

# Full year 2003 Earnings

February 26, 2004

Press Conference



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*Be Life Confident*

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- **2 : 2003 Consolidated Results and Results by Segment**
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# Glossary

## ◆ Adjusted Earnings

Net income before the impact of exceptional operations and goodwill amortization

## ◆ Underlying Earnings

Adjusted earnings excluding net capital gains attributable to shareholders and claims associated with the September 11, 2001 terrorist attacks

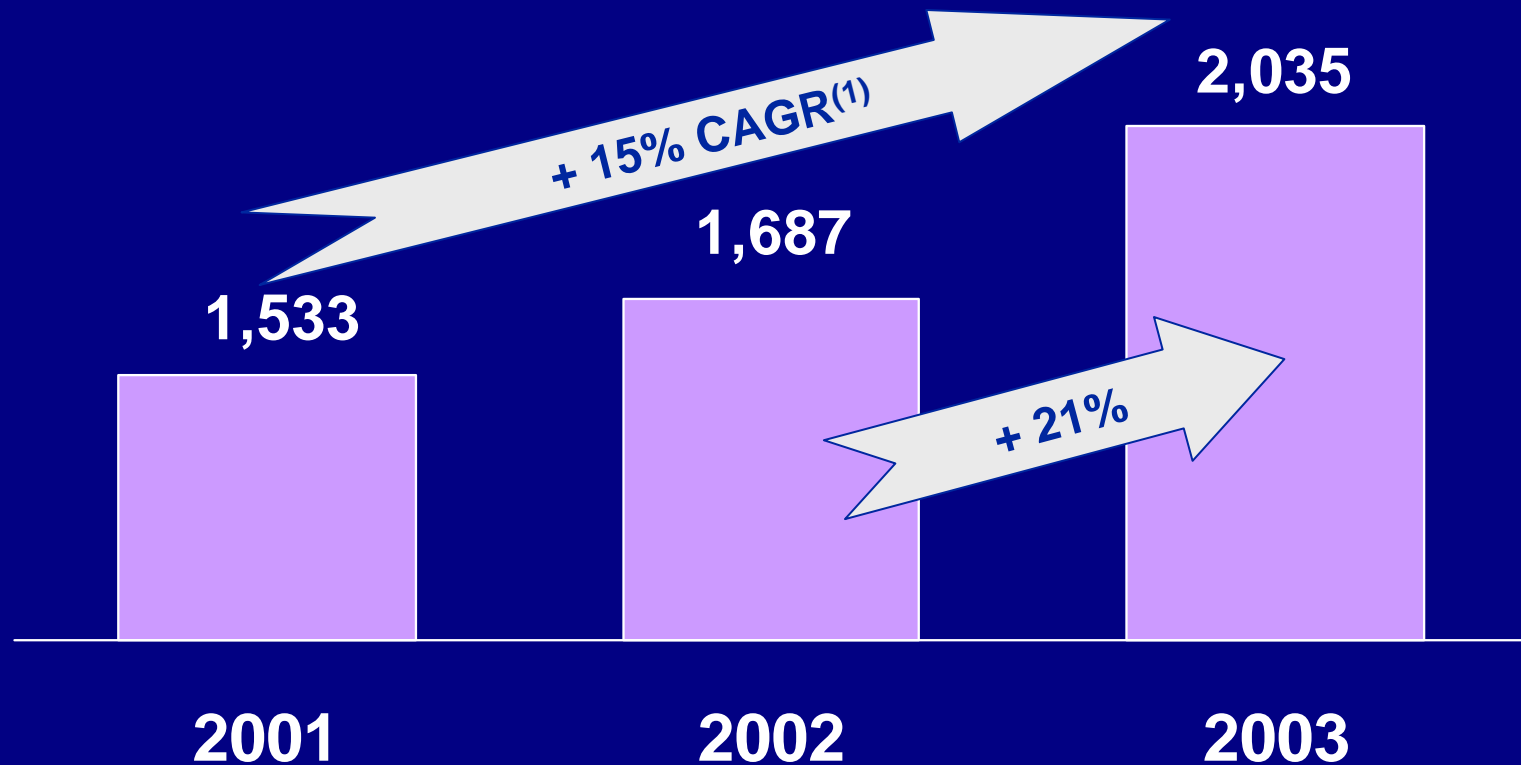
Adjusted and underlying earnings are non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies



# Our focus on operational excellence is delivering results

Euro million

## Underlying Earnings



(1) Compounded Annual Growth Rate.

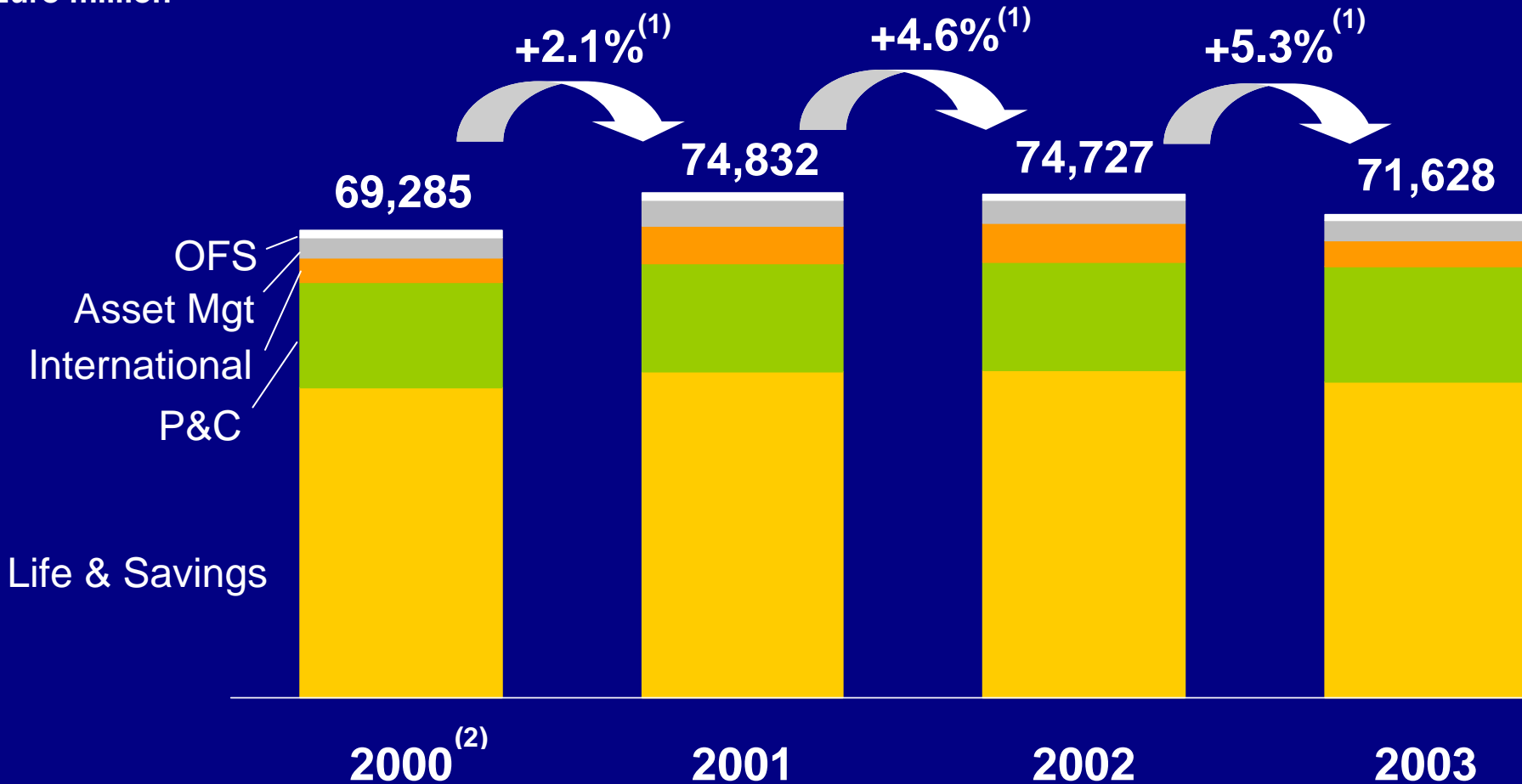
# These results were achieved through:

- ◆ **Group focus : organic growth and operational efficiency**
- ◆ **Entity specific focus : turnaround of international insurance, Japan and UK P&C**
- ◆ **Commitment to our business model and strategy : Financial Protection in selected markets**



# 1. Acceleration of organic growth

Euro million

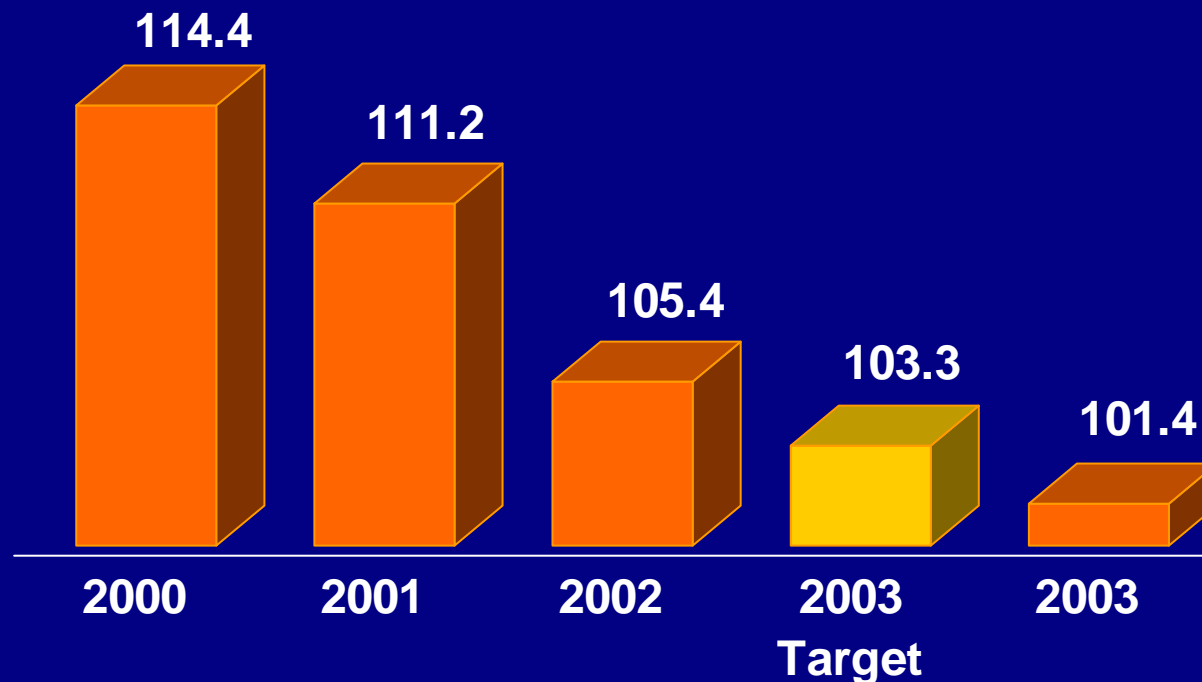


(1) On a comparable basis, i.e., adjusted for changes in scope, accounting methods and currency.  
 (2) Excluding Euro 10,686 million related to DLJ.

## 2. Strong improvement in P&C combined ratio, ahead of our target

### P&C Combined Ratio (%)

On a new reporting basis<sup>(1)</sup>, except in 2000



	2000	2001	2002	2003	2003 Target
Loss ratio (%)	84.6	82.2	78.0	74.3	
Expense ratio (%)	29.8	29.0	27.4	27.2	



(1) Excluding discontinued business transferred to International Insurance segment and including UK Health business.

### 3. Euro 1.2 billion of expense savings

Target	Post Sept 11	Euro 700 m of savings by end 2002
Achieved	2001	Euro 100 m
	2002	Euro 866 m
	2003	Euro 269 m
<b>Total</b>		<b>Euro 1,235 m<sup>(1)</sup></b>

**While, at the same time, we have grown our revenues by 14%<sup>(2)</sup> since 2000**



(1) On an economic basis (non-commission expenses, excluding asset managers, adjusted for change in scope and currency, IT capitalization/amortization, pension funds and one-off expenses).

(2) At constant exchange rates, excluding Asset Management revenues in all years and excluding DLJ revenues from 2000 total revenues.



# Entity specific focus: our actions are starting to flow through results

Euro million

## ◆ Non Life

### → UK P&C<sup>(1)</sup>

- underlying earnings
- combined ratio

### → Germany P&C

- underlying earnings
- combined ratio

### → AXA Corporate Solutions Assurance

- underlying earnings
- combined ratio

### → AXA RE

- underlying earnings
- P&C Reinsurance combined ratio<sup>(2)</sup>

## ◆ Life

### → Japan

- underlying earnings

2002

2003

-57  
107.9%

71  
102.9%

18  
107.3%

60  
101.0%

-84  
109.1%

31  
102.3%

17  
109.2%

108  
98.2%

-45

52



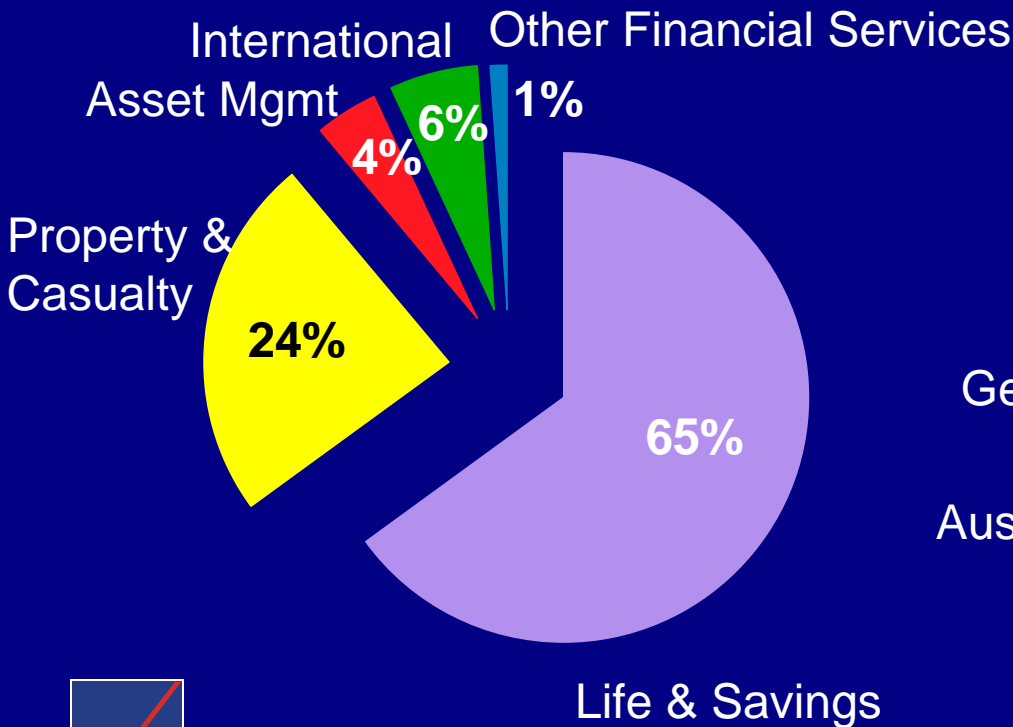
(1) Restated in 2002 for UK Health transfer from Life & Savings to P&C, effective January 1, 2003.

(2) Excluding Sept. 11 impact on 2002 combined ratio.

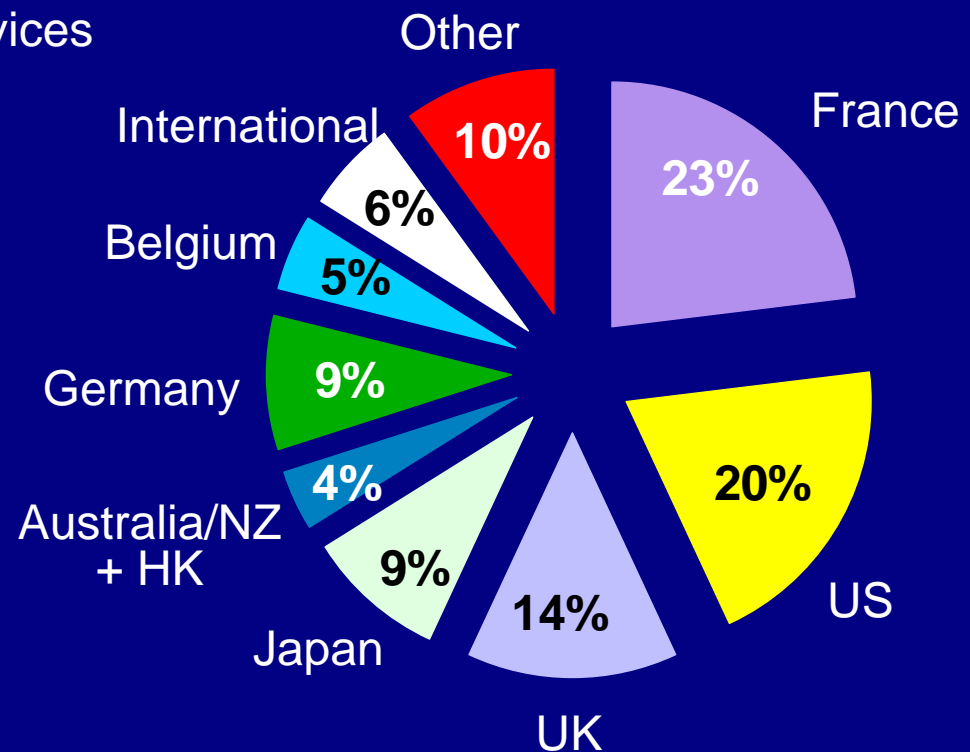
# Solid and balanced positions, creating a unique platform in industry

## Revenue Diversification Full Year 2003

### Breakdown of Total Revenues by activity

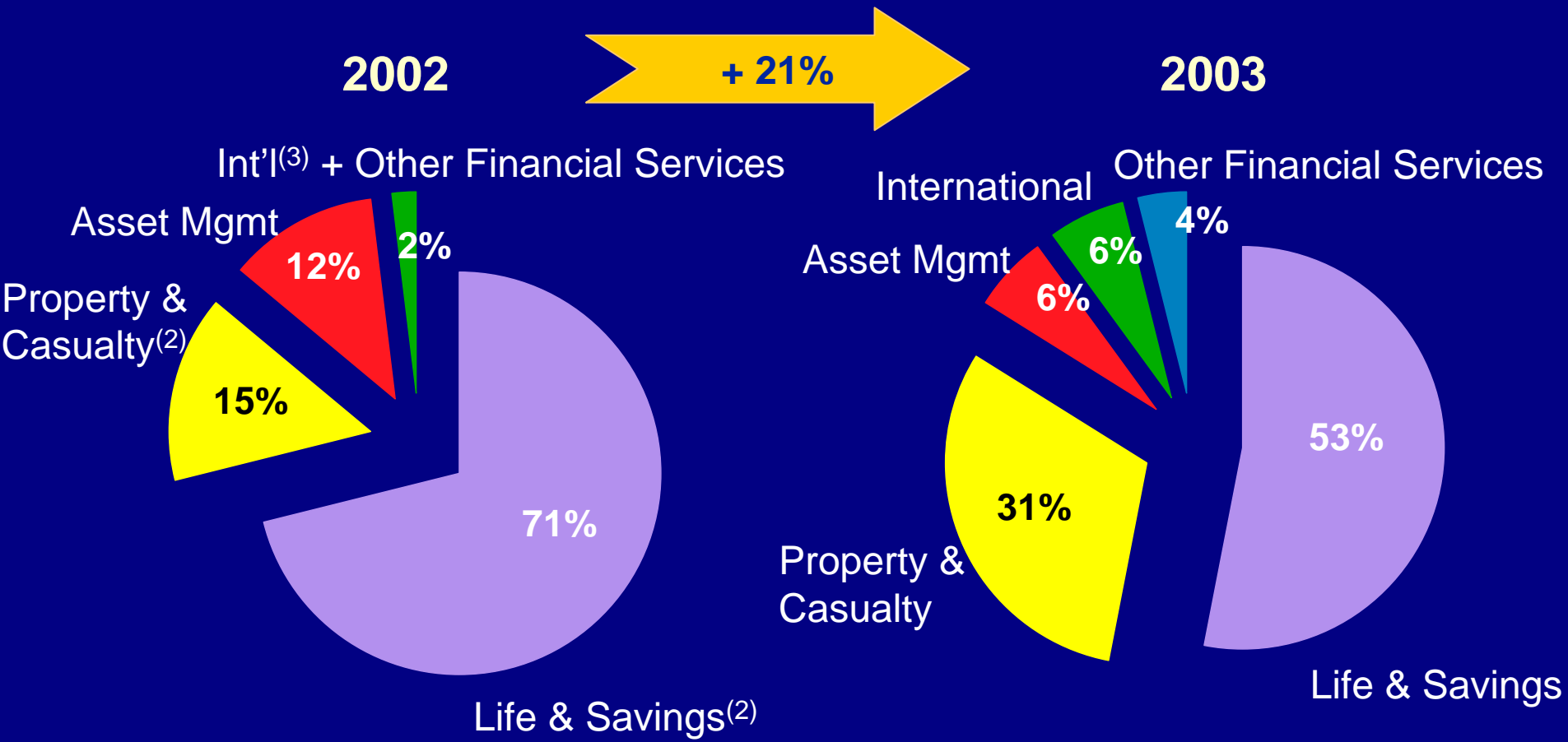


### Breakdown of Insurance Revenues by country



# This diversification is clearly helping to reduce AXA's earnings volatility and capital needs

## Underlying Earnings Diversification<sup>(1)</sup>



(1) Percentages are based on total underlying earnings, excluding Holdings.  
 (2) Restated for UK Health transfer from Life & Savings to P&C, effective January 1, 2003.  
 (3) In 2002, International had negative underlying earnings, which represented -4% of total underlying earnings excluding Holdings.

# Maintaining our strategy and fostering a culture of operational excellence...

## Leveraging Group's size and best practices in Financial Protection

Underwriting and pricing discipline

Product innovation

Distribution management

Productivity and service quality

### Portfolio increases:

- New business
- Client retention

**Accelerate profitable revenue growth**



# [ ...while maintaining the earnings growth potential of the Group

## ◆ Managed our operational exposure to equity markets

- Maintained our bias towards unit-linked and asset management businesses
- Protected our earnings against volatile equity markets by lowering our expense base
- Maintained our investment portfolio equity exposure, dictated by our ALM discipline: 15% of total invested assets<sup>(1)</sup> in 2003, same as in 2002

## ◆ Did not dilute our shareholders



(1) At book value. Equity excludes fixed income mutual funds. Total invested assets exclude separate account assets, assets backing with-profits liabilities, and investments in affiliated companies consolidated under the equity method.

# Strong 2003 performance allows higher dividend

Euro million

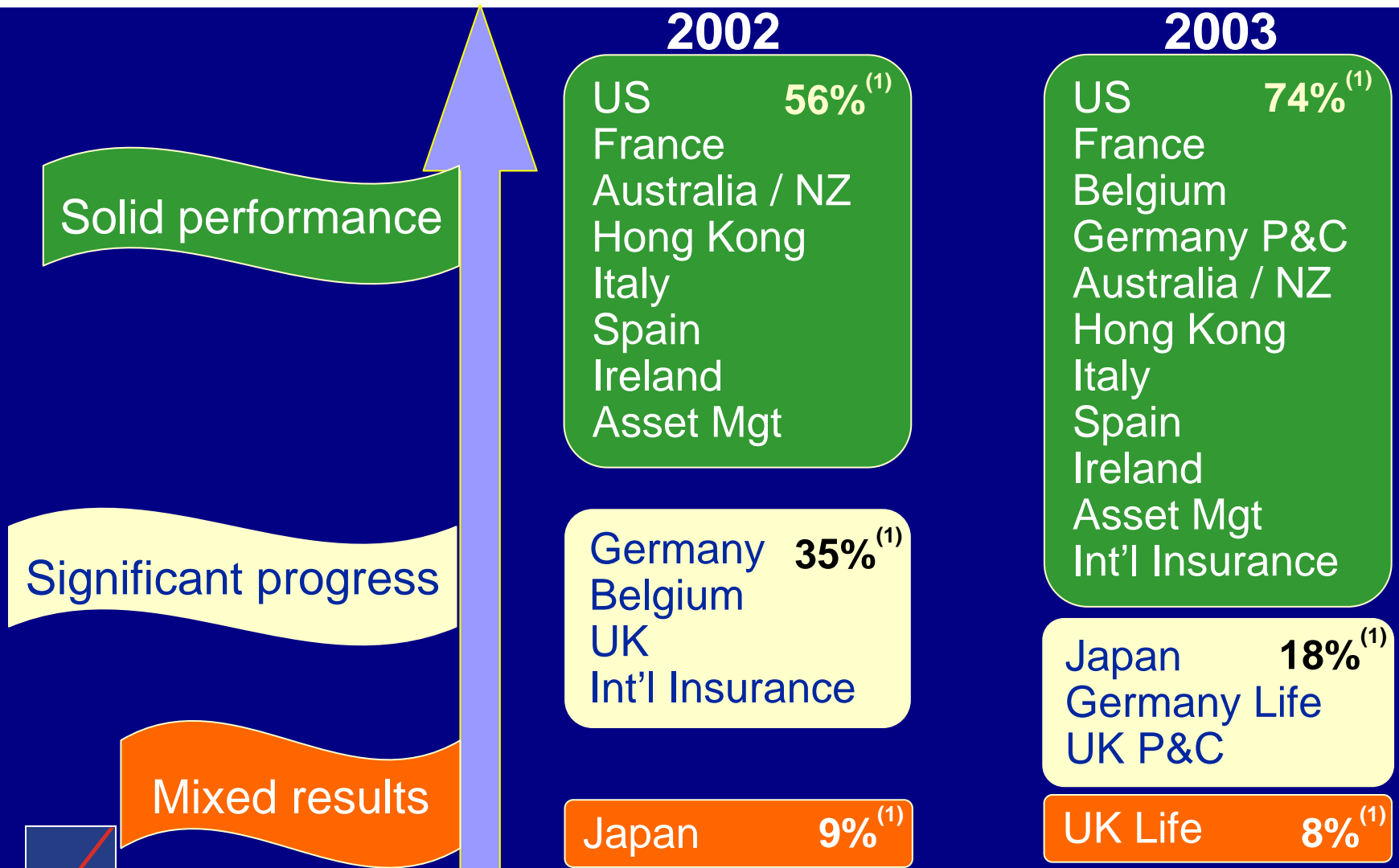
	2003	Growth	Growth at cst FX
◆ Revenues	71,628	-4%	+5% <sup>(1)</sup>
◆ Underlying earnings	2,035	+21%	+30%
◆ Adjusted earnings	1,450	+7%	+15%
◆ Net income	1,005	+6%	+18%
◆ Embedded Value	29,008	+3%	+12%
◆ New Business Contribution	675	+4%	+16%

**2003 proposed dividend of Euro 0.38 per share,  
a 12% increase from 2002**



(1) On a comparable basis for revenues.

# Our operational platform has significantly improved but there's still room for more ...



(1) % of revenues. Other P&C, Life and Financial Services are part of "Solid performance", but are not listed because of lack of space.

# AXA France - 2003 Highlights

- ◆ **Strong P&C sales performance** : positive net inflows
- ◆ **Personal lines** : revenues up 5%
- ◆ **Commercial lines** : revenues up 10.5%
- ◆ **P&C Combined ratio improved 1.4 points** to 101.5%
- ◆ **Individual Life & Savings** : revenues up 5%
- ◆ **Group pension** : revenues up 16%
- ◆ **Life & Savings net inflows strongly up (+ 66%)**
- ◆ **Successful launch of AXA Banque** : 50 000 new customers in 2003
- ◆ **Underlying Earnings up**, both in Life and P&C





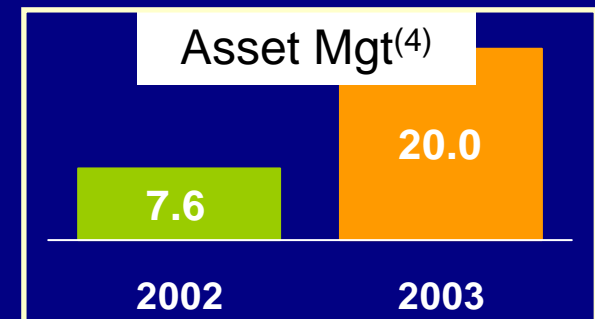
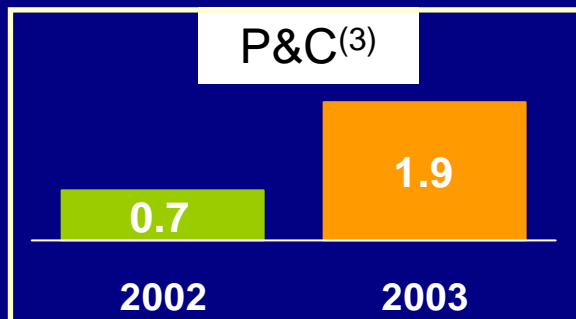
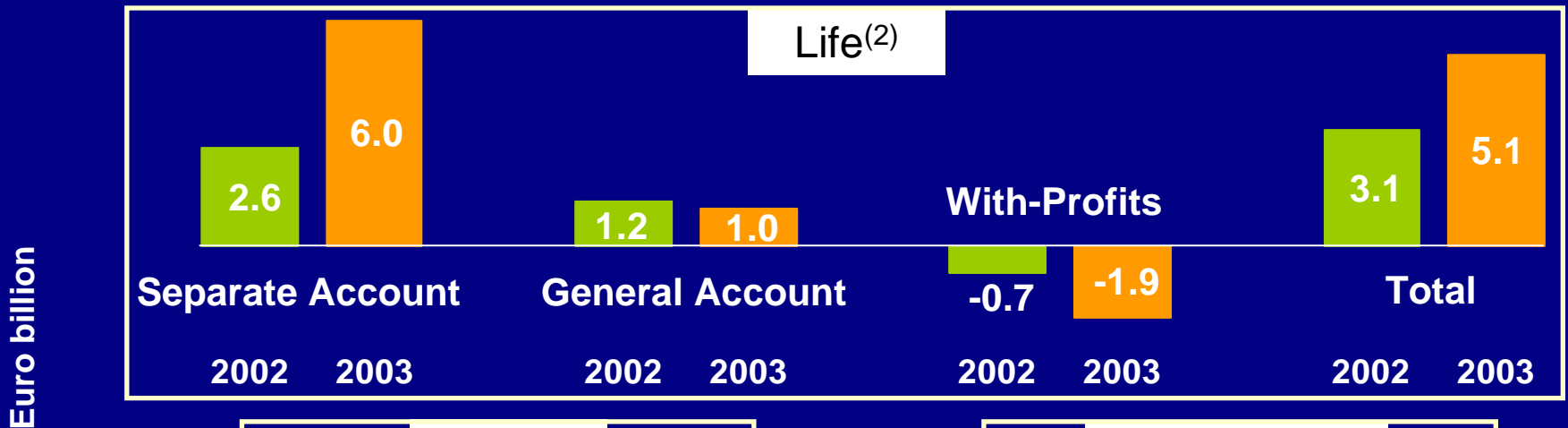
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# Organic revenue growth of 5.3% on a comparable basis and increasing cash flows

- ◆ Life & Savings revenues up 8.5%<sup>(1)</sup> and P&C revenues up 4.0%<sup>(1)</sup>
- ◆ Cash flows are growing:



(1) Growth on a comparable basis.

(2) Premiums net of loadings, surrenders and other benefits paid and other changes in reserves. Exclude investment income.

(3) Net operational cash flows including expenses, taxes and investment income. Scope: France, UK, Germany, Belgium, Italy and Spain representing 87% of P&C written premiums and gross reserves.

(4) Sales net of redemptions.

# Strong earnings improvement in 2003

Euro	2003 million	2002 million	Change	Change at cst. FX rate	2003 per diluted share	Change
<b>Underlying earnings</b>	<b>2,035</b>	<b>1,687</b>	<b>+21%</b>	<b>+30%</b>	<b>1.14</b>	<b>+17%</b>
Sept 11 impact	-	-89				
Capital gains net of valuation allowances	-585	-240				
<b>Adjusted earnings</b>	<b>1,450</b>	<b>1,357</b>	<b>+7%</b>	<b>+15%</b>	<b>0.81</b>	<b>+4%</b>
Exceptional operations	148	235				
Amortization of goodwill	-593	-643				
<b>Net income</b>	<b>1,005</b>	<b>949</b>	<b>+6%</b>	<b>+18%</b>	<b>0.56</b>	<b>+3%</b>

Weighted average number of diluted shares is 1,790m in 2003, of which 23m relating to ORAN dilution, vs 1,739m in 2002.



# More stringent equity valuation allowances' requirements offset the positive impact of market recovery

	2003			2002		
Euro million	Capital gains/losses <sup>(1)</sup>	Equity valuation allowances <sup>(2)</sup>	Net	Capital gains/losses <sup>(1)</sup>	Equity valuation allowances <sup>(2)</sup>	Net
Life & Savings	128 <sup>(3)</sup>	-531	-403	-11	-258	-269
Property & Casualty	182	-416	-234	143	-276	-133
Int'l insurance	74	-68 <sup>(4)</sup>	6	95	-77 <sup>(4)</sup>	18
Asset Management	2	-	2	-	-	-
Holdings and others	78	-33	45	148	-4	144
<b>Total</b>	<b>463</b>	<b>-1,048</b>	<b>-585</b>	<b>374</b>	<b>-614</b>	<b>-240</b>
Gross Impairments		-1,982			-912	

(1) Excluding one-off capital gains on disposal of Austria/Hungary, Auxifina and Members' Equity (Euro 64m) and including valuation allowances on bonds.

(2) Following the CNC (Conseil National de la Comptabilité) principles regarding market volatility as relates to equity impairment threshold, a threshold of 20% was used in 2003 versus 30% in 2002.

(3) Including Japan DTA valuation allowance of Euro 119m.

(4) Including French PRE of Euro 47m net of tax (Euro 71m pre-tax) in 2002, and its release in 2003, in line with regulatory recommendations.



# Underlying earnings improved in P&C and International Insurance, but declined in Life and Asset Management

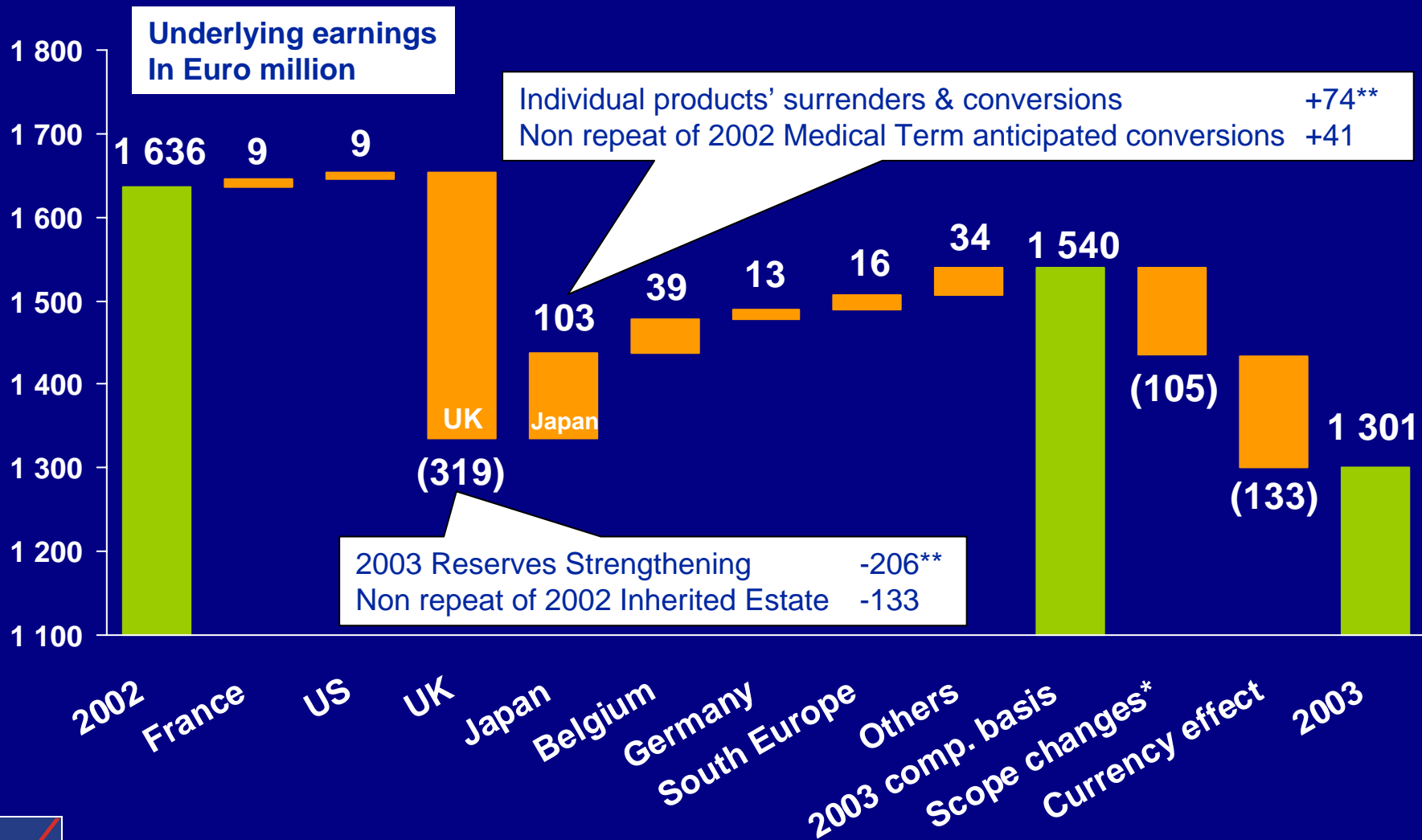
<i>Euro million</i>	<i>2003</i>	<i>2002</i>	<i>Change</i>	<i>Change on comp basis<sup>(1)</sup></i>
Life & Savings	1,301	1,636	-20%	-7%
Property & Casualty	753	226	+233%	+140%
International Insurance	141	-78	--	--
Asset Management	146	258	-43%	-36%
Other Financial Services	112	133	-16%	-16%
Holdings	-419	-488	--	--
<b>TOTAL Underlying earnings</b>	<b>2,035</b>	<b>1,687</b>	<b>+21%</b>	<b>+30%</b>

(1) Adjusted for currency changes and for the UK Health transfer from Life & Savings to P&C.

... which were negatively affected by currency movements, a charge for mutual fund matters and legal proceedings at Alliance Capital and by the non-repeat of 2002 tax benefits in the UK and the US.

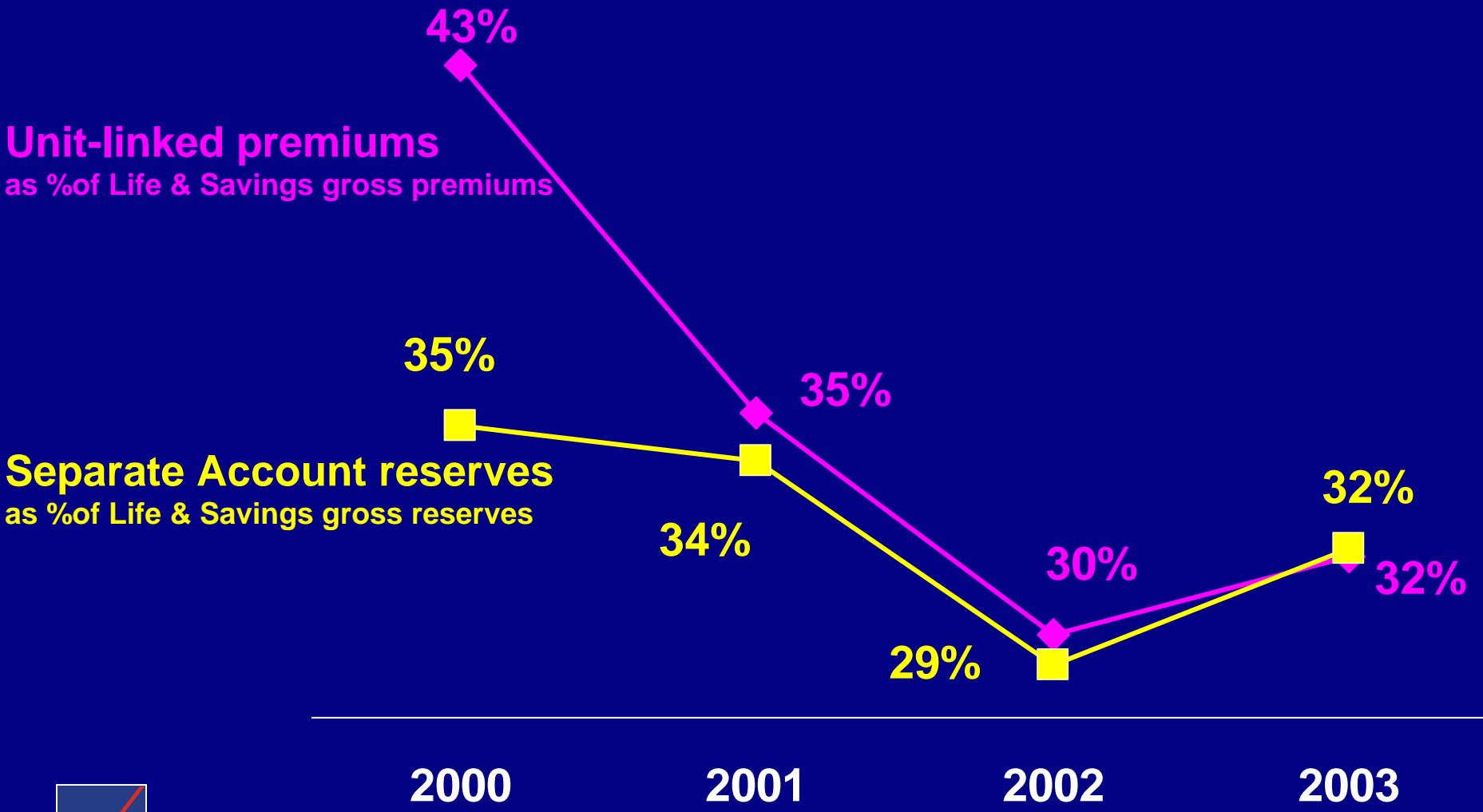


# Life & Savings: improvement on a comparable basis in all countries except the UK



\* UK Health transfer to P&C + sale of Australia Health and Austria/Hungary  
 \*\* At 2002 exchange rate

# ...and the trend in terms of unit-linked sales and balances is reverting to positive



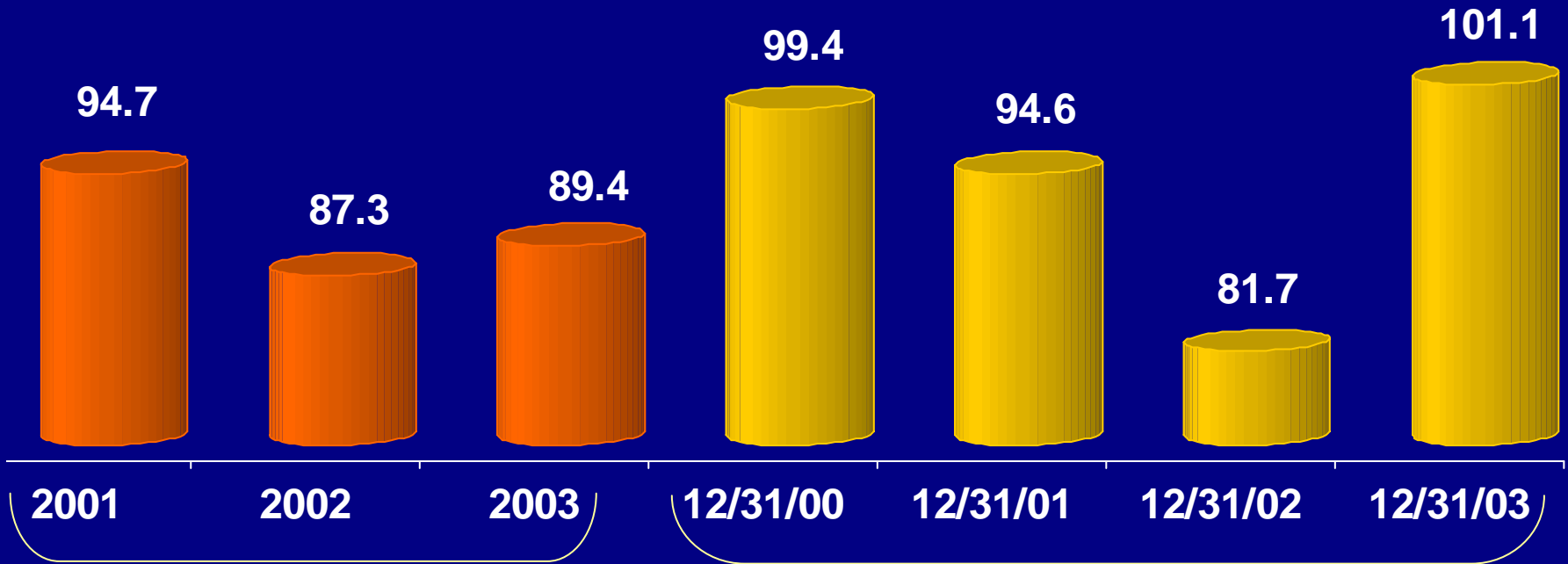
Non-adjusted for exchange rate fluctuations.

# Higher average separate account balances generates higher commissions...

Euro billion

## Life & Savings Separate Account Balances

All periods at December 31, 2003 exchange rates



**Average balances**

**Ending balances**

*...a higher 2003 ending balance than the 2003 average bodes well for the future*





# Japan : 2003 actions ahead of plan

## ◆ Short term improvements

- High guaranteed rate products' conversions and surrenders in line with expectations, at 16% of old book of policies with high guarantees
- Improved the retention of major group medical clients

## ◆ Building the future

- Developed new product sales: APE up +12% on Key 6 products in 2003
- Japanese New Business is highly profitable, with an APE margin of 29% in 2003
- Increased retention with surrender rate down 2 percentage points at 9%, ahead of target
- Continued to improve ALM

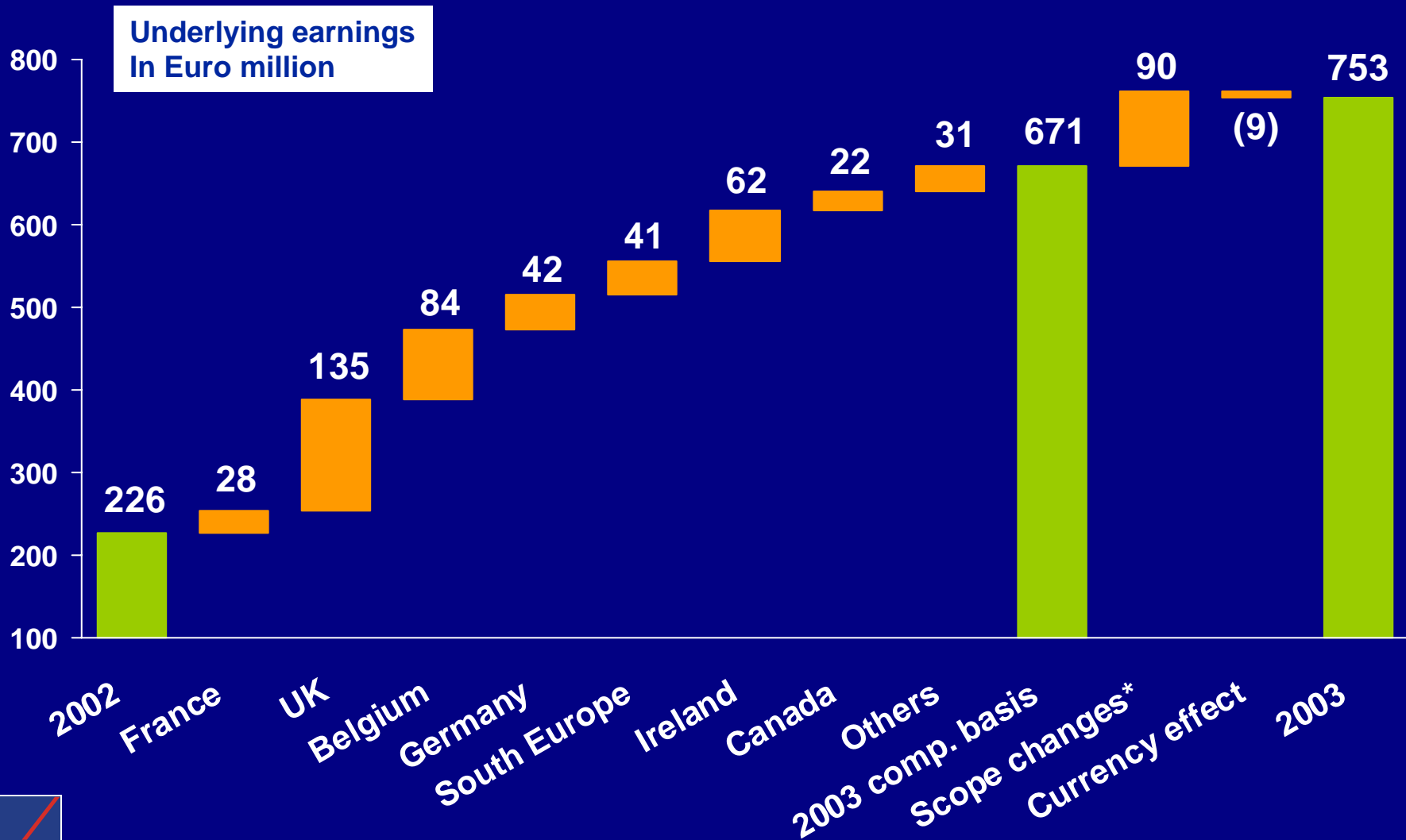


# UK Life & Savings: a difficult 2003 but turnaround actions implemented

- ◆ Successful substitution of WP bonds by other products, such as unit-linked bonds:
  - ➔ 2002 WP bond sales of £977m were more than half replaced by 2003 unit-linked bond sales of £514m.
  - ➔ Unit-linked bonds sales up 63% from 2002, with 2H03 sales 57% higher than 2H02 and 24% higher than 1H03
- ◆ Cost savings and efficiency gains:
  - ➔ unit cost reduced by 19% since 2000
- ◆ Solvency position management:
  - ➔ remained one of the strongest UK Life players



# P&C : underlying earnings growth across the board



\* UK Health transfer from Life & Savings + sale of Austria/Hungary

# Combined ratios improved across the Group...

Combined ratios <sup>(1)</sup> (%)	2003	2002 <sup>(4)</sup>	Change
France	101.5	102.9	-1.4
Germany	101.0	107.3	-6.3
UK <sup>(2)</sup> (+Ireland) <sup>(5)</sup>	100.5	106.4	-5.9
Belgium <sup>(3)</sup>	103.8	109.8	-6.0
Italy	103.7	104.6	-0.9
Spain	99.4	99.9	-0.5
Portugal	99.7	101.0	-1.3
Canada	99.0	103.2	-4.2
<b>Total P&amp;C Combined Ratio</b>	<b>101.4</b>	<b>105.4</b>	<b>-4.0</b>
Net technical reserves/Net earned premiums	192.9	195.8	-2.9
Net claims reserves/Net claims paid	256.3	239.3	+17.0

**...while we maintained healthy premiums and claims ratios**

(1) Combined ratio = (gross claims charge + net result of reinsurance ceded + expenses) / gross earned premiums

(2) Excluding discontinued business and including UK Health and non-risk income business

(3) Including workers' compensation business

(4) Proforma including UK Health business transferred from Life & Savings to P&C in 2003.

(5) Excluding Ireland, UK combined ratio was 102.9% in 2003 versus 107.9% in 2002.



# Combined ratios benefited from both lower loss and expense ratios

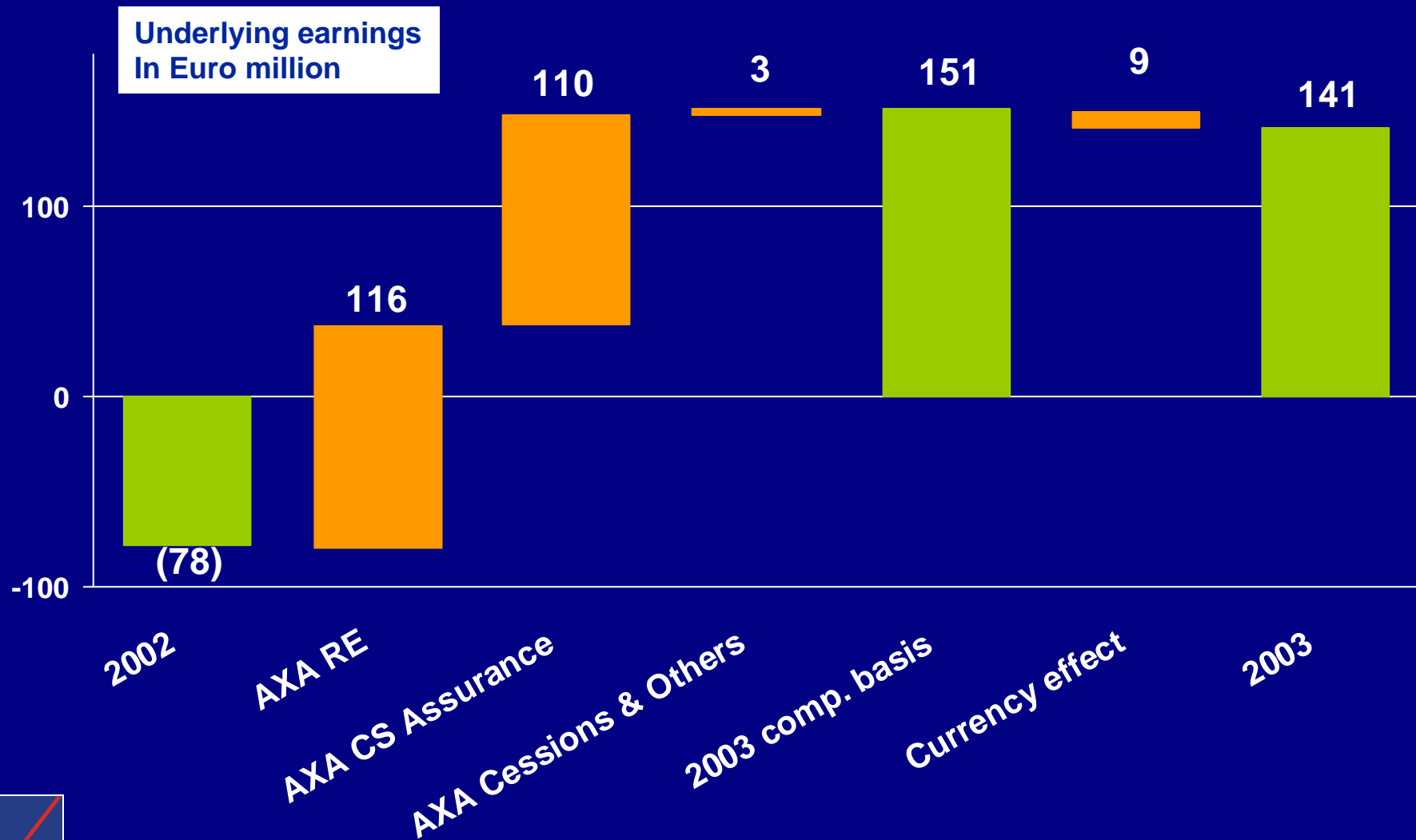
%	2003	2002 <sup>(1)</sup>	Change
<b>Total P&amp;C combined ratio</b>	<b>101.4</b>	<b>105.4</b>	<b>-4.0</b>
Expense ratio	27.2	27.4	-0.2
Loss ratio	74.3	78.0	-3.8
of which claims handling ratio	5.4	5.7	-0.3

**→ Ahead of target, but still room for improvement**



(1) Proforma including UK Health business transferred from Life & Savings to P&C in 2003.

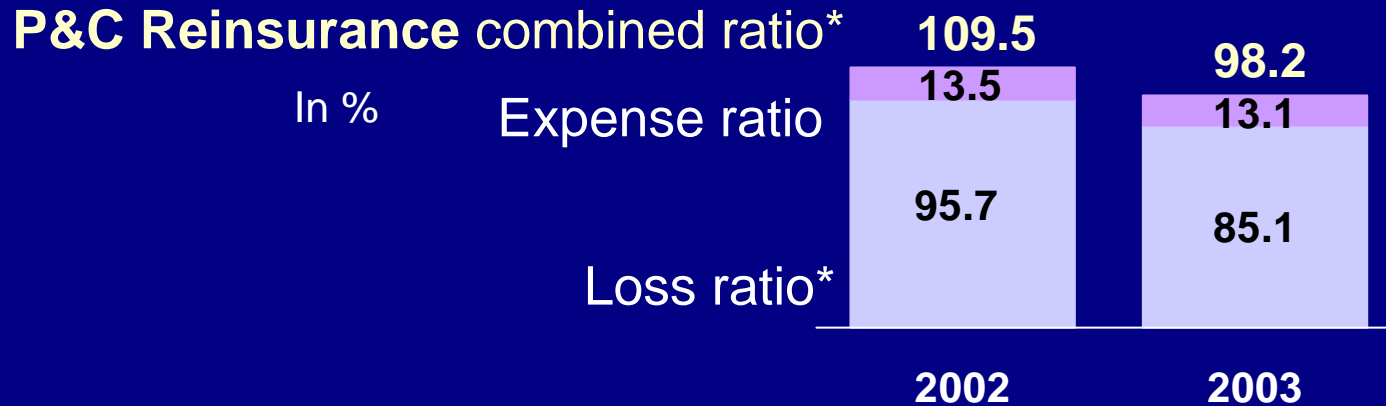
# International Insurance: successful turnaround



# AXA RE : P&C reinsurance combined ratio improves 11.3 points\*

## ◆ Successful repositioning of the business

- Premiums down 45%, due to the run-off of some US activities
- On comparable basis, premiums down 18% as a result of stringent underwriting policy aiming at reducing risk exposure



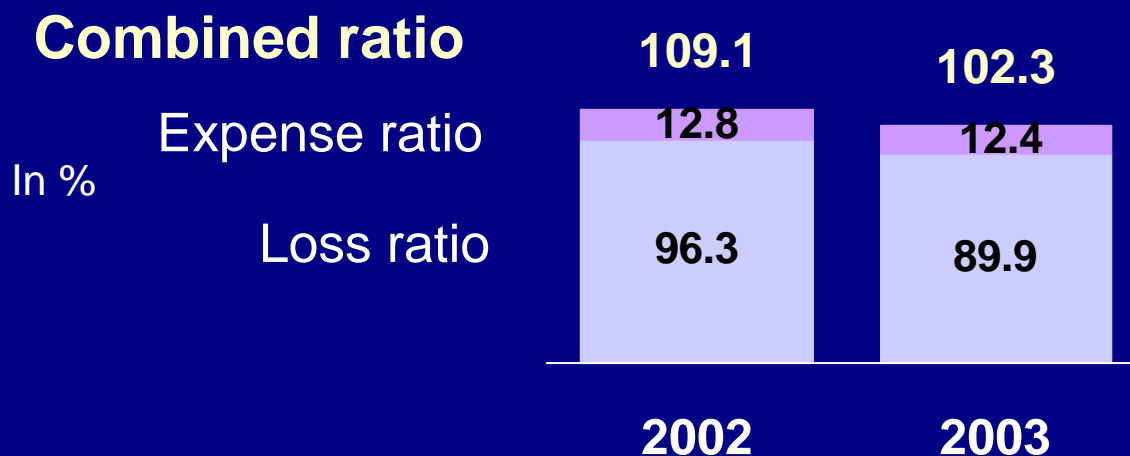
\* Excluding Sept 11 costs in 2002

# AXA CS Assurance : back to profit

## ◆ 2003 actions

- More selective underwriting policies
- Focus of global risks insurance business in targeted European markets and business lines
- Expense reduction

## ◆ Improved reinsurance protection under way



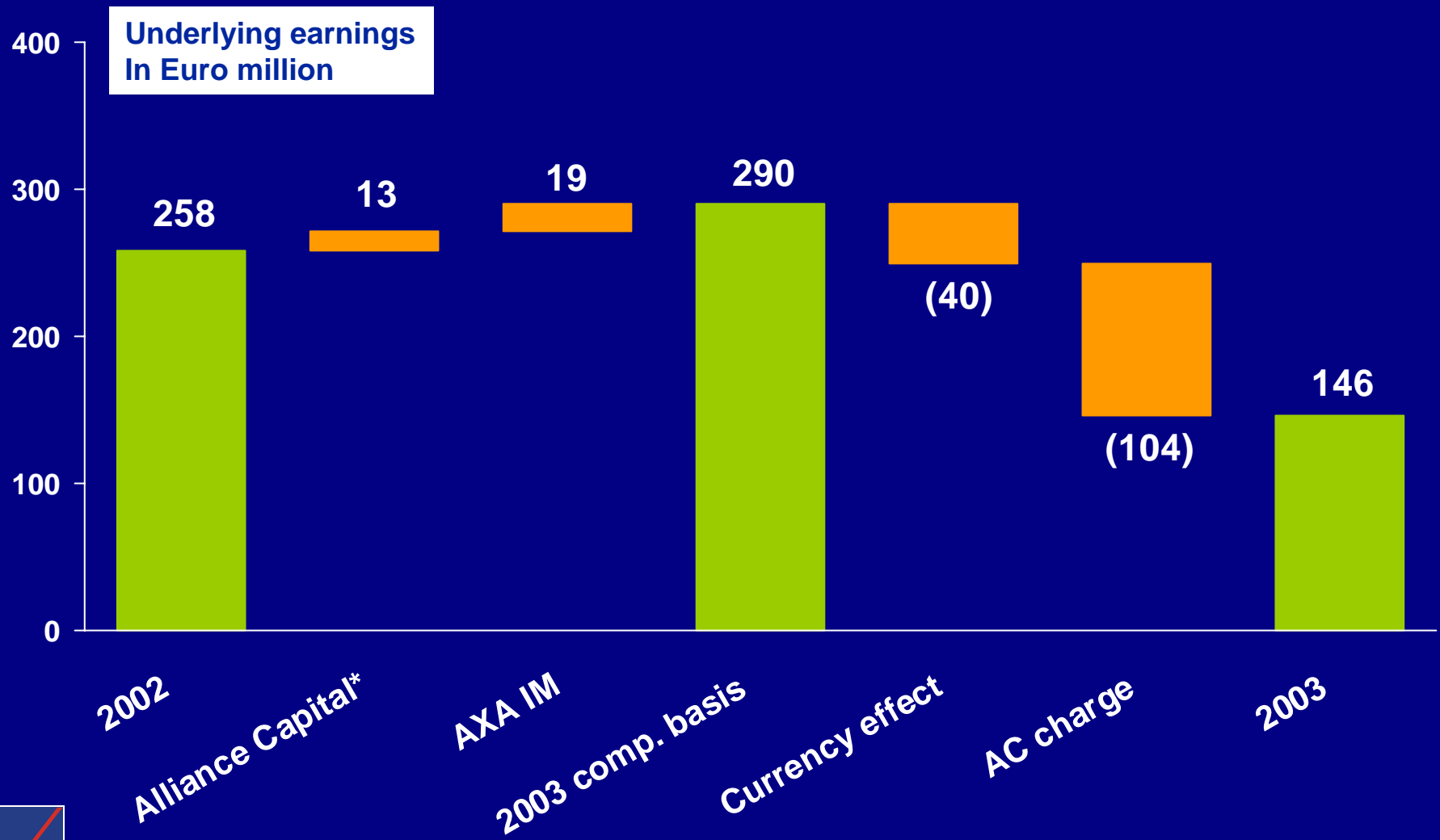


# International Insurance : a true turnaround but still room for improvement

- ◆ 2003 actions:
  - ➔ Very strong turnaround
  - ➔ Have reduced volatility of earnings
- ◆ The focus now is on:
  - ➔ Improving reinsurance protections and costs
  - ➔ Continuing to lower the breakeven point
- ◆ 2004 renewal season indicating a continued hard pricing cycle



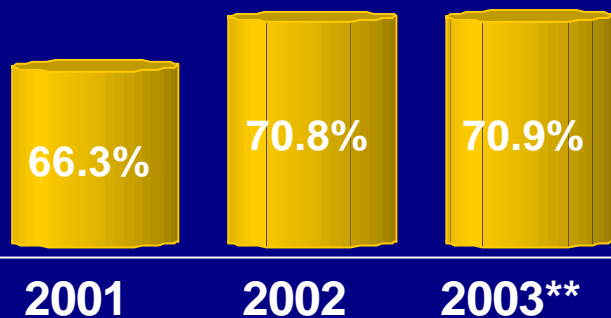
# Asset Management underlying earnings impacted by Alliance Capital charge



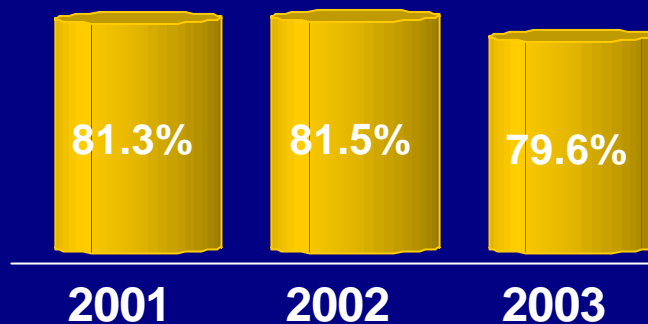
\* Excluding the charge for mutual fund matters and legal proceedings ("AC charge").

# Asset Management : Stable to improving cost income ratios and higher AUM

## ◆ Cost income ratio\* Alliance Capital

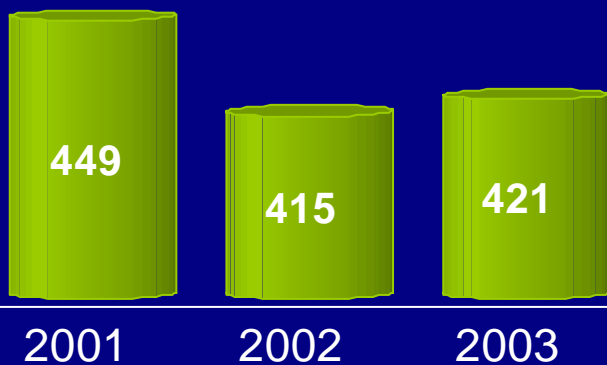


## AXA Investment Managers

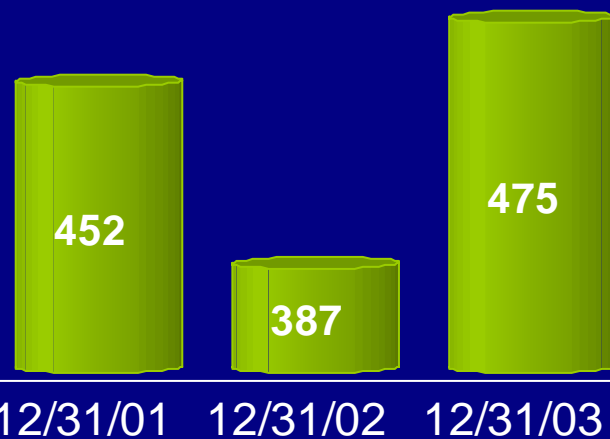


## ◆ AUM (Alliance Capital)

\$ bn



Average AUM



Ending AUM



\* Operating expenses divided by gross revenues (net of distribution revenues)

\*\* Excluding from operating expenses the net charge for mutual fund matters and legal proceedings

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# EV increased despite unfavorable currency effects

	2003	2002	% Change Actual	% Change @ cst FX
<b>EV/share (Euro)</b>	<b>16.31</b>	<b>15.93</b>	<b>+ 2%</b>	<b>+ 11%</b>
<b>Life New Business Contribution<sup>(1)</sup></b>				
<i>Before cost of capital (Euro million)</i>	<b>675</b>	<b>648</b>	<b>+ 4%</b>	<b>+ 16%</b>
<b>Life NB APE Margin</b>				
<i>Before cost of capital</i>	<b>15.2%</b>	<b>14.5%</b>	<b>+ 0.7 pt</b>	<b>+ 1.0 pt</b>

- **Embedded Value = Adjusted Net Asset Value (ANAV) + Present Value of Future Profits (PVFP) - see appendix for details**
- **APE = Annual Premium Equivalent = 100 % of regular premiums + 10 % of single premiums**



(1) Starting in 2003, New Business Contributions and APE premiums are converted in Euro using average exchange rates over the year instead of year-end exchange rates. 2002 numbers have been restated accordingly.

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# 2004 key targets: Maintaining momentum...

- ◆ Reinforcing organic growth whilst continuing to improve operational efficiency
- ◆ Strengthening turnaround
  - International Insurance
  - Germany Life
  - UK P&C
  - Japan
- ◆ Dealing with issues
  - UK Life
- ◆ Mony



# [ ...in a better environment should support our earnings growth capacity

- The economic recovery and the return to favor of equity-linked products should enhance Life & Savings and Asset Management earnings growth
- The combined ratio should continue to improve to remain within the range of 98% and 102% over the cycle
- Pragmatic attitude towards external growth opportunities in selected areas where we have a strong platform





# Cautionary Statements Concerning Forward-looking Statements

Certain statements contained herein are forward-looking statements including, but not limited to, statements that are predications of or indicate future events, trends, plans or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and AXA's plans and objectives to differ materially from those expressed or implied in the forward looking statements (or from past results). These risks and uncertainties include, without limitation, the risk of future catastrophic events including possible future terrorist related incidents. Please refer to AXA's Annual Report on Form 20-F for the year ended December 31, 2002 and AXA's Document de Référence for the year ended December 31, 2002, for a description of certain important factors, risks and uncertainties that may affect AXA's business. AXA undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.





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