



**Full year 2004  
MANAGEMENT REPORT**



## Cautionary statements concerning the use of non-GAAP measures and forward-looking statements

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# Insurance and Asset Management markets

## Life & Savings

**France.** According to the FFSA, the French Life & Savings market growth amounted to +9% at the end of full year 2003, driven by a 13% increase in general account premiums, partly offset by a 7% decrease on unit-linked contracts. In 2004, the increase in gross premium has been estimated to 13% explained by a strong increase in gross premium on unit-linked contract estimated to +32% and by an estimated increase of 9% in general account premiums. More than 1 million accounts of the new retirement "P.E.R.P." product have been opened corresponding to a gross premium of €340 million at the end of November.

**United States.** In 2004, U.S. investors responded favorably to a second year of positive returns in the U.S. equity markets with continued net inflows to long-term mutual funds and increased sales of equity linked insurance products. Short-term interest rates began to rise as the Federal Reserve tightened monetary policy through a series of increases in the federal funds target rate, while market determined long-term interest rates remained low. In the annuity market, industry sales of variable annuities were up 5%, driven by stronger equity markets and the popularity of guaranteed benefit riders. Industry fixed annuity sales decreased 1% as a result of low interest rates and heightened competition. In the life insurance market, variable life insurance sales modestly improved with industry variable life sales up 2% from 2003. The variable life business generally lags the movement in the equity market. Sales of life insurance products with fixed returns, such as universal life, remained strong in 2004 with industry universal life sales up 20%<sup>1</sup>. Fixed whole life insurance sales decreased 2%, while term insurance sales increased 8% from 2003. Total long-term stock, bond and hybrid fund net inflows were \$210 billion for 2004, compared with \$216 billion for 2003, however, stock and hybrid fund net inflows increased 17% and 31%, respectively<sup>2</sup>.

**United Kingdom.** New annualized business (new regular premiums plus 10% of single premiums) was 3% higher in 2004 following a 12% fall in new business in 2003. The principal growth area was Group Pensions and Offshore Bonds, whilst volumes of single premium pension business declined. The growth in sales of investment products is, in part, a reflection of improved stock market performance which has seen some increase in investor confidence. In the second half of 2004 companies began the process of positioning themselves to exploit opportunities in the run up to Pensions Simplification A-Day in April 2006. The regulators announced the launch date for 'Sandler products' (April 2005) which will include a medium term investment product and a pensions product. These products will have a 1.5% price cap for the first 10 years. Independent Financial Advisers continued to be the principal sales channel in 2004 accounting for around 70% of new business. The distribution landscape will change in 2005 with the introduction of depolarization and the creation of new categories of intermediary.

## Asia Pacific.

**Japan.** Some positive economic growth, prospects to an end to deflation, an increase in interest rates and a progressive rise in stock prices have all contributed to stability and contentment in the industry. Japan's life insurance market experienced a premium income growth of 1.7%, reaching 25.96 trillion yen in the Japanese fiscal year 2003 and marking the first rise in total premiums in the past six years. This upswing is largely owed to the individual annuity business through bank channels, which has

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<sup>1</sup> Industry Sales Results are from LIMRA as of September 30, 2004.

<sup>2</sup> Net long-term mutual funds statistics from Investment Company Institute December 31, 2004

contributed to approximately over 3 trillion yen of inflow since the deregulation commencing in October 2002. Stability in the financial markets have generally improved the performance of many insurers as well as their solvency and credit standing, as markets finished 50% higher than the previous year. However, a large part of the industry continues to face declines in policies in-force, mainly due to a weak new business environment for traditional products as a growing number of policyholders have reduced death benefits to cut premiums in an effort to curb household spending as well as lingering high surrender & lapse rates. Foreign insurers on the other hand, have in its place gained market share, reaching 21%, up from 17% of the previous year in terms of premium income.

**Australia / New Zealand.** The savings related investment sector continued to be a growth area due to the ageing population and continued government support for self-funded retirement. The mutual funds and advice business also experienced significant growth across 2004 as driven by a return of investor confidence and the strong equity performance in the Australian market which led to growth in the retail market of 16%. At least 80% of the Australian retail wealth management inflows come through funds administration platforms. The Australian Life Insurance market has increased by 11%<sup>3</sup>.

**Hong Kong:** The economy continued to grow following the adverse market conditions experienced in early 2003, in particular the outbreak of SARS and depressed investment markets. The economy continued to benefit from increasing numbers of Mainland Chinese visitors, which are predicted to increase from 12 million in 2004 to 20 million in 2005. The life insurance market has showed strong growth, for the 9 months to September 2004, with the individual life new business annual premium equivalent up 28% compared to the same period in 2003 including strong growth from bank distribution. Following the weak investment markets in the first half of 2004 (the Hang Seng Index decreased by 2%), there was a strong recovery in the second half of 2004, with the Hang Seng Index increasing by 16%.

**Germany.** The retirement Earnings Law ("Alterseinkünftegesetz") came into force on January 1st, 2005. Contributions to the state pension system will progressively become tax-deductible, and benefits will become fully taxable. The tax deductible portion of the contribution will start at 60 % in 2005 and be increased by 2% each year until it reaches 100% in 2025. The taxable portion of the pension will be increased to 50% for pensions commencing in 2005 and for pensions that are already in payment. The taxable portion will be increased each year, reaching 100% in 2040.

For endowment policies, the main product of life insurers, taken out after 2004, the return on assets will no longer be tax-free and will be treated as taxable income at maturity. There is an exception for contracts with a maturity date after the policyholder's 60th birthday and a duration of at least 12 years: in such cases only 50 % of the contract's proceeds are considered as taxable income. The market experienced in 2004 a surge of the sales of new endowment policies, which will benefit from the old tax regime for regular premiums paid in subsequent years. Starting from 2005 new products will come on the life insurance market, which will meet the requirements of the new tax act.

In 2004, according to preliminary results of the development of the **German life** insurance market from the association of German insurers (GDV), new business of regular premiums grew by 41.4% to €1.4 billion, whereas single premiums decreased by 15.2% to €7.2 billion.

Ongoing difficulties of the public **health insurance** system are continuing to push private health insurance (€24.6 billion, +7.4% for 2004, according to a forecast by the association of German insurers).

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<sup>3</sup> source: Plan for Life (retail FUA excl cash) Sept 2004

**Belgium.** After a 2003 high growth year, the harvest of insurance and saving increased by about 4.5%. Growth should be restored on the Unit-linked market after significant drop since 2001 while Non Unit-linked market should remain flat. Bank savings accounts increased by 12.3%.

**Southern Europe.** In 2004, the **Spanish** market grew by 5.2% in the first 9 months of the year. 2004 was impacted by the rising of housing prices that limited the capacity to save as well as by the tax regulation changes which resulted in levelled tax advantages for mutual funds versus unit-linked policies. **In Italy**, agents primarily drove the growth (+28%) mainly thanks to the success of both individual and group guaranteed unit-linked and traditional saving products. 2004 was also the year of implementing pension reform, with an estimated €1.3 billion invested through 2005. The reform grants the employee the right to elect to remain with the existing plan or change to a provider of choice. **In Portugal**, market increased by 14.4% in 2004, driven by Investment & Savings product non-UL (+14.5%<sup>4</sup>).

## Property & Casualty

**France.** Market has experienced 5 consecutive years of growth since 1999. The increase in gross premium has accelerated from 2% in 1999 to 7% in 2001, 2002 and an estimated 8% in 2003 (including large risks). In 2004, the growth reduced slightly to an estimated 4%. The estimated growth amounted to +3% in Motor (+5.3% in 2003), +6% in Household (+6.2% in 2003) and +3.5% in commercial property (+13.4% in 2003).

**United Kingdom & Ireland.** Underwriting conditions have generally been tougher during 2004, with rating increases harder to carry. Nevertheless, written premiums grew by 7% across the business. In Commercial Lines, rate increases continued to be harder to achieve, particularly for large cases and new business. SME renewals held up well in 2004. Commercial Property & Casualty price increases were 7% over the year, with fleet prices stable. In Personal Lines, Household and Motor rates remained relatively flat. Across the year, most carriers will have continued to benefit from benign conditions in 2004 with no major weather events. In Ireland, competitiveness in Motor has significantly increased and led to a fall in average premium.

**Germany.** In 2004, total business<sup>5</sup> increased by 1.8% (€5.4 billion). The decrease in claims expenditures slowed down compared to 2003 (-1.4%). In motor line, gross written premiums (covering 40% of total Property & Casualty) increased slightly by 0.5% to €2.4 billion. Claims paid for current year (all motor lines aggregated) decreased by 1.1%. Property is the second largest Property & Casualty business with €9.8 billion gross written premiums (+2.0%). Claims expenditures decreased again, although not as strongly as the year before (-2.4%). Gross written premiums in General Liability lines increased by 3.5% to €6.5 billion. In Accident, gross written premiums increased by 3.0% to €6.0 billion.

**Southern Europe.** In 2004, the **Spanish** market grew by 9.0% in the first 9 months of the year amidst a stable economic environment. This growth was partly supported by record car sales, which rose spectacularly by 9.8%, thus helping the motor insurance sector to increase by 6.1%, despite aggressive market pricing initiated during the second half year 2002. First steps towards a “zero-tolerance” policy on the roads helped to reduce the number of road accidents by 11.8%. Multi-risk and health businesses increased respectively by 10.7% and 9.9%. In 2004, **Italy**, in a market still very traditional, oriented

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<sup>4</sup> source APS, provisional figures

<sup>5</sup> Source: association of German insurers (GDV): estimation.

towards motor business (60% of the volumes). The implementation of the “patente a punti” (driving license with decremented points in case of driving offence) lead to a significant decrease in frequency (-2.2% on twelve months at the end of September<sup>6</sup>) and lower average costs. In this context, some companies started to review their premium rate downward (-1.6 pt on new business). In **Portugal**, market increased by 3.5% as compared to December 03 driven by the 4% motor business growth<sup>7</sup>.

**Belgium.** Competition remained tough on the Belgian market, with an estimated growth of 4.6% in 2004. This significant increase, compared to an average annual growth of 3% for the last 10 years, is sustained by motor (+5.4%), which makes out 34% of total Property & Casualty, and household (+4.4%), as a result of rate increases. The Workers' compensation market showed only a slight growth of 0.2% in 2004 due to the shrinking employment market.

## International Insurance

On the **Reinsurance** side, after the very low claims experience in 2002 and 2003, prices were almost stable in major lines of business and the capacity was relatively abundant. Competition amongst reinsurers is notably coming from the Bermudian companies whose part in the world reinsurance market has become preponderant. Property, Marine and Aviation- showed stable or slightly decreasing rates and signings were often lower than expected especially in Europe. Motor and Casualty benefited from additional rate increases.

On the **Large Risks Insurance** market, further rate increases and restructuring of large Corporate Insurance programs were conducted especially in liability and to a lesser extent in marine. On the other hand, property and aviation markets softened, in the context of a favorable claims experience.

In these activities, 2004 claims experience was characterized by a high level of major losses, notably as the United States were hit by 4 hurricanes. Other severe natural events also occurred in 2004 such as the Songda typhoon in Japan and the Asian tsunami on December 26, 2004.

## Asset management

In 2004, the industry benefited from the continued growth of equity markets (+11% for the S&P 500 American equity index, +16% for the MSCI global equity index) combined to the good performance of fixed-income assets.

Continuing a trend started in 2003, investors are being lured back by the prospects of higher returns after years of declining equity markets, but with an increased demand for advice and alternative investments.

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<sup>6</sup> source “Focus” ANIA: RC Auto

<sup>7</sup> source APS, provisional figures

## Market conditions in 2004

### Financial markets

In 2004 and for the second year in a row, the financial markets continued to grow, with the "MSCI World index<sup>8</sup>" posting a gain of 13% (compared with a gain of 30.3% in 2003).

This positive performance occurred against a backdrop of buoyant business conditions. Global economic growth was 4.4% for the United States, 3% for Japan, 1.8% for the Eurozone and 7.6% for emerging Asia.

This strong global expansion drove up commodity prices, particularly oil. Naturally, this brought inflation back, although moderately, above the thresholds of 3% in the United States and 2% in the Eurozone.

#### *STOCK MARKETS*

Stocks markets were the best performers in 2004, posting a growth of 29.6% for the MSCI dollar for developed Asia ex-Japan and of 26% for the MSCI dollar for the emerging countries. In Europe, Stoxx 50 rose by 6.9%, FTSE by 7.5% and CAC 40 by 7.4%, while the US S&P 500 was up 9% and the Japanese Nikkei advanced by 7.6%.

#### *BOND MARKETS*

In 2004, the bond markets behaved well in the context of sustained world growth, a falling dollar, and sharply rising oil prices.

Yields on US 10-year treasuries remained broadly unchanged. On the contrary, in Europe, yields on 10-year maturities government bonds fell by 63 bp in the Eurozone and by 23 bp in the United Kingdom. In a context of improving balance sheet and default rate, high yield investments had a very good year as demonstrated by the five-year maturity high yields bonds which returned double digit global performance.

#### *EXCHANGE RATES*

In 2004, the Euro emphasized its appreciation against other currencies, especially against the US Dollar (+7.9%), the Yen (+3.3%). The Euro remained stable against the Sterling.

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<sup>8</sup> Morgan Stanley Index, a market capitalization index designed to measure global developed market equity performance.

## December 31, 2004 operating highlights

### Significant acquisitions and disposals

#### *ACQUISITIONS*

On January 23, 2004, AXA concluded with BBVA Group an agreement under which AXA has acquired the 50% stake of BBVA in its subsidiary Hilo Direct Seguros y Reaseguros S.A. (“**Direct Seguros**”). After this transaction, AXA holds 100% of Direct Seguros. The purchase price amounted to €49 million, and the related goodwill was €28 million, to be amortized over 30 years.

On January 23, 2004, AXA Holdings Belgium concluded with La Poste an agreement under which AXA Holdings Belgium acquired the 50% stake of La Poste in Assurances la Poste Vie and in Assurances la Poste Non Vie. After this transaction, AXA Holdings Belgium holds 100% of Assurances la Poste Vie and of Assurances de la Poste Non Vie. The purchase price amounted to €9.4 million, and the related goodwill was €3.2 million, fully amortized over the first half year of 2004.

On March 18, 2004, AXA RE bought from BNP PARIBAS the remaining 21% minority interests in its subsidiary AXA RE Finance. After this transaction, AXA RE holds 100% of AXA RE Finance. The purchase price amounted to €55 million, and the related goodwill was €8 million, fully amortized during the first half of 2004.

On July 8, 2004, AXA announced that, following the receipt of all required regulatory approvals and the satisfaction of all conditions to the merger agreement, AXA Financial, Inc. completed the acquisition of the MONY Group, Inc. (“MONY”), for a total consideration of \$1.48 billion (€1.3 billion). As a result of the acquisition, MONY is now a wholly owned subsidiary of AXA Financial. The related goodwill, to be amortized over 30 years, and value of business in force for the transaction were respectively \$672 million and \$573 million net of tax.

In connection with Alliance Capital’s acquisition of the business of Sanford Bernstein in 2000, AXA Financial entered into a liquidity agreement with the former shareholders of Sanford Bernstein such that they can put to AXA Financial in any one period up to 20% of the original Alliance Capital units issued at the time of the acquisition. In 2004, the former shareholders of Sanford C. Bernstein exercised their rights to sell 16.32 million Alliance Units (8.16 million Alliance Units in March and December). As a consequence, the ownership interest of AXA Financial in Alliance Capital at this date increased by 5.8% points from 55.5% to 61.3%. These transactions generated an exceptional profit of €12 million, as a result of the partial release (€120 million) of the provision set up in 2000 to offset the dilution gain resulting from the acquisition of Sanford Bernstein, Inc, partly offset by the amortization over the period of the additional goodwill generated by the transaction (€308 million at average exchange rate).

Effective January 1, 2004 the policyholder-owned Long Term Fund of Sun Life Assurance Society plc sold AXA Isle of Man Ltd to a shareholder-owned subsidiary of AXA Life Holdings plc, for a total purchase consideration of €9 million. This transaction generated a goodwill of €21 million, entirely amortized over the period, and a value of business in force of £80.4 million or €14 million instead of pre-existing DAC (Deferred Acquisition Costs) balance of €13 million.

#### *DISPOSALS*

On January 2, 2004, AXA concluded the disposal of its insurance brokerage activities in the Netherlands, **Unirobe**, through the means of a management buy-out. The proceeds for the sale amounted to €26 million, and the related capital gain was €104 million.

On April 20, 2004, AXA Germany sold its building society AXA Bausparkasse to BHW, a German competitor specialized in savings plans for the financing of the purchase of real estate properties. The transaction was completed in June 2004 and resulted in a net capital loss of €25 million (net group share).

In October 2004, AXA Insurance UK sold the right to renew of its direct business to RAC plc. The proceeds for the sale amounted to €12 million.

On October 28, 2004, Alliance Capital Management Holding L.P. ("Alliance Holding") and Alliance Capital Management L.P. ("Alliance Capital") announced that Alliance Capital and Federated Investors, Inc. have reached a definitive agreement for Federated to acquire Alliance Capital's cash management business. The transaction is expected to close between first and third quarter 2005.

On December 1, 2004, AXA Zorg, subsidiary of AXA in the Netherlands operating in the Health and Disability Insurance business completed the sale of its health portfolio to Achmea for a total consideration of €7.5 million. This sale resulted in a realized gain of €3.2 million, net of restructuring provision.

In December, 2004, AXA Belgium Holdings completed the sale of Crealux, a subsidiary which operated in Luxembourg for a total consideration of €87.6 million. This sale resulted in a realized gain of €17 million.

## Capital and financing operations

### *FINANCING OPERATIONS*

In 2004, AXA issued, under its €5 billion Euro Medium Term Notes program, subordinated debt totaling €1 billion of which (i) callable undated subordinated debt: \$150 million in January and \$225 million in February 2004 (private placements in Europe and Asia) and €125 million in April 2004 (private placement in Europe); (ii) in October and December 2004, respectively €375 million and €250 million undated deeply subordinated notes ("Titres Super Subordonnés"). By partly anticipating the refinancing of debts maturing in 2005 and after, these issues allowed the Group to benefit from very favorable and unprecedented credit spread conditions and to improve its liquidity by further extending the average maturity of debt and by strengthening hybrid capital through non-dated subordinated issues.

In order to further protect the Group balance sheet exposure to the USD, \$4 billion hedges have been implemented in the first half year 2004, directly through debt in USD (\$0.375 billion) or synthetically through Cross Currency Swaps (\$3.625 billion).

In July 2004, a combined €3.5 billion revolving credit facility and \$650 million standby letter-of-credit facility for AXA SA and AXA Financial was signed. The facility will initially be due July 2009 with 2 one-year extension options. It anticipated the replacement of AXA S.A €3 billion syndicated credit facility maturing July 2005 and included the needs of AXA Financial for US Commercial Paper backup and letter-of-credit facilities, allowing the group to comfort its liquidity profile and to benefit from the favorable conditions currently prevailing on the European credit market.

## **CAPITAL OPERATIONS**

As the result of successful completion of the merger of MONY with AXA Financial Inc, the ORAN's<sup>9</sup> redeemable into either shares or cash issued by AXA in September 2003 to finance the MONY acquisition were redeemed on July 22, 2004 by the issuance of one new ordinary AXA share for each ORAN, i.e. a total issuance of 110,245,309 new AXA shares. Each ORAN holder received in addition, on July 22, 2004, a "Final Interest" amount equal to Euro 0.38 per ORAN, i.e. the equivalent of the dividend paid by AXA on its shares on May 3, 2004.

For several years, the AXA Group has been offering to its employees in and outside of France, the opportunity to subscribe for shares issued by way of a capital increase reserved for employees. In 2004, employees invested a total of €255 million (with 22.5 million in August and €232.1 million in December, leading to a total issuance of 18.9 million new ordinary AXA shares). As of December 31, 2004, the total number of shares in issue amounted to 1,908 million. Employee shareholders represented approximately 5.11% of the outstanding shares versus 4.74% as of December 31, 2003.

As part of an overall rebalancing of the hedge of its purchase stock option plans, AXA Financial, Inc purchased on November 22, 2004, approximately 25.5 million call options on the AXA ADR, for a total premium of \$89 million. The purpose of the hedge is to protect the Group against an increase in the AXA share price and a depreciation of the US dollar versus Euro. As a consequence of this rebalancing of its hedging strategy, the AXA Group sold 6.7 million of treasury shares for a total amount of €120 million.

## **OTHER HIGHLIGHTS**

On October 17th, 2004 AXA announced that its conditional proposal to acquire the minority interests in AXA APH through a Scheme of Arrangement that was announced on August 6, 2004 was withdrawn and terminated following the decision of AXA APH's Committee of Independent Directors (the "Independent Committee") not to recommend AXA's final offer.

Discussions with the Independent Committee regarding the acquisition of the minority interests in AXA APH through a scheme of arrangement were unsuccessful as a difference remained outstanding on the issue of price, despite AXA's offer to raise the price to \$ 4.05 per share fully payable in cash.

The commitment of the AXA Group to the Asia-Pacific region and to the Group's subsidiaries that are based there, the confidence in the management and staff of AXA APH, are unchanged and intact. The development of the Group's activities in this region, where we will continue to invest significantly, remains one of the key axes of our strategy.

## **Events subsequent to December 31, 2004**

In January 2005, AXA issued, under its €5 billion Euro Medium Notes program, €250 million of undated deeply subordinated notes ("Titres Super Subordonnés") allowing the Group to improve debt quality and to strengthen hybrid capital, whilst anticipating the refinancing of debts maturing in 2005 and after.

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<sup>9</sup> bonds redeemable either in shares or in cash.

## Consolidated Operating results

### Consolidated gross revenues

Consolidated gross revenues <sup>(a)</sup>					
(in euro millions)	FY 2004	FY 2003	Change	Change on a comparable basis <sup>(b)</sup>	FY 2002
Life & Savings	47 063	46 799	0,6%	1,0%	48 586
Property & Casualty	17 852	17 098	4,4%	3,4%	15 948
International Insurance	3 371	3 972	-15,1%	-6,4%	5 762
Asset Management	3 087	2 922	5,7%	13,9%	3 411
Other Financial Services	791	836	-5,4%	5,5%	1 020
<b>TOTAL</b>	<b>72 164</b>	<b>71 628</b>	<b>0,7%</b>	<b>1,8%</b>	<b>74 727</b>
<i>(a) Net of intercompany eliminations</i>					
<i>(b) Percentages are on constant methodology, constant exchange rates, constant structural basis ("constant scope").</i>					

**Consolidated gross revenues** for full-year 2004 were €72,164 million. On a comparable basis, revenues grew by 2% compared to full year 2003.

On a reported basis, total revenues were up 0.7% from full year 2003 (€71, 628 million), mainly driven by organic growth (revenues on a comparable basis up €1.3 billion, or +2%) and MONY's 2H04 revenues (€1.0 billion impact, or +1%), partly offset by strength of the Euro versus other currencies (€1.6 billion impact, or -2%).

**Life & Savings** revenues growth was +1%. This increase, on a comparable basis, was mainly driven by France (+9%), United Kingdom (+6%), Southern Europe (+15%), Germany (+2%) and Belgium (+3%). This positive performance was partly offset by a decrease in revenues in the United States (-5%), Japan (-7%) and Australia New Zealand (-14%).

**France's** revenue growth was driven by a surge in individual unit-linked premiums and, for group retirement premiums, by new business and renewals of contracts with major companies reflecting AXA's favorable competitive position. Life and Health premiums benefited from an increase in the number of contracts as well as in premium rates. Sales in the new French retirement PERP product experienced a promising start in 2004 as 140,000 accounts were opened, with AXA being on of the market's top three players<sup>10</sup>; **The United Kingdom** benefited from a growth in sales of single premium unit-linked bonds and strong sales of Group Pension regular premium business. The growth was partly offset by a decrease in individual pension business reflecting the impact of actions taken in 2003 to improve profitability. **Southern European**<sup>11</sup> revenues were pulled up by strong Investment & Savings premiums resulting from a new distribution agreement in Spain for unit-linked contracts and from high single premium new business in Italy. **Germany** benefited from a high level of sales on group pension funds (named "PensionsKasse") and from a growth in unit-linked investment & savings premium, which nearly doubled compared to last year. **Belgium's** revenue growth was driven by strong sales in Crest product lines and unit-linked business and was partly offset by decreases in

<sup>10</sup> Source : FFSA at the end of November 2004

<sup>11</sup> From 2004, Italy, Spain and Portugal activities are presented as a single region denominated "Southern Europe".

Group business that resulted from lower single premiums. This decrease in group single premium business was only partly compensated by higher regular premiums. Excluding the contribution of MONY, the United States revenues showed a decrease by 5%, as increases in first year life premiums (up 25%) and institutional separate account premiums were more than offset by a decrease in variable annuity premiums from a very high level last year. However, full year 2004 variable annuity sales have increased by 19% on a CAGR<sup>12</sup> basis over 2002 levels. Japan's revenues decreased by 7%, but were up 8% excluding the impact of group pension transfers and conversions. This increase was driven by a growth (i) in investment & savings premiums (+25%), reflecting strong individual annuity sales in the "bancassurance" channel and (ii) in health premiums (+16%) fuelled by continuing focus of the sales force on strong margin "Key6" products such as Medical Whole Life and Medical Riders. Australia New Zealand revenue decreases were due to product substitution into the rapidly growing mutual fund business and the planned reduction in retirement income business. These were partly offset by an increase in protection products (+5%).

**Property & Casualty gross written premiums** were up +3% to €17,852 million, with Personal and Commercial lines growing 4% and 6%, respectively, as the Group attracted new clients and favorable pricing persisted in most business lines. This was partly offset by further restructuring in other lines, primarily in Germany.

**Personal lines** (59% of the P&C premiums) showed overall growth of 4%.

Motor revenues (+3%) improved in most countries, due to moderate tariff increases and strong positive net inflows, especially in France (+154,000 policies), Germany (+139,000 policies), and Southern Europe (+159,000 policies). As a result, motor revenues in France grew 5%, above estimated<sup>13</sup> market trend. Motor revenues for UK, including Ireland, were down 18%, as a result of AXA's continued underwriting discipline amidst softening market rates, the planned reduction in UK Personal Direct prior to its sale to RAC in October 2004 and the decrease in Ireland average premiums following rate reductions in 2003 and in 2004, reflecting an improved claims environment and risk selection.

Non-motor activities rose 5%, mainly driven by strong growth in the UK (+23%) led by the increase in new business from Corporate Partners and intermediaries in Personal Household and Creditor. France experienced strong positive net inflows of 83,000 contracts in Household supported by the successful introduction of segmented products.

**Commercial lines** (34% of the P&C premiums) recorded growth of 6% due to continued tariff increases in most business lines and strong new business in non-motor. Growth was +9% at AXA France, with the main lines of business registering increases in premiums above estimated<sup>9</sup> market trends.

Commercial motor revenues increased by 4%, mainly driven by Southern Europe's renewals of fleet contracts, France's selective rate increases associated with strict underwriting control, and Belgium's rate increases.

Growth in commercial non-motor revenues of 6% was due to successful tariff increases in most countries, especially in property and liability in France, the UK, and Southern Europe.

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<sup>12</sup> Compound Annual Growth Rate

<sup>13</sup> Internal management estimates.

Other Lines (7% of the P&C premiums) decreased by 3% mainly driven by a sharp decrease in Germany both in assumed business, in line with a reduction of share in the Aviation pool and Atomic pool, and in foreign activities as they were partly put in run-off.

**International insurance** revenues declined by 6% mainly due to a decrease in reinsurance activities in line with the strategic repositioning of AXA RE implemented in 2002. The aim of this strategy was to reduce the portfolio risk and to exit non-strategic business lines. As a result, the decrease was mainly explained by lower non-life gross written premiums resulting from a sharp drop in assumed business and some re-underwriting of the Marine account. AXA Corporate Solutions Assurance's revenues decreased by 3%, driven by lower activity in Property (-19%) and the decrease in Marine business (-5%) partly offset by a strong increase in Aviation (+20%) which was negatively impacted in 2003 by SARS and the Iraq war.

**Asset management** revenues increased by 14% to €3,087 million in 2004, benefiting from higher average Assets Under Management (AUM) (+16%), the result of very strong net inflows (€35 billion) and market appreciation, partly offset by the depreciation of the US Dollar versus the Euro.

Revenues from **Other financial services** increased by 6% which was mainly attributable to the growth of AXA Banque (France) and AXA Bank Belgium revenues.

## Consolidated adjusted earnings and net income

Adjusted earnings & Net income (Group Share)			
(in euro millions)	FY 2004	FY 2003	FY 2002
Gross written premiums	67 407	67 306	69 723
Bank revenues	791	820	1 012
Fees, commissions and other revenues	3 966	3 503	3 992
<b>Gross revenues</b>	<b>72 164</b>	<b>71 628</b>	<b>74 727</b>
Change in unearned premium reserves	47	320	-382
Net investment result <sup>(b)</sup>	25 021	26 834	-9 229
<b>Total revenues</b>	<b>97 233</b>	<b>98 783</b>	<b>65 116</b>
Insurance benefits and claims <sup>(b)</sup>	-77 145	-81 309	-47 922
Reinsurance ceded, net	-1 064	-1 113	-523
Insurance acquisition expenses	-6 239	-5 798	-5 891
Bank operating expenses	-454	-502	-600
Administrative expenses	-7 760	-7 567	-8 098
<b>Operating Income</b>	<b>4 571</b>	<b>2 494</b>	<b>2 081</b>
Income tax expense / benefit	-1 344	-793	-357
Equity in income (loss) of unconsolidated entities	76	41	23
Minority interests	-402	-292	-390
<b>ADJUSTED EARNINGS <sup>(a)</sup></b>	<b>2 901</b>	<b>1 450</b>	<b>1 357</b>
Impact of exceptional operations	267	148	235
Goodwill amortization (group share)	-649	-593	-643
<b>NET INCOME</b>	<b>2 519</b>	<b>1 005</b>	<b>949</b>

(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) For the periods ended December 31, 2004, 2003 and 2002, the change in fair value of separate accounts had impacted the net investment result for respectively Euro +10,583 million, Euro +14,949 million and Euro -17,576 million and benefits and claims by the offsetting amounts respectively.

The net income Group Share for the Full Year 2004 reached €2,519 million, up 151% or a €1,514 million increase compared to Full Year 2003.

**2004 net income** included **€267 million of exceptional operations** relating to:

- The realized capital gain on the disposal of Unirobe, our former Dutch brokerage company in The Netherlands Holding (€-104 million)
- The realized capital loss on the disposal of AXA Bausparkasse building society in Germany (€25 million, net group share, of which €10 million in the Life company)
- The realized capital gain on the sale by AXA Insurance UK of the right to renew of its direct business to RAC plc. in October 2004 (€-12 million net group share).
- An exceptional profit in Alliance Capital (€12 million) as a result of the partial release (€-420 million) of the provisions set-up in 2000 to offset the dilution gain realized when Alliance Capital

acquired Sanford Bernstein. This release was due to the buy-back, in 2004, of 16.32 million private units to the former shareholders of Sanford C. Bernstein, Inc. after they exercised their liquidity put option. It generated an additional goodwill, entirely amortized over the period (€308 million).

- An exceptional profit in the AXA Financial holding (pre-tax gain on disposal of the discontinued Investment Banking and Brokerage segment of €65.8 million, or €42.8 million net of Federal income taxes). The gain resulted from the reduction of state tax liabilities related to the 2000 sale of Donaldson, Lufkin & Jenrette, Inc.
- The realized capital gain on the disposal of Crealux in Belgium (€17 million, net group share)
- The realized capital gain on the disposal of the health portfolio of AXA Zorg in Netherlands (€3 million net of taxes).

**In Full Year 2003, exceptional operations amounted to €148 million, and included:**

- Realized capital gains on the disposals of (i) the Austrian and Hungarian subsidiaries (€37 million), (ii) Auxifina in AXA Bank Belgium (€15 million), and (iii) Members Equity in Australia (€12 million),
- An exceptional profit in AXA Financial (€66 million net of goodwill effect) following a review of tax positions related to periods prior to the acquisition of 'The Equitable Inc.' by AXA. The comprehensive tax review impact was partly compensated by an exceptional amortization of the goodwill (recorded in 2002 when acquiring the minority interest of AXA Financial) for €106 million.
- An exceptional profit in Germany Holdings operations (€17 million net of goodwill impact) as a result of the release of a provision set-up when acquiring German operations in 1997; this release was due to the disposal of Colonia Re participation to General Re and was offset by an exceptional goodwill depreciation.

**Goodwill amortization** group share increased by €6m (or €8m on a constant exchange rate basis). This was mainly due to the amortization of the Netherlands P&C remaining goodwill (€33 million) ; and the amortization over the year of the goodwill created by the AXA Isle of man transaction in the United Kingdom life operations (€21 million).

**Net capital gains and losses** reached €178 million, up €763 million or €768 million on a constant exchange rate basis, mainly driven by (i) lower valuation allowance on equity securities and mutual funds (€783 million to €261 million), on fixed maturities (€156 million to €10 million) ; (ii) the non recurrence in 2004 of a valuation allowance recorded in 2003 on the Japanese deferred tax asset related to prior year capital losses (€119 million) ; (iii) partly offset by a lower level of realized gains (€287 million) as 2003 adjusted earnings benefited from a large non-recurring capital gain from the sale of Crédit Lyonnais shares (€442 million). Excluding this item, realized capital gains were up by €155 million to €476 million.

Group **underlying earnings** significantly improved by **€688 million to €2,723 million** or an increase of 34% due to a significant improvement in Life & Savings, Property & Casualty and International Insurance as well as in Asset Management. As a consequence, **adjusted earnings were up €1,451 million to €2,901 million.**

<b>Adjusted earnings &amp; Net income (Group Share)</b>			
<i>(in euro millions)</i>	<b>FY 2004</b>	<b>FY 2003</b>	<b>FY 2002</b>
Life & Savings	1 727	898	1 367
Property & Casualty	1 035	519	93
International Insurance	238	147	-149
Asset Management	318	148	258
Other Financial Services	26	126	133
Holding companies	-442	-388	-344
<b>ADJUSTED EARNINGS<sup>(a)</sup></b>	<b>2 901</b>	<b>1 450</b>	<b>1 357</b>
Impact of exceptional operations	267	148	235
Goodwill amortization (group share)	-649	-593	-643
<b>NET INCOME</b>	<b>2 519</b>	<b>1 005</b>	<b>949</b>

(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.

### **Life & Savings**

At €1,727 million, adjusted earnings were up €829 million, with main contributors being the United States (€74 million, including MONY), France (€25 million), Japan (€199 million), United Kingdom (€109 million) and Belgium (€104 million).

This increase was mainly driven by :

- Improved underlying earnings up €301 million or €372 million on a constant exchange rate basis to €1,603 million, due to the unfavorable impact of the appreciation of euro against foreign currencies (€71 million impact). At constant exchange rate, the improvement was mainly attributable to the United States (€131 million, including €56 million for MONY), The United Kingdom (€132 million) and Japan (€116 million). Fees and revenues growth as well as highly investment margin have been the two drivers of this strong improvement of Life & Savings underlying earnings.
- A sharp increase in net capital gains (€527 million to €124 million or €533 million on a constant exchange rate), mainly driven by (i) a much lower level of impairment valuation allowances on equity securities and mutual funds (€418 million to €113 million) and on bonds (€145 million to €3 million); (ii) the non recurrence in 2004 of a valuation allowance recorded in 2003 on the Japanese deferred tax asset related to prior year losses (€119 million); (iii) partly offset by a lower level of realized capital gains (€168 million to €257 million) as 2003 adjusted earnings benefited from a non recurring capital gain from the sale of Credit Lyonnais shares (€142 million).

### **Property & Casualty**

**Adjusted earnings** increased by €516 million to €1,035 million, with main contributors as follows: France (€304 million), the United Kingdom including Ireland (€74 million), Southern Europe (€145 million) and Belgium (€142 million). This improvement reflected:

- **Strong operational performance across the board**, mainly due to a significantly improved Group combined ratio by -2.1 points to 99.3%. As a consequence, the net technical result increased by €359 million. Investment income increased by +6.6% or €85 million. As a result and after tax, underlying earnings increased by €310 million to €1,063 million.

- **A significant increase in net capital gains** (€+206 million to €28 million or €+204 million on a constant exchange rate), mainly driven by (i) a much lower level of impairment valuation allowances on equity securities and mutual funds (€-295 million to €119 million) and on fixed maturities (€-14 million to €1 million), (ii) partly offset by a lower level of realized capital gains (€96 million). In 2003, adjusted earnings benefited from a non-recurring capital gain from the sale of Credit Lyonnais shares (€15 million). Excluding this item, realized capital gains were up by €+119 million to €106 million.

### *International Insurance*<sup>14</sup>

Adjusted earnings reached **€238 million, up €+91 million** compared to 2003, driven by:

- **Improved underlying earnings up €+14 million to €155 million**, attributable on a comparable basis to both **AXA Re** (€+33 million to €108 million) and to **AXA Corporate Solutions Assurance** (€-23 million to €54 million) as a result of the improvement in technical margins, partly offset by a decrease in **Other Transnational activities** (€46 million to €41 million) negatively impacted by the cost of hurricanes.
- **Higher net capital gains** (€+78 million to €83 million), mainly as a result of lower valuation allowances on equity securities (€+59 million) and of higher realized capital gains (€+18 million). 2003 benefited from €8 million realized gain on Credit Lyonnais shares.

### *Asset Management*

Asset management companies also showed improved **adjusted earnings up €+170 million** or €+193 on a constant exchange rate basis **to €318 million**, reflecting **higher underlying earnings by €+170 million** or €+192 million on a constant exchange rate basis **to €316 million**. This trend was attributable to both Alliance Capital (€+158 million) and AXA Investment Managers (€+34 million) as a result of higher average assets under management due to net new money and market appreciation and the non recurrence of the 2003 charge for legal proceeding and mutual fund matters in Alliance Capital (€104 million).

### *Other Financial Services*

Adjusted earnings deteriorated by **€100 million to €26 million**, as a result of (i) **lower underlying earnings (€86 million to €26 million)** attributable to AXA Bank Belgium (€22 million to €32 million) and to CFP (-83 million to €1 million), as a result of lower positive run-off development in 2004, and (ii) **lower net capital gains (€14 million)** as 2003 benefited in AXA Bank Belgium of the capital gain on Credit Lyonnais shares for €13 million.

### *Holdings*

Holding companies **adjusted earnings** decreased by €54 million to €442 million, mainly attributable to Germany Holdings (€51 million to €69 million) as a consequence of the sale of Cologne Re JV in 2003.

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<sup>14</sup> Note that large risk and reinsurance US activities were included in AXA Re's segment at year end 2003 and are included in Other transnational activities segment in 2004.

## Consolidated Shareholders' Equity

At December 31, 2004, consolidated shareholders' equity totaled €6.2 billion. The movement in shareholders' equity since December 31, 2003 is presented in the table below:

	Shareholders' Equity (in euro millions)	Number of ordinary shares outstanding (in millions)
<b>At December 31, 2003</b>	<b>23 401</b>	<b>1 778,1</b>
- Capital increase (Conversion of mandatorily Convertible Bonds - "ORAN")	1 396	110,2
- Employee shareplans (July & December 2004)	255	18,9
- Exercise of share options	11	1,2
- Cash dividend	-676	-
- Impact of foreign exchange fluctuations	-750	-
- Other	1	-
<b>At December 31, 2004 (before net income of the period)</b>	<b>23 638</b>	<b>1 908,4</b>
Net income for the period	2 519	-
<b>At December 31, 2004</b>	<b>26 158</b>	<b>1 908,4</b>

## Creation of Shareholder Value

### EARNINGS PER SHARE ("EPS")

	FY 2004		FY 2003				FY 2002				Var. FY 2004 versus FY 2003	
	Basic	Fully diluted	Restated <sup>(b)</sup>		As published		Restated <sup>(b)</sup>		As published		Basic	Fully diluted
<i>(in euro millions except ordinary shares in millions)</i>												
<b>Weighted numbers of shares</b>	<b>1 845,2</b>	<b>1 910,8</b>	<b>1 790,1</b>	<b>1 816,6</b>	<b>1 763,7</b>	<b>1 790,1</b>	<b>1 762,1</b>	<b>1 765,1</b>	<b>1 736,1</b>	<b>1 739,1</b>		
Net income	2 519	2 519	1 005	1 005	1 005	1 005	949	949	949	949		
<i>Net income Per Ordinary Share</i>	<i>1,37</i>	<i>1,32</i>	<i>0,56</i>	<i>0,55</i>	<i>0,57</i>	<i>0,56</i>	<i>0,54</i>	<i>0,54</i>	<i>0,55</i>	<i>0,55</i>	<i>143,2%</i>	<i>138,3%</i>
Adjusted Earnings	2 901	2 901	1 450	1 450	1 450	1 450	1 357	1 357	1 357	1 357		
<i>Adjusted Earnings Per Ordinary Share</i>	<i>1,57</i>	<i>1,52</i>	<i>0,81</i>	<i>0,80</i>	<i>0,82</i>	<i>0,81</i>	<i>0,77</i>	<i>0,77</i>	<i>0,78</i>	<i>0,78</i>	<i>94,1%</i>	<i>90,2%</i>
<i>Underlying Earnings Per Ordinary Share <sup>(a)</sup></i>	<i>1,48</i>	<i>1,43</i>	<i>1,14</i>	<i>1,12</i>	<i>1,15</i>	<i>1,14</i>	<i>0,96</i>	<i>0,96</i>	<i>0,97</i>	<i>0,97</i>	<i>29,8%</i>	<i>27,2%</i>

(a) Underlying earnings per Ordinary Share (Underlying EPS) represents the AXA's consolidated Adjusted Earnings, excluding the impact of September 11 attacks and net capital gains attributable to shareholders, divided by the average number of outstanding ordinary shares.

(b) Following any significant capital increase with a stock price lower than the market price, such as ORAN conversion in July 2004, average number of shares and consequently EPS over each periods have been restated to take into account an adjustment to neutralize this event which is similar to a free distribution of shares.

### RETURN ON EQUITY (ROE)

<i>(in euro millions except percentages)</i>	FY 2004	FY 2003	FY 2002	Var. FY 2004 / FY 2003
<b>Average Shareholder's equity</b>	<b>23 392</b>	<b>22 958</b>	<b>23 643</b>	
Net income	2 519	1 005	949	
<b>ROE</b>	<b>10,8%</b>	<b>4,4%</b>	<b>4,0%</b>	<b>6,4 pts</b>
Adjusted Earnings	2 901	1 450	1 357	
<b>Adjusted ROE</b>	<b>12,4%</b>	<b>6,3%</b>	<b>5,7%</b>	<b>6,1 pts</b>
<b>Underlying ROE</b>	<b>11,6%</b>	<b>8,9%</b>	<b>7,1%</b>	<b>2,8 pts</b>

## Life & Savings Segment

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

Life & Savings Segment <sup>(a)</sup>				
<i>(in euro millions)</i>	FY 2004	FY 2003	FY 2002	
			Pro forma <sup>(c)</sup>	As Published
Gross written premiums	46 251	46 299	46 972	48 080
Fees, commissions and other revenues	821	513	513	539
<b>Gross revenues</b>	<b>47 071</b>	<b>46 812</b>	<b>47 485</b>	<b>48 619</b>
Change in unearned premium reserves	21	-6	-7	-16
Net investment result <sup>(b)</sup>	23 673	25 744	-10 672	-10 684
<b>Total revenues</b>	<b>70 765</b>	<b>72 551</b>	<b>36 805</b>	<b>37 920</b>
Insurance benefits and claims <sup>(b)</sup>	-62 451	-65 926	-30 120	-30 958
Reinsurance ceded, net	17	84	289	288
Insurance acquisition expenses	-2 888	-2 797	-2 738	-2 806
Administrative expenses	-2 875	-2 457	-2 741	-2 868
<b>Operating Income</b>	<b>2 567</b>	<b>1 454</b>	<b>1 495</b>	<b>1 575</b>
Income tax expense / benefit	-759	-448	-98	-119
Equity in income (loss) of unconsolidated entities	44	19	-7	-7
Minority interests	-126	-127	-83	-83
<b>ADJUSTED EARNINGS</b>	<b>1 727</b>	<b>898</b>	<b>1 308</b>	<b>1 367</b>
Impact of exceptional operations	-7	72	0	0
Goodwill amortization (group share)	-330	-299	-296	-303
<b>NET INCOME</b>	<b>1 390</b>	<b>671</b>	<b>1 012</b>	<b>1 063</b>

(a) Before intercompany transactions.

(b) For the periods ended December 31, 2004, 2003 and 2002, the change in fair value of separate accounts had impacted the net investment result for respectively Euro +10,583 million, Euro +14,949 million and Euro -17,576 million and benefits and claims by the offsetting amounts respectively.

(c) Since FY 2003, UK Health business has been transferred to UK Property & Casualty segment. Consequently FY 2002 have been restated excluding UK Health business.

<b>Consolidated Gross revenues <sup>(a)</sup></b>					
<i>(in euro millions)</i>	<b>FY 2004</b>	<b>FY 2003</b>		<b>FY 2002</b>	
		<b>Pro forma <sup>(b)</sup></b>	<b>As published</b>	<b>Pro forma <sup>(b) (c)</sup></b>	<b>As published</b>
France	11 899	10 890	10 890	10 432	10 432
United States	12 880	13 732	13 732	12 726	12 726
United Kingdom	6 309	5 831	5 831	7 228	8 362
Japan	5 526	6 078	6 078	6 428	6 428
Germany	3 499	3 428	3 428	3 141	3 141
Belgium	2 203	2 050	2 050	1 629	1 629
Southern Europe	1 364	1 182	-	1 527	-
Other countries	3 391	3 620	4 802	4 373	5 900
<b>TOTAL</b>	<b>47 071</b>	<b>46 812</b>	<b>46 812</b>	<b>47 485</b>	<b>48 619</b>
Intercompany transactions	-9	-13	-13	-33	-33
<b>Contribution to consolidated gross revenues</b>	<b>47 063</b>	<b>46 799</b>	<b>46 799</b>	<b>47 452</b>	<b>48 586</b>

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

(b) Starting January 1st, 2004, Italy, Spain and Portugal activities (previously under "Other countries") are now reported as one geographical region "Southern Europe".

(c) Since FY 2003, UK Health business has been transferred to UK Property & Casualty segment. Consequently FY 2002 have been restated excluding UK Health business.

<b>Adjusted earnings &amp; Net income</b>					
<i>(in euro millions)</i>	<b>FY 2004</b>	<b>FY 2003</b>		<b>FY 2002</b>	
		<b>Pro forma <sup>(a)</sup></b>	<b>As published</b>	<b>Pro forma <sup>(a) (b)</sup></b>	<b>As published</b>
France	425	425	425	432	432
United States	674	530	530	520	520
United Kingdom	109	43	43	290	348
Japan	199	-224	-224	-45	-45
Germany	-38	-26	-26	-0	-0
Belgium	104	-55	-55	8	8
Southern Europe	45	24	-	32	-
Other countries	209	179	204	72	104
<b>ADJUSTED EARNINGS</b>	<b>1 727</b>	<b>898</b>	<b>898</b>	<b>1 308</b>	<b>1 367</b>
Impact of exceptional operations	-7	72	72	0	0
Goodwill amortization (group share)	-330	-299	-299	-296	-303
<b>NET INCOME</b>	<b>1 390</b>	<b>671</b>	<b>671</b>	<b>1 012</b>	<b>1 063</b>

(a) Starting January 1st 2004, Italy, Spain and Portugal activities (previously under "Other countries") are now reported as one geographical region "Southern Europe".

(b) Since FY 2003, UK Health business has been transferred to UK Property & Casualty segment. Consequently FY 2002 have been restated excluding UK Health business.

## Life & Savings operations - France

Life & Savings Operations - France			
(in euro millions)	FY 2004	FY 2003	FY 2002
<i>Gross written premiums</i>	11 899	10 890	10 432
Investment margin	921	920	872
Fees & revenues	1 149	1 017	982
Net technical margin	63	98	104
Expenses (net of DAC/VBI)	-1 547	-1 471	-1 464
<b>Operating Income</b>	<b>587</b>	<b>565</b>	<b>495</b>
Income tax expense / benefit	-163	-141	-64
Equity in income (loss) of unconsolidated entities	2	2	2
Minority interests	-1	-1	-1
<b>ADJUSTED EARNINGS</b>	<b>425</b>	<b>425</b>	<b>432</b>

**Gross written premiums** were up +9% to €1,899 million due to sustained growth in all business lines.

- *Investment & Savings* (67% of gross written premiums): Individual unit linked premiums increased by +58% to €1,461 million and represented 21% of individual Investment & Savings premiums (14% in 2003) due to a strong focus on these products in all sales networks. General account individual premiums registered a moderate growth (+1%). Group pensions premiums were up +13% mainly due to large renewal premiums from major companies. The new French retirement "P.E.R.P." product, launched in May 2004, had a very satisfactory first year with more than 140 000 accounts opened.
- *Life & Health* (33% of gross written premiums) grew by 8%, mainly as a result of rates increases and positive net inflows in the Health business.

**Investment margin** marginally increased by €1 million to €21 million as a result of higher investment income and net realized gains, offset by higher amounts credited to policyholders. **Investment income** grew by €9 million to €3,168 million resulting from the increase in dividend yields (€-1 14 million). **Net capital gains and losses** were up €53 million to €174 million in 2004 as a consequence of lower valuation allowances on equities (€13 million in 2004 to be compared to €160 million in 2003) partly offset by lower realized gains on equities (€65 million in 2004 to be compared to €188 million in 2003). In 2003, realized gains on equities included a €109 million capital gain on the sale of Credit Lyonnais shares. **Amounts credited to policyholders** increased by €141 million to €2,420 million, as a consequence of higher average general account reserves, partly compensated by a slight decrease in main products distribution rate (to 4.65%).

**Fees & revenues** rose by €132 million, or +13%, to €1,149 million in 2004 mainly due to higher fees arising from unit-linked products (€89 million), as a result of higher sales and higher average reserves. Fees & revenues also increased on Group Life, Disability & Health business (€37 million) as sales rose by 8%

**Net technical margin** decreased by €35 million from €98 million in 2003 to €63 million in 2004, mainly as the consequence of adverse claims experience in Group disability.

**Expenses** net of DAC and VBI increased by €76 million or +5% to €1,547 million in 2004 as both distribution (up 9.6%, in line with premium growth) and other management expenses were up in a context of increased activity and launch of new Loi Fillon products (pension reform).

The **underlying cost income ratio** deteriorated by 0.8 point to 76.8% as increased fees & revenues were offset by a lower net technical margin and increased expenses.

**Income tax expense** was up €23 million mainly as a result of higher pretax income and a lower proportion of realized gains which are taxed at a reduced rate.

**Adjusted earnings** were stable at €425 million mainly driven by the improvement in fees & revenues (€32 million) offset by the increase in expenses (€76 million) and the decrease in technical margin (€35 million).

**Underlying earnings** increased by €9 million to €372 million.

## Life & Savings operations - United States

Life & Savings Operations - United States			
<i>(in euro millions)</i>	FY 2004	FY 2003	FY 2002
Gross revenues	12 880	13 732	12 726
Investment margin	770	608	550
Fees & revenues	1 112	843	921
Net technical margin	439	494	348
Expenses (net of DAC/VBI)	-1 367	-1 258	-1 352
<b>Operating Income</b>	<b>953</b>	<b>687</b>	<b>467</b>
Income tax expense / benefit	-279	-157	53
Minority interests	0	-0	-0
<b>ADJUSTED EARNINGS</b>	<b>674</b>	<b>530</b>	<b>520</b>
Average exchange rate : 1.00 € = \$	1,24	1,13	0,95

**Gross revenues** decreased by 6% to €12,880 million on a current exchange rate basis, but increased by 3% on a constant exchange rate basis. Excluding the contribution of MONY for the second half of 2004, revenues were expectedly down 5% as increases in First Year life premiums (up 25%) and Institutional Separate Account premiums (up 65%) were more than offset by a 10% decrease in Variable Annuity premiums from a very high level last year. However, Variable Annuity premiums increased by 19% on a CAGR basis over 2002 sales.

**Investment margin** increased by €62 million in 2004 to €770 million, or by €238 million on a constant exchange rate basis. Excluding the contribution of MONY in 2004, these amounts were €130 million and €204 million, respectively. The increase excluding MONY was mainly due to €52 million higher realized capital gains to €63 million mainly as a result of higher gains on sales and lower write downs of fixed maturities (€2 million) and equity interest (€4 million) and higher gains on sales of real estate (€1 million). Investment income increased by €5 million to €2,026 million, primarily due to (i) higher partnership distributions, (ii) higher prepayments on fixed maturities and (iii) higher level of assets in the general account partially offset by lower yields. Interest and bonus credited decreased by €16 million to €1,350 million as the impact of lower credited rates in life and annuity business and lower dividends was partially offset by higher general account balances.

**Fees & revenues** increased by €69 million in 2004, or by €380 million on a constant exchange rate basis. Excluding the contribution of MONY in 2004, these amounts were €122 million and €18 million, respectively. This increase was mainly due to higher fees earned on separate account business (€205 million on a constant exchange rate basis), resulting from positive net cash flows and higher average account balances.

**Net technical margin** decreased by €5 million in 2004, or by €1 million on a constant exchange rate basis. Excluding the contribution of MONY in 2004, the net technical margin decreased by €124 million, or by €88 million on a constant exchange rate basis. This decrease was notably attributable to lower life mortality margin (€9 million, including reinsurance ceded reserve adjustment) to €69 million and unfavorable reinsurance assumed reserve adjustment (€35 million) partially offset by higher "GMDB/GMIB" margins (€6 million).

**Expenses** (including commissions and DAC) increased by €109 million in 2004 or by €245 million on a constant exchange rate basis. Excluding the contribution of MONY in 2004, expenses decreased €53 million, or an increase of €67 million on a constant exchange rate basis.

Excluding the contribution of MONY, expenses, net of capitalization, increased by €51 million on a constant exchange rate basis principally due to (i) greater commission expenses of €48 million (ii) the

non recurrence of a 2003 reserve release related to employee stock options of €6 million, and (iii) an increase in benefit and tax expenses reflecting higher qualified pension plan expenses of €19 million, partly offset by (iv) a decrease in other miscellaneous expenses of €30 million primarily within variable expenses, lower amortization of IT expenses net of capitalization and the absence of field restructuring costs. This was partially offset by higher DAC capitalization (€22 million).

DAC amortization increased by €16 million reflecting reactivity to higher capital gains and higher margins in products which are DAC reactive partially offset by favorable DAC unlocking for expected higher emerging margins on variable life and annuity products and model updates.

**Underlying cost income ratio** improved to 83.3% versus 86.7% in 2003, as the strong improvement in investment margin and fees & revenues was partially offset by lower technical margin and higher commissions. Excluding MONY, the underlying cost income ratio improved to 82.9%.

**Income tax expense** increased by €123 million in 2004, or by €150 million on a constant exchange rate basis. Excluding the contribution of MONY in 2004, these amounts were €89 million and €114 million, respectively. This increase is principally due to (i) the impact of higher pre-tax income and (ii) the absence of a €25 million reduction in taxes in 2003 which resulted from a review of the deferred tax positions related to periods subsequent to the acquisition of The Equitable Companies Inc. by AXA in 1992.

**Adjusted earnings** increased by €143 million in 2004 to €674 million, or by €210 million on a constant exchange rate basis. MONY contributed €51 million in 2004 after only 6 months of integration in the AXA Group. Excluding the contribution of MONY in 2004, adjusted earnings increased by €154 million on a constant exchange rate basis. This increase was primarily due to strong improvement in both investment margin and fees & revenues partially offset by lower technical margin, higher expenses and higher taxes.

**Underlying earnings** increased by €68 million to €43 million and by €132 million on a constant exchange rate basis. MONY contributed €56 million in 2004. Excluding the contribution of MONY in 2004, underlying earnings increased by €70 million on a constant exchange rate basis. This increase primarily reflects higher interest margin and Separate Account fees partially offset by lower net technical margin, higher expenses, and higher income tax.

## Life & Savings operations - United Kingdom

Life & Savings Operations - United Kingdom				
<i>(in euro millions)</i>	FY 2004	FY 2003	FY 2002	
			Pro forma <sup>(a)</sup>	As published
Gross revenues	6 309	5 831	7 228	8 362
Investment margin <sup>(b)</sup>	194	310	279	279
Fees & revenues <sup>(b)</sup>	439	307	335	335
Net technical margin <sup>(b)</sup>	-3	-155	48	48
Expenses (net of DAC/VBI) <sup>(b)</sup>	-545	-417	-465	-465
Health Operating Income	-	-	-	80
<b>Operating Income</b>	<b>85</b>	<b>45</b>	<b>197</b>	<b>277</b>
Income tax expense / benefit	24	-2	93	71
Minority interests	-0	-0	-0	-0
<b>ADJUSTED EARNINGS</b>	<b>109</b>	<b>43</b>	<b>290</b>	<b>348</b>
Average exchange rate : 1.00 € = £	0,68	0,69	0,63	0,63

(a) Since FY 2003, UK Health business has been transferred to UK Property & Casualty segment. Consequently FY 2002 and FY 2001 have been restated excluding UK Health business.

(b) FY 2002 margin analysis as published is presented excluding Health business

**Gross revenues:** Total revenues increased by 8% to €6,309 million or 6% on a constant exchange rate basis, with new business on an Annual Premium Equivalent (APE<sup>15</sup>) basis up 3% on a constant change rate basis.

- *Investment & Savings* (87% of gross revenues): Premium revenues were up 5% on last year, driven by renewed focus on Offshore Bonds (up 69%) and Group Pensions (up 22%) partially offset by a decrease in Personal and Executive Pensions (down 7%) following a repricing exercise in 2003.

- *Life* (13% of gross revenues): Total Life premiums were up 15% predominantly due to increased sales of Creditor Insurance business.

**Investment margin** decreased by €16 million in 2004 as compared to 2003, or €120 million on a constant exchange rate basis, mainly due to:

- Non recurring gains in 2003 of €70 million due to (i) the sale of Credit Lyonnais shares (€52 million) and (ii) favorable currency movements on non-sterling denominated bonds held in shareholder funds (€18 million).
- €36 million reduction of shareholders' profits from With-Profit bonus payments which have reduced in line with market trends.

**Fees & revenues** increased by €32 million in 2004 as compared to 2003, or €23 million on a constant exchange rate basis, due to:

- A €37 million increase in loadings on unit linked business and a €14 million increase in fees earned on account balances as a direct result of the transfer of ownership of the Isle of Man subsidiary at January 1 2004 to a wholly owned shareholder fund.
- €36 million increase in loadings on life and pension premiums mainly attributable to Non-Profit business.
- €35 million increase in fees earned on account balances, largely due to better financial markets.

<sup>15</sup> Annual Premium Equivalent is New Regular Premiums plus one tenth of Single premiums

**Net technical margin** increased by €152 million both on current and constant exchange rate bases. This was mainly due to 2003 non-recurring strengthening of reserves: (i) across a number of classes of business following of review of mortality and morbidity experience and model refinement, (ii) due to changes in the valuation of unit liabilities, and (iii) related to possible endowment mis-selling obligation.

**Expenses**, net of policyholder allocation<sup>16</sup> increased by €128 million, or €17 million on a constant exchange rate basis, due to (i) €37 million related to the transfer of ownership of the Isle of Man subsidiary, (ii) €35 million increased amortization of deferred cost reflecting the increased loadings on premiums on Non-profit business mentioned above, (iii) €26 million lower net transfer of expenses to the With Profit Funds as a consequence of lower new With Profit business and (iv) a €10 million increase related to the development of the Protection offering.

The **underlying cost income ratio** improved to 112.0% in 2004 from 131.7% in 2003 largely as a result of an improved Technical margin and higher Fees & Revenues, offset by increased expenses from Non-profit business.

**Income tax expense** decreased by €26 million or by €25 million on a constant exchange rate basis mainly due to tax credits in relation to the settlement of issues from prior year tax accounts.

**Adjusted earnings** increased by €66 million in 2004 to €109 million, or €64 million on a constant exchange rate basis, as a result of non-recurring reserve strengthening in 2003 and increased loadings on account balances in 2004, partly offset by a lower investment margin due to large realized gains in 2003 and lower With Profit bonus payments in 2004.

**Underlying earnings** increased by €134 million in 2004 to €108 million or by €132 million on a constant exchange rate basis.

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<sup>16</sup> Part of these expenses are located in the With-Profit funds and therefore are borne by policyholders.

## Life & Savings operations – Japan

<b>Life &amp; Savings Operations - Japan</b>			
<i>(in euro millions)</i>	<b>FY 2004</b>	<b>FY 2003</b>	<b>FY 2002</b>
<i>Gross written premiums</i>	5 526	6 078	6 428
Investment margin	158	-399	-71
Fees & revenues	865	854	927
Net technical margin	49	134	-43
Expenses (net of DAC/VBI)	-677	-689	-759
<b>Operating Income</b>	<b>396</b>	<b>-101</b>	<b>54</b>
Income tax expense / benefit	-191	-132	-100
Minority interests	-6	8	2
<b>ADJUSTED EARNINGS</b>	<b>199</b>	<b>-224</b>	<b>-45</b>
<i>Average exchange rate : 1.00 € = Yen</i>	<i>132,45</i>	<i>129,20</i>	<i>115,07</i>

**Gross Written Premiums** decreased by 7% on a constant exchange rate basis to €5,526 million. Excluding (i) group pension transfers (€17 million versus €82 million last year) and (ii) the conversion program started in January 2003 to Life (€48 million versus €80 million last year) and Health products (€448 million versus €342 million last year), premiums increased by 8% to €4,614 million driven by the following factors:

- *Investment & Savings* (35% of gross written premiums excluding conversions and group pension transfers): premiums increased by 25% to €1,618 million mainly driven by the sharp growth in individual annuity premiums benefiting from the development of bancassurance partnerships signed since August 2003 (€536 million single premiums). This increase was partly offset by a reduction in group pension premiums by 9% (€129 million) and a decrease of in-force annuity contracts having high guaranteed rates (€114 million) as the salesforce focused mainly on conversions and profitable medical product sales.
- *Life* (44% of gross written premiums excluding conversions and group pension transfers): premiums decreased by 5% to €2,039 million reflecting the decline in endowment and whole life as a result of lower contract in-force, since these products were not promoted for new business.
- *Health* (21% of gross written premiums excluding conversions and group pension transfers): premiums increased by 16% to €57 million mainly driven by the continuing focus of the salesforce on selling high margin medical products such as medical whole life and medical riders.

**Investment margin** increased by €58 million (or €62 million on a constant exchange rate basis) to €158 million mainly as a result of the reduction of valuation allowance on invested assets (€23 million in 2003 versus €85 million in 2004, €436 million decrease on a constant exchange rate basis) driven by the partial recovery of the Japanese financial markets in the first half-year of 2004. Excluding valuation allowances, the investment margin was up by €120 million (€126 million at constant exchange rate) reflecting higher investment income (€151 million to €76 million, or €168 million at constant exchange rate) driven by (i) a larger asset balance and (ii) improved investment yield following the restructuring started in 2003 of the fixed maturity portfolio. This increase was partially offset by lower realized capital gains (€64 million or €61 million at constant exchange rate) to €151 million (of which €155 million fixed maturities) as a result of high capital gains realized principally on equities during the second half of 2003. Additionally, interests credited to policyholders decreased by €33 million (or €19 million at constant exchange rate) mainly as a result of the decline in group pension in-force and conversions to products crediting lower guaranteed rate.

**Fees & revenues** increased by €1 million (or €3 million at constant exchange rate) to €65 million driven by the continuing shift in product mix towards high margin products, especially Health, and the improved retention of business both in Life and Health reflecting the success of a strategic initiative launched two years ago. This increase was partially offset by lower fees notably on Medical Term contracts converted into products with reduced loadings following fierce competition on this market.

**Net technical margin** reduced by €4 million (or €3 million at constant exchange rate) to €49 million. The mortality margin decreased by €43 million to €2 million driven by a strengthening of insurance reserves to reflect mortality experience on long term products (annuity portfolio), partially offset by improved mortality and morbidity margin both on life and health. The surrender margin reduced by €40 million to €51 million due to lower conversions and surrenders partly offset by the non recurrence of the 2003 reserve strengthening on Medical Term product.

**Expenses gross of DAC and VBI amortization** improved by €5 million (or €16 million at constant exchange rate) to €762 million following the full amortization in 2003 of some IT systems (€19 million), lower non-payroll operating expenses (€6 million) notably due to a decrease in outsourced consulting costs as well as reduced staff expenses due to lower headcount (€2 million). These reductions were partially offset by an increase in commissions (€12 million). **Expenses, net of DAC and VBI amortization**, decreased by €12 million (or increased by €5 million at constant exchange rate) to €777 million due to increases in VBI amortization mainly driven by higher investment result and in DAC amortization in line with a higher DAC balance. This evolution was partially offset by the decrease in expenses described above and higher DAC capitalization due to a growth in bonuses and incentives paid to the salesforce.

**Underlying cost income ratio** improved by 13.3 points to 75.7% mainly reflecting the improved net investment income.

**Income tax expenses** increased by €60 million (or €65 million at constant exchange rate) to €91 million. Excluding the non-recurring valuation allowance on tax losses carried forward recorded in 2003 (€149 million), income tax expenses increased by €13 million resulting from the large improvement in pre-tax operating income in 2004.

**Adjusted earnings** increased by €423 million (or €428 million at constant exchange rate) to €99 million reflecting higher net investment result and the strong reduction of valuation allowances booked in 2004 compared to 2003 both on invested assets and tax losses carried forward.

**Underlying earnings** increased by €11 million (or €16 million at constant exchange rate) to €63 million, mainly as a result of (i) the improvement in investment income, (ii) lower expenses and (iii) an improved product mix.

## Life & Savings operations – Germany

Life & Savings Operations - Germany			
(in euro millions)	FY 2004	FY 2003	FY 2002
Gross written premiums	3 499	3 428	3 141
Investment margin <sup>(a)</sup>	14	-37	36
Fees & revenues <sup>(a)</sup>	51	39	27
Net technical margin <sup>(a)</sup>	1	10	10
Expenses (net of DAC/VBI) <sup>(a)</sup>	-54	-39	-35
Health operating income	33	18	23
<b>Operating Income</b>	<b>45</b>	<b>-8</b>	<b>61</b>
Income tax expense / benefit	-86	-20	-62
Minority interests	4	3	0
<b>ADJUSTED EARNINGS</b>	<b>-38</b>	<b>-26</b>	<b>-0</b>

(a) Excluding health business.

**Gross written premiums** rose by 2% (€71 million to €3,499 million) mainly due to Investment & Savings and Health.

- *Investment & Savings* (20% of gross written premiums) increased by 6% to €704 million, notably driven by unit-linked premiums, which nearly doubled compared to last year, mostly coming from the "Pensionskasse" (Group Pension Fund). The share of unit-linked premiums significantly grew to 15% (8% for the same period in 2003). Non unit-linked premiums slightly decreased by 2% to €600 million due to lower single premiums, partly compensated by strong new business for regular premiums in traditional annuity business in "Pensionskasse".
- *Life* (48% of gross written premiums): Revenues were flat at €1,697 million.
- *Health* (26% of gross written premiums): Gross written premiums increased by 14% to €894 million in 2004 as a result of (i) high new business volume in 2003 that led to high regular premiums in 2004, (ii) the successful premium adjustment at the beginning of the year and (iii) further legal premium increase (estimated market growth of 6.4%).
- *Other* (6% of gross written premiums - primarily consortium and medical council business) decreased by 25% down to €204 million as the share in medical council business was reduced at the beginning of the year.

Given the highly regulated policyholder participation rates, the margin analysis is presented net of policyholder participation.

**Investment margin** increased by €51 million to €14 million. *Net investment income* increased by €64 million, of which €38 million from policyholder benefits effects linked to one-off tax items. The remaining €26 million resulted from lower direct bonus credited to policyholders. *Net realized gains and losses* decreased by €13 million, mainly due to realized losses on equity securities aiming at reducing the equity exposure of the general account.

**Fees & revenues** increased by €12 million to €51 million, mainly due to strong new business growth in "Pensionskasse" (group pension fund).

**Net technical margin** decreased by €9 million to €1 million, as a result of reserve strengthening due to increased longevity risks in annuity portfolios following the publication of revised mortality tables.

**Expenses** rose by €15 million to €54 million, due to the strong new business strain on "Pensionskasse".

The **underlying cost income ratio** increased from 113.3% to 124.9% due to higher commission expenses and lower technical margin.

The **Health operating income** increased by €15 million to €33 million due to improvement in the investment and net technical margins as well as in fees & revenues.

The €7 million increase in **income tax expenses** to €86 million was mainly attributable to (i) extraordinary tax items to an amount of €44 million and (ii) higher statutory pre-tax income.

**Adjusted earnings** decreased by €12 million down to €38 million, as the impact of extraordinary tax items and the increase in expenses were partly offset by higher investment margin and fees & revenues.

**Underlying earnings** decreased by €10 million to €9 million.

## Life & Savings operations - Belgium

Life & Savings Operations - Belgium			
(in euro millions)	FY 2004	FY 2003	FY 2002
Gross written premiums	2 203	2 050	1 629
Investment margin	120	2	61
Fees & revenues	136	130	128
Net technical margin	41	50	38
Expenses (net of DAC/VBI)	-183	-185	-195
<b>Operating Income</b>	<b>114</b>	<b>-4</b>	<b>32</b>
Income tax expense / benefit	-10	-51	-24
Minority interests	-0	0	-0
<b>ADJUSTED EARNINGS</b>	<b>104</b>	<b>-55</b>	<b>8</b>

On January 23, 2004, AXA Belgium bought out the minority interests in Assurances La Poste Vie. As a consequence, Assurances la Poste Vie has been fully integrated in AXA consolidated accounts since January 2004 (the entity was previously consolidated under the equity method at 50%). Overall impact is not significant, except on revenues, for which commentaries below are based on restated figures to be on a comparable basis.

**Gross written premiums** increased by 7% to €2,203 million or 3% on a comparable basis.

- *Individual Life and Savings* (83% of gross written premiums). Premiums increased by 7% to €1,821 million. Excluding a non-recurring premium of €103 million in 2003, Individual Life and Savings gross written premiums increased by 14%. The growth in the main guaranteed rate product Crest (+25% to €1,108 million) and in unit-linked contracts (+37% to €273 million) was offset by decreases in the short-term non unit-linked product Opti-Deposit (-73%) and in Life products (-3%).
- *Group Life and Savings* (17% of gross written premiums). Premiums were down by -11% to €381 million. The good level of regular premiums (+2%) could not offset the weak level of single premiums (-49%).

The **investment margin** increased by €18 million to €120 million, mainly due to lower valuation allowances on equity securities (€41 million in 2004 as compared to €171 million in 2003). Excluding this impact (€-130 million as compared to 2003), the investment margin decreased by €12 million to €61 million mainly driven by higher interests credited, partly offset by a higher net investment income in relation to a higher level of technical reserves and higher realized capital gains. The 2004 average policyholder crediting rate increased by 3 basis points to 4.46% while average minimum guaranteed rates decreased by 24 bps.

**Fees & revenues** at €136 million were up by €6 million (+4%) mainly due to higher sales.

The **net technical margin** decreased by €9 million to €41 million, mainly due to a lower mortality margin which was high in 2003 and the absence of any mortality bonus charge in 2003.

**Expenses** decreased slightly by €2 million at €183 million.

The **Underlying cost income** ratio went up from 60.2% in 2003 to 68.9% in 2004 as a result of a lower underlying investment margin.

**Income tax expenses** decreased by €1 million to €0 million, due to a lower taxable income (of which net capital gains and losses on equity securities are excluded) and an exceptional recovery on prior year taxes.

**Adjusted earnings** increased by €158 million to €104 million mainly as a result of higher net capital gains driven by the high amount of valuation allowances recorded in 2003.

**Underlying earnings** decreased by €9 million to €85 million, mostly driven by a lower underlying investment margin.

## Life & Savings operations – Southern Europe

Life & Savings Operations - Southern Europe			
(in euro millions)	FY 2004	FY 2003	FY 2002
Gross written premiums	1 364	1 182	1 527
Investment margin	51	0	46
Fees & revenues	96	84	80
Net technical margin	35	44	11
Expenses (net of DAC/VBI)	-113	-106	-101
<b>Operating Income</b>	<b>69</b>	<b>22</b>	<b>36</b>
Income tax expense / benefit	-23	3	-4
Minority interests	-0	-0	-0
<b>ADJUSTED EARNINGS</b>	<b>45</b>	<b>24</b>	<b>32</b>

**Gross written premiums** rose by 15% to €1,364 million driven by investment and savings lines as well as traditional risk life products.

- *Investment & Savings* (86% of gross written premiums) grew by +17% to €1,170 million. Unit-Linked contracts (21% of gross written premiums) were up by 35% to €281 million. The strong increase in Spain (+204% to €147 million) benefiting from new distribution agreements with banks, and in Portugal (+186% to €16 million) following the Portuguese financial market recovery and some successful reinvestment campaigns, was partly offset by the customer's reorientation towards products perceived as safer such as non-UL savings in Italy (-24% to €18 million). Non Unit-Linked contracts (65% of gross written premiums) increased by 12% to €889 million mainly driven by the high new business trend in Italy (+50%) particularly focused on single premiums, the key growth area in the Italian market.
- *Life contracts* (14% of gross written premiums) grew by 7% to €195 million thanks to higher new business in Spain through the development of partnerships with banks.

**Investment margin** strongly increased from breakeven to €51 million. This improvement was mainly due to lower valuation allowances on equity securities (a €1 million release in 2004 versus €43 million allowance in 2003). Excluding net realized capital gains and losses, investment margin increased by €7 million to €45 million primarily driven by a larger asset base.

**Fees & revenues** grew by €12 million to €96 million mostly benefiting from the development of traditional life products sold through banks in Spain and traditional savings products in Italy.

**Net technical margin** decreased by €9 million to €35 million driven by (i) a lower surrender margin (€9 million) as 2003 experienced a high level of surrenders on products with high surrender penalties, especially in Italy, and (ii) a lower release of insurance reserve on an old-generation guaranteed index-linked product in Italy (€4 million). This was partly offset by higher mortality gains (€3 million), which benefited in 2004 from a favorable claim experience.

**Expenses, net of DAC and VBI amortization**, grew by €7 million to €13 million reflecting higher commissions net of DAC in line with higher fees (€9 million) notably coming from a bancassurance agreement in Spain. This increase was mitigated by lower non-commission expenses (€1 million) as a result of cost cutting efforts.

The **underlying cost income ratio** deteriorated by 3.8 points to 70.2% driven by the combined effect of higher commissions and lower technical margin.

**Income tax expenses** grew by €6 million mainly reflecting an increase in pre-tax adjusted earnings in 2004 (€+47 million, generating a €17 million tax impact) as well as the non-recurrence of a 2003 one-time tax credit in Spain (€9 million).

As a result of lower valuation allowance and higher fees & revenues, **adjusted earnings** strongly improved by €1 million to €45 million.

**Underlying earnings** were down by €7 million to €41 million mainly due to the 2003 one-time tax credit in Spain. Excluding this impact, underlying earnings were up by €2 million as a result of higher fees & revenues.

## Life & Savings Operations - Other Countries

The following tables present the operating results for the other Life & Savings operations of AXA, which include Australia/New Zealand, Hong Kong, The Netherlands, Singapore, Switzerland, Canada, Morocco, Luxembourg and Turkey, for the years indicated.

<b>Consolidated gross revenues</b>			
<i>(in euro millions)</i>	<b>FY 2004</b>	<b>FY 2003</b>	<b>FY 2002</b>
Australia / New Zealand	1 499	1 702	2 029
Hong Kong	751	791	936
The Netherlands	802	768	918
Other countries	340	359	490
<i>Singapore</i>	<i>103</i>	<i>111</i>	<i>119</i>
<i>Switzerland</i>	<i>92</i>	<i>88</i>	<i>81</i>
<i>Canada</i>	<i>62</i>	<i>56</i>	<i>58</i>
<i>Morocco</i>	<i>56</i>	<i>83</i>	<i>81</i>
<i>Luxembourg</i>	<i>27</i>	<i>22</i>	<i>29</i>
<b>TOTAL</b>	<b>3 391</b>	<b>3 620</b>	<b>4 373</b>
Intercompany transactions	-2	-5	-12
<b>Contribution to consolidated gross revenues</b>	<b>3 389</b>	<b>3 615</b>	<b>4 362</b>

<b>Adjusted earnings &amp; Net income</b>			
<i>(in euro millions)</i>	<b>FY 2004</b>	<b>FY 2003</b>	<b>FY 2002</b>
Australia / New Zealand	50	39	59
Hong Kong	74	99	33
The Netherlands	71	30	-6
Other countries	14	12	-14
<i>Singapore</i>	<i>2</i>	<i>-0</i>	<i>-3</i>
<i>Switzerland</i>	<i>2</i>	<i>0</i>	<i>-21</i>
<i>Canada</i>	<i>3</i>	<i>3</i>	<i>4</i>
<i>Morocco</i>	<i>2</i>	<i>5</i>	<i>1</i>
<i>Luxembourg</i>	<i>3</i>	<i>1</i>	<i>1</i>
<i>Turkey</i>	<i>2</i>	<i>3</i>	<i>0</i>
<b>ADJUSTED EARNINGS</b>	<b>209</b>	<b>179</b>	<b>72</b>
Impact of exceptional operations	3	12	0
Goodwill amortization (group share)	-26	-25	-28
<b>NET INCOME</b>	<b>187</b>	<b>166</b>	<b>44</b>

## AUSTRALIA AND NEW ZEALAND<sup>17</sup>

Total gross revenues were €1,499 million, 14% below last year at constant exchange rate.

Gross written premiums decreased by 17% to €1,341 million due to (i) the Australian market trend of product substitution into the rapidly growing mutual fund businesses, (ii) a planned reduction in retirement income business following tactical price increases implemented during the second half of 2003 which successfully increased profitability, partly offset by (iii) a 5% increase in protection products.

- *Fee Revenues*, the key growth area for the Australian market, increased 17% to €155 million, as a result of funds growth and increased sales through wrap accounts and retail unit trusts.
- *Retail net mutual fund sales* of €773 million, were 16% lower than last year. Whilst the launch of the Generations product range in 2004 was highly successful, last year benefited from a large inflow of €129 million in December. This year result also included a €65 million outflow to Alliance Capital as part of a wholesale mandate.

**Adjusted Earnings** increased by €10 million at constant exchange rate to €50 million driven by the improvement of **underlying earnings** to €52 million. Based on 100% ownership, the €19 million increase in underlying earnings was explained by the following:

The **investment margin**<sup>18</sup> decreased by €7 million at constant exchange rate to €1 million due to higher interest expenses on debt. Excluding this, the investment margin was in line with last year.

**Fees & revenues** were €44 million higher at constant exchange rate to €488 million due to increased fees of €22 million from mutual funds and advice businesses mentioned above. The result also benefited from the growth in the protection portfolio and high sales in September of fixed term annuities.

The **net technical margin** increased by €3 million at constant exchange rate to €31 million mainly due to improved underwriting performance for group superannuation, and a continued good performance in the income protection portfolio following favorable claims termination experience.

Total **expenses** were €19 million higher at constant exchange rate to €437 million due to increased VBI amortization for annuities reflecting improved margins and higher commission expenses consistent with the growth in mutual fund and advice businesses.

The **income tax benefit** decreased by €1 million at constant exchange rate to €8 million. This was predominantly due to increased pre-tax earnings and high levels of tax credits last year.

The **underlying cost income ratio** improved from 88.6% to 80.9% in 2004 reflecting higher fees and technical margin.

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<sup>17</sup> The AXA Asia Pacific group is 51.6% owned by AXA

<sup>18</sup> The investment margin includes the contribution of equity accounted subsidiaries held by policyholder funds.

## HONG KONG<sup>19</sup>

**Gross revenues** of €751 million were 5% higher than last year at constant exchange rate, while APE was up 14%. This was driven by (i) higher productivity from agents and AXA Advisers, (ii) the success of a non linked endowment product attracting demand in the current market, (iii) higher premiums from life, group and general insurance business from the direct and broker channels reflecting success in diversifying the distribution channels, and (iv) higher levels of in-force premiums as a result of continued improvements in persistency.

**Adjusted earnings** decreased by €17 million at constant exchange rate to €74 million reflecting a €20 million decrease in **underlying earnings** partly offset by a €3 million increase in realized gains attributable to shareholders.

**Underlying earnings** decreased by €20 million at constant exchange rate to €60 million, mainly driven by (i) a €19 million deterioration of the **technical margin** due to a €15 million non-recurring reserve strengthening as a result of model refinements and lower surrender margin resulting from improved persistency, and (ii) a €4 million increase in **expenses** mainly due to higher commissions in line with higher sales. These impacts were partly offset by higher **fees & revenues** (up €10 million) due to improved persistency and sales driving an increase in the inforce portfolio.

As a consequence, the **underlying cost income ratio** increased from 46.1% to 54.9%.

## THE NETHERLANDS

**Gross revenues** increased by 4%, to €802 million as compared to 2003, or 6% on a comparable basis<sup>20</sup>.

- *Life insurance* (67% of total gross revenues) increased by 11% to €540 million, mainly due to higher single premium immediate annuities, with APE up 30 % compared to 2003.
- *Health and disability* (33% of total gross revenues) decreased by 8%, or 5% on a comparable basis to €262 million. This decrease was mainly due to the cancellation of Group contracts regarding both Health and Disability as a result of tariffs increase.

Life insurance **adjusted earnings** increased by €34 million to €49 million compared to 2003. The **investment margin** increased by €34 million, mainly due to the gain on sale of the real estate portfolio (€33 million). **Fees & revenues** increased by €4 million, driven by higher new business. The **net technical margin** was €1 million higher mainly from mortality and reinsurance margins, which compensated for lower surrender margins. **Expenses** decreased by €15 million mostly attributable to lower management expenses and a decrease in VBI and DAC amortization (as in 2003 amortization was accelerated). **Income tax** expenses increased by €20 million reflecting higher operating results.

The **underlying cost income ratio** improved by 6.0 points to 63.5%.

Health **adjusted earnings** improved by €7 million to €22 million, mainly as a result of positive loss reserve development and an improvement of the current year result in both Health and Disability insurance.

**Underlying earnings** for Life and Health increased by €21 million to €56 million.

<sup>19</sup> The AXA Asia Pacific Group is 51.6% owned by AXA.

<sup>20</sup> The health portfolio has been sold per 1 December 2004

## Property & Casualty Segment

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

Property & Casualty Segment <sup>(a)</sup>				
	FY 2004	FY 2003	FY 2002	
			Pro forma <sup>(b)</sup>	As Published
<i>(in euro millions)</i>				
Gross written premiums	17 903	17 093	17 077	15 969
Fees, commissions and other revenues	42	35	38	12
<b>Gross revenues</b>	<b>17 945</b>	<b>17 128</b>	<b>17 115</b>	<b>15 981</b>
Change in unearned premium reserves	-250	-231	-315	-307
Net investment result	1 304	1 018	1 218	1 230
<b>Total revenues</b>	<b>19 000</b>	<b>17 915</b>	<b>18 018</b>	<b>16 904</b>
Insurance benefits and claims	-12 083	-12 052	-12 876	-12 038
Reinsurance ceded, net	-665	-495	-231	-229
Insurance acquisition expenses	-3 085	-2 727	-2 822	-2 754
Administrative expenses	-1 746	-1 865	-1 785	-1 658
<b>Operating Income</b>	<b>1 421</b>	<b>777</b>	<b>305</b>	<b>224</b>
Income tax expense / benefit	-403	-273	-175	-153
Equity in income (loss) of unconsolidated entities	30	24	19	19
Minority interests	-14	-9	3	3
<b>ADJUSTED EARNINGS</b>	<b>1 035</b>	<b>519</b>	<b>152</b>	<b>93</b>
Impact of exceptional operations	12	43	0	0
Goodwill amortization (group share)	-140	-114	-118	-111
<b>NET INCOME</b>	<b>907</b>	<b>448</b>	<b>33</b>	<b>-19</b>

(a) Before intercompany transactions.

(b) Since 2003, UK Health business has been transferred from Life & Savings segments. Consequently FY 2002 has been restated including UK Health business.

Consolidated Gross Revenues <sup>(a)</sup>					
(in euro millions)	FY 2004	FY 2003		FY 2002	
		Pro forma <sup>(b)</sup>	As published	Pro forma <sup>(b)(c)</sup>	As published
France	4 932	4 640	4 640	4 383	4 383
United Kingdom & Ireland	4 493	4 238	3 676	4 438	2 749
Germany	2 815	2 852	2 852	2 867	2 867
Southern Europe	2 901	2 577	-	2 418	-
Belgium	1 443	1 413	1 413	1 401	1 401
Other countries	1 361	1 408	4 547	1 609	4 581
<b>TOTAL</b>	<b>17 945</b>	<b>17 128</b>	<b>17 128</b>	<b>17 115</b>	<b>15 981</b>
Intercompany transactions	-93	-30	-30	-33	-33
<b>Contribution to consolidated gross revenues</b>	<b>17 852</b>	<b>17 098</b>	<b>17 098</b>	<b>17 082</b>	<b>15 948</b>

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

(b) Starting January 1st 2004, (i) Italy, Spain and Portugal activities (previously under "Other countries") are now reported as one geographical region "Southern Europe" and (ii) UK Property & Casualty segment is now presented including Ireland, which was previously under "Other countries".

(c) Since 2003, UK Health business has been transferred from Life & Savings segments. Consequently FY 2002 has been restated including UK Health business.

Adjusted earnings & Net income					
(in euro millions)	FY 2004	FY 2003		FY 2002	
		Pro forma <sup>(a)</sup>	As published	Pro forma <sup>(a)(b)</sup>	As published
France	304	266	266	237	237
United Kingdom & Ireland	274	127	9	-78	-196
Germany	71	-183	-183	-28	-28
Southern Europe	145	123	-	71	-
Belgium	142	118	118	-29	-29
Other countries	98	68	309	-21	109
<b>ADJUSTED EARNINGS</b>	<b>1 035</b>	<b>519</b>	<b>519</b>	<b>152</b>	<b>93</b>
Impact of exceptional operations	12	43	43	0	0
Goodwill amortization (group share)	-140	-114	-114	-118	-111
<b>NET INCOME</b>	<b>907</b>	<b>448</b>	<b>448</b>	<b>33</b>	<b>-19</b>

(a) Starting January 1st 2004, (i) Italy, Spain and Portugal activities (previously under "Other countries") are now reported as one geographical region "Southern Europe" and (ii) UK Property & Casualty segment is now presented including Ireland, which was previously under "Other countries".

(b) Since 2003, UK Health business has been transferred from Life & Savings segments. Consequently FY 2002 has been restated including UK Health business.

## Property & Casualty Operations - France

Property & Casualty operations - France			
	FY 2004	FY 2003	FY 2002
<i>(in euro millions)</i>			
Gross written premiums	4 932	4 640	4 383
Current accident year loss ratio (net)	74,4%	78,4%	78,7%
All accident year loss ratio (net)	75,7%	78,0%	78,8%
<b>Net technical result</b>	<b>1 181</b>	<b>1 011</b>	<b>913</b>
Expense ratio	23,6%	23,5%	24,1%
Net investment result	432	433	473
<b>Operating Income</b>	<b>465</b>	<b>363</b>	<b>349</b>
Income tax expense / benefit	-161	-96	-113
Minority interests	-0	-0	-0
<b>ADJUSTED EARNINGS</b>	<b>304</b>	<b>266</b>	<b>237</b>

**Gross written premiums** grew by 6% to €4,932 million due to the combined effect of positive new inflow in personal lines and of rate increases in most lines of business.

- *Personal lines* (63% of gross written premiums) grew by 4% due to strong positive net inflows (motor: +154,000 contracts, household: +83,000 contracts), resulting from the successful introduction of segmented products and moderate rate increases.
- *Commercial lines* premiums (37% of gross written premiums) increased by 9% resulting from selective rate increases in the main lines of business.

The **net technical result** significantly improved by €170 million or +17% to €1,181 million:

- The *current accident year net loss ratio* improved by 4.0 points to 74.4%, mainly driven by (i) a continuing favorable claims frequency trend in personal motor line (+1.6 point to 75.3%), which lead to a +2.6 points improved personal lines loss ratio to 73.5% and (ii) a commercial lines loss ratio decrease by -6.6 points to 75.8% due to the combined effect of a favorable claims experience in 2004 and lower major claims, especially in Property.
- *The all year loss ratio* improved by 2.3 point to 75.7% as a result of higher loss reserve development (€83 million to €66 millions) both in commercial (€48 million to €15 million) and personal (€35 million to €50 million) lines, mainly due to adverse loss developments in construction and reserve adjustments on natural events, primarily 2003 drought.

The **expense ratio** marginally increased by 0.1 point to 23.6%.

As a consequence of an improved all accident year net loss ratio (2.3 points to 75.7%) and a stable expense ratio, the **combined ratio** improved 2.2 points to 99.3%.

**Net investment result** decreased by €1 million to €432 million. **Investment income** improved by €52 million to €47 million following higher income mainly on bonds (€13 million) and on equities (€17 million) as a consequence of higher dividend distribution. **Net investment gains** were down by €3 million to €15 million, reflecting lower valuation allowance (€129 million to €10 million), compensated by lower realized gains (€186 million to €6 million) as a €137 million gain was realized in 2003 on Credit Lyonnais whereas mutual funds restructuring lead to €38 million losses.

**Income tax** expense increased by €5 million to €61 million under the combined effect of higher taxable operating income and an increase average tax rate (+7.8 points to 34.5%) due to lower proportion of realized gains which are taxed at a reduced rate.

**Adjusted earnings** increased by €38 million to €304 million, reflecting a 2.2 point improved combined ratio, partly offset by higher income tax expense.

**Underlying earnings** improved by €92 million, to €308 million, reflecting an improved combined ratio as well as increased investment income.

## Property & Casualty Operations - United Kingdom & Ireland

Property & Casualty operations - United Kingdom & Ireland					
(in euro millions)	FY 2004	FY 2003		FY 2002	
		Pro forma <sup>(a)</sup>	As published	Pro forma <sup>(a)(c)</sup>	As published
Gross revenues	4 493	4 238	3 676	4 438	2 749
Current accident year loss ratio (net)	68,4%	69,0%	67,9%	71,6%	72,5%
All accident year loss ratio (net)	67,1%	71,8%	72,0%	77,6%	78,7%
<b>Net technical result <sup>(b)</sup></b>	<b>1 470</b>	<b>1 181</b>	<b>1 013</b>	<b>963</b>	<b>561</b>
Expense ratio	31,1%	28,8%	31,0%	28,8%	36,5%
Net investment result	261	142	92	148	82
<b>Operating Income</b>	<b>342</b>	<b>120</b>	<b>-15</b>	<b>-154</b>	<b>-308</b>
Income tax expense / benefit	-68	7	24	76	112
Minority interests	-0	-0	-0	0	0
<b>ADJUSTED EARNINGS</b>	<b>274</b>	<b>127</b>	<b>9</b>	<b>-78</b>	<b>-196</b>
Average exchange rate : 1.00 € = £ (a)	0,68	0,69	0,69	0,63	0,63
<p>(a) Starting January 1st 2004, UK Property &amp; Casualty segment is now presented including Ireland, which was previously under "Other countries", and average exchange rate presented only applies to UK</p> <p>(b) The net technical result is now presented including fees, commissions and other revenues.</p> <p>(c) Since 2003, UK Health business has been transferred from Life &amp; Savings segments. Consequently FY 2002 has been restated including UK Health business.</p>					

**Gross revenues** increased by 6% to €4,493 million or 4% increase on a comparable basis.

- *Personal Lines* (37% of gross revenues): Revenues grew by 2% driven by a successful shift to less volatile non-motor lines of business in the UK and Ireland (+21%) mainly led by new business from Corporate Partners in household, travel and creditor. Overall, Motor revenues declined by 18% (26% for UK alone), with notably the planned reduction in UK Personal Direct prior to its sale to RAC in October 2004, and Motor now represents only 38% (only 23% for UK alone) of total personal lines revenues compared to 48% in 2003. In Ireland, average premiums fell as a consequence of rate reductions in 2H03 and 2004 reflecting improved claims environment and risk selection.
- *Commercial Line* (38% of gross revenues): Revenues grew by 5% reflecting a successful Q1 new business campaign, improved retention of existing customers and rate increases. Despite a competitive environment, Property increased by 7%, Casualty by 6% and Motor by 1%.
- *Health revenues* (25% of gross revenues) increased by 5% on a comparable basis, mainly as a result of successful launch of lower premium products and partnership deals in Personal lines. Commercial lines benefited from continuing growth in Large Corporate and higher average premiums in Small Corporate

**The net technical result** increased by €289 million to €1,470 million, or by €265 million on a constant exchange rate basis.

- *The current accident year loss ratio* improved by 0.6 point to 68.4%, mainly in personal lines as a result of lower volumes in motor and improved loss ratios on travel and creditor, offsetting increased ratios in property.
- *The all accident year loss ratio* improved by 4.7 points to 67.1% as a result of better current accident year loss ratio as well as a strong improvement in loss reserve development, in spite of strengthening of asbestos reserves.

**The expense ratio** deteriorated by 2.3 points to 31.1% driven by an increase in earned commissions of 2.3 points reflecting the change in business mix towards higher commissioned products whilst management expenses were flat on a comparable basis.

These movements led to a 2.4 point improvement in the net combined ratio to 98.2%.

**Net investment result** increased by €19 million to €261 million, or by €14 million on a constant exchange rate basis, resulting from substantially lower impairment charges reflecting the improvement in equity markets in 2004 and the equity sell down strategy which resulted in realized losses in 2003 and higher investment income due to higher technical reserves.

**The income tax expenses** increased by €75 million in 2004 as compared to 2003 both on current and constant exchange rate bases mainly reflecting the increase in the operating income.

**Adjusted earnings** increased by €148 million in 2004 to €274 million or by €145 million on a constant exchange rate basis reflecting the improvement in the combined ratio and a lower impairment charge compared to 2003.

**Underlying earnings** increased by €90 million in 2004 or €87 million on a constant exchange rate basis to €278 million, primarily driven by an improved combined ratio and investment income.

## Property & Casualty Operations - Germany

Property & Casualty operations - Germany			
(in euro millions)	FY 2004	FY 2003	FY 2002
Gross written premiums	2 815	2 852	2 867
Current accident year loss ratio (net)	75,5%	76,0%	86,2%
All accident year loss ratio (net)	69,5%	69,5%	77,0%
<b>Net technical result</b>	<b>862</b>	<b>877</b>	<b>665</b>
Expense ratio	29,3%	31,5%	30,3%
Net investment result	100	-93	245
<b>Operating Income</b>	<b>133</b>	<b>-121</b>	<b>35</b>
Income tax expense / benefit	-59	-82	-70
Equity in income (loss) of unconsolidated entities	3	3	5
Minority interests	-6	16	3
<b>ADJUSTED EARNINGS</b>	<b>71</b>	<b>-183</b>	<b>-28</b>

**Gross written premiums** decreased by 1% to €2,815 million mainly due to a reduction of foreign and pool businesses partly offset by a growth in the Motor and Commercial Property lines.

- *Personal lines* (63% of gross written premiums): premiums increased by 1% to €1,774 million driven by a growth in Motor (primarily from “die Alternative”), partly offset by a decrease in most other lines as a result of a tightening business environment.
- *Commercial lines* (28% of gross written premiums): premiums improved by 1% to €787 million due to additional new business in property, partly offset by a decrease in the other business lines.
- *Other lines* (9% of gross written premiums): premiums were down by 19% to €253 million due to a decrease in assumed business and in foreign activities, partly put in run-off.

The **Net Technical Result** deteriorated by €16 million to €862 million as a result of lower earned premiums:

- *Current accident year loss ratio* improved by 0.5 point to 75.5% due to an improvement of the reinsurance result following a restructuring of the reinsurance coverage, partly offset by the higher frequency of large claims in Commercial Property.
- *All accident year loss ratio* was stable at 69.5%. In 2004, net result on prior years remained high, mainly driven by boni on assumed and foreign business.

**Expense Ratio** improved by 2.2 points to 29.3%. Excluding a €50 million provision for rental risks and the €18 million early retirement provision, both booked in 2003, expense ratio was stable.

As a result, the **net combined ratio** improved from 101% to 98.8%.

**Net investment result** improved by €193 million to €100 million mainly due to the increase of net capital gains and losses by €206 million to €68 million mainly as a result of a €105 million reduction in asset valuation allowance (€75 million in 2004 compared to €180 million in 2003) as well as capital losses from equities and equity funds in 2003. Net investment income decreased by €13 million to €68 million due to lower interest income.

**Income Tax expenses** decreased by €3 million despite the higher operating income due to the fact that the high realized losses and asset impairments on equities in 2003 were not tax deductible and to a release of tax provision for prior years.

**Adjusted earnings** improved by €54 million to €71 million mainly resulting from lower valuation allowances and realized losses on equity securities.

**Underlying earnings** increased by €8 million to €18 million, mainly due to an improved combined ratio and lower taxes, partly offset by a lower investment income.

## Property & Casualty Operations – Southern Europe

Property & Casualty operations - Southern Europe					
(in euro millions)	FY 2004	FY 2003		FY 2002	
		Pro forma <sup>(a)</sup>	As published <sup>(b)</sup>	Pro forma <sup>(a)</sup>	As published <sup>(b)</sup>
Gross written premiums	2 901	2 711	2 577	2 526	2 418
Current accident year loss ratio (net)	78,7%	79,9%	79,6%	80,2%	79,9%
All accident year loss ratio (net)	76,2%	77,3%	77,1%	78,1%	78,0%
<b>Net technical result</b>	<b>655</b>	<b>587</b>	<b>563</b>	<b>535</b>	<b>516</b>
Expense ratio	23,3%	23,7%	24,1%	23,8%	24,1%
Net investment result	203	157	152	140	137
<b>Operating Income</b>	<b>216</b>	<b>131</b>	<b>121</b>	<b>94</b>	<b>88</b>
Income tax expense / benefit	-71	-4	-1	-21	-19
Equity in income (loss) of unconsolidated entities	0	-	3	-	4
Minority interests	-0	-	-0	-	-2
<b>ADJUSTED EARNINGS</b>	<b>145</b>	<b>126</b>	<b>123</b>	<b>73</b>	<b>71</b>

(a) Following the buyout of Direct Seguros minority interests, 2003 pro-forma presents data as if buyout had been in force.  
(b) Following the combination of Italy, Spain and Portugal activities, "As published" figures were not disclosed but were included in "Other countries".

On January 23, 2004, AXA Spain bought out the minority interests in Hilo Direct Seguros. As a consequence, Hilo Direct Seguros has been fully integrated in AXA consolidated accounts since January 2004 (the entity, 50% owned, was previously equity accounted). Commentaries below are based on 2003 restated figures to be on a comparable basis.

**Gross written premiums** increased by 7% to €2,901 million as a result of strong net inflows in personal motor and household lines, as well as a sustained growth in commercial lines.

- *Personal lines* (76% of gross written premiums) grew by 5% to €2,194 million. In motor (56% of gross written premiums, €1,622 million), the 5% growth was driven by strong net inflows (+159,000 policies, i.e. +5%) coming from Spain (+108,000 policies) as a result of a new focus on commercial strategy, Italy (+35,000 contracts) and Portugal (+15,000 contracts). Average premium grew moderately (+1%) due to the hardening of competition in Italy and Spain. Non-motor lines (20% of gross written premiums) rose by 6% to €572 million, mainly driven by the increase in household portfolio (+30,000 policies, i.e. +3%).
- *Commercial lines* (24% of gross written premiums) grew by 13% to €707 million. In motor (6% of gross written premiums, €182 million), gross written premiums rose by 22% thanks to important renewals of fleet contracts with higher number of cars covered. Non-motor (18% of gross written premiums, €525 million) increased by 10% primarily boosted by commercial liability branch in Italy and Spain.

The **net technical result** increased by €69 million to €655 million, driven by a 1.1 point loss ratio improvement to 76.2% (€-30 million) together with the increase in volume of premiums (€-40 million).

- *Current accident year loss ratio* slightly improved by 1.2 point to 78.7% driven by the reduced motor claims frequency, in particular in Italy, following the introduction of a driving license with points.
- *All accident year loss ratio* improved by 1.1 point to 76.2%. Personal lines and commercial lines improved respectively by 0.6 point to 74.1% and by 5.6 points to 82.4%.

**Expense ratio** improved by 0.4 point to 23.3%, the positive impact of the continuing cost cutting efforts in a growing business being partly offset by the increase in non-recurring costs linked to staff reduction programs (€25 million in 2004 versus €12 million in 2003).

As a result, the net combined ratio showed a 1.4 point improvement on a comparable basis to 99.5%.

**Net investment result** improved by €46 million to €203 million reflecting (i) higher investment income (€+24 million) mainly linked to a larger asset base and (ii) higher net capital gains (€+22 million). This increase resulted from the combination of €6 million lower valuation allowances on equity securities to €9 million and higher capital gains (€+16 million); 2003 included €35 million capital gain on the sale of Credit Lyonnais shares whereas 2004 included €49 million capital gain on real estate.

**Income tax expense** increased by €66 million to €71 million: in 2003, tax benefits included notably (i) €39 million non-recurring tax gains in Italy coming from the release of the tax loss carry forward valuation allowance following the restored profitability of the entity, as well as the positive tax impact from legal restructuring; and (ii) €5 million non-recurring tax gains in Spain. In 2004, the increase in pre-tax earnings resulted in an additional €30 million tax expense, partly offset by a €+8 million one-time tax benefit mostly from the reinvestment of a real estate capital gain in Spain.

**Adjusted earnings** improved by €19 million to €145 million, driven by the improved combined ratio as well as a higher investment result, partly offset by the decrease in non-recurring tax benefits.

**Underlying earnings** were up by €4 million to €114 million. The improvement in technical profitability of the business was partly offset by the large 2003 non-recurring tax items.

## Property & Casualty Operations - Belgium

Property & Casualty operations - Belgium			
(in euro millions)	FY 2004	FY 2003	FY 2002
Gross written premiums	1 443	1 413	1 401
Current accident year loss ratio (net)	83,5%	82,4%	88,7%
All accident year loss ratio (net)	74,6%	74,3%	80,2%
<b>Net technical result</b>	<b>366</b>	<b>360</b>	<b>275</b>
Expense ratio	28,4%	29,4%	29,6%
Net investment result	237	227	150
<b>Operating Income</b>	<b>193</b>	<b>174</b>	<b>15</b>
Income tax expense / benefit	-50	-56	-44
Minority interests	-0	-0	0
<b>ADJUSTED EARNINGS</b>	<b>142</b>	<b>118</b>	<b>-29</b>

On January 23, 2004, AXA Belgium bought out the minority interests in Assurances La Poste Non Vie. As a consequence, Assurances la Poste Non Vie has been fully integrated in AXA consolidated accounts since January 2004 (the entity was previously consolidated under the equity method at 50%). Overall impact is non significant, except on revenues, for which commentaries below are based on restated figures to be on a comparable basis.

Gross written premiums increased by 2% on a comparable basis to €1,443 million with a growth both in personal and commercial lines.

- *Personal lines* (62% of the total gross written premiums): premiums increased by 1%. Motor (58% of personal lines gross written premiums) grew by 2%, mainly due to rate increases. Household increased by 1% as a result of rate increases, partially offset by the loss of a bancassurance distribution agreement.
- *Commercial lines* (36% of the total gross written premiums): premiums increased by 2%, driven by Motor (6%, due to tariff increases) and Property & Engineering (7%, due to tariff increases and important new contracts). Workers' Compensation remained stable.
- *Other lines* (2% of the total gross written premiums): premiums increased by 35% to €31 million.

The **net technical result** was €366 million, increasing by €6 million compared to 2003.

- *The current year loss ratio* deteriorated by 1.1 point to 83.5% mainly due to the occurrence of some large claims in 2004 (summer storms) and due to an increase in frequency and average cost in workers' compensation.
- *The all accident year loss ratio* deteriorated by 0.3 point to 74.6% as a result of the deterioration of current year loss ratio, offset by a boni in personal lines mainly in motor.

Compared to 2003, the **expense ratio** improved by 1.0 point to 28.4% as a result of productivity improvement.

As a result, the **combined ratio** in 2004 improved by 0.7 point to 103.0%. Excluding Workers' Compensation, combined ratio improved by 1.7 point to 99.0% compared to 2003.

**Net investment result** increased by €10 million to €237 million due to higher realized capital gains (€4 million) partly offset by lower investment income.

**Income tax expense** decreased by €6 million to €50 million as a result of a one-off tax recovery, partially offset by a higher taxable income.

**Adjusted earnings** were up €24 million to €142 million in 2004 due to higher net investment result, an improved combined ratio and lower tax expenses.

**Underlying earnings** increased by €3 million to €146 million as a result of the improvement of the combined ratio partially offset by lower investment income and an increase in tax expenses.

## Property & Casualty Operations - Other Countries

Consolidated Gross revenues			
<i>(in euro millions)</i>	FY 2004	FY 2003	FY 2002
Canada	746	761	744
The Netherlands	212	248	239
Other countries	403	398	627
<i>Morocco</i>	137	155	130
<i>Japan</i>	115	94	76
<i>Switzerland</i>	87	87	89
<i>Luxembourg</i>	64	63	58
<b>TOTAL</b>	<b>1 361</b>	<b>1 408</b>	<b>1 609</b>
Intercompany transactions	0	0	-3
<b>Contribution to consolidated gross revenues</b>	<b>1 361</b>	<b>1 408</b>	<b>1 606</b>

Adjusted earnings & Net income			
<i>(in euro millions)</i>	FY 2004	FY 2003	FY 2002
Canada	65	37	19
The Netherlands	0	10	-3
Other countries	33	21	-36
<i>Morocco</i>	-0	21	-4
<i>Japan</i>	3	-18	-25
<i>Switzerland</i>	2	1	-19
<i>Hong Kong</i>	8	7	6
<i>Turkey</i>	6	4	1
<i>Singapore</i>	6	3	3
<i>Luxembourg</i>	7	3	1
<b>ADJUSTED EARNINGS</b>	<b>98</b>	<b>68</b>	<b>-21</b>
Impact of exceptional operations	-0	0	0
Goodwill amortization (group share)	-57	-23	-27
<b>NET INCOME</b>	<b>41</b>	<b>46</b>	<b>-47</b>

## Canada

**Gross revenues** remained stable on a constant exchange rate basis at €746 million:

- *Commercial lines* (46% of total premiums) 8% increase resulted from successful rate increases and new business,
- *Personal lines* (54% of total premiums) 6% decrease was mainly due to the Ontario personal motor portfolio following prior years' turnaround action plan and the impact of government-mandated rate decreases.

**Adjusted earnings** increased by €9 million on a constant exchange rate basis, to €65 million, reflecting the 4.7 point improvement of the **combined ratio** to 94.3% mainly due to (i) a 6.2 point lower loss ratio (to 65.5%) following the implementation of various underwriting actions and increased commercial lines' premium rates and (ii) the 1.5 point expense ratio increase to 28.8% due to increased performance-related expenses such as commissions to brokers.

**Underlying earnings** reached €61 million, up by €7 million on a constant exchange rate basis.

## The Netherlands

**Gross revenues** decreased by 14% to €12 million compared to 2003 mainly as a result of portfolio pruning in the Agents and Authorized agents distribution channel.

**Adjusted earnings** increased by €3 million, excluding Unirobe for an amount of €13 million in 2003, to breakeven.

The **combined ratio** improved by 1 point to 112.3%, due to positive loss reserve development on previous years. Furthermore, a restructuring provision for an amount of €3 million was booked.

**Underlying earnings** improved by €2 million, excluding Unirobe, to a loss of €5 million.

## Other countries

**Adjusted earnings** were up €12 million to €33 million, mainly attributable to the following countries

### Morocco<sup>21</sup>

**Gross written premiums** increased by 2% to €137 million at constant exchange rate mainly driven by motor personal lines following the development of agents' channel.

**Underlying earnings** increased from breakeven to €13 million reflecting the booking in 2003 of a tax provision in relation to tax litigation and the 1.6 point improvement of the combined ratio in 2004 to 102.9% driven notably by the motor business.

2003 benefited from large realized capital gains (€21million) following a restructuring of the asset portfolio. In 2004, additional impairment was booked on equities resulting in €13 million of net capital losses.

Consequently, **adjusted earnings** decreased by €2 million to breakeven in 2004.

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<sup>21</sup> The AXA Assurance Maroc is 51% owned by AXA

## Japan

**Gross written premiums** increased by 26% at constant exchange rate to €15 million, mainly driven by motor business growth (+35%, 87% of revenues). Total motor portfolio (269,000 contracts) continued to show a sharp increase (+72,000 contracts compared to 2003) thanks to competitive rates. Average premium decreased, but up-selling campaigns and the launch of new riders in August helped address this.

**Adjusted earnings** increased by €1 million both at constant and current exchange rates, to €3 million reflecting the improvement of the combined ratio from 127.2% to 112.9%, mainly as a result of increased scale, and the partial release of the valuation allowance on deferred tax assets following the continuous improvement in operating income experienced over the past years.

## International Insurance Segment

The following tables present the gross premiums and net income for the International Insurance Segment for the periods indicated:

Consolidated Gross revenues <sup>(a)</sup>				
	FY 2004	FY 2003		FY 2002
<i>(in euro millions)</i>		Pro forma <sup>(b)</sup>	As published	As published
AXA RE	1 069	1 650	1 918	3 513
AXA Corporate Solutions Assurance	1 517	1 571	1 571	1 762
AXA Cessions	94	87	87	100
AXA Assistance	561	482	482	465
Other	239	426	23	31
<b>TOTAL</b>	<b>3 480</b>	<b>4 216</b>	<b>4 081</b>	<b>5 872</b>
Intercompany transactions <sup>(c)</sup>	-109	-244	-109	-110
<b>Contribution to consolidated gross revenues</b>	<b>3 371</b>	<b>3 972</b>	<b>3 972</b>	<b>5 762</b>

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

(b) Transfer of AXA RE US entities from AXA RE segment to "Other International Activities".

(c) Includes eliminations which in the published December 2003 figures were eliminated within the AXA RE segment. In the December 2004 pro forma figures, these transactions are not eliminated at the segment-by-segment presentation level.

Adjusted earnings & Net income				
	FY 2004	FY 2003		FY 2002
<i>(in euro millions)</i>		Pro forma <sup>(a)</sup>	As published	As published
AXA RE	142	111	146	-14
AXA Corporate Solutions Assurance	84	-5	-5	-123
AXA Cessions	17	16	16	-4
AXA Assistance	17	14	14	1
Other	-23	11	-25	-8
<b>ADJUSTED EARNINGS</b>	<b>238</b>	<b>147</b>	<b>147</b>	<b>-149</b>
Impact of exceptional operations	0	0	0	0
Goodwill amortization (group share)	-11	-5	-5	-27
<b>NET INCOME</b>	<b>227</b>	<b>142</b>	<b>142</b>	<b>-176</b>

(a) Transfer of AXA RE US entities from AXA RE segment to "Other International Activities".

## AXA RE

AXA RE <sup>(a)</sup>				
<i>(in euro millions)</i>	FY 2004	FY 2003		FY 2002
		Pro forma <sup>(b)</sup>	As published	As published
Gross written premiums	1 069	1 650	1 918	3 507
Fees, commissions and other revenues	0	0	0	6
<b>Gross revenues</b>	<b>1 069</b>	<b>1 650</b>	<b>1 918</b>	<b>3 513</b>
Change in unearned premium reserves	231	256	558	-37
Net investment result	162	197	236	265
<b>Total revenues</b>	<b>1 462</b>	<b>2 103</b>	<b>2 712</b>	<b>3 742</b>
Insurance benefits and claims, net of reinsurance ceded	-1 105	-1 780	-2 307	-3 519
Insurance acquisition expenses	-95	-119	-122	-170
Administrative expenses	-88	-67	-111	-116
<b>Operating Income</b>	<b>174</b>	<b>138</b>	<b>171</b>	<b>-64</b>
Income tax expense / benefit	-32	-20	-18	59
Equity in income (loss) of unconsolidated entities	-0	0	0	-1
Minority interests	-0	-7	-7	-9
<b>ADJUSTED EARNINGS</b>	<b>142</b>	<b>111</b>	<b>146</b>	<b>-14</b>

(a) Before intercompany transactions.

(b) Transfer of AXA RE US entities from AXA RE segment to "Other International Activities".

AXA RE				
<i>(in euro millions)</i>	FY 2004	FY 2003		FY 2002
		Pro forma <sup>(d)</sup>	As published	As published
<i>Earned premiums (gross)</i>	1 299	1 906	2 476	3 471
Attritional current year loss ratio <sup>(a) (b)</sup>	57,4%	67,6%	69,8%	72,3%
Attritional all accident year loss ratio <sup>(a) (b)</sup>	52,5%	73,8%	75,1%	75,3%
Loss ratio <sup>(a) (c)</sup>	80,8%	91,4%	91,1%	102,1%
<b>Net technical result (excluding fees)</b>	<b>194</b>	<b>127</b>	<b>169</b>	<b>-49</b>
Expense ratio	18,1%	12,6%	12,3%	12,2%
Net investment result	162	197	236	265
<b>Operating Income</b>	<b>174</b>	<b>138</b>	<b>171</b>	<b>-64</b>

(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 claim charge and major loss cost on all accident years) divided by (net earned premiums, net of all reinsurance costs including covers)

(d) Transfer of AXA RE US entities from AXA RE segment to "Other International Activities".

**Gross revenues** decreased by 15% on a comparable basis to €1,069 million, in line with the strategic repositioning of the company, implemented since 2002, aiming at reducing the portfolio risk exposure and exiting non-strategic business lines. This evolution was mainly driven by a sharp drop in Assumed business and some re-underwriting of the Marine account.

The **net technical result** increased by €68 million to €194 million, mainly explained by the following:

**Non Life net technical result** decreased by €35 million to €211 million:

- *The net attritional current year* loss ratio improved by 5.7 points to 53.4%, reflecting the very favorable 2004 claims environment in respect of attritional losses, however not offsetting the volume impact due to lower earned premiums; the net attritional margin on current accident year thus decreased by €161 million down to €16 million.
- *The technical result on prior years* improved by €29 million mainly due to the fact that 2003 accounted for various reserves increases whereas 2004 accounted for favorable reserves developments of which significant boni on AXA RE Finance run-off and AXA RE Paris.
- *The cost of cover programs* decreased by €103 million to €165 million, resulting from the reshaping of the protection structure in line with the reduction of the portfolio risk exposure.
- Offsetting the above, *major losses cost* increased by €206 million at €256 million essentially due to 2004 US hurricanes (€236 million impact net of reinsurance and gross of tax).

**Life net technical result** significantly increased by €103 million to €16 million reflecting the change in ABR reserving estimates in AXA RE Paris' books that occurred in 2003; this improvement had a 4.5 points favorable impact on the overall attritional current year loss ratio.

**General expenses** decreased by €3 million to €182 million, driven by (i) a €24 million reduction in acquisition expenses in line with the lower premium volume, partly offset by (ii) a €21 million increase in administration expenses notably due to the 2004 restructuring cost (€1 million).

As a result, the **combined ratio** improved by 5 points to 98.8%. Excluding the impact of life activities, the non life combined ratio reached 96.3%.

**Net investment result** decreased by €35 million to €162 million explained by:

- a €6 million decrease in *net capital gains* corresponding to (i) a €21 million decrease in realized capital gains as 2003 notably recorded a €35 million gain on Crédit Lyonnais shares and (ii) a €14 million lower valuation allowance on equity securities;
- a €28 million decrease in *investment income* essentially explained by lower bond revenues (€27 million) as a result of lower invested assets in line with lower technical reserves .

**Income tax expense** amounted to €32 million in 2004, or a €12 million additional charge as compared to 2003, as a consequence of the higher operational result.

**Adjusted earnings** increased by €31 million to €142 million as the improvement of the combined ratio was primarily offset by a lower investment result.

**Underlying earnings** improved by €33 million to €108 million.

## AXA Corporate Solutions Assurance

AXA Corporate Solutions Assurance <sup>(a)</sup>				
<i>(in euro millions)</i>	FY 2004	FY 2003	FY 2002	
			Pro forma <sup>(b)</sup>	As published
Gross written premiums	1 502	1 556	1 643	1 741
Fees, commissions and other revenues	15	15	11	22
<b>Gross revenues</b>	<b>1 517</b>	<b>1 571</b>	<b>1 654</b>	<b>1 762</b>
Change in unearned premium reserves	3	8	-60	-23
Net investment result	120	42	50	43
<b>Total revenues</b>	<b>1 641</b>	<b>1 620</b>	<b>1 644</b>	<b>1 783</b>
Insurance benefits and claims, net of reinsurance ceded	-1 327	-1 418	-1 564	-1 650
Insurance acquisition expenses	-108	-100	-112	-123
Administrative expenses	-91	-96	-92	-119
<b>Operating Income</b>	<b>115</b>	<b>6</b>	<b>-123</b>	<b>-109</b>
Income tax expense / benefit	-30	-11	1	-16
Equity in income (loss) of unconsolidated entities	0	0	0	0
Minority interests	-1	0	2	2
<b>ADJUSTED EARNINGS</b>	<b>84</b>	<b>-5</b>	<b>-121</b>	<b>-123</b>

(a) Before intercompany transactions.

- (b) (i) Run off entities transferred from AXA Corporate Solutions Assurance to other transnational activities  
(ii) Transfer of AXA Corporate Solutions Insurance US from AXA Corporate Solutions Assurance to AXA RE

AXA Corporate Solutions Assurance				
<i>(in euro millions)</i>	FY 2004	FY 2003	FY 2002	
			Pro forma <sup>(d)</sup>	As published
<i>Earned premiums excluding fees (gross)</i>	1 506	1 563	1 583	1 718
Attritional current year loss ratio <sup>(a)(b)</sup>				76,5%
Attritional all accident year loss ratio <sup>(a)(b)</sup>				74,5%
Loss ratio <sup>(a)(c)</sup>				93,4%
Current accident year loss ratio (net) <sup>(e)</sup>	88,6%	90,2%	99,4%	
All accident year loss ratio (net)	87,2%	89,9%	96,3%	
<b>Net technical result (excluding fees)</b>	<b>179</b>	<b>145</b>	<b>48</b>	<b>68</b>
Expense ratio	13,1%	12,4%	12,8%	12,4%
Net investment results	120	42	21	43
<b>Operating Income</b>	<b>115</b>	<b>6</b>	<b>-123</b>	<b>-109</b>

(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 claim charge and major loss cost on all accident years) divided by (net earned premiums)

(d) (i) Run off entities transferred from AXA Corporate Solutions Assurance to other transnational activities

(ii) Transfer of AXA Corporate Solutions Insurance US from AXA Corporate Solutions Assurance to AXA RE

(e) Current accident year claim charges (including claims handling expenses) / Current accident year earned revenues (excluding premium adjustments on previous years).

**Gross revenues** decreased by 3% on a comparable basis, down to €1,517 million, mainly due to negative inflow in Property (-19%), offset by significant increases (i) in Aviation (+20%), as 2003 activity had been impacted by SARS and the war in Iraq, (ii) in Construction (+16% mainly driven by rate increases in France) and (iii) in Motor (+5% due to new business).

The **net technical result** increased by €34 million to €+179 million, and to €+194 million including fees as a result of the following trends:

- The *net technical result on current accident year* improved by €17 million to €165 million, reflecting a 1.6 points improvement of the net current year loss ratio to 88.6% mainly as a result of the stringent underwriting policies, especially in Property and Liability, emphasized by favorable claims experiences. The costs associated with the Tsunami were estimated at €22 million.
- The *net technical result on prior accident years* increased by €+17 million to €29 million, as a result of good underwriting results in aviation and positive loss reserve adjustments on Property.

**The expense ratio** increased by 0.7 point to 13.1%, notably as a result of lower premiums.

As a result, **the net combined ratio** improved by 2.0 points to 100.3%.

**The net investment result** increased by €78 million to €+120 million reflecting (i) €7 million increase of investment income to €89 million following higher yield and (ii) higher realized capital gains by €71 million to €31 million, mainly due to lower valuation allowance on equities (€9 million versus. €69 million in 2003), reflecting the continued market improvement.

**Income tax expenses** increased by €9 million to €30 million in line with the pre-tax operating result increase.

**Adjusted earnings** increased by €89 million to €84 million, mainly as a result of significant net capital gains following better market conditions, the combined ratio +2.0 points improvement offset by lower volumes.

**Underlying earnings** increased by €23 million to €54 million driven by improved combined ratio.

## AXA Cessions

**Adjusted earnings** increased by €+1 million to €17 million, mainly due to (i) a €+3 million increase in the net technical margin (notably higher boni) partly offset by (ii) a €2 million increase in general expenses. As a consequence, underlying earnings increased by €+1 million to €16 million.

## AXA Assistance

**Gross revenues** increased by 17% on a comparable basis to €61 million, reflecting increased business with car manufacturers (€+16 million) in Germany, France and Greece, new partnerships regarding home services providing (€+23 million) mainly in the United Kingdom and France, positive new inflow on travel insurance mainly in Germany and France (€+8 million) as well as increased legal protection agreements in Italy (€+10 million).

**Adjusted earnings** increased by €3 million to €17 million, as a result of increased underlying earnings and higher net realized gains.

**Underlying earnings** increased by €2 million to €18 million mainly due to better technical results as a consequence of higher volumes, partly offset by higher expenses.

## Other

*The US based reinsurance Life and Non Life entities were transferred from AXA RE to the other transnational segment from October 2004.*

The other transnational activities **adjusted earnings** decreased by €33 million to €23 million on a comparable basis mainly due to a €20 million decrease in Non Life activities negatively impacted by the 4 hurricanes that hit the US in 3Q04 (€9 million pre-tax net of reinsurance charge). This exposure is coming from the program business of AXA Re P&C Insurance Company which is now in run off. In addition, a €1 million valuation allowance was booked on a deferred tax asset, whereas US Life reinsurance activity earnings decreased by €8 million to €25 million in line with the decrease in premiums volume on this portfolio. These negative impacts were partly offset by an improved reserve development on European run-off entities.

**Underlying earnings** decreased by €46 million to €41 million on a comparable basis

## Asset Management Segment

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:

<b>Consolidated Gross Revenues</b>			
<i>(in euro millions)</i>	<b>FY 2004</b>	<b>FY 2003</b>	<b>FY 2002</b>
Alliance Capital	2 421	2 416	2 903
AXA Investment Managers	944	783	820
<b>TOTAL</b>	<b>3 364</b>	<b>3 199</b>	<b>3 724</b>
Intercompany transactions	-277	-277	-313
<b>Contribution to consolidated gross revenues</b>	<b>3 087</b>	<b>2 922</b>	<b>3 411</b>

<b>Adjusted earnings &amp; Net income</b>			
<i>(in euro millions)</i>	<b>FY 2004</b>	<b>FY 2003</b>	<b>FY 2002</b>
Alliance Capital	210	72	195
AXA Investment Managers	108	76	63
<b>ADJUSTED EARNINGS</b>	<b>318</b>	<b>148</b>	<b>258</b>
Impact of exceptional operations	112	0	148
Goodwill amortization (group share)	-165	-172	-188
<b>NET INCOME</b>	<b>265</b>	<b>-24</b>	<b>218</b>

## Alliance Capital

Asset Management Operations - Alliance Capital			
(in euro millions)	FY 2004	FY 2003	FY 2002
Fees, commissions and other revenues	2 421	2 416	2 903
<b>Gross revenues</b>	<b>2 421</b>	<b>2 416</b>	<b>2 903</b>
Net investment result	-36	-41	-53
<b>Total revenues</b>	<b>2 384</b>	<b>2 375</b>	<b>2 850</b>
Administrative expenses	-1 797	-2 100	-2 236
<b>Operating Income</b>	<b>587</b>	<b>275</b>	<b>614</b>
Income tax expense / benefit <sup>(a)</sup>	-125	-62	-102
Minority interests	-252	-141	-317
<b>ADJUSTED EARNINGS</b>	<b>210</b>	<b>72</b>	<b>195</b>
Average exchange rate : 1,00 € = \$	1,24	1,13	0,95

(a) The State Tax is now presented in Income tax expense. This item was previously presented in administrative expenses, in December 2003 for an amount of €28 million.

**Assets under Management** (“AUM”) increased by €19 billion from year-end 2003 or €1 billion on a constant exchange rate basis to €95 billion driven by positive market impact of €46 billion and net positive inflows of €5 billion, of which cash management outflows were €2 billion. The increase in AUM was partially offset by the negative exchange rate impact of €32 billion due to the weakening of the US dollar against the Euro.

**Fees, commissions and other revenues** were up €5 million in 2004, or up €246 million at constant exchange rate (+10%) to €2,421 million, due to higher investment advisory fees driven by higher average AUM (up 16%), higher Institutional research services fees up 13% due to increased market share and higher performance fees up 13%. The increase in investment advisory fees were partly offset by lower retail long-term open-end mutual fund fees.

**Administrative expenses** decreased by €303 million or €6% at constant exchange rate mainly due to the absence of the 2003 charge for mutual fund matters.

**Operating Income** increased by €312 million or €370 million on a constant exchange rate basis due to the 2003 charge for mutual fund matters and higher investment advisory, institutional research services and performance fees in 2004. As a result, the operating cost income ratio improved by 13.6 points from 83.5% in 2003 to 69.9% in 2004. Excluding the charge for mutual fund matters recorded in 2003, the cost income ratio improved by 1 point.

**Adjusted Earnings** increased by €138 million to €210 million, or €158 million at constant exchange rate (+218%) due to the non repeat of the 2003 charge for mutual fund matters.

**Underlying Earnings** increased by €138 million to €207 million, or €158 million at constant exchange rate.

As a result of the acquisition of 16.32 million private units in 2004, AXA Financial's ownership interest in Alliance Capital increased 6 points from approximately 55% at December 2003 to 61% at December 2004.

## AXA Investment Managers (“AXA IM”)

Asset Management Operations - AXA Investment Managers			
<i>(in euro millions)</i>	FY 2004	FY 2003	FY 2002
Fees, commissions and other revenues	944	783	820
<b>Gross revenues</b>	<b>944</b>	<b>783</b>	<b>820</b>
Net investment result	27	13	9
<b>Total revenues</b>	<b>970</b>	<b>796</b>	<b>830</b>
Administrative expenses	-792	-669	-716
<b>Operating Income</b>	<b>179</b>	<b>127</b>	<b>114</b>
Income tax expense / benefit	-53	-36	-38
Minority interests	-18	-15	-13
<b>ADJUSTED EARNINGS</b>	<b>108</b>	<b>76</b>	<b>63</b>

**Assets Under Management ("AUM")** were €345 billion as at December 31, 2004, increasing by €4 billion since December 2003 (+19% on a comparable basis), mainly due to positive net new money (€29 billion) and market appreciation (€24 billion). The net new money increase was mainly driven by the sales of structured products and international equities in the Institutional segment. Third-party AUM reached 25.3% of total AUM versus 19.4% at the end of 2003.

**Fees, commissions and other revenues**, including those earned from AXA insurance companies eliminated in consolidation, reached €944 million, +22% on a comparable basis. Excluding fees retroceded to distributors but including carried interest, net revenues reached €660 million, +21% on a comparable basis. Net management fees increased by 20%, driven by higher average AUM (+17% on a comparable basis), and an increased proportion of third-party AUM, which have a higher level of fees than the Main Fund.

**Administrative expenses**, excluding commissions paid to third party agents, increased by 17% (€68 million) at constant exchange rate to €508 million. This variance was mostly related to higher personnel costs in line with business growth and higher profitability. AXA IM started the outsourcing of its main administrative operations.

The **cost income ratio** improved from 79.6% in 2003 to 76.8% in 2004 reflecting higher net revenues.

**Adjusted and underlying earnings** increased by €32 million to €108 million as a result of the cost income ratio improvement.

## Other Financial Services Segment

The tables below present the revenues and the net income for the Other Financial Services segment for the periods indicated:

<b>Consolidated Gross Revenues</b>			
<i>(in euro millions)</i>	<b>FY 2004</b>	<b>FY 2003</b>	<b>FY 2002</b>
French banks	157	142	137
German banks	68	136	133
AXA Bank Belgium	591	551	723
Other	5	37	52
<b>TOTAL</b>	<b>821</b>	<b>866</b>	<b>1 046</b>
Intercompany transactions	-30	-30	-26
<b>Contribution to consolidated gross revenues</b>	<b>791</b>	<b>836</b>	<b>1 020</b>

<b>Adjusted earnings &amp; Net income</b>			
<i>(in euro millions)</i>	<b>FY 2004</b>	<b>FY 2003</b>	<b>FY 2002</b>
French banks	-10	-20	-3
German banks	2	0	2
AXA Bank Belgium	32	68	36
Other	2	78	98
<b>ADJUSTED EARNINGS</b>	<b>26</b>	<b>126</b>	<b>133</b>
Impact of exceptional operations	0	15	0
Goodwill amortization (group share)	-3	-3	-14
<b>NET INCOME</b>	<b>22</b>	<b>138</b>	<b>119</b>

## French Banks

**Adjusted and underlying earnings** increased by €10 million to €10 million mainly resulting from a higher interest margin (€+5 million) thanks to improved credit spread and €+4 million on commissions (reflecting the turnover growth).

## German Banks

*In May 2004, AXA Germany sold the AXA Bausparkasse. As a consequence, commentaries below are based on restated figures to be on a comparable basis and thus only include AXA Bank.*

The banking revenues slightly decreased by €2 million to €68 million.

**Adjusted and underlying earnings** increased by €4 million to €2 million, mainly resulting from lower expenses.

## AXA Bank Belgium

**Net sales** of AXA savings products decreased by €469 million, mainly attributable to lower mutual fund sales and deposit accounts.

Net sales of mortgage loans increased by €309 million due to sustained demand in the context of low interest rates and an increased contribution of the brokers' network.

**Adjusted earnings** decreased by €36 million to €32 million, mainly due to lower gains coming from active asset management (€32 million net of tax) essentially on fixed maturities and to the non-recurrence of the capital gain on Crédit Lyonnais shares for €13 million in 2003.

Consequently, **underlying earnings** decreased by €2 million to €32 million, on the back of lower fixed maturities gains.

## Other

CFP subgroup **adjusted earnings** decreased by €32 million to €1 million, fully explained by the very positive impact of the 2003 run-off development.

## 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.

<i>(in euro millions)</i>	Adjusted earnings & Net income		
	FY 2004	FY 2003	FY 2002
AXA, The Company	-208	-225	-162
Other French holding companies	-0	-9	69
Foreign holding companies	-234	-154	-251
<b>ADJUSTED EARNINGS</b>	<b>-442</b>	<b>-388</b>	<b>-344</b>
Impact of exceptional operations	149	17	87
Goodwill amortization (group share)	0	0	0
<b>NET INCOME</b>	<b>-292</b>	<b>-371</b>	<b>-257</b>

### AXA (the parent company)

Adjusted earnings increased by €17 million to €208 million.

2004 activity was impacted by (i) €+65 million tax benefit mainly due to the merger between Compagnie Financière de Paris and two of its subsidiaries and (ii) a €+16 million foreign exchange gain due to options aiming at reducing the impact of currency fluctuations on Group's earning.

These were partly offset by (i) a €15 million higher financial charges mainly due to the dividend paid on ORAN's (issued for Mony financing) partly compensated by financial income due to short term investment of ORAN proceeds before conversion (excluding ORAN, the financial charge remains stable), (ii) a €7 million higher expenses of which €6 million related to the AXA Trademark, €4 million related to the amortization of fees linked to ORAN's and €6 million higher re-invoiced central function cost. In addition, net capital gains decreased by €30 million reflecting the disposal of a large part of strategic holding in Schneider executed in 2003.

Underlying earnings increased by €21 million to €232 million mainly driven by the tax benefit.

### Other French holding companies

Adjusted earnings increased €9 million to breakeven mainly explained by the €5 million higher net capital gains.

### Foreign Holding Companies

#### *AXA Financial Inc.*

Adjusted earnings decreased by €7 million in 2004, or by €13 million on a constant exchange rate basis, to €63 million. Underlying earnings decreased by €8 million or €15 million on a constant exchange rate basis to €62 million due to higher net interest expense principally related to the MONY acquisition.

### ***AXA Asia Pacific Holdings<sup>22</sup>***

**Adjusted earnings** were a loss of €4 million compared to a loss of €5 million in 2003. Reduced debt following the disposal of non-core assets and favorable interest rate differentials led to reduced interest charges partly offset by the passive income tax expense on gains realized in Hong Kong.

### ***AXA UK Holdings***

**Adjusted earnings** decreased by €16 million in 2004 or by €4 million at constant exchange rate to €70 million, due to a €5 million decrease in the investment result, mainly explained by higher average debt levels, and the non recurrence of the 2003 € million provision release related to GRE 1999 acquisition.

## **Other foreign holding companies**

### ***German Holding companies.***

**Adjusted earnings** decreased by €1 million to €69 million, mainly explained by the sale of Cologne Re JV mid-2003 which generated a €10 million capital gain as well as dividends recorded in 2003 (€9 million). In addition, 2004 was impacted by higher administrative expenses (€6 million) and a higher tax charge (€3 million). **Underlying earnings** decreased by €20 million to €50 million.

### ***Belgium Holding companies.***

**Adjusted earnings** decreased by €3 million to €17 million, mainly due to lower dividends received from real estate companies.

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<sup>22</sup> The AXA Asia Pacific Group is 51.6% owned by AXA.

## Outlook

After several years of substantial improvements in our various businesses, notably in 2004, Management believes that the Group is now in a unique position to take advantage of its earnings capacity and organic growth momentum.

Superior geographic and business diversification should enable the Group to capture growth opportunities in its key life markets. In addition, management currently anticipates that 2005 should see the full benefit of the MONY integration which, as indicated previously, should contribute in 2005 at least \$170 million in underlying earnings to the AXA Group French GAAP earnings.

The strong emphasis on improving Life and Savings business mix toward more profitable products, higher assets under management boosted by third party assets net inflows, combined with tight expense discipline, should continue to underpin Life and Savings and Asset Management underlying earnings growth in 2005, albeit in a low interest rate environment

In Property and Casualty, management believes that, barring any major catastrophes, the growth momentum created by positive net inflows, productivity gains and underwriting discipline in a more contrasted rate environment should contribute to strong underlying earnings. In 2005, a more normal claims environment should also support International Insurance underlying earnings.

In addition, barring any downturn in the financial markets, management also believes that AXA's adjusted earnings should be progressively fuelled by stronger capital gains.

## 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 the 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 the 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, if their 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<sup>th</sup>, 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 Statement on Income in accordance with French GAAP. As a result, the operating income under Margin Analysis is equal to that reported in AXA's Statement of Income for the segment. There are certain material differences between the detailed line-by-line presentation in the Statement 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 Statement 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 Statement 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 & 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***

Two 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) **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 force) 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 (INCLUDING AXA CORPORATE SOLUTIONS ASSURANCE)***

**Net investment result** includes the following items:

- (i) Net investment income,
- (ii) Realized capital gains & losses,
- (iii) Valuation allowances & 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 revenues, 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 revenues, gross of reinsurance.
- (iii)

**All accidents year 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 revenues, gross of reinsurance.

The **combined ratio** is the sum of (i) the expense ratio and (ii) the loss ratio (all accident years).

## **AXA RE**

**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 ultimate cost, gross of reinsurance and reinstatement premiums, is greater than \$30 million<sup>23</sup>.

**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 net revenues (including performance fees).

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<sup>23</sup> This is a change as compared to the definition of major losses used for previous reporting periods. However due to the very low level of significant losses that occurred in 2002 and 2003, there is no difference in the presentation of the profit and loss account of AXA Re for those two periods according to the definition which is used, either the previous one (net ultimate cost over \$50 million) or the new one (gross ultimate cost over \$30 million).