**795**	**145**	**(362)**	**–**	**1,676**
Equity in income from affiliated entities	16	5	–	(4)	–	–	–	17
Amortization of goodwill, net	(315)	(133)	(8)	(285)	(47)	–	–	(788)
Minority interests	(48)	(22)	(5)	(353)	(1)	44	–	(385)
NET INCOME, GROUP SHARE	**922**	**52**	**(386)**	**153**	**97**	**(318)**	**–**	**520**

(in euro millions)

	Life & Savings	Property & Casualty	International Insurance	Asset Management	Other Financial Services	Holding companies	Inter-segments eliminations	Total
	Year ended December 31, 2000 [(a)]							
	Data before inter-segments eliminations							
Gross written premiums	45,561	15,605	3,695	–	–	–	(74)	64,788
Revenues from banking activities	–	–	–	–	11,793	–	(39)	11,754
Other revenues	436	–	1	3,352	7	2	(369)	3,429
Gross written premiums and financial services revenues	**45,998**	**15,605**	**3,696**	**3,352**	**11,799**	**2**	**(482)**	**79,971**
Change in unearned premium reserve	(32)	(207)	(195)	–	–	–	(5)	(439)
Net investment result	8,821	2,316	616	(32)	219	2,790	82	14,811
Total revenues	**54,786**	**17,714**	**4,117**	**3,320**	**12,018**	**2,792**	**(404)**	**94,342**
Insurance benefits and claims	(44,955)	(12,877)	(4,063)	–	–	1	66	(61,828)
Reinsurance ceded, net	118	92	775	–	–	–	15	1,001
Insurance acquisition expenses	(2,901)	(2,710)	(364)	–	–	–	16	(5,958)
Bank operating expenses	–	–	–	–	(6,529)	–	19	(6,509)
Administrative expenses	(2,668)	(1,917)	(259)	(2,454)	(4,739)	(123)	288	(11,871)
Income before tax expense	**4,381**	**303**	**207**	**865**	**751**	**2,669**	**–**	**9,176**
Income tax expense	(1,399)	40	(47)	(186)	(267)	(915)	–	(2,773)
Income after income tax expense	**2,982**	**343**	**160**	**680**	**484**	**1,754**	**–**	**6,403**
Equity in income from affiliated entities	41	1	0	(5)	(60)	–	–	(23)
Amortization of goodwill, net	(98)	(109)	(15)	(99)	(29)	(3)	–	(353)
Minority interests	(875)	72	(7)	(410)	(275)	(628)	–	(2,124)
NET INCOME, GROUP SHARE	**2,050**	**306**	**137**	**166**	**121**	**1,123**	**–**	**3,904**

(a) The December 31, 2000 financial statement data, as reported, have been presented under a new basis of presentation following the implementation of new French Regulations effective January 1, 2001.

23.4. TECHNICAL RESULTS

The table below summarizes AXA's technical results:

(in euro millions)

Life & Savings	Years ended December 31, 2002 Gross	2002 Cessions and retrocessions	2002 Net	2001 Net	2000 Net
Gross written premiums	48,080	(809)	47,271	47,144	44,836
Change in unearned premium reserves	(16)	–	(16)	(3)	(31)
Net investment result included in technical result	6,340	–	6,340	7,454	12,325
Net change in separate account (unit-linked) assets	(17,576)	–	(17,576)	(11,613)	(4,713)
Claims paid	(39,481)	840	(38,641)	(40,025)	(36,713)
Change in claims reserves	(96)	16	(80)	238	952
Change in future policy benefits	4,332	174	4,506	7,370	6,996
Change in separate account (unit-linked) liabilities	6,546	(9)	6,537	351	(7,009)
Change in other technical reserves	96	(26)	70	(299)	(1,052)
Policyholders' bonuses	(2,330)	28	(2,302)	(3,488)	(7,307)
Acquisition costs	(2,777)	–	(2,777)	(3,144)	(2,838)
Administrative expenses	(2,671)	–	(2,671)	(3,108)	(2,483)
Commissions received from reinsurers	–	73	73	56	76
Change in equalization reserves	(24)	–	(24)	(31)	(54)
Technical result	**422**	**288**	**710**	**903**	**2,983**
Net investment result – other			553	629	1,209
Other revenues, net of benefits, claims and other deductions			313	219	189
Income before income tax expense			**1,575**	**1,751**	**4,381**

(in euro millions)

Property & Casualty	Years ended December 31, 2002 Gross	Cessions and retrocessions	Net	2001 Net	2000 Net
Gross written premiums	15,969	(1,172)	14,796	14,705	14,419
Change in unearned premium reserves	(307)	(28)	(335)	(151)	(245)
Net investment result included in technical result	999	–	999	1,551	1,882
Claims paid	(11,333)	806	(10,527)	(11,153)	(10,980)
Change in claims reserves	(681)	33	(647)	(762)	(993)
Change in future policy benefits	12	–	12	21	(6)
Change in other technical reserves	(40)	(11)	(51)	(111)	36
Policyholders' bonuses	–	1	1	–	–
Acquisition costs	(2,751)	–	(2,751)	(2,868)	(2,710)
Administrative expenses	(1,658)	–	(1,658)	(1,803)	(1,917)
Commissions received from reinsurers		142	142	152	217
Change in equalization reserves	3	–	3	(9)	165
Technical result	**214**	**(229)**	**(15)**	**(427)**	**(131)**
Net investment result – other			230	365	434
Other revenues, net of benefits, claims and other deductions			9	2	–
Income before income tax expense			**224**	**(60)**	**303**

(in euro millions)

International Insurance	Years ended December 31, 2002 Gross	Cessions and retrocessions	Net	2001 Net	2000 Net
Gross written premiums	5,844	(1,865)	3,979	4,065	2,643
Change in unearned premium reserves	(58)	(66)	(123)	(77)	(164)
Net investment result included in technical result	340	–	340	378	501
Claims paid	(5,085)	1,111	(3,974)	(3,286)	(2,460)
Change in claims reserves	82	(394)	(312)	(1,310)	(19)
Change in future policy benefits	(40)	5	(35)	(80)	22
Change in other technical reserves	(4)	–	(4)	7	(21)
Policyholders' bonuses	1	–	1	–	(3)
Acquisition costs	(351)	–	(351)	(340)	(364)
Administrative expenses	(363)	–	(363)	(298)	(259)
Commissions received from reinsurers	–	572	572	258	110
Change in equalization reserves	11	–	11	39	104
Technical result	**377**	**(638)**	**(261)**	**(645)**	**91**
Net investment result – other			56	68	115
Other revenues, net of benefits, claims and other deductions			24	27	1
Income before income tax expense			**(182)**	**(551)**	**207**

24. Net investment result

The sources of net investment result are summarized as follows:

(in euro millions)

	Years ended December 31,														
	Insurance			Financial services [a]			Holding companies			Inter-segments eliminations			Total		
	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
Net investment income on:	**12,714**	**13,335**	**12,744**	**(44)**	**(24)**	**(38)**	**(457)**	**(612)**	**(270)**	**47**	**70**	**82**	**12,260**	**12,769**	**12,519**
Fixed maturities	8,462	8,554	8,050	–	–	–	7	27	27	(17)	(10)	(13)	8,453	8,571	8,064
Equity investments	1,915	1,997	2,257	7	23	9	35	55	253	–	–	–	1,958	2,075	2,519
Mortgage, policy and other loans	1,528	1,790	1,575	–	–	–	7	14	8	(178)	(82)	(86)	1,357	1,722	1,496
Real estate	824	828	687	2	(1)	(3)	(1)	(2)	(1)	(0)	(2)	(1)	825	823	682
Other invested assets	822	1,178	1,497	16	23	19	386	423	442	(215)	(205)	(237)	1,009	1,419	1,722
Interest expenses	(274)	(328)	(464)	(58)	(55)	(60)	(862)	(1,090)	(905)	361	286	318	(832)	(1,186)	(1,111)
Other investment expenses	(564)	(684)	(857)	(12)	(14)	(3)	(30)	(39)	(95)	96	83	102	(510)	(654)	(852)
Investment gains (losses), net of valuation allowances on:	**(4,196)**	**(2,891)**	**3,720**	**376**	**97**	**225**	**424**	**395**	**3,060**	**–**	**–**	**–**	**(3,396)**	**(2,399)**	**7,004**
Fixed maturities	726	73	(585)	46	62	7	(10)	–	2	–	–	–	762	136	(577)
Equity investments	(5,457)	(3,186)	3,678	361	2	234	446	429	3,209	–	–	–	(4,650)	(2,755)	7,121
Mortgage, policy and other loans	(108)	(129)	17	–	–	(41)	(12)	(25)	1	–	–	–	(120)	(154)	(23)
Real estate	557	344	459	10	–	35	1	9	(5)	–	–	–	567	353	488
Other	87	7	151	(41)	33	(9)	(1)	(19)	(146)	–	–	–	45	20	(5)
Change in fair-value of separate account (unit-linked) assets (net)	**(17,576)**	**(11,613)**	**(4,713)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(17,576)**	**(11,613)**	**(4,713)**
Net investment result [a]	**(9,058)**	**(1,170)**	**11,752**	**331**	**73**	**186**	**(33)**	**(217)**	**2,790**	**47**	**70**	**82**	**(8,713)**	**(1,244)**	**14,811**

(a) Amounts do not include investment income and investment expenses from the banking operations, which are included in "Revenues from banking activities" and in "Bank operating expenses" in the consolidated statements of income. Also, depreciation expense related to real estate held by AXA's real estate companies is excluded in the above presentation, as they are included in "Bank operating expenses".

(in euro millions)

	Years ended December 31,											
	Life & Savings			Property & Casualty			International Insurance			Total Insurance		
	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
Net investment income on:	**10,997**	**11,407**	**10,839**	**1,375**	**1,543**	**1,548**	**342**	**385**	**358**	**12,714**	**13,335**	**12,744**
Fixed maturities	7,336	7,342	6,804	849	909	945	278	303	301	8,462	8,554	8,050
Equity investments	1,545	1,565	1,777	348	403	448	23	29	32	1,915	1,997	2,257
Mortgage, policy and other loans	1,385	1,705	1,497	113	80	73	30	6	5	1,528	1,790	1,575
Real estate	667	660	619	139	145	73	18	23	(5)	824	828	687
Other invested assets	678	951	1,153	75	160	256	69	67	89	822	1,178	1,497
Interest expenses	(183)	(258)	(275)	(53)	(44)	(151)	(38)	(25)	(38)	(274)	(328)	(464)
Other investment expenses	(431)	(558)	(735)	(94)	(108)	(96)	(38)	(18)	(26)	(564)	(684)	(857)
Investment gains (losses), net of valuation allowances on:	**(4,105)**	**(3,324)**	**2,694**	**(145)**	**373**	**768**	**54**	**60**	**258**	**(4,196)**	**(2,891)**	**3,720**
Fixed maturities	532	(127)	(595)	88	106	29	106	95	(19)	726	73	(585)
Equity investments	(5,047)	(3,401)	2,790	(298)	252	651	(113)	(37)	237	(5,457)	(3,186)	3,678
Mortgage, policy and other loans	(106)	(125)	17	(1)	(4)	0	(0)	–	(0)	(108)	(129)	17
Real estate	474	333	335	75	19	113	8	(8)	11	557	344	459
Other	43	(4)	147	(9)	(0)	(25)	53	11	29	87	7	151
Change in fair-value of separate account (unit-linked) assets (net)	**(17,576)**	**(11,613)**	**(4,713)**	**–**	**–**	**–**	**–**	**–**	**–**	**(17,576)**	**(11,613)**	**(4,713)**
Net investment result	**(10,684)**	**(3,531)**	**8,821**	**1,230**	**1,916**	**2,316**	**396**	**445**	**616**	**(9,058)**	**(1,170)**	**11,752**

As in 2001, the global stock markets experienced significant deterioration in 2002, with two significant impacts on the net investment result:

– The change in market value in assets supporting the separate account (unit-linked) contracts had a negative impact of €17.6 billion on the net investment result in Life insurance companies (2001: negative impact of €11.6 billion and 2000: negative impact of €4.7 billion).
– Net investment losses, including realized losses and valuation allowances, totaled €–3.4 billion in 2002 as compared to a net investment loss of €–2.4 billion in 2001 and a net investment gain of €7.0 billion in 2000 (including realized gain on the sale of DLJ). 2002 included (i) the change in market value on "With-profit" assets in the United Kingdom (accounted for at market value in the balance sheet, excluding the positive impact of investment revenues) for €–3.4 billion (€–3 billion in 2001); (ii) valuation allowances for impairment of equity securities of €912 million on a consolidated basis (€995 million in 2001) and (iii) valuation allowances of €341 million for the depreciation of the bond portfolio in the Life & Savings insurance company in the United States (2001: €312 million).

2000 had been impacted by the following events:

– The realized gain on the sale of DLJ (before minority interests and tax and net of realized and unrealized losses on the shares of Credit Suisse Group received) amounted to €5.4 billion, or €2.0 billion (net Group share). The realized gain was allocated to the Life & Savings Segment (€2.5 billion before tax and minority interests, or € 936 million net Group share) and the Holding companies (€2.9 billion before tax and minority interests, or €1,068 million net Group share).
– In addition, the net investment result for the Life & Savings segment included a realized loss and investment valuation allowance related to the high-yield bond portfolio in the U.S. operations. As a result of broad weaknesses in the credit market from a slowing economy during third and fourth quarter 2000, a loss of €604 million was recorded (€236 million net Group share and net of the impact on deferred acquisition costs).

25. Reinsurance

The components of reinsurance ceded as presented in the consolidated statements of income, are summarized as follows:

(in euro millions)

	Years ended December 31,														
	Life & Savings			Property & Casualty			International Insurance			Inter-segments eliminations			Total Insurance		
	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
Premiums ceded and retroceded	(809)	(777)	(725)	(1,172)	(1,221)	(1,186)	(1,865)	(1,660)	(1,052)	169	93	61	(3,678)	(3,565)	(2,902)
Change in unearned premium reserve ceded	139	99	54	(39)	(46)	(39)	(60)	165	8	10	(7)	11	49	210	34
Insurance benefits and claims ceded	885	762	713	840	1,003	1,101	716	2,338	1,709	(110)	(47)	(52)	2,331	4,056	3,471
Commissions received from reinsurers	73	56	76	142	152	217	572	258	110	(12)	(4)	(4)	774	462	398
Reinsurance ceded, net	**288**	**139**	**118**	**(229)**	**(112)**	**92**	**(638)**	**1,101**	**775**	**57**	**35**	**15**	**(523)**	**1,163**	**1,001**

The strong degradation of the reinsurance ceded in 2002 is explained by the exceptional cost of the September 11th attacks, for which the gross charge in 2001 was partly reinsured.

26. Operating charges

The analysis of operating charges below does not include operating charges in respect of banking activities, which are presented separately in the statements of income.

The classification of operating charges corresponds to the principal function to which the charge relates. Financial services-related charges incurred by the insurance companies are included under "administrative expenses".

(in euro millions)

	Year ended December 31, 2002								
	Life & Savings	Property & Casualty	International Insurance	Total Insurance	Asset Management	Other Financial Services	Holding companies	Inter-segments eliminations	TOTAL
Insurance acquisition expenses (a)	**(2,806)**	**(2,754)**	**(351)**	**(5,912)**	**–**	**–**	**–**	**20**	**(5,891)**
Acquisition costs (b)	(3,775)	(2,806)	(351)	**(6,932)**	–	–	–	20	**(6,911)**
Insurance claims expenses (c)	(382)	(932)	(1,041)	**(2,355)**	–	–	–	5	**(2,349)**
Investment management expenses (d)	(248)	(33)	(11)	**(292)**	–	–	–	126	**(166)**
Administrative expenses	(2,868)	(1,658)	(367)	**(4,892)**	(2,952)	(335)	(177)	259	**(8,098)**
TOTAL BEFORE INTER-SEGMENTS ELIMINATIONS	**(7,273)**	**(5,429)**	**(1,769)**	**(14,471)**	**(2,952)**	**(335)**	**(177)**	**411**	**(17,525)**
Intersegment eliminations	–	–	–	–	–	–	–	–	–
TOTAL	**(7,273)**	**(5,429)**	**(1,769)**	**(14,471)**	**(2,952)**	**(335)**	**(177)**	**411**	**(17,525)**
Including:									
Salaries and benefits	(2,241)	(1,748)	(288)	**(4,277)**	(1,237)	(150)	(61)	–	**(5,724)**
Depreciation	(240)	(64)	(26)	**(330)**	(73)	(15)	(11)	–	**(429)**
Commissions	(2,559)	(2,690)	(1,088)	**(6,337)**	–	–	–	32	**(6,305)**
Other charges	(2,234)	(928)	(367)	**(3,528)**	(1,642)	(171)	(105)	379	**(5,066)**

(a) Represents total acquisition expenses as presented in the statements of income including amortization expense for value of purchased life business in-force (VBI) and the change in deferred acquisition costs (DAC), which is net of changes in unearned premium reserves.
(b) Before amortization of value of purchased business in-force, the change in deferred acquisition costs and the change in unearned premium reserves.
(c) Such costs are included within "insurance benefits and claims" in the consolidated statements of income.
(d) Such costs are included within "net investment result" in the consolidated statement of income.

(in euro millions)

	Years ended December 31, 2001								
	Life & Savings	Property & Casualty	International Insu-rance	Total Insurance	Asset Mana-gement	Other Financial Services	Holding companies	Inter-segments elimi-nations	TOTAL
Insurance acquisition expenses [a]	**(3,193)**	**(2,868)**	**(340)**	**(6,401)**	**–**	**–**	**–**	**6**	**(6,394)**
Acquisition costs [b]	(4,058)	(2,865)	(340)	**(7,263)**	–	–	–	6	**(7,257)**
Insurance claims expenses [c]	(398)	(1,005)	(906)	**(2,309)**	–	–	–	–	**(2,309)**
Investment management expenses [d]	(183)	(28)	(10)	**(221)**	–	–	–	131	**(91)**
Administrative expenses	(3,326)	(1,803)	(299)	**(5,428)**	(3,130)	(315)	(222)	320	**(8,775)**
TOTAL BEFORE INTER-SEGMENTS ELIMINATIONS	**(7,966)**	**(5,701)**	**(1,554)**	**(15,221)**	**(3,130)**	**(315)**	**(222)**	**457**	**(18,431)**
Intersegment eliminations	252	17	2	**271**	176	(5)	15	(457)	–
TOTAL	**(7,713)**	**(5,684)**	**(1,552)**	**(14,949)**	**(2,954)**	**(321)**	**(207)**	**–**	**(18,431)**
Including:									
Salaries and benefits	(2,366)	(1,624)	(266)	**(4,256)**	(1,243)	(154)	(47)	–	**(5,700)**
Depreciation	(234)	(115)	(21)	**(371)**	(68)	(16)	(16)	–	**(471)**
Commissions	(2,550)	(2,797)	(990)	**(6,336)**	–	–	–	–	**(6,336)**
Other charges	(2,564)	(1,148)	(275)	**(3,987)**	(1,642)	(150)	(144)	–	**(5,923)**

(a) Represents total acquisition expenses as presented in the statements of income including amortization expense for value of purchased life business in-force (VBI) and the change in deferred acquisition costs (DAC) net of changes in unearned premium reserves.
(b) Before amortization of value of purchased business in-force, the change in deferred acquisition costs and the change in unearned premium reserves.
(c) Such costs are included within "insurance benefits and claims" in the consolidated statements of income.
(d) Such costs are included within "net investment result" in the consolidated statements of income.

(in euro millions)

	Years ended December 31, 2000								
	Life & Savings	Property & Casualty	Inter-national Insurance	Total Insurance	Asset Mana-gement	Other Financial Services	Holding companies	Inter-segments elimi-nations	TOTAL
Insurance acquisition expenses [a]	**(2,901)**	**(2,710)**	**(364)**	**(5,974)**	**–**	**–**	**–**	**16**	**(5,958)**
Acquisition costs [b]	(3,817)	(2,762)	(419)	**(6,998)**	–	–	–	16	**(6,983)**
Insurance claims expenses [c]	(368)	(885)	(544)	**(1,797)**	–	–	–		**(1,797)**
Investment management expenses [d]	(178)	(41)	(5)	**(224)**	–	(7)	–	111	**(120)**
Administrative expenses	(2,668)	(1,917)	(259)	**(4,843)**	(2,454)	(4,739)	(123)	288	**(11,871)**
TOTAL BEFORE INTER-SEGMENTS ELIMINATIONS	**(7,030)**	**(5,606)**	**(1,227)**	**(13,862)**	**(2,454)**	**(4,745)**	**(123)**	**415**	**(20,770)**
Intersegment eliminations	246	10	15	**272**	137	7	–	(415)	–
TOTAL	**(6,784)**	**(5,596)**	**(1,211)**	**(13,591)**	**(2,317)**	**(4,739)**	**(123)**	**–**	**(20,770)**
Including:									
Salaries and benefits	(2,230)	(1,725)	(226)	**(4,180)**	(870)	(3,046)	(40)	–	**(8,135)**
Depreciation	(167)	(100)	(15)	**(282)**	(53)	(134)	(8)	–	**(477)**
Commissions	(2,410)	(2,824)	(746)	**(5,980)**	–	–	–	–	**(5,980)**
Other charges	(1,977)	(947)	(225)	**(3,149)**	(1,394)	(1,559)	(75)	–	**(6,177)**

(a) Represents total acquisition expenses as presented in the statements of income including amortization expense for value of purchased life business in-force (VBI) and the change in deferred acquisition costs (DAC) net of changes in unearned premium reserves.
(b) Before amortization of value of purchased business in-force, the change in deferred acquisition costs and the change in unearned premium reserves.
(c) Such costs are included within "insurance benefits and claims" in the consolidated statements of income.
(d) Such costs are included within "net investment result" in the consolidated statements of income.

EMPLOYEE DATA

The following table presents employee data for AXA for the year ended December 31, 2002:

	Number of employees [a]	Salaries and benefits (in euro millions)
Life & Savings and Property & Casualty [b]	64,052	(3,989)
International Insurance	5,451	(288)
Financial Services and Holding companies [b]	8,639	(1,447)
TOTAL	**78,142**	**(5,724)**

(a) The employees of entities proportionately consolidated are included using the percentage of ownership.
(b) Employees of AXA Belgium provide services for both the insurance activities and the bank activities. Consequently, the split is not available.

On a comparable basis, the total number of employees his down 3,836 of which 3,459 were in insurance operations. The main contributors to this staff reduction are the United Kingdom (–1,412), France (– 671 of which 376 retired), Belgium (– 314), the United States (– 300), Spain (– 254) and Germany (– 248) following restructuring measures taken in 2001 and 2002.

COMPENSATION OF THE MANAGEMENT AND OFFICERS

“Executive Officers” aggregate remuneration in relation to their services[1] amounted to €30 million (€11 million for the Management Board and €19 million for the Executive Committee). The members of the Supervisory Board do not receive remuneration with the exception of a fee for attending meetings, which totaled less than €1 million.

There were no pensions or other similar benefits provided to these executives specific to these capacities. There were no advances or loans given to these directors by AXA (the Company) or by any of the entities under AXA’s control.

27. Income taxes

A summary of the income tax (expense) / benefit in the consolidated income statements is shown below:

(in euro millions)

	Year ended December 31,		
	2002	2001	2000
French income tax (expense) / benefit:	**(152)**	**(18)**	**(162)**
– current	(19)	(203)	(331)
– deferred	(133)	185	169
Foreign income tax (expense) / benefit:	**(274)**	**(27)**	**(2,611)**
– current	79	68	(2,773)
– deferred	(353)	(94)	162
TOTAL	**(426)**	**(45)**	**(2,773)**

(1) The 2002 remuneration includes the 2001 variable remuneration paid in 2002.

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 (35.43% in 2002, 36.43% in 2001 and 38 % in 2000). The sources of differences from the statutory rate and the tax effect of each are as follows:

(in euro millions)

	Year ended December 31,		
	2002	2001	2000
Income tax expense at French statutory base rate	(609)	(340)	(3,331)
Impact of different foreign statutory rates	5	(35)	163
Permanent differences relating to:			
– Investments	495	321	208
– Operating expenses and other	(271)	(379)	(326)
Utilization of losses carried forward	(38)	80	50
Impact of difference between the statutory tax rate and the effective tax rate	(7)	309	463
INCOME TAX EXPENSE	**(426)**	**(45)**	**(2,773)**

In 2001, the income tax expense was affected by the German tax reform: from January 1st, 2002 realized gains on equity securities are no longer subject to tax. Consequently, the deferred tax liability that had been recorded on unrealized capital gains at the time of acquisition was released. The total release of deferred tax liability amounted to €221 million (100%). In addition, a deferred tax asset (€130 million) had been recorded on non tax-exempt provisions for run-off financial services and €63 million had been utilized on Sicher Direct fiscal losses in Germany.

In 2002, in the United States, a €152 million tax credit has been recorded following settlement with the IRS that led to a more favorable treatment of certain tax matters related to separate account investments.

Deferred tax charges results from changes in temporary differences in the basis of assets and liabilities for financial reporting and income tax purposes. These differences are explained in the table below:

(in euro millions)

	2002	2001	2000
Invested assets	(38)	97	513
Insurance policy acquisition costs, policy reserves and reinsurance	(260)	(376)	(499)
Compensation and related benefits	(270)	(20)	78
Other	82	390	238
TOTAL	**(486)**	**91**	**331**

Certain companies in AXA Group are subject to examination by tax authorities from time to time. The Company evaluates the related reserves as appropriate.

At December 31, 2002, AXA's consolidated deferred tax asset, net of valuation allowances, included tax benefits attributable to net operating loss carry forwards of €737 million (€618 million in 2001). The principal countries with net operating loss carry-forwards at December 31, 2002 included Japan (€327 million vs. €362 million in 2001), the United Kingdom (€309 million vs. €99 million in 2001), Australia / New Zealand (€39 million) and Morocco (€37 million).

28. Net income per ordinary share

The Company computes a basic net income per ordinary share and a diluted net income per ordinary share:

– The calculation of the basic net income per ordinary share assumes no dilution and is based on the weighted average number of ordinary shares outstanding for the period.

– From 2002, the calculation of diluted net income per ordinary share takes into account the dilutive shares issued within stock-option plans and convertible bonds. The effect of stock-option plans on the number of fully diluted shares is taken into account only if options are considered to be exercisable on the basis of the average price of AXA share over the period. The effect of convertible bonds (number of shares and income) is integrated in the calculation if it actually generates a dilution of the net income per share.

In 2002, due to a – 41% fall in AXA's average stock price (€17.8 vs. €30.3 in 2001), 37 million shares from stock-option plans have not been integrated in the calculation of the weighted average number of shares on a fully diluted basis (14 million in 2001). Accounting for this element as well as for the anti-dilutive effect of convertible bonds plans, this number of shares amounted to 1,739 million.

The detailed calculation of net income per ordinary share (basic and diluted) is provided below:

(in euro millions, except ordinary shares in millions)

	Years ended December 31,											
	2002			2001 Pro forma [b]			2001 as published			2000 [a]		
	Ordinary shares	Net income	Adjusted earnings	Ordinary shares	Net income	Adjusted earnings	Ordinary shares	Net income	Adjusted earnings	Ordinary shares	Net income	Adjusted earnings
NET INCOME AND ADJUSTED EARNINGS (GROUP SHARE)	**1,736.13**	**949**	**1,357**	**1,715.71**	**520**	**1,201**	**1,715.71**	**520**	**1,201**	**1,518.15**	**3,904**	**2,540**
Net income and adjusted earnings per ordinary share (basic)	–	0.55	0.78	–	0.30	0.70	–	0.30	0.70	–	2.57	1.67
Effect of dilutive securities												
Dilutive securities issued by subsidiaries [b]	–	–	–		–	–	–	–	–	–	(5)	(5)
Stock-options	2,99	–	–	7.63	–	–	7.63	–	–	12.96	–	–
Mandatorily Convertible Bonds (4.5%)	–	–	–	–	–	–	–	–	–	28.72	9	9
Convertible Bonds (2.5% 1999-2014)	–	–	–	–	–	–	37.17	24	24	37.16	24	24
Convertibles Bonds (3.75% 1999-2014)	–	–	–	–	–	–	26.82	26	26	26.82	23	23
NET INCOME AND ADJUSTED EARNINGS ATTRIBUTABLE TO ORDINARY SHARES AND POTENTIALLY DILUTIVE SECURITIES	**1,739.12**	**949**	**1,357**	**1,723.34**	**520**	**1,201**	**1,787.33**	**571**	**1,251**	**1,623.81**	**3,954**	**2,590**
NET INCOME AND ADJUSTED EARNINGS PER ORDINARY SHARE (DILUTED)	**–**	**0.55**	**0.78**	**–**	**0.30**	**0.70**	**–**	**0.32**	**0.70**	**–**	**2.44**	**1.60**

(a) The number of shares reported prior to 2001 has been multiplied by four and the share price has been divided by four to take account of the 4-for-1 stock split approved by the shareholders at AXA's annual general meeting of the shareholders held on May 9, 2001.
(b) From 2002, the relutive effect of convertible bonds are not taken into account for the calculation of the net income per ordinary share. 2001 has been restated to be on a comparable basis.

29. Financial instruments

AXA uses derivatives instruments primarily for non-trading purposes and from time to time will also trade in derivative instruments as discussed further below.

While notional amount is the most commonly used measure of volume in the derivatives market, it is not used as a measure of risk because the notional amount greatly exceeds the possible credit and market loss that could arise from such transactions. AXA is exposed to the credit risk of the counterparty to the derivative instrument, however, AXA 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 to the derivative instruments. AXA's exposure is represented by the market value of the derivative contract at a point-in-time.

At December 31, 2002, the notional amount of all derivative instruments, for trading and non-trading purposes, totaled €177.4 billion (2001: €101.8 billion). The estimated net fair value of these derivative instruments at December 31, 2002 totaled €1,044 million (2001: €157 million). The use of credit derivatives across the Group is limited to the management of a small portfolio of credit default swaps written in prior years by AXA Corporate Solutions. However, at December 31, 2002, the overall impact on AXA's consolidated financial condition and operating result was not material.

DERIVATIVE INSTRUMENTS ACCOUNTED FOR AS TRADING OR SPECULATIVE INSTRUMENTS

AXA uses these derivative instruments to manage its asset and liability exposures principally as it relates to interest rate, foreign currency and equity price risk exposures in certain of its operations.

At December 31, 2002, the notional amount and net fair value of such derivative instruments was €23,938 million, €83 million respectively (2001: €1,762 million and €38 million respectively). The impact on net income was a charge of €208 million (net Group share) in 2002 (2001: a charge of €56 million). The principal AXA entities that use such instruments are (i) AXA Bank Belgium, which uses non-foreign exchange rated forward rate contracts, as well as interest rate and foreign currency swaps in order to generate short-term trading profits in the ordinary course of banking activities, and (ii) AXA Japan, which purchases and writes covered call options and swaptions on the market that are denominated in either local or foreign currency to manage the interest rate, foreign currency and equity price risk exposures associated with its investment and liability portfolios: these derivatives are used to hedge principally interest rate risk, but do not meet certain requirements for hedge accounting.

DERIVATIVE INSTRUMENTS ACCOUNTED FOR AS NON-TRADING OR HEDGING DERIVATIVES

AXA primarily uses derivative instruments for non-trading purposes to manage risk, principally interest rate and foreign currency exposures. **The risk management and associated hedging strategies** are determined and managed by AXA's local operations in light of both local GAAP and French GAAP requirements. Such hedging strategies include (i) managing interest rate exposures on fixed maturity investments, long term debt and guaranteed interest crediting rates on insurance contracts, (ii) managing foreign currency exposures on foreign currency denominated investments and liabilities, and (iii) managing liquidity positions (including the ability to pay benefits and claims when due) in connection with asset-liability management and local regulatory requirements for AXA's insurance and banking operations.

At December 31, 2002, the notional amount and net fair value of derivative instruments used by AXA's operations for non-trading purposes totaled €153,445 million and €962 million respectively (2001: €102,006 million and €118 million respectively). The impact on AXA's consolidated net income was a gain of €119 million (net Group share) in 2002 (2001: a charge of €167 million).

At December 31, 2002 approximately 50% of the derivative instruments used for non-trading purposes consisted of swap contracts, principally interest rate swaps. The other types of derivative instruments used in AXA's hedging strategies consisted of interest rate caps and floors and non-foreign currency related forward / future contracts as discussed below.

– **Swap contracts** are agreements between two parties to exchange one set of cash flows for another. Payments are based on a notional amount. In connection with the use of such derivatives instruments, under French GAAP the balance sheet may include a net receivable or net payable at period end for cash flow exchanges that have been accrued for but not yet settled as at period end. AXA uses primarily (i) interest rate swap contracts to manage cash flows on interest received on investments or interest payments on debt, and to a lesser extent (ii) currency swap contracts to manage foreign currency denominated cash flows or investments. On a consolidated basis, the notional amount and net fair value of such instruments as at December 31, 2002 was €78,195 million and €1,453 million (2001: €49,959 million and €121 million). The net impact on income for 2002 was a gain of €584 million net Group share (2001: a charge of €86 million). At December 31, 2002, interest rate swap contracts accounted for more than 80% of these instruments used by AXA, in particular (i) AXA (the Parent Company) to hedge its interest rate exposure on debt issued or amounts borrowed, and (ii) AXA Bank Belgium mainly to hedge interest rate exposures in connection with its ordinary course of business to achieve an appropriate interest rate spread between the interest earning assets and the interest bearing liabilities. Currency swaps constitute another part of AXA's hedging strategies to manage foreign currency cash flow exposures, and are primarily used by AXA (the Parent Company).

– **Forward and future contracts** are contracts that obligate settlement at a specified price at a specified future date and can be either exchange or non-exchange traded. On a consolidated basis the notional amount and net fair value of such instruments as at December 31, 2002 was €49,301 million and €–79 million (2001: €29,314 million and €106 million). The net impact on income for 2002 was a charge of €199 million net Group share (2001: a charge of €23 million). Non-foreign currency related forward and future contracts accounted for more than 85% of these instruments and were predominantly used by AXA's French insurance operations and AXA Bank Belgium mainly to hedge future operating margins.

– **Interest rate caps and floors** 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 or floor. The notional amount and net fair value of such instruments as at December 31, 2002 was €25,259 million and €–230 million (2001: €21,880 million and €–112 million). The net impact on income for 2002 was a charge of €295 million net Group share (2001: a charge of €59 million). These types of derivatives are used predominantly by AXA's U.S. and French Life & Savings operations to hedge interest crediting rates on products with guaranteed rates of return and other interest-sensitive products. Income and expense resulting from these hedges are generally reflected as an adjustment to interest credited to policyholders' account balances. Any net premium paid on such contracts is amortized on a straight-line basis over the life of the contracts.

30. Off balance sheet commitments

(At December 31, in euro millions)

	Received		Given				
			2002				2001
	2002	2001	Due in one year or less	Due after one year through five years	Due after five years	TOTAL	TOTAL
Commitments to finance:							
Financial institutions	6,991	4,967	5	81	22	108	39
Customers	–	–	1,291	37	60	1,388	1,052
Guarantees							
Financial institutions	220	168	93	386	176	656	514
Customers	2,351	2,681	126	102	4,365	4,593	5,046
Other:							
Pledged assets	610	972	8	34	267	310	231
Collaterized commitments	7,099	5,832	2,426	–	2,043	4,469	4,791
Letters of credit	63	126	129	173	1,089	1,391	1,442
Commitments on sales currently processed	40	22	–	–	–	–	–
Commitments related to construction	–	2	111	29	5	144	200
Other engagements	965	496	377	424	2,267	3,068	2,262
TOTAL	**18,338**	**15,267**	**4,566**	**1,267**	**10,294**	**16,126**	**15,577**

<u>Principal commitments received are detailed as follow:</u>

– **Commitments to finance and guarantees:** As an insurance company, AXA has a number of credit facilities from financial institutions. In 2001, commitments to finance and guarantees did not include AXA Financial's and Alliance Capital's credit facilities.

On a comparable basis, commitments to finance received amounted to €7,120 million in 2001 versus €6,991 million in 2002. This €129 million decrease is mainly explained by the decrease in AXA Financial credit facilities and the end of refinancing agreements granted to the Compagnie Financière de Paris partly compensated by new lines of credit subscribed by the Company.

Guarantees are down €283 million compared to 2001 and are mainly received by AXA Belgium and AXA Bank Belgium. Those guarantees are mainly third-party guarantees and mortgages on buildings for customers' loans.

– **Collaterized commitments:** These commitments are mainly given by customers of AXA Bank Belgium and result from and mortgage certificates, increasing strongly in 2002.

– **Other commitments received:** These are mainly securities managed by AXA France Assurance on behalf of provident societies (€740 million).

<u>Principal commitments given are detailed as follow:</u>

– **Commitments to finance and guarantees:** From time to time, AXA has provided certain commitments to finance and guarantees to affiliates, investors, banks and others. These commitments include additional capital contributions to be made in respect of real estate joint ventures and private equity funds.

In addition and in the normal course of its banking operations, conducted primarily through AXA Banque (France), AXA Crédit (France) and AXA Bank Belgium, AXA provides financial guarantees and commitments to finance to its customers. In 2002, there was a significant decrease (€–311 million) in such commitments related principally to AXA Banque in respect of performance guarantees on mutual funds coming to an end and to a lower level of credit production in BIA, a banking subsidiary of AXA Bank Belgium. On the contrary, the increase in financing commitments (€+405 million) relates from (i) an increase in commitmens given by AXA Bank Belgium on real estate loans and (ii) an increase in Banque Directe's clients overdrafts as well as confirmed credit lines.

– **Collateralized commitments:** As at December 31, 2002 and 2001, substantially all of the collateralized commitments related to AXA Bank Belgium operations. In the normal course of its banking operations AXA Bank Belgium is required to give collateralized commitments (i) to the central bank in Belgium as security for normal clearing-house activities, and (ii) to financial institutions in respect of existing security repurchase agreements.
– **Letters of credit:** Commitments given under letters of credit as at December 31, 2002 primarily related to AXA's insurance operations, in particular, AXA Corporate Solutions (€1,261 million). Such commitments were given in 2001 in connection with future claims settlements arising from the U.S. terrorist attacks on September 11, 2001 and are therefore decreasing in 2002.
– **Other commitments given:** AXA had subordinated convertible debt instruments of (i) €1,524 million 2.5% debt instrument issued in February 1999 and due in 2014, and (ii) €1,099 million 3.75% debt instrument issued in February 2000 and due in 2017. At maturity, if such debt instruments are not converted to ordinary shares of AXA, they will be redeemed by AXA at a price in excess of the original issue price per note. Based on the number of notes outstanding at December 31, 2002, the aggregate amount payable upon maturity could be approximately €1,215 billion in excess of the existing obligation reported in AXA's consolidated balance sheet at such date, AXA having recorded a €79 million provision at December 31st 2002.

The scheme governing the financial re-organisation of AXA Sun Life in 2001 (the "Scheme") details arrangements under which assets from the inherited estate, attributed to AXA through the re-organisation, may be transferred on a temporary, or permanent, basis to the "With-profit" funds as required to support the capital requirements of these funds, as determined under the Scheme. In the case of a temporary transfer, assets and related investment income remain attributable to AXA as they will be returned when they are no longer required to support the capital requirements of the "With-profit" funds, under the stringent tests set out in the Scheme. If, in the opinion of the Appointed Actuary, all or part of the assets transferred are unlikely to be returned in the foreseeable future (taking into consideration the duration of the in force "With-profit" policies), then the relevant part of the transfer would be designated permanent. Only a permanent transfer to the "With-profit" funds would result in a charge against the profit and loss account. The maximum amount that could be transferred under the Scheme is capped at the surplus assets from time to time in the non profit funds, which had a market value of £1.2 billion (€1.8 billion) at December 31, 2002.

During the second half of 2002, the decrease of the financial markets triggered a transfer to the "With-profit" funds, with a value at 31 December 2002 of £451 million (€693 million). The further decline in the financial markets during January 2003 has led to an additional transfer of £114 million (€175 million) as at 31 January 2003. Current projections, consistent with management's strategic plans, indicate that these cumulative transfers can reasonably be expected to be returned by the "With-profit" funds over time and not be designated permanent.

To comply with French regulatory requirements on assets representing technical commitments, in the first half of 2002, AXA Collectives has placed a part of its direct collective contingeny insurance receivables in a Special Purpose Vehicle. This operation led to replace a balance sheet receivable by cash and cash equivalents of €250 million. In respect of this 5-year operation, AXA France Assurance has given a guarantee limited to €230 million, to cover any default risk from AXA Collective's delegates in charge of the recovery of these debts.

On September 12, 2001 an agreement was established between AXA and BNP Paribas for a period of three years, under which AXA guaranteed the liquidity of BNP Paribas' holdings in ordinary shares of FINAXA.

In addition and in connection with Alliance Capital's acquisition of Sanford C. Bernstein in October 2000, AXA Financial, Inc. agreed to provide liquidity to the former shareholders of Sanford C. Bernstein who received 40.8 million of private Alliance Capital units. After the completion of this lockout period in October 2002, Sanford C. Bernstein's former shareholders exercised their options and AXA Financial acquired 8.16 million of their units. The remaining 32.6 million private Alliance Capital units can be sold at market price to AXA Financial, Inc. over the seven coming years but not more than 20% of such units may be sold to AXA Financial in any one annual period.

31. Related party transactions

From time to time AXA enters into agreements and transactions with its subsidiaries and affiliates for various business purposes including the furnishing of services and / or financing of operating activities. These agreements are formalized under French regulation as *"Groupement d'Intérêt Economique"* or Economic Interest Grouping (GIE). The expenses invoiced to entities through the GIE depend on the services provided by AXA, or the proportion of gross revenues and operating expenses of each entity if the earlier charges allocation is unavailable. Charges invoiced by the GIE to the Company, its subsidiaries and affiliates amounted to €626 million in 2002, €770 million in 2001 and €827 million in 2000. The GIE also assumes cash management for the Company, its subsidiaries and affiliates. At December 31, 2002 the cash managed by the GIE amounted to €6.8 billion, in increase of €1.1 billion.

Members of the GIE (related parties) are the Company, the entities controlled directly or indirectly and the three insurance "mutuelles"[1] (AXA Conseil Vie Assurance Mutuelle is no longer in the consolidation scope of AXA in 2002). In 2002, the three "mutuelles" mentioned above and several entities of the French insurance segment have signed agreements related to the management of the "mutuelles" portfolio. Previously, Property & Casualty technical results from the brokers network were allocated to AXA Courtage IARD SA and AXA Courtage Assurance Mutuelle through the EIG, in compliance with an existing co-insurance agreement.

Following the French activities restructuring effective from January 1, 2003, the GIE is to disappear, and a new co-insurance contract will be implemented in order to allocate this result proportionally to AXA Courtage IARD Mutuelle premiums written with the newly created legal entity "AXA France Dommages".

The technical results are shared between entities in proportion of their written premiums. The global written premiums (Mutual and Limited Company) recorded in the agreement amounted to €1,262 million in 2002 (of which €1,123 million attributed to the Limited Company), €1,127 million in 2001 (of which €1,003 million attributed to the Limited Company), and €986 million (of which €868 million attributed to the Limited Company) in 2000.

Finaxa has granted AXA a non-exclusive 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 and agreed not to grant licenses to use the AXA trademark to any other company or partnership unless (i) that company or partnership holds an ownership interest in Finaxa or (ii) Finaxa and / or AXA hold, directly or indirectly, an interest in that company or partnership.

(1) At December 31, 2002, the three AXA "mutuelles" (AXA Assurance IARD Mutuelle, AXA Assurance Vie Mutuelle et AXA Courtage Assurance Mutuelle) own 2.8% of the Company's equity capital.
(2) At December 31, 2002, Finaxa is owned at 64% by the AXA "mutuelles" and directly holds 17% of AXA.

32. Consolidated statement of cash-flows

(in euro millions)

	Years ended December 31, 2002	2001	2000
Net income	**949**	**520**	**3,904**
Adjustments to reconcile net income to net cash provided by operating activities:			
Net investment gains/losses [a]	3,343	1,811	(10,256)
Minority interests	368	385	2,124
Depreciation and amortization expense	1,621	2,253	1,163
Change in insurance liabilities	8,517	9,011	14,873
Net change in banking activities including broker-dealer receivables & payables	1	(187)	1,457
Net change in repurchase agreements	627	53	(2,907)
Other	(1,098)	(1,053)	3,720
Net cash provided by operating activities	**14,328**	**12,795**	**14,078**
Cash flows from investing activities [b]:			
Maturities and sales:			
Fixed maturities	60,800	60,491	43,878
Equity investments	22,361	23,003	40,047
Real estate	2,217	3,225	4,082
Loans and other	4,649	5,101	4,335
Purchases:			
Fixed maturities	(68,633)	(71,090)	(41,347)
Equity investments	(22,398)	(31,421)	(47,487)
Real estate [c]	(1,244)	(1,211)	(2,310)
Loans and other	(8,531)	(8,892)	(16,418)
Net cash used in investing activities	**(10,780)**	**(20,793)**	**(15,220)**
Cash flows from financing activities:			
Long term debt and borrowings	(24)	1 432	193
Subordinated debt and mandatorily convertible bonds and notes	(810)	(1,774)	8,174
Issuance of ordinary shares [d]	262	301	4,567
Dividends	(1,553)	(1,584)	(1,224)
Net cash (used in) provided by financing activities	**(2,126)**	**(1,625)**	**11,710**
Cash flows from other activities:			
Net impact of foreign exchange fluctuations	(768)	(514)	915
Change in cash due to change in scope of consolidation	(157)	91	452
Net (decrease) increase in cash and cash equivalents [e] [f]	**497**	**(10,047)**	**11,935**
Cash and cash equivalents beginning of year (net)	16,018	26,065	14,130
Cash and cash equivalents end of year (net)	16,515	16,018	26,065

(a) Includes the realized gain on the sale of Donaldson, Lufkin & Jenrette in 2000 of €3,407 million of which €1,336 million was attributed to minority interests.
(b) Includes the cost of acquisitions and proceeds from the sale of subsidiaries.
(c) Includes net movements in separate account assets.
(d) Non-cash transactions in include: (i) conversion of convertible bonds into ordinary shares, (ii) the merger of existing wholly-owned subsidiaries with and into AXA (the Company), and (iii) ordinary shares exchanged in connection with AXA's buyout of minority interests in AXA Financial.
(e) The December 31, 2000 financial data, as reported, have been presented under a new basis of presentation following the implementation of new french regulations effective January 1, 2001.
(f) Net of bank overdrafts. In the balance sheet, bank overdrafts are isolated in "Amount owed to credit institutions". Cash and cash equivalents are presented gross of these bank overdrafts, and amounted to €17,592 million at December 31, 2002, €17,646 million at December 31, 2001 and €28,728 million at December 31, 2000.

33. Dividend restrictions and minimum capital requirements

AXA (the Company) is not subject to legal restrictions on the amount of dividends it may pay to its shareholders provided that accumulated earnings available for distribution are sufficient. However, certain of the AXA'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 their shareholders.

In most cases, the amounts available for dividends from the AXA'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 in certain other countries (as approved by local regulators), unrealized capital gains on real estate as reported in regulatory filings. AXA's insurance operations in countries outside of the European Union are also subject to capital adequacy and solvency margin regulations. At December 31, 2001, management believes AXA's subsidiaries are in compliance with all applicable solvency and capital adequacy margin requirements.

In addition, a European Directive dated October 27, 1998 on the additional supervision of insurance companies and insurance groups requires a consolidated solvency calculation effective for periods ending on or after December 31, 2001. France transposed this directive under an ordinance dated August 29, 2001, decreed on March 14, 2002 and applicable from 2002.

34. Condensed consolidated U.S. GAAP financial statements

Since 2002, information relative to condensed US GAAP financial statement are presented in the chapter “Other financial information”.

REPORT OF INDEPENDENT ACCOUNTANTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

(for the year ended december 31, 2002)

To the Shareholders,

In our capacity as independent accountants, we have audited the accompanying consolidated financial statements of AXA (the Company), stated in euros, for the year ended December 31, 2002.

These consolidated 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 generally accepted auditing standards in France which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company and it subsidiairies financial position and their assets and liabilities as of December 31, 2002 and of the results of their operations for the year ended in accordance with accounting principles generally accepted in France.

We have also examined the information relative to the Company as provided in the Management Board's annual report on operations. We have no particular opinion to express concerning the its fairness and conformity with the financial statements.

Paris, April 4, 2003

The Independent Accountants

PricewaterhouseCoopers Audit		Mazars & Guérard	
G. Dantheny	C. Pariset	P. de Cambourg	Ch. Vincensini

Other supplementary financial information

U.S. GAAP Financial information

The following information referred as 'U.S. GAAP financial information' reflects AXA Group consolidated financial statements, restated according to generally accepted accounting principles in the United States ("U.S. GAAP"). French accounting principles, as described in Note 3 of the Notes to Financial statements are referred hereafter as 'French GAAP'.

1. SUMMARY OF MATERIAL DIFFERENCES BETWEEN FRENCH GAAP AND U.S. GAAP

Certain significant differences between French GAAP and U.S. GAAP are new or modified in 2002 and 2001 following (i) the implementation of new French regulations that became effective from January 1, 2001, and (ii) certain new accounting principles under U.S. GAAP that became effective in 2002 and 2001. The significant differences in accounting principles between French GAAP and U.S. GAAP along with the significant changes in 2002 and 2001 are summarized below.

1.1 CHANGES IN ACCOUNTING PRINCIPLES UNDER U.S. GAAP

Accounting for business combinations, goodwill and other intangibles and impairment or disposal of long-lived assets

On January 1, 2002, AXA adopted statement of Financial Accounting Standards ("FAS") No. 141 *"Business combinations",* FAS 142 *"Goodwill and other intangible assets",* and FAS 144 *"Accounting for the impairment or disposal of long-lived assets".*

FAS 141: ACQUISITIONS:

FAS 141 addresses financial accounting and reporting for business combinations, including investments accounted for under the equity method, collectively referred to in this section as "business combinations", with an acquisition date on or after July 1, 2001. All business combinations in the scope of FAS 141 are to be accounted for using the purchase method whereby a goodwill asset is recorded for the excess of the purchase price over the estimated fair value of net identifiable assets acquired. If the goodwill is negative, it will no longer be set up as a deferred credit and included in income over the estimated useful life but rather recognized as an after-tax extraordinary gain in the income statement in the period of acquisition. Pooling-of-interests is no longer permitted. In addition, other intangible assets can be recognized apart from goodwill if the intangible either (i) reflects a contractual-legal right, or (ii) is separable, that is, capable of being separated, sold, divided, transferred (regardless of intent / existence in the market and either individually or with a group of related assets and liabilities). Prior to FAS 141, only intangibles that could be identified and named could be recognized as an asset apart from goodwill. FAS 141 had no material impact on the results of operations or financial position of AXA upon its adoption on January 1, 2002.

FAS 142: GOODWILL AND OTHER INTANGIBLE ASSETS:

FAS 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets, including intangible assets that are acquired individually or with a group of other assets but not acquired in a business combination. Goodwill is no longer amortized, the carrying value of goodwill is frozen at January 1, 2002, tested for impairment at such date and subsequently subject to an annual impairment test (or, more frequently if triggering events arise during the interim period). Concurrent with the adoption of FAS 142, AXA ceased to amortize goodwill and the remaining negative goodwill at January 1, 2002 was immediately recorded in the income statement. AXA's intangible assets have finite useful lives and continue to be amortized over their estimated useful lives.

FAS 144: ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS TO BE DISPOSED OF:

FAS 144 retains many of the fundamental recognition and measurement provisions previously required under FAS No. 121, "Accounting for the impairment of long-lived assets to be disposed of", except for the removal of goodwill from its scope, inclusion of specific guidance on cash flow recoverability testing and the criteria that must be met to classify a long-lived asset as held-for-sale. FAS 144 had no material impact on the results of operations or financial position of AXA upon its adoption on January 1, 2002.

Accounting for derivative instruments and hedging activities

On January 1, 2001, AXA adopted statement of Financial Accounting Standards ("FAS") No. 133, as amended *"Accounting for derivative instruments and hedging activities"* ("FAS 133"). FAS 133 established new accounting and disclosure requirements for all derivative instruments, including certain derivative instruments embedded in other contracts (referred to as "embedded derivatives") and hedging activities. FAS 133 requires all derivatives to be recognized on the balance sheet and measured at fair value.

ACCOUNTING FOR EMBEDDED DERIVATIVES:

AXA elected a January 1, 1999 transition date, thereby effectively "grandfathering" existing accounting for derivatives embedded in hybrid instruments acquired, issued or substantively modified on or before that date. As a consequence of this election, coupled with interpretative guidance issued by the Financial Accounting Standards Board ("FASB") and the Derivatives Implementation Group ("DIG") with regard to insurance contracts and features therein, adoption of the new requirements for embedded derivatives had no material impact on AXA's consolidated financial condition and operating results under U.S. GAAP. There are currently no requirements to measure and recognize embedded derivatives under French GAAP.

ACCOUNTING FOR HEDGING ACTIVITIES:

French GAAP permits hedge accounting in respect of a derivative that hedges (i) the net exposure to a pool of assets and liabilities, (ii) the net risk exposure relating to net interest spread on customer accounts in respect of banking activities or net policyholder crediting risk exposure on insurance contracts, and (iii) certain embedded features in existing contracts. Under U.S. GAAP, the FAS 133 basis for hedge accounting is more prescriptive specifically as it relates to the nature and extent of the type of risk exposure that can be hedged (in respect of documentation and accounting). The accounting for changes in the fair value of a derivative (that is, the gains and losses) is recorded in income, unless the derivative is used as a hedging instrument. If the derivative is used as a hedging instrument, the accounting for such changes in fair value depends on the hedging relationship as summarized below.

– *Fair value hedges.* The entire change in fair value of the derivative is recorded in income along with the associated gain or loss on the hedged item attributable to the risk being hedged.
– *Cash-flow hedges.* The change in fair value of the derivative attributable to the effective portion of the hedge is recorded in "other comprehensive income" (a separate component of shareholders' equity), which is subsequently reclassified into income in the same period in which the forecasted transaction affects income. The change in fair value of the derivative attributable to the ineffective portion of the hedge is recorded in income.

– *Net investment hedges.* The change in fair value of the derivative or non-derivative instrument attributable to the effective portion of the foreign currency hedge, together with the associated foreign exchange gain or loss on the hedged item, is recorded in a component of “other comprehensive income” as a part of the cumulative foreign translation adjustment. The change in fair value of the derivative attributable to the ineffective portion of the hedge is recorded in income.

The strict guidance set out by the FASB and the DIG limits the extent to which existing hedge arrangements qualify for hedge accounting under FAS 133. AXA manages its risks and, therefore, its hedging strategies to meet the hedging requirements as set forth under French GAAP, rather than U.S. GAAP. As a result, certain hedging relationships established by AXA have not be designated as qualifying hedging relationships under FAS 133 and, therefore, are not subject to U.S. GAAP hedge accounting and consequently are referred to as “free standing derivatives” with the change in fair value recorded in income effective from January 1, 2001 for U.S. GAAP. However, certain existing hedge arrangements meet the criteria for measurement and recognition as fair value hedges under FAS 133. In accordance with the transition provision of FAS 133 to recognize the difference between the carrying values and fair values of the free standing derivative instruments at January 1, 2001, the after tax cumulative-effect-type credit to income was €18 million at January 1, 2001.

Given that AXA’s hedging strategies are designed to comply with French GAAP measurement and recognition requirements, AXA’s consolidated net income as determined in accordance with U.S. GAAP is subject to increased volatility in future periods. Significant differences could arise between the AXA’s consolidated net income and shareholders’ equity under French GAAP as compared to U.S. GAAP in future periods.

Reclassification of fixed maturity and equity investments

Under the transition rules of FAS 133, AXA recorded the following reclassifications (i) £ 19,806 million (or approximately €31,492 million at transition date) of ”available-for-sale” securities as “trading” securities, resulting in an after-tax cumulative-effect-type adjustment of €2,698 million from other comprehensive income to the statement of income, representing the after-tax unrealized gain of the assets backing the UK “With-profit” business at January 1, 2001, and (ii) US$ 257 million (or approximately €273 million at transition date) of ”held-to-maturity” securities as “available-for-sale” securities, resulting in an after-tax cumulative-effect-type adjustment of US$ 9 million in other comprehensive income (or approximately €10 million at transition date), representing the after-tax unrealized gain at January 1, 2001. Under the transition provision of FAS 133, this reclassification does not call into question AXA’s intent to hold current or future debt securities to their maturity. This reclassification under U.S. GAAP had no impact on AXA’s accounting for its fixed maturity and equity investments under French GAAP.

1.2. SCOPE OF CONSOLIDATION

– Under U.S. GAAP, majority-owned companies, based on voting rights directly or indirectly of more than 50%, are fully consolidated.
– Under U.S. GAAP, the equity method of accounting is used for investments in companies in which AXA’s ownership interest approximates 20% and is not greater than 50% including those companies proportionately consolidated under French GAAP.
– Under French GAAP, AXA accounts for its investments in investment companies and real estate companies (including mutual funds) owned by insurance subsidiaries using the cost method. Under U.S. GAAP, such entities are consolidated if AXA has exclusive control over the fund or company; otherwise the equity method of accounting is used. In consolidating mutual funds or investments in investment companies for U.S. GAAP purposes, investment securities held by the funds are classified as trading and, therefore, are stated at estimated fair value and changes in estimated fair value are included in net income.

13. BUSINESS COMBINATIONS - PURCHASE ACCOUNTING

Business acquisitions are generally accounted for using the purchase method of accounting under both French GAAP and U.S. GAAP.

The significant differences in accounting principles used for determining goodwill between French GAAP and U.S. GAAP are summarized below.

Purchase price

– Under both French GAAP and U.S. GAAP, the purchase price is determined at transaction date unless newly issued ordinary shares are exchanged. If ordinary shares are issued in connection with an acquisition, under French GAAP the purchase price is determined at the closing date of the offer period whereas under U.S. GAAP the purchase price is determined at the date the merger agreement is signed and announced (so long as the terms of exchange are fixed), using the average market rate over a period consisting of a number of days before and after such date.
– In connection with an acquisition of a target company, not of a minority interest, under both French GAAP and U.S. GAAP, the purchase price includes the cost of settling or exchanging outstanding employee share options of the target company. However, in respect of a minority interest buyout, costs associated with settling or exchanging outstanding employee share options are included in the purchase price under French GAAP, but are excluded from the purchase price and recorded as compensation expense under U.S. GAAP.

Value of net assets acquired to determine goodwill

Under French GAAP, the portion of assets acquired and liabilities assumed, other than in connection with a buyout of minority interests, are recorded at their estimated fair value. The insurance liabilities are maintained at the predecessor's carrying value if the measurement basis is consistent with AXA's French accounting principles. The portion of assets acquired and liabilities assumed in connection with a buyout of minority interests are maintained at carrying value at date of acquisition.

Under U.S. GAAP and in respect of all acquisitions including the buyout of minority interests, the portion of assets acquired and liabilities assumed are recorded at their estimated fair values at the date of acquisition.

Determination of identifiable intangible assets

French GAAP provides for the recognition of the present value of future profits of purchased Life insurance business in-force (VBI) as an intangible asset. Under U.S. GAAP, an intangible asset can be recognized at date of acquisition if there is either (i) a contractual or legal right or (ii) it is separable. Such intangible assets may include, but are not limited to, customer and contract lists and specific to Life insurance.

Goodwill

Under French GAAP and in respect of acquisitions completed prior to January 1, 2001, a portion of goodwill could have been charged directly to shareholders' equity to the extent that ordinary shares were issued by the parent company in connection with the transaction, with the remaining amount recorded as a goodwill asset. For all acquisitions completed on or after January 1, 2001, the difference between the purchase price and the value of the portion of net assets acquired is recorded as a goodwill asset. However, the French GAAP basis may not generate a goodwill asset value that is equal to that determined under U.S. GAAP due to, and as previously discussed, (i) the accounting for net assets acquired in respect of a buyout of minority interests, (ii) the accounting for the value of shares exchanged, if applicable, (iii) the accounting for the settlement or exchange of outstanding employee share options of the acquired company, and (iv) the identification and valuation of identifiable intangible assets.

Under French GAAP, the goodwill asset is amortized over the remaining estimated useful life and subject to routine impairment testing. Any negative goodwill is amortized in income over the estimated remaining useful life under French GAAP. Under U.S. GAAP, and effective from January 1, 2002, (i) the goodwill asset is no longer amortized but subject to annual impairment testing (or more frequently if a circumstances or events trigger a review), and (ii) negative goodwill is recorded in income immediately.

Revision to goodwill

Under French GAAP, revisions can be made to the goodwill calculation up to the end of financial year following the acquisition. Under U.S. GAAP, revisions can be made to the goodwill calculation up to 12 months from the date of acquisition only with respect to outstanding known contingencies at date of acquisition.

Shares issued by a subsidiary (dilution gains)

When a subsidiary of AXA issues shares, this decreases (dilutes) AXA's ownership interest in that subsidiary and is treated as a partial disposal of the investment in that subsidiary.

Under both French GAAP and U.S. GAAP, if a subsidiary issues shares for a price in excess of or less than the carrying value of the investment in that subsidiary, the difference is generally reflected as an after-tax gain or loss in income. However, the after-tax gain or loss may differ between French GAAP and U.S. GAAP due to differences in the underlying accounting principles used for determining the value of net assets disposed.

Under French GAAP, in the event that a subsidiary issues shares and there is a specific plan to repurchase such shares (at the time shares were issued), this gain is recorded in income with a corresponding charge to establish a provision, on a pre-tax basis. There is no impact on AXA's consolidated net income and shareholders' equity under French GAAP. At the point in time when a portion or all of the issued shares are repurchased a portion or all of the provision will be released with a corresponding reduction in goodwill arising on the acquisition. Under U.S. GAAP, the after-tax gain is accounted for as a capital transaction and recorded in shareholders' equity.

14. ACCOUNTING FOR INVESTMENTS

Fixed maturities, equity and real estate, other than assets allocated to UK "With-profit" contracts

In respect of the accounting for fixed maturity and equity investments outside of the separate accounts (unit-linked) asset portfolios, under French GAAP, fixed maturities and equity investments are, in general, carried at amortized cost and historical cost, respectively, less valuation allowances. Under U.S. GAAP, the accounting for these securities depends on the investment classification:

– securities classified as "held to maturity" are reported at amortized cost,
– securities classified as "trading" are reported at fair value with changes in unrealized gains and losses included in income, and
– securities classified as "available for sale" are reported at fair value with changes in unrealized gains and losses included in "other comprehensive income" (a separate component of shareholders' equity).

In respect of valuation allowances on impairment fixed maturity and equity securities and real estate investments, under French GAAP an impairment for an other-than-temporary decline in value is recorded as a **valuation allowance.** With specific regard to equity investments, under French GAAP it is presumed that there is an other-than-temporary impairment dependent on the extent to which the fair value is below carrying value (that is, depending on market conditions, 20% in 2001 or 30% for 2002 given the stock markets volatility) and for a continuous period of 6 months or more prior to year end. If the impairment is deemed to be other-than-temporary, and in case of investments intended to be held, the impairment charge recorded is equal to the difference between the net carrying value and the greater of market value or other reference value determined based on the intended investment holding period, net worth, future cash flows and specific considerations relating to the industry sector/activities of the issuer.

Under U.S. GAAP, in general, an equity security is subject to an impairment review if the fair value is at least 80% or less of the net carrying value at year end for a period of 6 months or more and subject to specific qualitative factors effecting the industry or issuer. In addition and subject to certain market conditions and circumstances, securities with a fair value more than 20% at year end (regardless of continuous period in an unrealized loss position) and securities with an unrealized loss position for over than 12 months will be impaired as well.

Under French GAAP, the impairment charge can be reversed in future periods in the event that market conditions change. Under U.S. GAAP, such impairment is recorded as a realized loss against income and is not reversible in future periods.

Assets allocated to UK “With-profit” contracts

The assets supporting the UK “With-profit” contracts consist primarily of fixed maturity and equity securities. The UK “With-profit” contracts are participating contracts and distribution from the “With-profit” long term fund is based on legal restrictions whereby policyholders have a 90% right to all risks and rewards of the participating (“With-profit”) fund. Therefore, changes in the estimated market value of these assets held in the “With-profit” fund impact the valuation of the fund and, therefore, the valuation of the underlying insurance liabilities.

Under French GAAP, assets supporting the UK participating (“With-profit”) fund are stated at market value with changes in market value included in income, as the unrealized investment gains and losses on these investments are included in the determination of the related insurance liability. These assets include fixed maturity and equity securities, real estate and loans.

Under U.S. GAAP, real estate assets and loans allocated to UK “With-profit” contracts are carried at historical cost less accumulated depreciation and amortized cost or unpaid principal balance, respectively. In addition and prior to January 1, 2001, the fixed maturity and equity investments allocated to UK “With-profit” contracts were classified as “available-for-sale” and stated at market value. Consequently, the entire change in market value, being the net unrealized investment gains or losses, was recorded in “other comprehensive income” (a separate component of shareholders’ equity) even though the related impact of the change in unrealized gains and losses on assets on UK-”With-profit” policyholder benefits was recorded against income in the same period. Accordingly, AXA believed that this exclusion under U.S. GAAP did not reflect fully the economic effect of the UK “With-profit” contracts. An increase in the estimated fair value of these assets resulted in an increase in the liability for policyholder benefits, and a reduction of AXA’s consolidated net income. A decrease in the estimated fair value of assets resulted in a decrease in the liability for policyholder benefits, and an increase in AXA’s consolidated net income.

As a consequence, this led to AXA’s presentation of *“U.S. GAAP, except for adjustment for the change in unrealized investment gains and losses on assets allocated to UK “With-profit” contracts”* in the reconciliations of consolidated net income and consolidated shareholders’ equity from French GAAP to U.S. GAAP whereby the changes in market value of the assets allocated to UK “With-profit” contracts were included in income: a presentation that AXA believed was more meaningful under the circumstances.

Effective from January 1, 2001 and as permitted under the transition rules of FAS 133, "Accounting for derivatives instruments and hedging activities", the fixed maturity and equity securities supporting the participating ("With-profit") business have been reclassified from "available-for-sale" to "Trading". These investments continue to be stated at market value, however, the changes in market value of these investments are no longer recognized in "other comprehensive income" (a separate component of shareholders' equity), but are recognized in income. Consequently, from 2001, AXA's presentation of *"U.S. GAAP, except for adjustment for the change in unrealized investment gains and losses on assets allocated to UK "With-profit" contracts",* in the reconciliations of consolidated net income and consolidated shareholders' equity from French GAAP to U.S. GAAP, was no longer necessary.

15. FUTURE POLICY BENEFITS

Under French GAAP, insurance liabilities for Life & Savings business, also referred to as future policy benefits, are calculated in accordance with the applicable local regulatory and accounting rules if consistent with the French accounting principles used by AXA. The future policy benefits are actuarially determined using actuarial assumptions relating to investment yields, mortality, morbidity and expenses. Contracts are assumed to remain in-force until their contractual maturity date or the death of the insured. Under U.S. GAAP, future policy benefits for traditional life policies, that is for contracts with significant mortality or morbidity risk, 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 premium deficiency reserve is established by a charge to earnings.

For French GAAP purposes, in 1996 Equitable Life changed its method of accounting for certain long-duration participating life insurance contracts in accordance with the provisions prescribed by FAS 120, "Accounting and reporting by mutual Life insurance enterprises and by insurance enterprises for certain long-duration participating contracts".

Reinsurance contracts that cover Guaranteed Minimum Income Benefits ("GMIBs") features of variable annuity / separate account type contracts are accounted for as insurance contracts under French GAAP on a prospective basis whereby the amount is recognized over the contract term. Under U.S. GAAP the reinsurance contract covering the income feature represents a derivative instrument accounted for under FAS 133 at fair value.

16. EQUALIZATION RESERVES

Under French GAAP, equalization reserves are recognized in respect of future catastrophe risks, which are determined in accordance with local regulatory requirements in certain jurisdictions in which AXA operates. Such reserves are not permitted to be recognized as a liability under U.S. GAAP until such losses are incurred.

17. PLAN OF FINANCIAL REORGANIZATION OF AXA EQUITY & LAW ("THE PLAN")

Accounting for the transaction

In connection with the plan, a portion of the surplus assets held in the participating ("With-profit") fund, referred to as the "Inherited Estate" was attributed to AXA, as the shareholder. AXA's portion of the Inherited Estate along with the non-participating insurance business was transferred out of the participating ("With-profit") fund into separate legal non-participating funds in which 100% of the operating results would inure to AXA in future periods. As a consequence of the plan and effective from January 1, 2001, additional significant differences arose between French GAAP and U.S. GAAP as set out below.

Under French GAAP, the plan was accounted for as a business combination as it was a transaction with the policyholders, an equivalent third party interest. As a result, (i) assets and insurance liabilities transferred from the participating fund to the non-participating fund were re-estimated at fair value and or based on new assumptions for interest rates and mortality, (ii) VBI was recognized in respect of the profits to emerge on the unit linked business transferred to the non-participating fund, and (iii) the cost of the incentive bonus paid to policyholders that elected in favor of the Plan was established as goodwill.

Under U.S. GAAP, the transaction could not be accounted for as a business combination, as it was a portfolio transfer within a commonly controlled group and, therefore, (i) no VBI was recognized, and (ii) the cost of the incentive bonus was recorded as an expense in the period, which was recorded as a decrease to U.S. GAAP net income of €433 million (adjustment in the reconciliation under the caption "Purchase accounting and goodwill").

Profit recognition for UK "With-profit" business as a result of the plan

Under French GAAP, the profit recognized by AXA in respect of the UK "With-profit" business represents 10% of the bonus declared by the actuary and represented a change in methodology under French GAAP in 2001. Under U.S. GAAP, the profit recognized by AXA on such business represents 10% of all revenues and expenses in the period, with the remaining 90% attributed to "unallocated policyholder dividend liability" in recognition of the consequences of the fundamental legal restructuring of the funds undertaken in connection with the plan.

18. IMPACT OF CHANGES IN FRENCH ACCOUNTING PRINCIPLES IN 2001

The implementation of new French regulations effective from January 1, 2001 resulted in certain one-time adjustments to the reconciliations of consolidated net income and consolidated shareholders' equity from French GAAP to U.S. GAAP. The cumulative effect of changes in French accounting principles were recorded as adjustments to opening shareholders' equity under French GAAP. Consequently, certain differences in accounting principles in prior years are not representative of the differences that will exist in future periods as indicated below.

Equalization reserve

In prior periods and under French GAAP, equalization reserves included both reserves for future unusual losses and catastrophe risk reserves, which were established in accordance with local regulatory requirements in certain jurisdictions in which AXA operates. As a result of the new French regulations, equalization reserves are limited only to future catastrophe risks, reserves are no longer permitted under French GAAP for future unusual losses in any one period. These equalization reserves are not recognized as a liability under U.S. GAAP, until such loss is incurred and, therefore, such liabilities are eliminated under U.S. GAAP.

The cumulative effect of the elimination of equalization reserves (in respect of future unusual losses) under French GAAP was recorded as an adjustment to opening consolidated shareholders' equity at January 1, 2001. As a result, the reconciling difference in net income is lower in 2001 as compared to 2000 and 1999.

Cost of reinsurance

Due to the implementation of new French regulations, the cost of reinsurance is recorded in income in the year the reinsurance arrangement, including for long duration contracts, is placed with a third party reinsurer, including for long duration contracts. Under U.S. GAAP, the cost of reinsurance on long duration contracts is amortized into income over the lifetime of payments.

The cumulative effect of the change has been recorded as an adjustment to opening shareholders' equity on January 1, 2001. Future policy benefits as presented in AXA's reconciliations of consolidated net income and consolidated shareholders' equity from French GAAP to U.S. GAAP include this new difference in accounting.

Intercompany transactions

Effective for intercompany transactions on or after January 1, 2001 and under the new French regulations, realized gains and losses on intercompany sales of assets are eliminated in their entirety, unless there is an other-than-temporary impairment that is to be recorded as a loss immediately, which is the similar to U.S. GAAP. No difference exists between French GAAP and U.S. GAAP in 2001 and thereafter.

However, in prior periods, French GAAP differed from U.S. GAAP, as French GAAP did not eliminate such gains and losses if the seller or buyer was an insurance or reinsurance company. Consequently, this difference is still presented in AXA's reconciliation of consolidated net income and consolidated shareholders' equity from French GAAP to U.S. GAAP in respect of 2000 and 1999.

Under French GAAP, realized gains are recognized when securities or real estate with appreciated values are contributed to mutual funds or real estate funds established for the purpose of supporting French savings contracts. Under U.S. GAAP, such gains are proportionately recognized when the savings contracts are issued or the fund shares are sold to entities not included in the consolidated financial statements.

1.9. OTHER DIFFERENCES

Restructuring provisions

Under French and U.S. GAAP, the nature of costs that can be included in restructuring provisions is generally similar. However, U.S. GAAP requires that certain conditions exist before recording a restructuring provision which are not required under French GAAP. Among such conditions is the U.S. 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 permitted under U.S. GAAP.

Share-based compensation (other than in respect of business combinations)

Under French GAAP, the accounting of share-based compensation is limited to share option plans and depends on whether the share option plan (i) relates to the purchase of shares in the open market or the increase in AXA share capital, (ii) provides for a guarantee of liquidity, or (iii) is issued by AXA (the Company) or another AXA entity.

Under U.S. GAAP, the accounting for share-based compensation includes share options and other share-based compensation, such as employee share purchase programs. The accounting depends on whether (i) the share-based compensation has performance-based conditions, (ii) will be settled in cash or (iii) if non-performance based, the related share-based compensation is issued at a significant discount from the market price at date of grant.

There are two principal differences that arise between French GAAP and U.S. GAAP as set out below.

– Under French GAAP share-based compensation is not recorded in respect of certain share option plans issued by AXA (the Company) that do not provide a guarantee for liquidity whereas under U.S. GAAP a compensation charge is recorded if at grant date the options are issued at a significant discount; and

– For all other share option plans issued by AXA (the Company) and other AXA entities, the principles for measuring share-based compensation under French GAAP are principally similar to those used under U.S. GAAP. However, the compensation expense is recorded over the vesting period in the income statement and included as a liability under French GAAP (decrease in net assets) whereas under U.S. GAAP the amount is recorded against shareholders' equity (no impact on net assets), unless it is to be settled in cash and would be included as a liability as well.

Pension plans

Under French GAAP, AXA uses an actuarial methodology that is consistent to the measurement and recognition basis prescribed under U.S. GAAP, with the exception of the recognition of an additional minimum pension liability that is not recognized under French GAAP. For U.S. GAAP purposes, AXA has adopted FAS 87, "Employer's accounting for pensions", as of January 1, 1989. At the date of adoption a transition asset, reflecting the over-funded status of AXA Equity & Law's pension plan, was recorded and is being amortized over the remaining fifteen-year average service life of employees. If the accumulated benefit obligation exceeds the fair value of plan assets, an additional minimum pension liability is recorded such that the total liability in the balance sheet is at least equal to the unfunded accumulated benefit obligation. The after-tax amount is, in general, recorded in "other comprehensive income" (separate component of shareholders' equity).

Long-term debt with early redemption rights

Under French GAAP when long term debt is issued with early redemption rights whereby the redemption price is in excess of the original issue price per bond or note, the excess premium may not be amortized over the period from original issue date to earliest redemption period subject to certain market conditions. Under U.S. GAAP, as the value of the long term debt accretes according to the stated redemption price, this accretion, if significant, is amortized over the period up to earliest redemption date and is recorded as interest expense with a corresponding increase in the value of the principal outstanding in the balance sheet.

Deferred tax

Under French GAAP, deferred income taxes are not required to be recognized in respect of distributions if the distribution is not going to be made in the foreseeable future and the ability to make such a distribution is at the control of management. Under U.S. GAAP, deferred income taxes arising on distributions are recorded in full if subject to local tax upon distribution (inside tax basis) even if the distribution is not going to be made in the foreseeable future and the ability to make such a distribution is under the control of management.

Under French GAAP, the determination of whether a valuation allowance should be recorded against deferred tax assets will consider an economic approach (based on thorough analysis of future statutory profits), as to whether the deferred tax asset is deemed recoverable. Under U.S. GAAP, FAS 109 gives greater weight to previous cumulative losses than the outlook for future probability when determining whether deferred tax assets are realizable.

Under both French GAAP and U.S. GAAP, the impact of a change in enacted tax rates on deferred tax assets and liabilities is recorded in income. Due to certain significant differences in the underlying accounting principles between

French GAAP and U.S. GAAP, particularly in respect of the value of fixed maturity and equity investments (held at amortized cost or historical cost under French GAAP and generally at market value under U.S. GAAP), the impact of the change in tax rates on income under French GAAP and U.S. GAAP will differ accordingly.

Treasury shares

Under French GAAP, treasury shares are reported as an asset if certain conditions are satisfied. Under U.S. 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 a change in shareholders' equity. Therefore, any gains or losses from holding such shares are recorded as adjustments to shareholders' equity.

De-recognition of transferred assets

Assets transferred to entities in which AXA does not hold an ownership are permitted to be recognized as a disposal under French GAAP. Under U.S. GAAP any realized profit or loss on the disposal is eliminated if the transaction does not meet the requirements for de-recognition due to various factors including continuing involvement.

2. U.S. GAAP COMMENTARY FOR 2002 AND 2001 STATEMENTS OF INCOME

2.1 STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2002

(in euro millions)

Consolidated Net income

	Years ended December 31, 2002 U.S. GAAP	French GAAP
Life & Savings	(1,782)	1,063
Property & Casualty	(980)	(19)
International Insurance	(438)	(176)
Total Insurance	**(3,200)**	**869**
Asset Management	223	218
Other Financial Services	61	119
Total Financial Services	**284**	**337**
Holding companies	29	(257)
Net income, Group share	**(2,887)**	**949**

The 2002 U.S. GAAP **net income Group share** amounted to **€–2,887 million,** or €–3,836 million lower than the French GAAP net income.

This decrease was principally due to:

– The impairment charge on equity securities under U.S. GAAP (please refer to differences in principles described in section 1.4 of the current note), totaling €2,221 under U.S. GAAP (net Group share impact), compared to €614 million under French GAAP.

– The unfavorable impact of financial markets trends (i) on the value of investments in mutual funds and real estate companies, consolidated under U.S. GAAP at their market value (€–1,008 million), and (ii) on the profit emerging from the UK "With-profit" funds, of which 10% is recognized in the U.S. GAAP net income (impact: €–274 million).

– An additional valuation allowance recorded against the Japanese deferred tax asset (€–1,014 million), mechanically accounted for under U.S. GAAP in consideration of a cumulative tax loss under a three-year period under U.S. GAAP, and deferred distribution tax liabilities maintained in U.S. GAAP Group accounts (€–345 million) related to the profit emerging from the non-profit fund; under U.S. GAAP, any distribution tax is recorded, regardless of the probability of distribution in a foreseeable future.

– The elimination under U.S. GAAP of (i) the exceptional profit accounted for in Alliance Capital under French GAAP (€148 million) relating to the partial release of the dilution profit set up at the time of acquisition of Sanford Bernstein, as under U.S. GAAP, this dilution profit was entirely accounted within shareholder's equity, and (ii) the realized gain on the disposal of AXA Australia health activities (€87 million).

– The valuation difference between French and U.S. GAAP (€–119 million) on the reinsurance contracts on guaranteed minimum income benefit features respectively in AXA Financial (reinsurance ceded) and AXA Corporate Solutions (reinsurance accepted, as these contracts are derivative instruments, accounted for at fair value under U.S. GAAP.

– These unfavorable items were partly offset by the fact that goodwill is no longer amortized from 2002 (€+588 million impact), and by the impact of fair value accounting for derivatives under FAS 133 (€+412 million).

The **Life & Savings segment** was the most impacted by these restatements, showing a net income Group share lower by €–2,845 million under U.S. GAAP, summarized as follows:

(i) The additional valuation allowance recorded against the Japanese deferred tax asset for €–1,014 million,

(ii) A higher impairment charge on equity securities for €–940 million,

(iii) The unfavorable impact of financial markets trends on the value of investments in mutual funds and real estate companies for €–421 million,

(iv) The recognition of deferred tax liabilities on future distribution in United Kingdom for €–345 million,

(v) The accounting of 10% of the profit emerging from the UK "With-profit" funds (€–274 million),

(vi) Partly offset by the fact that goodwill is no longer amortized from 2002 (€+301 million).

In the **Property & Casualty** segment, U.S. GAAP net income Group share is lower by €–961 million compared to French GAAP, mainly due to (i) the unfavorable impact of financial markets trends on the value of investments in mutual funds and real estate companies for €–515 million, (ii) a higher impairment charge on equity securities for €–546 million, partly offset by (iii) the fact that goodwill is no longer amortized from 2002 (€+103 million).

The U.S. GAAP net income Group share in the **International Insurance** segment is lower by €–262 million compared to French GAAP, as a result of (i) the valuation difference on reinsurance contracts accepted that cover guaranteed minimum income benefits, which are treated as derivatives instruments under U.S. GAAP rather than valued as insurance contracts (€–148 million), (ii) a higher impairment charge on equity securities for €–56 million, and (iii) the unfavorable impact of financial markets trends on the value of investments in mutual funds for €–67 million.

In the **Asset Management** segment, the positive impact of eliminating the goodwill amortization (€+154 million) is nearly offset by the elimination of Sanford Bernstein exceptional profit recorded under French GAAP (€–148 million).

The **Holdings** companies had a higher net income Group share under U.S. GAAP by €+286 million, stemming from (i) the fair value accounting under FAS 133 for derivatives (€+498 million), partly offset by (ii) the elimination of the realized gain on the disposal of AXA Australia health activities (€–87 million), (iii) a higher impairment charge on equity securities (€–66 million), and (iv) the compensation charge of €–61 million arising on the employee stock purchase plan.

2.2. STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2001

(in euro millions)

Consolidated Net income

	Years ended December 31, 2001	
	U.S. GAAP	**French GAAP**
Life & Savings [(a)]	589	922
Property & Casualty	(538)	52
International Insurance	(439)	(386)
Total Insurance	**(388)**	**588**
Asset Management	131	153
Other Financial Services	74	97
Total Financial Services	**204**	**250**
Holding companies	(999)	(318)
NET INCOME before the impact of exceptional operations	**(1,183)**	**520**
Impact of exceptional operations	2,667	–
Net Income	**1,484**	**520**

(a) Excluding the impact of exceptional operations.

The 2001 consolidated net income Group share in accordance with U.S. GAAP totaled €1,484 million and was higher than AXA's consolidated net income in accordance with French GAAP by €964 million.

This favorable impact was primarily attributable to €2,667 million being included in the consolidated net income under U.S. GAAP as a result of the plan of financial reorganization of AXA Equity & Law undertaken in 2001 and the transition rules of Statement of Financial Accounting Standards ("FAS") No. 133, as amended *"Accounting for derivative instruments and hedging activities"* ("FAS 133 ") adopted by AXA on January 1, 2001 as set out below:

- An after-tax cumulative-effect-type credit to income of €2,698 million from "Other comprehensive income" (a separate component of shareholders' equity), representing the after-tax net unrealized investment holding gain for the fixed maturity and equity securities backing the UK "With-profit" business at January 1, 2001. This adjustment was in accordance with the transition rules of FAS 133 whereby AXA reclassified £ 19,806 million (or approximately €31,492 million at transition date) of fixed maturity and equity securities supporting the UK "With-profit" business from "available-for-sale" to "trading". Under French GAAP such investments were already stated at market value with changes in market value included in French GAAP net income.

– A €762 million release of unallocated policyholder dividend liability (included in future policy benefits) to income as a result of the transfer of non-participating business from the existing participating “With-profit” fund to a non-participating fund, as a result of the fund restructuring in connection with the plan. This was offset by a €433 million charge against income corresponding to the payment of the incentive bonus paid to the “With-profit” policyholders that elected in favor of the plan by one of the UK holding companies. Under French GAAP, these items were recorded in AXA’s consolidated shareholders’ equity, which resulted in an overall decrease of €79 million after the recognition of (i) goodwill of €451 million corresponding to the incentive payment to the “With-profit” policyholders and the direct costs associated with this transaction, and (ii) a value of purchased life business in force of €466 million.

Excluding the impact of the plan of financial reorganization of AXA Equity & Law, AXA’s consolidated net income under U.S. GAAP was lower than the consolidated net income under French GAAP by €1,703 million primarily due to the following items:

– Life & Savings segment: Under U.S. GAAP, the investment holdings in mutual funds are stated at market value whereby under French GAAP such investments are held at cost. Consequently, due to the deterioration in the global stock markets in 2001, net unrealized investment losses in these investments were recognized under U.S. GAAP but not under French GAAP: AXA’s Life & Savings segment (€291 million). Moreover, as a result of the fundamental restructuring of AXA Equity & Law in connection with the plan of financial reorganization undertaken in 2001, under French GAAP 100% of the change in the UK “With-profit” fund is included within future policy benefits, only 10% of the cost of bonus is included in AXA’s consolidated net income. Under U.S. GAAP 10% of all changes in the UK “With-profit” fund (revenues and expenses) are included in AXA’s consolidated net income. Consequently and primarily due to the deterioration in the global stock markets in 2001, this gave rise to an additional charge of €310 million against AXA’s consolidated operating results.

– Property & Casualty activities: Under U.S. GAAP, the investment holdings in mutual funds are stated at market value whereby under French GAAP such investments are held at cost. Consequently, due to the deterioration in the global stock markets in 2001, net unrealized investment losses in these investments were recognized under U.S. GAAP but not under French GAAP: Property & Casualty segment (€367 million).

– Other relating to holding company activities: The U.S. GAAP result included charges related to (i) share-based compensation associated with the 2001 employee share purchase program whereby the ordinary shares were issued at a discount below market price, (ii) the recognition of additional interest expense, being the amortization of premium on the subordinated convertible debt issued by the Company in 1999 and 2000, as AXA has the right of early redemption at a stipulated price greater than the original issue price per note, and (iii) the impact of the accounting for derivatives and hedging activities in accordance with FAS 133.

3. MATERIAL DIFFERENCES BETWEEN FRENCH GAAP AND U.S. GAAP

3.1 CONSOLIDATED SHAREHOLDERS' EQUITY GROUP SHARE (INCLUDING NET INCOME)

(in euro millions)

Consolidated shareholders' equity	At December 31, 2002	2001	2000
Consolidated shareholders' equity in accordance with French GAAP	**23,711**	**24,780**	**24,322**
Material differences (net of taxes):			
Differences in scope of consolidation	(1,198)	4	581
Goodwill and purchase accounting [(a)] [(b)]	4,266	3,867	4,162
Difference in value of shares exchanged (buyout of minority interests)	(388)	(327)	(265)
Cost of stock options (buyout of minority interests)	(272)	(286)	(211)
Investment accounting and valuation [(a)]	408	1,407	2,670
Deferred acquisition costs	(96)	(4)	187
Equalization provisions	200	201	416
Future policy benefits (net of reinsurance)	(194)	77	(171)
Treasury shares held	(485)	(485)	(384)
Derivatives and hedging activities	(41)	(69)	–
Deferred tax	(1,359)	–	–
Minimum pension liability [(c)]	(1,039)	(122)	–
Other items	344	296	254
Total reconciling adjustments	146	4,560	7,239
Consolidated shareholders' equity in accordance with U.S. GAAP	**23,857**	**29,340**	**31,561**
Consists of: Continuing operations	23,857	29,340	31,561
Discontinued operations	–	–	–
Unrealized investment gains on real estate allocated to UK "With-profit" contracts	NA	NA	273
Consolidated shareholders' equity in accordance with U.S. GAAP, except for adjustment for the change in unrealized gains on real estate assets allocated to UK "With-profit" contracts	**NA**	**NA**	**31,834**

(a) In 2001, the impact of the financial reorganization in the UK of €2,698 million was reclassified from the item "Goodwill and purchase accounting" to the item "Investment accounting and valuation" to present this impact in coherence with the presentation of the results 2001.
(b) Including adjustment on dilution gain Alliance Capital (which was previously presented as a separate line item ; 2001 : €347 million and 2000 : €326 million).
(c) Presented separately in 2002, previously included in "Other items".

3.2. CONSOLIDATED NET INCOME

(in euro millions)

Consolidated Net income	Years ended December 31, 2002	2001	2000
Consolidated Net income in accordance with French GAAP	**949**	**520**	**3,904**
Material differences (gross of taxes):			
Differences in scope of consolidation	(1,481)	(614)	(171)
Goodwill and purchase accounting [(a)]	402	(683)	(398)
Cost of stocks-options (buyout of minority interests)	(11)	67	(828)
Investment accounting and valuation (excluding UK “With-profit” related assets)	(2,154)	(58)	(31)
Investment accounting for UK “With-profit” business assets:			
– Elimination of net unrealized investment losses (gains)	–	–	682
– Reclassification of fixed maturities and equity securities at January 1, 2001	–	3,853	–
Deferred acquisition costs	(112)	(51)	(45)
Equalization provisions	–	(224)	(246)
Future policy benefits (net of reinsurance)	(297)	(226)	(54)
Elimination of gain on sale of treasury shares	–	–	(75)
Restructuring provisions and other non-admissible provisions	(12)	(218)	29
Derivatives and hedging activities	486	(109)	–
Other items	(48)	83	(46)
Deferred tax	(1,359)	–	–
Tax effect of U.S. GAAP reconciling adjustments	750	(857)	527
Total reconciling adjustments	(3,836)	964	(656)
Consolidated Net income in accordance with U.S. GAAP	**(2,887)**	**1,484**	**3,248**
Consists of: *Continuing operations*	*(2,887)*	*1,484*	*951*
Discontinued operations	*–*	*–*	*2,297*
Unrealized investment (gains) losses on assets allocated to UK “With-profit” contracts, net of deferred income tax	na	na	(477)
Consolidated Net income in accordance with U.S. GAAP, except for adjustment for the change in unrealized investment gains on assets allocated to UK “With-profit” contracts	**na**	**na**	**2,771**

(a) 2002: includes profit booked in Alliance Capital of € 148 million in French GAAP non recognized in U.S. GAAP of which €277 million related to the partial release of the dilution profit and €–129 million related to the exceptional goodwill amortization in relation with.

4. CONDENSED U.S. GAAP CONSOLIDATED FINANCIAL STATEMENTS

4.1 PRESENTATIONAL DIFFERENCES

The following condensed U.S. GAAP consolidated financial statements reflect the effects of the material differences between French GAAP and U.S. GAAP on consolidated net income and shareholders' equity identified as well as differences of presentation between French GAAP and U.S. GAAP.

Under French GAAP total premiums received for all insurance contracts are recorded as revenues in AXA's consolidated operating results, including for (i) life insurance contracts with flexible premiums, charges or guarantees (universal life contracts), and (ii) contracts with no or insignificant mortality or morbidity risk (investment contracts including separate account unit-linked contracts). Benefits paid to the policyholder on these type of contracts are recorded as charges in AXA's consolidated operating results. In addition and in respect of contracts with premiums paying over a period shorter than the term of the contract (limited pay contracts), the gross premium received is included in income in the period when due.

Under U.S. GAAP and in respect of universal life contracts and investment contracts, the policy charges, such as, insurance administration and surrenders during the period, are recorded as revenues. The premiums received less policy charges along with the benefit payments are credited directly to or against the liability, using deposit accounting. Expenses include the interest credited to the policy account balances and benefit payments made in excess of account balances.

4.2. DISCONTINUED OPERATIONS

Under U.S. GAAP, the sale of a reportable segment (or a significant portion thereof) is subject to specific disclosure requirements. The sale of DLJ completed on November 3, 2000 resulted in discontinued operation accounting treatment and, therefore, (i) the condensed consolidated statements of income under U.S. GAAP for the year ended December 31, 2000 presented separately the net income and net income per ordinary share (on a basic and diluted basis) arising from continuing operations and discontinued operations of DLJ (including the gain realized on the sale), and (ii) the condensed consolidated balance sheets under U.S. GAAP at December 31, 2000 present separately the net assets attributable to DLJ as a single line item. Such presentational requirements do not exist under French GAAP.

4.3. OTHER COMPREHENSIVE INCOME

Comprehensive income includes net income and represents the change in shareholders' equity during a period from non-owner sources. It includes "other comprehensive income" which represents revenues, expenses, gains and losses that under U.S. GAAP are excluded from net income. The changes in AXA's U.S. GAAP accumulated other comprehensive income were as follows.

(in euro millions)

Accumulated other comprehensive income

	2002 U.S. GAAP	2001 U.S. GAAP	2000 U.S. GAAP	2000 Adjusted
Balance at January 1,	**2,240**	**6,276**	**7,938**	**4,704**
Cumulative effect of a change in accounting principles, net of tax	–	(2,698)	–	–
Adjusted balance at January 1,	**2,240**	**3,578**	**7,938**	**4,704**
Unrealized investment gains and losses, net of tax	585	(1,447)	(1,346)	(790)
Foreign currency fluctuation adjustments	(1,404)	237	(302)	(322)
Effect of restructurings and intercompany sales of consolidated subsidiaries	55	(7)	(14)	(14)
Minimum pension liability adjustment	(1,039)	(122)	–	–
Balance at December 31,	**437**	**2,240**	**6,276**	**3,578**

4.4. CONDENSED CONSOLIDATED BALANCE SHEETS

(in euro millions)

Consolidated balance sheet	**At December 31, 2002 U.S. GAAP**	**French GAAP**
Assets		
Total investments	251,828	248,840
Cash and cash equivalents	17,575	17,592
Reinsurers' share of insurance liabilities	9,853	9,930
Deferred acquisition costs	7,747	10,965
Goodwill	16,582	14,407
Value of purchased life business inforce	5,694	3,224
Other assets	52,195	49,242
Separate account (unit-linked) assets	89,233	90,458
Total Assets	**450,708**	**444,657**
Liabilities		
Insurance liabilities, gross of reinsurance	263,763	263,172
Non-subordinated debt and other borrowings	10,301	9,700
Subordinated debt	8,461	8,300
Other liabilities	51,404	46,952
Separate account (unit-linked) liabilities, gross of reinsurance	88,789	90,011
Total Liabilities	**422,719**	**418,134**
Minority interests	4,133	2,812
Shareholders' equity (Group share)		
Ordinary shares	4,035	4,035
Capital in excess of nominal value	13,824	13,824
Treasury shares	(485)	–
Accumulated other comprehensive income	437	–
Retained earnings	6,045	5,851
Total Shareholders' equity	**23,857**	**23,711**
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	**450,708**	**444,657**

(in euro millions)

Consolidated balance sheet

	At December 31, 2001 U.S. GAAP	French GAAP
Assets		
Total investments	264,299	258,563
Cash and cash equivalents	17,598	17,646
Reinsurers' share of insurance liabilities	11,617	11,619
Deferred acquisition costs	7,320	10,917
Goodwill	17,093	15,879
Value of purchased life business inforce	7,489	3,739
Other assets	53,356	51,512
Separate account (unit-linked) assets	114,292	115,723
Total Assets	**493,065**	**485,599**
Liabilities		
Insurance liabilities, gross of reinsurance	273,128	272,125
Non-subordinated debt and other borrowings	13,304	12,748
Subordinated debt	8,752	8,867
Other liabilities	49,464	48,364
Separate account (unit-linked) liabilities, gross of reinsurance	113,845	115,305
Total Liabilities	**458,493**	**457,410**
Minority interests	5,231	3,409
Shareholders' equity (Group share)		
Ordinary shares	3,971	3,971
Capital in excess of nominal value	13,963	13,627
Treasury shares	(485)	–
Accumulated other comprehensive income	2,240	–
Retained earnings	9,652	7,182
Total Shareholders' equity	**29,340**	**24,780**
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	**493,065**	**485,599**

(in euro millions)

Consolidated balance sheet

	At December 31, 2000 U.S. GAAP	Adjusted	French GAAP
Assets			
Total investments	271,336	271,726	254,015
Cash and cash equivalents	28,717	28,717	28,728
Reinsurers' share of insurance liabilities	9,228	9,228	9,234
Deferred acquisition costs	5,985	5,985	9,359
Goodwill	17,595	17,595	15,865
Value of purchased life business inforce	7,937	7,937	3,724
Other assets	42,617	42,617	48,327
Separate account (unit-linked) assets	115,745	115,745	117,261
Total Assets	**499,161**	**499,551**	**486,513**
Liabilities			
Insurance liabilities, gross of reinsurance	267,798	267,798	263,174
Non-subordinated debt and other borrowings	16,346	16,346	16,309
Subordinated debt	8,333	8,333	8,261
Mandatorily convertible bonds and notes	192	192	192
Other liabilities	53,186	53,303	53,084
Separate account (unit-linked) liabilities, gross of reinsurance	115,932	115,932	117,469
Total Liabilities	**461,787**	**461,904**	**458,490**
Minority interests	5,813	5,813	3,702
Shareholders' equity (Group share)			
Ordinary shares	3,809	3,809	3,809
Capital in excess of nominal value	12,700	12,700	12,379
Treasury shares	(384)	(384)	(96)
Accumulated other comprehensive income	6,275	3,578	–
Retained earnings	9,161	12,131	8,230
Total Shareholders' equity	**31,561**	**31,834**	**24,322**
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	**499,161**	**499,551**	**486,513**

4.5. CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in euro millions)

Consolidated Net income	Year ended December 31, 2002 U.S. GAAP	French GAAP
Premiums, net of reinsurance	38,845	66,046
Financial services revenues	5,053	5,004
Net investment results	3,083	8,863
Variations of unearned premium reserves, net of reinsurance	(474)	(475)
Total revenues	**46,507**	**79,437**
Insurance claims and claims expenses, net of reinsurance	(34,092)	(63,025)
Insurance acquisition expenses, net of reinsurance	(5,277)	(5,117)
Bank operating expenses	(594)	(600)
Administrative expenses	(8,216)	(8,098)
Goodwill amortization	–	(877)
Income from continuing operations before income tax expense	**(1,671)**	**1,720**
Income tax expense	(1,034)	(426)
Minority interests	(209)	(368)
Equity in income of unconsolidated entities	26	23
NET INCOME	**(2,887)**	**949**

(in euro millions)

Consolidated Net income	Year ended December 31, 2001 U.S. GAAP	French GAAP
Premiums, net of reinsurance	40,099	65,906
Financial services revenues	5,296	5,361
Net investment results	12,793	10,370
Variations of unearned premium reserves, net of reinsurance	(231)	(243)
Total revenues	**57,957**	**81,394**
Insurance claims and claims expenses, net of reinsurance	(38,148)	(64,128)
Insurance acquisition expenses, net of reinsurance	(6,145)	(5,933)
Bank operating expenses	(823)	(838)
Administrative expenses	(9,527)	(8,775)
Goodwill amortization	(795)	(788)
Income from continuing operations before income tax expense	**2,520**	**933**
Income tax expense	(854)	(45)
Minority interests	(195)	(385)
Equity in income of unconsolidated entities	14	17
NET INCOME	**1,484**	**520**

(in euro millions)

Consolidated Net income	Year ended December 31, 2000 U.S. GAAP	Adjusted	French GAAP
Premiums, net of reinsurance	35,538	35,538	61,886
Financial services revenues	4,441	4,441	4,496
Net investment results	14,696	13,771	15,086
Variations of unearned premium reserves, net of reinsurance	(435)	(435)	(445)
Total revenues	**54,240**	**53,315**	**81,023**
Insurance claims and claims expenses, net of reinsurance	(37,142)	(37,142)	(64,053)
Insurance acquisition expenses, net of reinsurance	(5,959)	(5,959)	(5,877)
Bank operating expenses	(714)	(714)	(692)
Administrative expenses	(8,602)	(8,602)	(7,535)
Goodwill amortization	(347)	(347)	(345)
Income from continuing operations before income tax expense	**1,477**	**552**	**2,522**
Income tax expense	169	446	(339)
Minority interests	(670)	(500)	(518)
Equity in income of unconsolidated entities	(24)	(24)	(23)
Income from continuing operations, net of tax	**951**	**474**	**1,642**
Income from discontinued DLJ operations, net of tax	192	192	191
Gain on disposal of discontinued DLJ operations, net of tax	2,105	2,105	2,071
NET INCOME	**3,248**	**2,771**	**3,904**

AXA
(Parent Company)

Commentaries

NET INCOME

Net income for the fiscal year ended December 31, 2002 was €1,066 million, versus €1,620 million for the year ended December 31, 2001.

Dividends received from subsidiaries were €1,481 million for the year ended December 31, 2002, a decrease of €401 million compared with the previous year.

Dividends received from European insurance companies totaled €838 million, versus €1,433 million in 2001. Dividends received from insurance companies outside of Europe totaled €382 million, versus €261 million in 2001.

The decrease in dividends from European insurance companies primarily reflects lower dividends from Germany (which paid an exceptional dividend in 2001), Belgium and the United Kingdom, and is attributable to financial market depreciation, which reduced the excess solvency margins of these subsidiaries.

The increase in dividends received from insurance companies outside Europe is primarily attributable to AXA Financial, which paid out a dividend of €302 million, compared with €199 million the previous year.

Dividends from the financial services subsidiaries increased by €60 million in 2002, primarily reflecting the €104 million increase in the dividends paid by AXA Participations II, attributable to capital gains on the sale of BBVA securities in 2001.

Net financial charges were €129 million in 2002, down by €220 million compared with the previous year.

Income from short-term investments was €499 million in 2002, an increase of €150 million compared with the previous year, primarily reflecting income on interest-rate swaps. At year-end 2001, the Company had converted a portion of its fixed-rate debt into floating-rate debt, principally the subordinated notes issued to finance the acquisition of AXA Financial minority interests and the operations in Japan. Consequently, AXA SA was able to benefit from the reduction in interest rates that occurred in 2002.

Interest expense also decreased as a result of the decrease in the average outstanding debt, reflecting positive cash flow for the period.

Operating expenses totaled €152 million, compared with €183 million in 2001.
The decrease is attributable to expense reduction efforts undertaken by the Group, and reflects principally lower brand advertising expenses, which decreased by €6 million, and lower Group Management Services reinvoicing.

Realized gains on securities were €2 million in 2002, compared with €110 million in 2001, generated by gains realized on the sale of Credit Suisse securities.

Capital transaction results, which include realized capital gains and losses, allowances for the impairment of financial assets and subsequent releases thereof, allowances to contingency and loss reserves, realized foreign exchange gains or losses, and non-recurring items, were a net loss of €2 million, versus a net loss of €93 million in 2001.

Capital gains (net of releases) totaled €89 million, compared with €406 million in 2001. In 2002, capital gains included €54 million on the sale of Schneider securities, and €10 million on the sale of Simco securities. In 2001, they included a capital gain of €150 million on the sale of BNP Paribas securities and the release of a €147 million valuation allowance on AXA Italia Spa securities.

Allowances for the impairment of financial assets totaled €150 million, of which €90 million provisioned in 2001 as a contingency allowance. Additional allowances during the year totaled €60 million, of which €21 million on risks from South American subsidiaries and €11 million on shares of AXA UK Holding Limited with respect to technical losses reported by its subsidiary English and Scottish.

The foreign exchange gain totaled €49 million in 2002, compared with a loss of €23 million in 2001. This gain, related to the appreciation of the euro in 2002, primarily reflected the early redemption of dollar-denominated debt in late 2002.

Allowances to the contingencies and loss reserve totaled €102 million at year-end 2002, compared with €193 million at year-end 2001. In 2002, these allowances primarily concerned redemption premiums payable on convertible bonds. The 2001 allowances included a €123 million guarantee given to Compagnie Financière de Paris by the Company to cover estimated losses on loans held by Banque Worms after this entity was sold to Deutsche Bank.

Tax expense of €134 million primarily relates to a foreign exchange unrealized gain on debt denominated in foreign currencies due to the significant appreciation of the euro.

Pursuant to the tax consolidation agreement, tax savings are recorded directly in the financial statements of the parent company of the tax group. This had no impact on the year's financial statements, since the entire tax savings generated by loss-making subsidiaries (€140 million) has been provisioned to cover the risk that income from these subsidiaries become taxable again.

BALANCE SHEET

At December 31, 2002 the balance sheet totaled €38,950 million, versus €39,371 million at December 31, 2001.

ASSETS

Fixed assets

Fixed assets were €38,188 million at December 31, 2002, down by €297 million compared with the previous year. This decrease was generated by the decrease in other financial assets partly compensated by investments and receivables.

Investments and receivables from controlled subsidiaries, net of valuation allowances, increased from €34,771 million in 2001 to €35,883 million in 2002.
The €1,112 million increase can be attributed to the increase in the Company's equity interest in AXA Financial (€1,052 million) through the repurchase of securities held by its subsidiary AXA Life UK. By year-end 2002, €58 million securities have been sold again to AXA Holding Belgium. As of December 31, 2002, AXA has 96% equity ownership of AXA Financial.

The Company participated in new equity issues totaling €320 million, including €196 million for AXA Re, following losses recorded in 2001.

In addition, the Company sold Schneider securities as well as its equity interest in Simco, when Gecina made a bid to acquire the latter. The Company's equity interest in Crédit Lyonnais was sold to AXA Life UK to optimize its asset allocation. In total, the three transactions amounted to €204 million.

Other long-term security interests and receivables decreased by €287 million versus the previous year.

A portion of the subordinated notes issued by AXA Asia Pacific Holdings and subscribed by AXA S.A. in 2001 was sold to AXA Group Life Insurance for €278 million.

Loans, net of depreciation, totaled €2,056 million at year-end 2002, versus €3,177 million in 2001.
The €1,121 million decrease primarily reflects asset reallocations within the AXA Group during 2002 (totaling €1,335 million).
In addition, Sofinad repaid €85 million of the loan granted by the Company in 2001, and AXA France Assurance in an effort to reduce its long-term debt, made an early repayment of €194 million.
AXA Asia Pacific Holdings was granted a €208 million loan to finance the acquisition of ipac Securities Limited. Finally, a loan of €120 million was granted to AXA Bank Germany to enable the latter to refinance its loan portfolio.

Floating assets

Other receivables totaled €227 million at December 31, 2002, compared with €510 million at December 31, 2001. The difference primarily reflects the decrease in the current accounts of consolidated subsidiaries.

LIABILITIES

Shareholders' equity, excluding 2002 earnings and after the payment of dividends in respect of the prior year, totaled €26,072 million, an increase of €262 million, including €254 million in respect of new equity issues reserved for employees and €8 million in respect of subscription options exercised.

	Ordinary shares (number in millions)	Ordinary shares (nominal value)	Capital in excess of nominal value	Total
Employee stock purchase program	27,173,513	62	192	254
Exercise of share options	806,562	2	6	8
TOTAL	**27,980,075**	**64**	**198**	**262**

Other share capital of €1,892 million includes the issue of perpetual notes in December 1997 for €941 million and in June 1998 for €217 million, as well as €734 million of other undated subordinated euro notes.

Commitments and contingencies (€784 million) include primarily a €568 million deferred tax reserve to cover the possible repayment of tax savings in connection with tax consolidation, €48 million in the form of a guarantee granted to Compagnie Financière de Paris covering estimated losses on loans held by Banque Worms, €86 million in reserves relating principally to the negative financial condition of certain subsidiaries, and €79 million in reserves for redemption of premiums on convertible bonds.

Subordinated debt (€5,623 million versus €5,884 one year prior) includes €2,617 million in subordinated convertible notes and €3,006 million in subordinated convertible notes issued in December 2000 to finance the acquisition of the minority interests of AXA Financial. This decrease primarily reflects currency fluctuations.

Financing debt (€2,813 million) decreased by €620 million, reflecting the reduction in credit facilities and commercial paper (€923 million). Early repayment of €163 million was made on loans outstanding.
The Company refinanced part of its debt by issuing €551 million, with two and three years duration, in connection with its €3 billion EMTN (Euro-Medium Term Notes) program.

Other liabilities totaled €420 million, versus €381 million at December 31, 2001, reflecting €105 million payable to AXA Financial minority interests, €54 million in payables on AXA Italia SpA securities and €85 million in the current accounts of subsidiaries that are part of the tax consolidation group.

Unrealized foreign exchange losses were €70 million in 2001 and €279 million in 2002. The losses offset foreign exchange gains related to payables and receivables denominated in non-euro currencies than the euro at the year-end reporting date.

EARNINGS APPROPRIATION

Your Management Board recommends that Shareholders record:	€2,839,036,073
including:	
• Statutory net income	€1,066,190,046
• Retained earnings	€1,772,846,027
Available for appropriation, as follows:	
• Allocation to the legal reserve	€6,407,437
• Allocation to the special reserve for long term capital gains	€189,232,454
• Allocation to dividend	€303,765,605
• Allocation to retained earnings	€2.339,630,577

The shareholders are also asked to approve the drawing of €376,636,061 from the special reserve for long-term capital gains

These sums will be appropriated as follows:	
• to the payment of an additional dividend of	€295,371,292
• to the payment of a dividend withholding tax of	€81,264,769

In accordance with the foregoing, the Management Board recommends that the dividend paid to each share be a net dividend of €0.34 for each of the 1,762,167,344 ordinary shares earning dividends as from January 1, 2002, payable as of May 7, 2003, for a gross dividend (with the tax credit of €0.17) per ordinary share of €0.51.

Balance sheet

(in euro millions)

ASSETS		December 31, 2002 Gross carrying value	December 31, 2002 Amortizations and provisions	December 31, 2002 Net carrying value	Net carrying value as at December 31, 2001	Net carrying value as at December 31, 2000
FIXED ASSETS						
INTANGIBLE ASSETS		0	0	0	0	0
REAL ESTATE						
Land & Buildings		1	0	1	1	1
Building and other intangible assets		4	1	3	3	4
FIXED ASSETS						
Investment in subsidiaries		36,376	493	35,883	34,771	32,140
OTHER FIXED ASSETS						
Other invested assets		252	5	246	533	56
Loans		2,088	32	2,056	3,177	2,798
	I	**38,720**	**532**	**38,188**	**38,485**	**34,998**
CURRENT ASSETS						
OPERATING RECEIVABLES						
Tax receivables		114		114	18	143
Receivables and subsidiaries' current accounts		229	2	227	510	322
Equity securities		2	–	2	4	1,002
Cash and cash equivalents		193	–	193	39	2,908
PREPAYMENTS AND ACCRUED EXPENSES						
Deferred charges		172	83	88	109	122
Prepaid expenses		1	–	1	3	10
Unrealized foreign exchange losses		132	–	132	198	252
PREMIUMS REIMBURSEMENT						
Premiums on fixed maturities issued		5	–	5	5	5
	II	**847**	**85**	**761**	**886**	**4,765**
TOTAL ASSETS	**I + II**	**39,567**	**617**	**38,950**	**39,371**	**39,762**

(in euro millions)

LIABILITIES		As at December 31, 2002	As at December 31, 2001	As at December 31, 2000
SHAREHOLDERS EQUITY				
CAPITAL				
Ordinary Shares		4,035	3,971	3,809
PREMIUMS FOR CALLED-UP CAPITAL, MERGERS AND ISSUANCE				
Capital in excess of nominal value		12,937	12,739	11,493
Mergers and issuance premiums		887	887	886
RESERVES				
Legal reserves		397	353	300
Specific reserves for long term capital gains		2,372	3,196	3,470
Other reserves		3,671	3,671	1,474
Retained earnings		1,773	490	263
Net income for the financial year		1,066	1,620	1,058
	I	**27,139**	**26,928**	**22,754**
OTHER SHAREHOLDERS' EQUITY	**II**			
Mandatorily convertible bonds and notes				320
Undated subordinated notes		1,892	2,001	1,996
PROVISIONS FOR LIABILITIES	**III**	**784**	**674**	**525**
SUBORDINATED DEBT	**IV**	**5,623**	**5,884**	**4,920**
FINANCIAL DEBTS & LOANS		2,813	3,433	5,821
OPERATING DEBT				
Tax debts		1		
Others		1	1	1
OTHER DEBTS				
Debts on fixed assets and associated undertakings		54	54	17
Other		361	322	3,327
ACCRUALS AND DEFERRED INCOME				
Deferred income		3	4	
Unrealized foreign exchange gains		279	70	83
	V	3,512	3,884	9,247
TOTAL LIABILITIES	**I+II+III+IV+V**	**38,950**	**39,371**	**39,762**

Income statement

(in euro millions)

		2002	2001	2000
I. RESULT ON ORDINARY ACTIVITIES				
FINANCIAL & OPERATING PROCEEDS				
Buildings proceeds		0	0	0
Dividends received from subsidiaries		1,481	1,882	1,520
Revenues on short-term investments		499	350	235
Releases and expenses transfers		0	0	0
Other proceeds		0	0	0
	I	1,981	2,232	1,756
OPERATING EXPENSES				
External expenses and other expenses		(127)	(149)	(145)
Tax expenses		(1)	(2)	(1)
Personnel compensation & benefits		(3)	(11)	(11)
Interest expenses		(629)	(699)	(402)
Allowances:				
for buildings amortization and deferred charges		(21)	(21)	(10)
to debtors' reserves			(1)	0
Other expenses		–	–	–
	II	(781)	(882)	(567)
OPERATING PROFIT	(III = I + II)	**1,200**	**1,350**	**1,188**
Contribution on common operations	IV	0	0	1
FINANCIAL OPERATIONS ON SECURITIES				
Net income on sales of short-term securities		2	110	0
Investment result on securities	V	**2**	**110**	**–**
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	(VI = III + IV + V)	**1,202**	**1,460**	**1,190**
II. RESULT ON CAPITAL OPERATIONS				
Procceds from the sale of fixed assets		732	1,284	423
Releases of provision for contingent liabilities		126	92	157
Releases of equity provisions		125	287	92
Foreign exchange result		49	(23)	(101)
Net book value on the sale of fixed assets		(768)	(1,165)	(365)
Allowances to provision for contingent liabilities		(102)	(193)	(116)
Allowances to equity provisions		(150)	(200)	(333)
Exceptional result		(14)	(175)	(13)
	VII	(2)	(93)	(256)
Income Tax Expense / Benefit	VIII	(134)	253	124
III. NET INCOME FOR THE FINANCIAL YEAR	VI + VII +VIII	**1,066**	**1,620**	**1,058**

Statement of cash-flow

(in euro millions)

	From 01/01/2002 to 12/31/2002	From 01/01/2001 to 12/31/2001	From 01/01/2000 to 12/31/2000
CASH INFLOWS			
Profit on ordinary activities after tax	1,202	1,460	1,190
Result on capital operations after tax	(135)	160	(132)
Changes in reserves and amortization	150	83	281
Auto financing capabilities of the year	**1,217**	**1,702**	**1,338**
Increases in shareholders' equity	262	3,607	7,578
Loans subscription	571	2,805	7,436
Sale or decrease of fixed assets elements			
– Tangible fixed assets	0	1	0
– Financial fixed assets	1,654	2,700	988
TOTAL CASH INFLOWS	***3,704***	***10,814***	***17,340***
CASH OUTFLOWS			
Dividends paid out within the year	1,117	1,053	713
Financial debts repayments	1,165	4,654	294
Purchase of fixed assets elements			
– Tangible fixed assets	0	0	0
– Financial fixed assets	1,486	5,971	15,625
TOTAL CASH OUTFLOWS	***3,768***	***11,677***	***16,632***
CHANGE IN WORKING CAPITAL	**(64)**	**(863)**	**709**
Short term counterpart			
Change in:			
– operating credits	(186)	244	271
– operating debts	(30)	2,759	(3,289)
– cash and cash equivalents	152	(3,867)	3,727
TOTAL	**(64)**	**(863)**	**709**

Subsidiaries and participating interests

(en millions d'euros)

Subsidiaries and participating interests	Capital 1	Other shareholders' equity 2	Percentage of capital held 3	Gross Book value of securities held 4
A. Detailed information on subsidiaries and investments below in excess of 1% of AXA's shareholders' equity				
1) Subsidiaries (at least 50% ownership)				
CIE FINANCIERE DE PARIS "CFP" 137, rue Victor Hugo, 92687 Levallois-Perret	9	1	100.00%	184
SOCIETE DE GESTION CIVILE IMMOBILIERE "SGCI" Cœur Défense - Tour B - La Défense 4 - 100, esplanade du Général-de-Gaulle, 92932 Paris-La Défense	43	72	100.00%	144
AXA HOLDING UK 140, Frenchurch Street, EC3M 6BL, London	62	(51)	100.00%	61
AXA ASSISTANCE 12 bis, boulevard des Frères Voisins 92798 Issy-les-Moulineaux Cedex 9	42	54	100.00%	48
AXA CANADA (b) 2020, rue University, Montréal, Québec H3A 2A5	142	114	100.00%	205
AXA DIRECT JAPON Ariake Frontier building Tower A 135-0063 Tokyo	90	(48)	100.00%	184
AXA EQUITY AND LAW plc 107, Cheapside EC2V 6DU, London	2	1,629	99.95%	1,133
AXA OYAK HOLDING AS Meclisi Mebusan caddasi N 81 Oyak hann Salipazari - 80040 - Istanbul	60	(17)	50.00%	45
AXA PARTICIPATION 2 23, avenue Matignon, 75008 Paris	3	502	100.00%	455
AXA FRANCE ASSURANCE 370, rue Saint Honoré, 75001 Paris	358	3,190	100.00%	3,070
AXA INSURANCE HOLDING JAPAN 1-2-19 Higashi - Shibuya-ku 150-8020 Tokyo 150	1,158	869	96.42%	2,372
VINCI B.V. Graadt van Roggenweg 500, Postbus 30800 3503 AP Utrecht, Pays-Bas	471	2,082	100.00%	2,910
AXA GENERAL INSURANCE HK 30th F, Hong Kong Telecom Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong	20	31	100.00%	65
LOR PATRIMOINE 23, avenue Matignon, 75008 PARIS	53	0	100.00%	53
AXA CORPORATE SOLUTIONS HOLDING (b) 39 rue du Colisée, 75008 Paris	313	1,233	94.99%	1,325
AXA INSURANCE INVESTMENT HOLDING 77, Robinson road - # 11, 00 SIA Building 068896 Singapore	51	(1)	100.00%	78
MOFIPAR 23, avenue Matignon, 75008 Paris	11	42	99.90%	62

(1) For insurance companies: gross written premiums.
For real estate companies: rents.
For holding companies: dividends.
For financial services companies : gross banking products.

Net book value of securities held 5	Loans and cash advances given by the company still outstanding 6	Guarantees and commitments given by the Company 7	Last closing revenues available[1] 8	Last closing result available 9	Dividends received 10	Closing date and other observations 11
90	20	–	25	120	–	December 31, 2002
144	–	–	5	9	3	December 31, 2002
0	–	–		(15)	–	December 31, 2002
48	6	–	465	3	6	December 31, 2002
205	12	–	753	5	–	December 31, 2002
184	–	–	76	(25)	–	December 31, 2002
1,133	–	–	0	(2)	–	December 31, 2002
45	–	–	20	18	8	December 31, 2002
455	–	–	33	148	227	December 31, 2002
3,070	–	–	814	791	478	December 31, 2002
2,372	185	–	0	(113)	–	December 31, 2002
2,910	–	–	133	131	133	December 31, 2002
65	–	–	98	6	–	December 31, 2002
53	–	–	1	0	–	December 31, 2002
1,325	–	–	5,971	(104)	–	December 31, 2002
56	–	–	0	0	–	December 31, 2002
57	–	–	6	3	2	December 31, 2002

(in euro millions)

Subsidiaries and participating interests

	Capital 1	Other shareholders' equity 2	Percentage of capital held 3	Gross book value of securities held 4
A. Detailed information on subsidiaries and investments below in excess of 1% of AXA's shareholders' equity				
AXA UK Plc (b) 107, Cheapside, EC2V 6DU, London	1,593	4,123	78.31%	4,556
AXA AURORA Plaza de Federico Moyua n° 4, 48009 Bilbao	260	25	100.00%	565
AXA FINANCIAL, Inc., (b) 1290, avenue of the Américas, New York 10104	4	11,628	96.10%	11,706
AXA ITALIA SpA 15, Via Léopardi, 20123 Milano	624	(1)	98.24%	715
AXA ONA 120, avenue Hassan II, Casablanca 21000	436	3	51.00%	229
AXA Portugal COMPANHIA DE SEGUROS Praca Marquês de Pombal, 14 - 1058-801 Lisboa	37	16	83.01%	72
ST GEORGES RE 21, rue de Châteaudun, 75009 Paris	10	(4)	100.00%	82
AXA HOLDINGS BELGIUM 25, boulevard du Souverain, 1170 Bruxelles	453	3,291	84.28%	3,885
AXA TECHNOLOGY SERVICES 80, rue Taitbout, 75009 Paris	35	0	99.78%	73
2) Ownership (10 to 50%)				
AXA INVESTMENT MANAGERS SA Cœur Défense - Tour B - La Défense 4 - 100, esplanade du Général-de-Gaulle, 92932 Paris-La Défense	47	577	47.42%	110
AXA KONZERN AG Gereonsdriesch 9-11 postfach, 50670 Köln	80	555	25.49%	697
AXA ASIA PACIFIC HOLDING LIMITED (b) 447 Collins Street, Melbourne, Victoria 3000	629	200	42.65%	541
Sub-total A				**35,625**
B. General information on other entities and participating interests				
1) Subsidiaries not set out in paragraph A				
a) French subsidiaries (total)				78
b) Foreign subsidiaries (total)				301
2) Participating interest not set out in paragraph A				
a) in French companies (total)				57
b) in foreign companies (total)				48
TOTAL (A + B)				**36,108**

(1) For insurance companies: gross written premiums.
For real estate companies: rents.
For holding companies: dividends.
For financial services companies: gross banking products.

Net Book value of securities held 5	Loans and cash advances given by the company still outstanding 6	Guarantees and commitments given by the Company 7	Last closing revenues available[1] 8	Last closing result available 9	Dividends received 10	Closing date and other observations 11
4,556	323	–	11,649	108	–	December 31, 2002
565	–	–	7	(13)	–	December 31, 2002
11,706	–	–	15,501	683	302	December 31, 2002
715	–	–	56	58	–	December 31, 2002
229	–	–	71	71	17	December 31, 2002
72	13	–	326	1	–	December 31, 2002
6	60	–	6	5	–	December 31, 2002
3,885	–	–	235	220	177	December 31, 2002
73	11	–	0	(26)	–	December 31, 2002
110	–	–	24	24	14	December 31, 2002
697	245	–	98	22	42	December 31, 2002
541	905	–	0	267	52	December 31, 2002
35,368	**1,779**	**–**	**36,372**	**2,396**	**1,461**	
69	–				0	
165	–				8	
38	–				0	
36	4				1	
35,675	**1,784**				**1,469**	

Financial results over the past five years

(in euro millions)

	01/01/1998 12/31/1998	01/01/1999 12/31/1999	01/01/2000 12/31/2000	01/01/2001 12/31/2001	01/01/2002 12/31/2002
1 - CLOSING BALANCE SHEET SUMMARY					
a) Ordinary Shares (nominal value)	3,204	3,260	3,809	3,971	4,035
b) Ordinary Shares (numbers in million)	350	356	416	1,734	1,762
c) Bonds mandatorily convertible into ordinay shares (numbers in million)	2	9	16	16	16
2 - INCOME STATEMENT SUMMARY					
a) Gross revenues before tax	1,112	1,576	1,755	2,232	1,981
b) Pre-tax income from continuing operations, before depreciation, amortization and changes in reserves	827	1,165	1,199	1,481	1,223
c) Total pre-tax income, including capital gains and losses before depreciation, amortization and changes in reserves	909	1,189	1,143	1,402	1,222
d) Income tax expense / benefit	68	188	124	253	(134)
e) Net after-tax income after depreciation, amortization and changes in reserves	944	1,160	1,058	1,620	1,066
f) Net dividend distribution	595	713	927	971	599
3 - PER SHARE DATA					
a) After tax income, before depreciation, amortization and changes in reserves	2.55	3.87	3.04	0.95	0.62
b) After tax income, after depreciation, amortization and changes in reserves	2.69	3.26	2.54	0.93	0.61
c) Net dividend per share	1.70	2.00	2.20	0.56	0.34 [1]
4 - PERSONNEL					
a) Number of employees	–	–	–	–	–
b) Payroll expenditures	–	–	–	–	–
c) Employer contribution to employee benefits and social charges	–	–	–	–	–

(1) Dividend proposed to the shareholders meeting.

General Information

Principal statutory information concerning the Company

Corporate Name

AXA

Registered principal offices:

25, avenue Matignon, 75008 Paris

Legal form and governing law

A form of limited liability company (French *société anonyme*) with a Management Board and a Supervisory Board, governed by the laws of France, in particular the French Company Code (the *Code de commerce*) and the French Insurance Code (the *Code des assurances*).

Incorporation and life of the Company

The Company was incorporated in 1852. The life of the Company will end on December 31, 2059, unless extended or wound up prior to that date.

Corporate purpose (Article 3 of the articles of incorporation and bylaws)

– to acquire, manage and / or dispose of equity interests in French or foreign companies or businesses, regardless of their legal form, to perform any and all transactions directly or indirectly related to the foregoing or in furtherance thereof,

– in particular, to acquire and manage equity interests in any form, directly or indirectly, in any French or foreign company engaged in the insurance business.

Trade and Company Register

No. 572 093 920 in the Paris Trade and Company Register

APE code: 741 J

Place of consultation of documents pertaining to the Company

Documents pertaining to the Company can be consulted at the Legal Department - 21, avenue Matignon - 75008 Paris.

Fiscal year

From January 1st to December 31st.

Distribution of profits

Net profits for the fiscal year and any retained earnings, less any prior losses and amounts appropriated to reserves in accordance with applicable law, constitute the distributable profit. Shareholders have control over this profit, and may decide at the annual general meeting on its appropriation as well as on the distribution of sums drawn from the reserves under its control. In such case, the shareholders’ decision expressly indicates the reserve accounts from which amounts are to be drawn.

With the exception of a reduction in the share capital, no dividend may be paid out to shareholders if the amount of shareholders' equity is less than the share capital plus the reserves that, by law, cannot be distributed. Likewise, no dividend may be paid out if this would cause shareholders' equity to fall below said threshold.

Meetings of shareholders and voting power

Shareholders are convened, meet, and deliberate in accordance with applicable law and regulations.

Any shareholder has the right to attend meetings of shareholders either personally or by proxy, provided that the shareholder is registered with the Company.

Related formalities must be completed at least five days prior to the meeting. However, the Management Board may reduce or waive this requirement, provided that its decision pertains to all shareholders. Accordingly, the AXA Management Board has reduced this requirement to two days.

Shareholders may vote by mail in accordance with legislation and regulations in force.

Each shareholder is entitled to one vote per share held. However, holders of shares that are fully paid up and registered in the name of their owner for at least two years, at the end of the civil year preceding the scheduled date of a shareholders' meeting, enjoy double voting rights with respect to these shares. In the event of a share capital increase through capitalization of reserves, profits, share or issue premiums, registered shares that are freely allotted to shareholders on the basis of existing shares granting a double voting right shall also grant a double voting right to their holders.

The law also allows the Company to request from the depository trust company concerned, at its own expense and at any time, any information pertaining to the identity of holders of shares of the Company carrying immediate or future voting rights in shareholders' meetings and the number of shares held by each individual or legal entity.

Notification of statutory thresholds (Article 7 of the articles of incorporation and bylaws).

Any person or entity that directly or indirectly becomes the owner of at least 0.5% of the share capital and / or voting rights must notify the Company of the total number of shares held. Notification must be made by certified letter, return receipt requested, within five days of the date on which the shares that allowed the holder to reach or pass said threshold were registered. This notification must be made whenever an additional 0.5% threshold is reached.

Failure to comply with the requirement to disclose the passing of statutory thresholds may entail the forfeiture of voting rights with respect to any shares exceeding the above referenced thresholds if ownership of these ordinary shares has not been duly disclosed to AXA. This period of forfeiture may last for two years as of the date on which the holder complies with these disclosure requirements.

INDEPENDENT AUDITORS

The independent auditors are:

Incumbent auditors:

– **PricewaterhouseCoopers Audit,** 32, rue Guersant - 75017 Paris, represented by Mrs Catherine Pariset and Mr. Gérard Dantheny, first appointed on February 28, 1989. The current appointment is for a term of 6 years, until the annual general meeting of the shareholders called to approve the financial statements for the fiscal year 2005.

– **Mazars & Guérard,** 125, rue de Montreuil - 75011 Paris, represented by Messrs Patrick de Cambourg and Charles Vincensini, first appointed on June 8, 1994. The current appointment is for a term of 6 years, until the annual general meeting of the shareholders called to approve the financial statements for the fiscal year 2003.

Alternate auditors:

– **Mr. Patrick Frotiée,** 32, rue Guersant - 75017 Paris, first appointed on May 17, 1995. The current appointment is for a period of 6 years, until the annual general meeting of the shareholders called to approve the financial statements for the fiscal year 2005.

– **Mr. José Marette,** 125, rue de Montreuil - 75011 Paris, first appointed on June 8, 1994. The current appointment is for a period of 6 years, until the annual general meeting of the shareholders called to approve the financial statements for the fiscal year 2003.

TABLE OF COMPENSATION PAID TO INDEPENDENT AUDITORS IN 2002

(in euro thousands)

	PricewaterhouseCoopers		Mazars & Guérard	
Audit	**23,295**	**71%**	**1,895**	**92%**
Statutory audit and certification of local and consolidated accounts	20,256	62%	1,866	90%
Other specific audit missions	3,039	9%	29	1%
Other services	**9,601**	**29%**	**167**	**8%**
Legal, tax and social consulting	4,003	12%	35	2%
Information technology and services[a]	1,815	6%	–	0%
Internal audit	193	1%	12	1%
Other[b]	3,590	11%	120	6%
TOTAL	**32,896**	**100%**	**2,062**	**100%**

(a) PricewaterhouseCoopers has ceded its consulting activity on September 30, 2002. Most of the fees perceived in 2002 for information technology and services consulting were in respect of this activity and should disappear in 2003.

(b) Other services rendered by PricewaterhouseCoopers mainly concern France (€1.4 million of which €0.2 million for the "Holocaust" project and €0.5 million of "maîtrise d'ouvrage") and Japan (€0.7 million principally in respect of the review of financial processes).

OWNERSHIP OF THE AXA TRADEMARK BY FINAXA

Finaxa owns the name “AXA” and the AXA trademark and, for this reason, is responsible for managing and protecting the trademark. In 1996, the Company and Finaxa entered into a licensing agreement pursuant to which Finaxa granted the Company a non-exclusive license to use the AXA trademark in countries in which the Company and its subsidiaries currently have operations. This license grants AXA the right to grant sublicenses to use the AXA trademark and / or its derivatives around the world. As of February 1, 2003, the Company had granted 27 sublicenses.

Pursuant to this licensing agreement, the Company is required to pay Finaxa an annual fee of €762,245 as well as 50% of any net royalties that the Company receives from sublicenses.

AGREEMENT WITH BNP PARIBAS

On September 12, 2001, the AXA Group (AXA, Finaxa and the Mutuelles AXA) and the BNP Paribas group entered into an agreement that provides for maintaining a certain level of cross-shareholding between the parties (respectively a 4.9% ownership interest by the AXA Group in BNP Paribas and a 22.25% ownership interest by BNP Paribas in Finaxa). The agreement also grants each party a preemptive right to acquire the other party’s minimum equity investment following the termination of the agreement as well as an option to repurchase the ownership interests of the other party if there is a change in control of the other party. Furthermore, the AXA Group guarantees the liquidity of BNP Paribas’ holdings in ordinary shares of Finaxa. The agreement was concluded for a term of three years from the date of execution, renewable automatically for subsequent terms of three years, unless either party provides notice of termination at least three months before the end of the current term. This agreement was made public by the Conseil des Marchés Financiers on September 28, 2001.

Information concerning the share capital of the Company

CHANGES IN SHARE CAPITAL

Date	Operations	Number of shares issued	Issue premium[c]	Number of shares after the operation	Amount of share capital after the operation in euros
1998	Exercise of stock options	212,351	36,997,684 [a]	331,569,633	3,032,847,881
	Conversion of bonds into shares	2,272,525	459,359,220	333,842,158	3,053,634,533
	New equity issue [b]	9,556,915	5,887,059,640 [a]	343,399,073	3,141,051,071
	New equity issue reserved for employees of AXA	686,930	322,857,100	344,086,003	3,147,334,380
	Conversion of bonds into shares	6,050,063	1,222,806,120	350,136,066	3,202,673,949
	Exercise of stock options	152,755	24,332,792	350,288,821	3,204,071,190
1999	Share capital increase through capitalization of reserves (conversion of equity capital into euros)	–	–	350,288,821	3,205,142,712
	Exercise of stock options	211,833	3,976,555	350,500,654	3,207,080,984
	Conversion of bonds into shares	542,441	16,705,461	351,043,095	3,212,044,319
	New equity issue reserved for employees	184,321	16,671,834	351,227,416	3,213,730,856
	Exercise of stock options	624,365	16,208,125	351,851,781	3,219,443,796
	Conversion of bonds into shares	1,036,410	31,931,307	352,888,191	3,228,926,947
	New equity issue reserved for employees	980,053	85,313,613	353,868,244	3,237,894,432
	Exercise of stock options	2,467,439	61,683,108	356,335,683	3,260,471,499
	Conversion of bonds into shares	45	7,013	356,335,728	3,260,471,911

(a) To rebuild the special long-term capital gains reserve.
(b) Following the public exchange offer for Royale Belge.
(c) In French francs until December 31, 1998, and in euros as of 1999.

Date	Operations	Number of shares issued	Issue premium[c]	Number of shares after the operation	Amount of share capital after the operation in euros
2000	Bonds redemptions	4,114,000	244,585,766	360,449,728	3,298,115,011
	New equity issue	2,023,778	197,048,504	362,473,506	3,316,632,579
	Conversion of bonds into shares	45,428	7,083,481	362,518,934	3,317,048,246
	Exercise of stock options	274,146	9,168,254	362,793,080	3,319,556,682
	New equity issue	30,232,756	3,403,502,793	393,025,836	3,596,186,399
	New equity issue reserved for employees	1,970,360	216,524,113	394,996,196	3,614,215,193
	Conversion of bonds into shares	1,062	163,865	394,997,258	3,614,224,910
	Exercise of stock options	243,497	8,677,461	395,240,755	3,616,452,908
	New equity issue	17,210,490	2,421,730,759	412,451,245	3,773,928,891
	New equity issue	3,677,833	517,654,994	416,129,078	3,807,581,063
	Exercise of stock options	101,624	3,389,284	416,230,702	3,808,510,923
2001	New equity issue	4,916,344	691,975,418	421,147,046	3,853,495,470
	Bond redemptions	7,180,360	254,442,642	428,327,406	3,919,195,764

(c) In French francs until December 31, 1998, and in euros as of 1999.

Date	Operations	Number of shares issued	Issue premium	Number of shares after the operation	Amount of share capital after the operation in euros
2001	Exercise of stock options	5,415	718,859	428,332,821	3,919,245,312
	Exercise of stock options	116,486	3,463,637	428,449,307	3,920,311,159
	Stock split	–	–	1,713,797,228	3,920,311,159
	New equity issue	–	(4,284,493)	1,713,797,228	3,924,595,652
	Exercise of stock options	54,684	603,822	1,713,851,912	3,924,720,878
	Share capital reduction	(19,996)	(709,888)	1,713,831,916	3,924,675,087
	New equity issue reserved for employees of AXA	978,476	22,524,517	1,714,810,392	3,926,915,797
	Exercise of stock options	942,524	11,600,032	1,715,752,916	3,929,074,177
	Conversion of bonds into shares	106	4,047	1,715,753,022	3,929,074,420
	New equity issue reserved for employees	16,702,674	245,465,482	1,732,455,696	3,967,323,543
	New equity issue reserved for employees	572,561	10,935,915	1,733,028,257	3,968,634,708
	Exercise of stock options	1,158,810	10,593,596	1,734,187,067	3,971,288,383
	Bond conversions	202	7,787	1,734,187,269	3,971,288,846

Date	Operations	Number of shares issued	Issue premium	Number of shares after the operation	Amount of share capital after the operation in euros
2002	Exercise of stock options	322,983	2,505,905	1,734,510,252	3,972,028,477
	Exercise of stock options	267,887	2,254,863	1,734,778,139	3,972,641,938
	New equity issue reserved for employees of AXA	689,142	12,011,745	1,735,467,281	3,974,220,073
	Exercise of stock options	147,185	519,863	1,735,614,466	3,974,557,127
	Exercise of stock subscription warrants (employees based in Germany)	443	8,461	1,735,614,909	3,974,558,141
	New equity issue reserved for employees of AXA	25,506,749	171,015,878	1,761,121,658	4,032,968,596
	New equity issue reserved for employees based in Germany	977,622	8,798,598	1,762,099,280	4,035,207,351
	Exercise of stock options	68,064	584,201	1,762,167,344	4,035,363,217
02/28/03	Exercise of stock options	10,448	–	1,762,177,792	4,035,387,143

CAPITAL OWNERSHIP

To the best of the Company's knowledge, the table below summarizes its capital ownership and voting rights at February 28, 2003:

	Number of shares	Capital ownership	Voting rights
Mutuelles AXA [(a)]	360,662,568	20.47%	33.15%
of which: – Mutuelles AXA	48,903,116	2.78%	4.45%
– Finaxa [(a)]	311,759,452	17.69%	28.70%
Treasury shares	29,795,245	1.69%	–
Employees and agents	71,467,853	4.06%	4.26%
General public	1,300,252,126	73.78%	62.59%
TOTAL	**1,762,177,792**	**100.00%**	**100.00%**

(a) Directly and indirectly (including ANF).

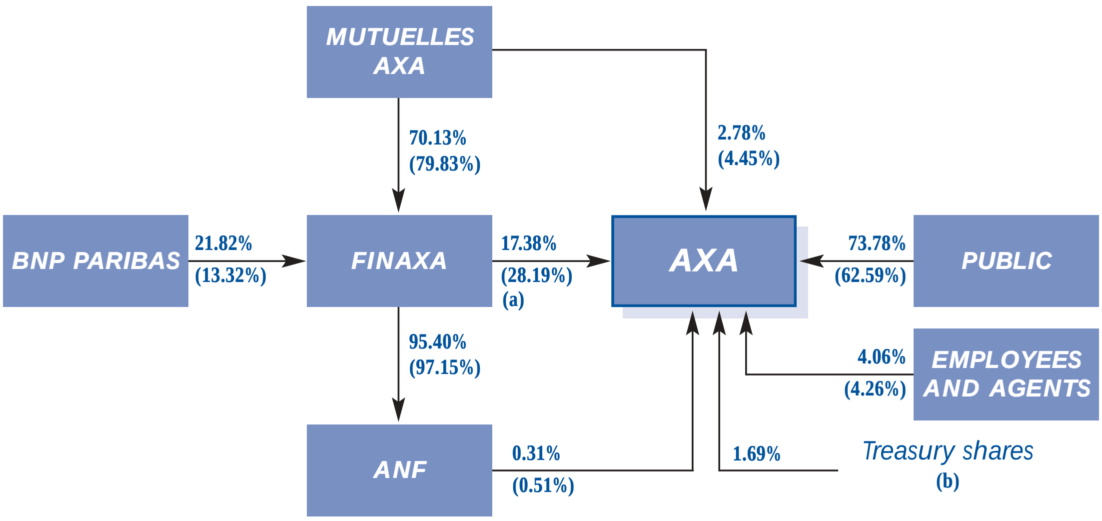
To the best of the Management Board's knowledge, no other shareholders own more than 5% of the share capital.

Of the 1,762,177,792 shares comprising the share capital, 414,152,685 shares entitled their holder to double voting rights at February 28, 2003.

As of February 28, 2003, the Mutuelles AXA directly or indirectly owned, primarily through Finaxa (a listed holding company), 20.47% of the share capital and 33.15% of voting rights in meetings of the Company's shareholders. Finaxa holds 95.40% of the share capital and 97.15% of the voting rights of ANF, a holding company that owns 0.31% of the share capital and 0.51% of the voting rights in meetings of the Company's shareholders.

The Mutuelles AXA, acting as a group, directly and indirectly holds controlling interest in Finaxa (70.13% of the share capital and 79.83% of voting rights as of February 28, 2003). Each of the Mutuelles AXA is party to an agreement pursuant to which it grants the other parties a preemptive right to acquire its shares of Finaxa.

OWNERSHIP STRUCTURE AT FEBRUARY 28, 2003



( ) : In voting right.
(a) Directly and indirectly.
(b) Treasury share are allocated to the AXA Financial stock option program.

CHANGE IN CAPITAL OWNERSHIP

Changes in ownership of the Company's share capital between December 31, 2000 and December 31, 2002 reflect the various operations detailed in the table of changes to share capital hereinabove.

	12/31/2000	12/31/2001	12/31/2002
Mutuelles AXA [(a)]	**21.1%**	**20.6%**	**20.5%**
Of which : – Mutuelles AXA	2.8%	2.8%	2.8%
– Finaxa [(a)]	18.4%	17.8%	17.7%
Treasury shares	**1.1%**	**1.7%**	**1.7%**
General public	**77.8%**	**77.7%**	**77.8%**
TOTAL	**100.0%**	**100.0%**	**100.0%**

(a) Directly and indirectly.

At December 31, 2002, the members of the AXA Management Board and AXA Supervisory Board owned 1,515,531 shares and AXA ADRs, equal to 0.09% of the Company's share capital.

POTENTIAL CAPITAL AT FEBRUARY 28, 2003

The following table describes the potential change in the Company's share capital, assuming that the maximum number of new shares is issued following conversion of all convertible bonds and the exercise of all stock options.

	Number of outstanding shares	Maximum number of shares created
Ordinary shares issued on February 28, 2003	1,762,177,792	1,762,177,792
Subordinated convertible bonds 1999-2014	9,199,793	37,167,164
Subordinated convertible bonds 2000-2017	6,639,463	26,823,431
Stock options	43,789,361	43,789,361
Maximum total number of shares	–	1,869,957,748

DIVIDENDS

Date	Distribution in millions euro	Number of shares	Net dividende per share in euros	Tax credit per share in euros	Gross dividend per share in euros
12/31/1997	454	331,357,282	1.37	0.69	2.06
12/31/1998	595	350,288,821	1.70	0.85	2.55
12/31/1999	713	356,335,728	2.00	1.00	3.00
12/31/2000	926	421,147,046 [(c)]	2.20	1.10	3.30
12/31/2001[(a)]	971	1,734,187,269	0.56	0.28	0.84
12/31/2002 [(b)]	599	1,762,167,344	0.34	0.17	0.51

(a) Amounts taking into account a four-for-one stock split.
(b) Proposal submitted to the Extraordinary and Ordinary Shareholders' Meeting held on April 30, 2003.
(c) Including shares issued in connection with the buyout of the minority interests in AXA Financial on January 2, 2001.

Dividends not claimed within five years of the date of payout become the property of the French government.

Summary of share option plans

AXA

By virtue of the various authorizations granted by extraordinary meetings of shareholders and following the acquisition of options granted in absorbed companies, the Board of Directors (and subsequently the Management Board) of the Company granted options to purchase shares of the Company, as summarized in the following tables:

Date of Board meeting Date of shareholders' meeting	01/29/92 (2) 06/19/91	10/27/92 (2) 19/06/91	10/27/92 (2bis) 10/20/92	04/13/94 (2) 06/19/91	11/04/94 (1) - (5) 02/21/90
Initial allocation adjusted at 05/16/01 (3)	3,111,588	6,434,088	13,167,332	9,021,420	1,945,024
– Number of beneficiaries	94	3	105	214	192
– Executive Committee allocation	483,640		1,840,000	195,700	28,800
– Executive Committee beneficiaries (5)	5		5	3	1
Option exercisable as of	01/29/93	10/27/93	10/27/95	04/13/96	11/04/96
Expiration date	01/28/02	10/26/02	10/26/02	04/12/04	11/03/01
Discount granted	10.00%	10.00%		9.98%	9.58%
Term of exercise of stock options	25% 01/29/93	25% 10/27/93	80% 10/27/95	25% 04/13/96	30% 11/04/96
	50% 01/29/94	50% 10/27/94	100% 10/27/98	50% 04/13/97	60% 11/04/97
	75% 01/29/95	75% 10/27/95		75% 04/13/98	100% 11/04/98
	100% 01/29/01	100% 10/27/01		100% 04/13/99	
Number of shares subscribed at 02/28/03 (3)	2,871,064	6,334,088	11,387,332	8,032,276	1,916,060
Options cancelled at 02/28/03 (3)	240,524	100,000	1,780 000	417,568	28,964
Outstanding at 02/28/03 (3)	**0**	**0**	**0**	**571,576**	**0**
Subscription price in euros (4)	5.61	4.82	2.00	8.84	11.27

(1) Of UAP origin. (2) Of AXA origin. (2bis) Of Lor Finance origin. (3) Adjusted amounts. (4) Adjusted subscription price.
(5) Including the actual Executive Committee.

Date of Board meeting Date of Shareholders' meeting	03/29//95 (2) 06/08/94	05/14/96 (1) 06/26/95	07/10/96 (2) 06/08/94	01/22/97 (2) 06/08/94	09/10/97 (2bis) 10/20/92
Initial allocation adjusted at 05/16/01 (3)	5,102,660	1,143,368	3,942,232	5,263,996	166,668
– Number of beneficiaries	193	153	162	62	1
– Executive Committee allocation	655,044	32,464	226,372	1,094,480	166,668
– Executive Committee beneficiaries (5)	5	1	5	8	1
Options exercisable as of	03/29/97	05/14/98	10/07/98	01/22/99	10/09/99
Expiration date	03/28/05	05/13/03	09/07/06	01/21/07	09/09/07
Discount granted	4.99%	3.70%	5.34%	4.96%	
Terms of exercise of stock options	25% 03/29/97	30% 05/14/98	25% 07/10/98	25% 01/22/99	25% 09/10/99
	50% 03/29/98	60% 05/14/99	50% 07/10/99	50% 01/22/00	50% 09/10/00
	75% 03/29/99	100% 05/14/00	75% 07/10/00	75% 01/22/01	75% 09/10/01
	100% 03/29/00		100%[a] 07/10/01	100% 01/22/02	100% 09/10/02
Number of shares subscribed at 02/28/03 (3)	3,164,940	838,708	1,638,881	1,640,003	0
Options cancelled at 02/28/03 (3)	512,300	77,100	676,754	368,219	0
Outstanding at 02/28/03 (3)	**1,425,420**	**227,560**	**1,626,597**	**3,255,774**	**166,668**
Subscription price in euros (4)	8.26	9.86	10.07	12.10	11.29

(a) Last grant contingent on meeting the objectives set for the various companies for the period from 12/31/1996 to 12/31/2000.

Date of Board meeting Date of Shareholders' meeting	09/30/97 (2) 05/12/97	04/20/98 (2) 05/12/97	06/09/99 (2) 05/12/97	06/09/99 (2) 05/05/99	11/18/99 (2) 05/05/99
Initial allocation adjusted at 05/16/01 (3)	202,896	9,563,372	3,136,452	4,217,740	460,456
– Number of beneficiaries	2	357	168	180	91
– Executive Committee allocation	101,448	1,582,592	60,868	1,576,508	32,464
– Executive Committee beneficiaries (5)	1	9	1	11	1
Options exercisable as of	09/30/99	04/20/00	06/09/01	06/09/01	11/18/01
Expiration date	09/29/07	04/19/08	06/08/09	06/08/09	11/17/09
Discount granted	0.00%	5.00%	0.00%	0.00%	0.00%
Terms of exercise of stock options	25% 09/30/99	25% 04/20/00	25% 06/09/01	25% 06/09/01	25% 11/18/01
	50% 09/30/00	50% 04/20/01	50% 06/09/02	50% 06/09/02	50% 11/18/02
	75% 09/30/01	75% 04/20/02	75% 06/09/03	75% 06/09/03	75% 11/18/03
	100% 09/30/02	100% 04/20/03	100% 06/09/04	100% 06/09/04	100% 11/18/04
Number of shares subscribed at 02/28/03 (3)	50,724	555,120	14,710	86,299	0
Options cancelled at 02/28/03 (3)	50,724	2,349,864	741,355	1,055,169	204,776
Outstanding at 02/28/03 (3)	**101,448**	**6,658,388**	**2,380,387**	**3,076,272**	**255,680**
Subscription price in euros (4)	14.81	23.65	28.25	28.25	32.28

(1) Of UAP origin. (2) Of AXA origin. (2bis) Of Lor Finance origin. (3) Adjusted amounts. (4) Adjusted subscription price.
(5) Including the actual Executive Committee.

Date of Board meeting Date of shareholders' meeting	07/05/00 (2) 05/05/99	07/12/00 (2) 05/05/99	11/13/00 (2) 05/05/99	05/09/01 (2) 05/09/01	02/27/02 (2) 05/09/01
Initial allocation adjusted at 05/16/01 (3)	7,586,200	275,368	292,000	9,807,204	9,816,970
– Number of beneficiaries	889	113	98	1,419	1,655
– Executive Committee allocation	1,232,000	24,864	0	2,600,000	2,940,000
– Executive Committee beneficiaries (5)	13	1	0	13	14
Option exercisable as of	07/05/02	07/12/02	11/13/02	05/09/03	02/27/04
Expiration date	07/04/10	07/11/10	11/12/10	05/08/11	02/26/12
Discount granted	0.00%	0.00%	0.00%	0.00%	0.00%
Term of exercise of stock options	1/3 07/05/02 2/3 07/05/03 3/3 07/05/04	25% 07/12/02 50% 07/12/03 75% 07/12/04 100% 07/12/05	1/3 11/13/02 2/3 11/13/03 3/3 11/13/04	1/3 05/09/03 2/3 05/09/04 3/3 05/09/05	1/3 02/27/04 2/3 02/27/05 3/3 02/27/06
Number of shares subscribed at 02/28/03 (3)	0	0	0	0	0
Options cancelled at 02/28/03 (3)	1,642,133	156,488	47,288	1,446,316	441,926
Outstanding at 02/28/03 (3)	**5,944,067**	**118,880**	**244,712**	**8,360,888**	**9,375,044**
Subscription price in euros (4)	40.96	41.06	38.73	32.32	20.98

Excluding stock option plans of UAP origin, stock options granted in plans up to November 18, 1999 may be exercised under the following conditions:

– 25% of the total grant is exercisable at the end of the second year following the date of the grant;
– 50% of the total grant is exercisable as of the third year following the date of the grant;
– 75% of the total grant is exercisable as of the fourth year following the date of the grant;
– 100% of the total grant is exercisable as of the fifth year following the date of the grant.

Stock options granted in plans from July 5, 2000 onward may be exercised under the following conditions:

– 33.33% of the total grant is exercisable at the end of the second year following the date of the grant;
– 66.66% of the total grant is exercisable at the end of the third year following the date of the grant;
– 100% of the total grant is exercisable at the end of the fourth year following the date of the grant.

(1) Of UAP origin. (2) Of AXA origin. (2bis) Of Lor Finance origin. (3) Adjusted amounts. (4) Adjusted subscription price.
(5) Including the actual Executive Committee.

FINAXA

FINAXA is a form of limited liability company (French société anonyme) with registered capital stock of €203,759,693.85 at March 18, 2003. Its stock option grants are summarized in the following tables:

Date of Board meeting Date of Shareholders' meeting	04/13/94 04/27/90	07/10/96 06/15/95	05/07/98 05/28/97
Number of options	512,500	540,000	400,000
– Number of beneficiaries	6	5	1
– Executive Committee allocation	277,500	170,000	0
– Executive Committee beneficiaries	3	3	0
Options exercisable as of	04/13/96	07/10/98	05/07/00
Expiration date	04/12/04	07/09/06	05/06/08
Discount granted	10%	5%	5%
Term of exercise of stock options	25% 04/13/96	25% 07/10/98	25% 05/07/00
	50% 04/13/97	50% 07/10/99	50% 05/07/01
	75% 04/13/98	75% 07/10/00	75% 05/07/02
	100% 04/13/03	100%[(a)] 07/10/01	100% 05/07/03
Number of shares subscribed at 02/28/03	437,500	255,000	0
Options cancelled at 02/28/03	75,000	0	0
Outstanding at 02/28/03	**0**	**285,000**	**400,000**
Subscription price in euros	31.47	35.06	83.13

(a) Last grant contingent on meeting the objectives set for the various companies for the period from 12/31/1996 to 12/31/2000.

Date of Board meeting Date of Shareholders' meeting	05/26/99 05/28/97	05/26/99 05/26/99	07/05/00 05/26/99	05/30/01 05/26/99
Number of options	176,285	123,715	205,000	225,000
– Number of beneficiaries	1	1	5	1
– Executive Committee allocation	0	0	140,000	0
– Executive Committee beneficiaries	0	0	3	0
Options exercisable as of	05/26/01	05/26/01	07/05/02	05/30/03
Expiration date	05/25/09	05/25/09	07/04/10	05/29/11
Discount granted	0%	0%	0%	0%
Term of exercise of stock options	25% 05/26/01	25% 05/26/01	1/3 07/05/02	1/3 05/30/03
	50% 05/26/02	50% 05/26/02	2/3 07/05/03	2/3 05/30/04
	75% 05/26/03	75% 05/26/03	3/3 07/05/04	3/3 05/30/05
	100% 05/26/04	100% 05/26/04		
Number of shares subscribed at 02/28/03	0	0	0	0
Options cancelled at 02/28/03	0	0	65,000	0
Outstanding at 02/28/03	**176,285**	**123,715**	**140,000**	**225,000**
Subscription price in euros	92.62	92.62	163.84	129.26

MOFIPAR

MOFIPAR is a form of limited liability company (French *société anonyme*) with registered capital stock of €11,039,240.70. It was established in 1993. Additional capital of €11,491,355.70 shall be duly registered when the Management Committee meets to approve the financial statements for 2002, following the exercise of stock options for a total of €452,115.

In August 1996, Mofipar set up a stock option plan within the Company involving 33% of its share capital, for the benefit of employees, directors and officers of AXA.

This single plan allows holders of options to benefit indirectly from the appreciation of the share price of ordinary shares of AXA Asia Pacific Holdings.

At December 31, 2002, the number of beneficiaries of Mofipar share option plans was 119.

	MOFIPAR
Date of Board meeting	08/05/96
Date of shareholders' meeting	07/29/96
Number of options	2,152,310
– Number of beneficiaries	119
– Executive Committee allocation	230,000
– Executive Committee beneficiaries	6
Options exercisable as of	08/05/99
Expiration date	08/04/06
Terms of exercise of stock options	100% 08/05/01
Number of shares subscribed at 02/28/03	1,056,250
Options cancelled at 02/28/03	446,060
Outstanding at 02/28/03	**650,000**
Subscription price in euros	7.09

AGREEMENTS WITH DIRECTORS AND OFFICERS OF THE COMPANY

No agreements were entered into by and between the Company and any of its directors and officers.

No loan or guarantee has been granted or issued by the Company to any member of its governing structures.

FINANCIAL AUTHORIZATION

AUTHORIZATIONS TO ISSUE SHARES AND OTHER SECURITIES

The authorizations to issue shares and other securities, which were granted to the Management Board at the extraordinary and ordinary annual general meeting of shareholders held on May 3, 2002, and the authorizations submitted for approval by the shareholders at the meeting scheduled on April 30, 2003, are summarized in the tables below:

Issues with preferential subscription rights

Securities	Maximum amount of the issue in euros	Maximum amount of the capital increase in euros	Term	Expiration
Shares	–	1 billion	26 months	June 30, 2005
Securities granting a claim to shares of the Company at maturity through subscription, conversion, exchange, redemption, presentation of a warrant or other	6 billion	1 billion	26 months	June 30, 2005
Unattached stock subscription warrants	–	1 billion	26 months	June 30, 2005

Issues without preferential subscription rights

Securities	Maximum amount of the issue in euros	Maximum amount of the capital increase in euros	Term	Expiration
Shares	–	1 billion	26 months	June 30, 2005
Securities granting a claim to shares of the Company at maturity through subscription, conversion, exchange, redemption, presentation of a warrant or other	6 billion	1 billion	26 months	June 30, 2005
Unattached stock subscription warrants	–	1 billion	26 months	June 30, 2005
Shares issued as a result of the issuance of bonds with stock subscription warrants and composite securities of Group subsidiaries	–	1 billion	24 months	April 30, 2005
Shares reserved for employees	–	150 billion	26 months	June 30, 2005
Shares issued in connection with the exercice of stock options(1)	–	3% of share capital	38 months	July 2, 2005

The global amount of capital increases effected through the issuance of securities representing a share of the Company's equity, excluding shares reserved for employees and shares resulting from stock options, may not exceed €2 billion.

(1) Resolution approved by the annual general meeting of shareholders held on May 3, 2002.

PURCHASE AND SALE OF SHARES BY THE COMPANY

At the shareholders' meeting held on May 3, 2002, the shareholders were asked to authorize the Management Board to trade in the Company's shares for the purpose of stabilizing the market price, under the following conditions:

Maximum purchase price €40
Minimum sale price.......... €20
Maximum number of shares that can be bought or sold 173,418,727

The Company did not repurchase any of its own shares in 2002. However, it did use derivative instruments to stabilize its share price on the market. At December 31, 2002, put options sold involved 5.5 million underlying shares and a nominal amount of €81.4 million.

At the annual general meeting of the shareholders scheduled for April 30, 2003, the shareholders will once again be asked to authorize the Management Board to trade in the Company's shares, notably for the purpose of stabilizing the market price, under the following conditions:

Maximum purchase price €30
Minimum sale price..........€10
Maximum number of shares that can be bought or sold 176,216,734

This stock repurchase program was the subject of the prospectus *(note d'information)* number 03-211, dated April 2, 2003, which received the visa of the *Commission des Opérations de Bourse.*

Persons responsible for this annual report (document de référence)

PERSONS RESPONSIBLE FOR THIS ANNUAL REPORT (DOCUMENT DE RÉFÉRENCE)

To the best of our knowledge, the information contained in this document accurately reflects the true financial position of the Company. It comprises all information required to enable investors to reach an informed opinion of the assets, activities, financial position, earnings and prospects of the Company. It contains no misleading omissions.

Paris, April 8, 2003
Chairman of the Management Board
Henri de Castries

STATEMENT BY THE INDEPENDENT ACCOUNTANTS

In our capacity as independent accountants of AXA and pursuant to Regulation 98-01 of the *Commission des Opérations de Bourse* (the French Securities and Exchange Commission), we have examined in accordance with French professional standards the information concerning the financial position and historical financial statements contained in this annual report *(document de référence).*

This annual report is the responsibility of the Chairman of the Management Board. Our responsibility is to express an opinion on the accuracy of the information contained herein concerning the financial position and financial statements.

Our procedures, which were performed in accordance with French professional standards, consisted of assessing the accuracy of the information about the financial position and the accounts and verifying that this information agrees with the audited financial statements, reading the other information contained in the annual report in order to identify any material inconsistencies with the information about the financial position and the accounts, and reporting any manifestly incorrect information that came to our attention, based on our overall knowledge of the Company, as acquired during our audit, with the exception of information concerning AXA's Embedded Value, which we did not review (excluding Adjusted Net Asset Value), which was subject to the procedures decribed above. With respect to:

– information pertaining to embedded value, included on pages 51-53 of the Key Information section of the annual report, we have verified its consistency with the report of independent actuarial firm Tillinghast dated February 27, 2003, issued after a limited review of AXA's calculations.
– AXA's European consolidated solvency margin, the estimates at December 31, 2002 were calculated following the basis of European Directives.

This annual report does not contain any isolated forward-looking statements.

We also audited the consolidated financial statements of AXA for the years ended December 31, 2000, 2001 and 2002, as prepared by the Management Board, in accordance with auditing standards generally accepted in France, and issued an unqualified opinion thereon.

Based on the procedures described above, we have nothing to report regarding the accuracy of the information concerning the financial position and financial statements presented in this annual report.

Paris, April 8, 2003

The Independent Accountants

PricewaterhouseCoopers Audit
represented by Mrs. Catherine Pariset
and Mr. Gérard Dantheny

Mazars & Guerard
represented by Messrs. Patrick de Cambourg
and Charles Vincensini

PERSONS RESPONSIBLE FOR INFORMATION

Mr. Gérard de La Martinière
Mr. Denis Duverne
AXA
25, avenue Matignon - 75008 Paris
Tel: 01 40 75 57 00

COB correspondence table

COB

Pursuant to COB Regulation 98-01, this shelf registration document *(document de référence)* was registered with the *Commission des Opérations de Bourse* (the French stock exchange regulatory authority) on April 9, 2003. It may be used in connection with a financial transaction only if accompanied by a prospectus *(note d'information)* that has received the visa of the *Commission des Opérations de Bourse.*

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