Updating
of AXA's Annual Report
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Other supplementary financial information

U.S. GAAP Financial information

The following information referred as 'U.S. GAAP financial information' reflects AXA Group consolidated financial statements, restated according to generally accepted accounting principles in the United States ("U.S. GAAP"). French accounting principles, as described in Note 3 of the Notes to Financial statements are referred hereafter as 'French GAAP'.

1. SUMMARY OF MATERIAL DIFFERENCES BETWEEN FRENCH GAAP AND U.S. GAAP

Certain significant differences between French GAAP and U.S. GAAP are new or modified in 2002 and 2001 following (i) the implementation of new French regulations that became effective from January 1, 2001, and (ii) certain new accounting principles under U.S. GAAP that became effective in 2002 and 2001. The significant differences in accounting principles between French GAAP and U.S. GAAP along with the significant changes in 2002 and 2001 are summarized below.

1.1. CHANGES IN ACCOUNTING PRINCIPLES UNDER U.S. GAAP

Accounting for business combinations, goodwill and other intangibles and impairment or disposal of long-lived assets

On January 1, 2002, AXA adopted statement of Financial Accounting Standards ("FAS") No. 141 *"Business combinations",* FAS 142 *"Goodwill and other intangible assets",* and FAS 144 *"Accounting for the impairment or disposal of long-lived assets".*

FAS 141: ACQUISITIONS:

FAS 141 addresses financial accounting and reporting for business combinations, including investments accounted for under the equity method, collectively referred to in this section as "business combinations", with an acquisition date on or after July 1, 2001. All business combinations in the scope of FAS 141 are to be accounted for using the purchase method whereby a goodwill asset is recorded for the excess of the purchase price over the estimated fair value of net identifiable assets acquired. If the goodwill is negative, it will no longer be set up as a deferred credit and included in income over the estimated useful life but rather recognized as an after-tax extraordinary gain in the income statement in the period of acquisition. Pooling-of-interests is no longer permitted. In addition, other intangible assets can be recognized apart from goodwill if the intangible either (i) reflects a contractual-legal right, or (ii) is separable, that is, capable of being separated, sold, divided, transferred (regardless of intent / existence in the market and either individually or with a group of related assets and liabilities). Prior to FAS 141, only intangibles that could be identified and named could be recognized as an asset apart from goodwill. FAS 141 had no material impact on the results of operations or financial position of AXA upon its adoption on January 1, 2002.

FAS 142: GOODWILL AND OTHER INTANGIBLE ASSETS:

FAS 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets, including intangible assets that are acquired individually or with a group of other assets but not acquired in a business combination. Goodwill is no longer amortized, the carrying value of goodwill is frozen at January 1, 2002, tested for impairment at such date and subsequently subject to an annual impairment test (or, more frequently if triggering events

arise during the interim period). Concurrent with the adoption of FAS 142, AXA ceased to amortize goodwill and the remaining negative goodwill at January 1, 2002 was immediately recorded in the income statement. AXA's intangible assets have finite useful lives and continue to be amortized over their estimated useful lives.

FAS 144: ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS TO BE DISPOSED OF:

FAS 144 retains many of the fundamental recognition and measurement provisions previously required under FAS No. 121, "Accounting for the impairment of long-lived assets to be disposed of", except for the removal of goodwill from its scope, inclusion of specific guidance on cash flow recoverability testing and the criteria that must be met to classify a long-lived asset as held-for-sale. FAS 144 had no material impact on the results of operations or financial position of AXA upon its adoption on January 1, 2002.

Accounting for derivative instruments and hedging activities

On January 1, 2001, AXA adopted statement of Financial Accounting Standards ("FAS") No. 133, as amended *"Accounting for derivative instruments and hedging activities"* ("FAS 133"). FAS 133 established new accounting and disclosure requirements for all derivative instruments, including certain derivative instruments embedded in other contracts (referred to as "embedded derivatives") and hedging activities. FAS 133 requires all derivatives to be recognized on the balance sheet and measured at fair value.

ACCOUNTING FOR EMBEDDED DERIVATIVES:

AXA elected a January 1, 1999 transition date, thereby effectively "grandfathering" existing accounting for derivatives embedded in hybrid instruments acquired, issued or substantively modified on or before that date. As a consequence of this election, coupled with interpretative guidance issued by the Financial Accounting Standards Board ("FASB") and the Derivatives Implementation Group ("DIG") with regard to insurance contracts and features therein, adoption of the new requirements for embedded derivatives had no material impact on AXA's consolidated financial condition and operating results under U.S. GAAP. There are currently no requirements to measure and recognize embedded derivatives under French GAAP.

ACCOUNTING FOR HEDGING ACTIVITIES:

French GAAP permits hedge accounting in respect of a derivative that hedges (i) the net exposure to a pool of assets and liabilities, (ii) the net risk exposure relating to net interest spread on customer accounts in respect of banking activities or net policyholder crediting risk exposure on insurance contracts, and (iii) certain embedded features in existing contracts. Under U.S. GAAP, the FAS 133 basis for hedge accounting is more prescriptive specifically as it relates to the nature and extent of the type of risk exposure that can be hedged (in respect of documentation and accounting). The accounting for changes in the fair value of a derivative (that is, the gains and losses) is recorded in income, unless the derivative is used as a hedging instrument. If the derivative is used as a hedging instrument, the accounting for such changes in fair value depends on the hedging relationship as summarized below.

– *Fair value hedges.* The entire change in fair value of the derivative is recorded in income along with the associated gain or loss on the hedged item attributable to the risk being hedged.
– *Cash-flow hedges.* The change in fair value of the derivative attributable to the effective portion of the hedge is recorded in "other comprehensive income" (a separate component of shareholders' equity), which is subsequently reclassified into income in the same period in which the forecasted transaction affects income. The change in fair value of the derivative attributable to the ineffective portion of the hedge is recorded in income.

– *Net investment hedges.* The change in fair value of the derivative or non-derivative instrument attributable to the effective portion of the foreign currency hedge, together with the associated foreign exchange gain or loss on the hedged item, is recorded in a component of "other comprehensive income" as a part of the cumulative foreign translation adjustment. The change in fair value of the derivative attributable to the ineffective portion of the hedge is recorded in income.

The strict guidance set out by the FASB and the DIG limits the extent to which existing hedge arrangements qualify for hedge accounting under FAS 133. AXA manages its risks and, therefore, its hedging strategies to meet the hedging requirements as set forth under French GAAP, rather than U.S. GAAP. As a result, certain hedging relationships established by AXA have not be designated as qualifying hedging relationships under FAS 133 and, therefore, are not subject to U.S. GAAP hedge accounting and consequently are referred to as "free standing derivatives" with the change in fair value recorded in income effective from January 1, 2001 for U.S. GAAP. However, certain existing hedge arrangements meet the criteria for measurement and recognition as fair value hedges under FAS 133. In accordance with the transition provision of FAS 133 to recognize the difference between the carrying values and fair values of the free standing derivative instruments at January 1, 2001, the after tax cumulative-effect-type credit to income was €18 million at January 1, 2001.

Given that AXA's hedging strategies are designed to comply with French GAAP measurement and recognition requirements, AXA's consolidated net income as determined in accordance with U.S. GAAP is subject to increased volatility in future periods. Significant differences could arise between the AXA's consolidated net income and shareholders' equity under French GAAP as compared to U.S. GAAP in future periods.

Reclassification of fixed maturity and equity investments

Under the transition rules of FAS 133, AXA recorded the following reclassifications (i) £ 19,806 million (or approximately €31,492 million at transition date) of "available-for-sale" securities as "trading" securities, resulting in an after-tax cumulative-effect-type adjustment of €2,698 million from other comprehensive income to the statement of income, representing the after-tax unrealized gain of the assets backing the UK "With-profit" business at January 1, 2001, and (ii) US$ 257 million (or approximately €273 million at transition date) of "held-to-maturity" securities as "available-for-sale" securities, resulting in an after-tax cumulative-effect-type adjustment of US$ 9 million in other comprehensive income (or approximately €10 million at transition date), representing the after-tax unrealized gain at January 1, 2001. Under the transition provision of FAS 133, this reclassification does not call into question AXA's intent to hold current or future debt securities to their maturity. This reclassification under U.S. GAAP had no impact on AXA's accounting for its fixed maturity and equity investments under French GAAP.

1.2. SCOPE OF CONSOLIDATION

– Under U.S. GAAP, majority-owned companies, based on voting rights directly or indirectly of more than 50%, are fully consolidated.
– Under U.S. GAAP, the equity method of accounting is used for investments in companies in which AXA's ownership interest approximates 20% and is not greater than 50% including those companies proportionately consolidated under French GAAP.
– Under French GAAP, AXA accounts for its investments in investment companies and real estate companies (including mutual funds) owned by insurance subsidiaries using the cost method. Under U.S. GAAP, such entities are consolidated if AXA has exclusive control over the fund or company; otherwise the equity method of accounting is used. In consolidating mutual funds or investments in investment companies for U.S. GAAP purposes, investment securities held by the funds are classified as trading and, therefore, are stated at estimated fair value and changes in estimated fair value are included in net income.

1.3. BUSINESS COMBINATIONS - PURCHASE ACCOUNTING

Business acquisitions are generally accounted for using the purchase method of accounting under both French GAAP and U.S. GAAP.

The significant differences in accounting principles used for determining goodwill between French GAAP and U.S. GAAP are summarized below.

Purchase price

– Under both French GAAP and U.S. GAAP, the purchase price is determined at transaction date unless newly issued ordinary shares are exchanged. If ordinary shares are issued in connection with an acquisition, under French GAAP the purchase price is determined at the closing date of the offer period whereas under U.S. GAAP the purchase price is determined at the date the merger agreement is signed and announced (so long as the terms of exchange are fixed), using the average market rate over a period consisting of a number of days before and after such date.
– In connection with an acquisition of a target company, not of a minority interest, under both French GAAP and U.S. GAAP, the purchase price includes the cost of settling or exchanging outstanding employee share options of the target company. However, in respect of a minority interest buyout, costs associated with settling or exchanging outstanding employee share options are included in the purchase price under French GAAP, but are excluded from the purchase price and recorded as compensation expense under U.S. GAAP.

Value of net assets acquired to determine goodwill

Under French GAAP, the portion of assets acquired and liabilities assumed, other than in connection with a buyout of minority interests, are recorded at their estimated fair value. The insurance liabilities are maintained at the predecessor's carrying value if the measurement basis is consistent with AXA's French accounting principles. The portion of assets acquired and liabilities assumed in connection with a buyout of minority interests are maintained at carrying value at date of acquisition.

Under U.S. GAAP and in respect of all acquisitions including the buyout of minority interests, the portion of assets acquired and liabilities assumed are recorded at their estimated fair values at the date of acquisition.

Determination of identifiable intangible assets

French GAAP provides for the recognition of the present value of future profits of purchased Life insurance business in-force (VBI) as an intangible asset. Under U.S. GAAP, an intangible asset can be recognized at date of acquisition if there is either (i) a contractual or legal right or (ii) it is separable. Such intangible assets may include, but are not limited to, customer and contract lists and specific to Life insurance.

Goodwill

Under French GAAP and in respect of acquisitions completed prior to January 1, 2001, a portion of goodwill could have been charged directly to shareholders' equity to the extent that ordinary shares were issued by the parent company in connection with the transaction, with the remaining amount recorded as a goodwill asset. For all acquisitions completed on or after January 1, 2001, the difference between the purchase price and the value of the portion of net assets acquired is recorded as a goodwill asset. However, the French GAAP basis may not generate a goodwill asset value that is equal to that determined under U.S. GAAP due to, and as previously discussed, (i) the accounting for net assets acquired in respect of a buyout of minority interests, (ii) the accounting for the value of shares exchanged, if applicable, (iii) the accounting for the settlement or exchange of outstanding employee share options of the acquired company, and (iv) the identification and valuation of identifiable intangible assets.

Under French GAAP, the goodwill asset is amortized over the remaining estimated useful life and subject to routine impairment testing. Any negative goodwill is amortized in income over the estimated remaining useful life under French GAAP. Under U.S. GAAP, and effective from January 1, 2002, (i) the goodwill asset is no longer amortized but subject to annual impairment testing (or more frequently if a circumstances or events trigger a review), and (ii) negative goodwill is recorded in income immediately.

Revision to goodwill

Under French GAAP, revisions can be made to the goodwill calculation up to the end of financial year following the acquisition. Under U.S. GAAP, revisions can be made to the goodwill calculation up to 12 months from the date of acquisition only with respect to outstanding known contingencies at date of acquisition.

Shares issued by a subsidiary (dilution gains)

When a subsidiary of AXA issues shares, this decreases (dilutes) AXA's ownership interest in that subsidiary and is treated as a partial disposal of the investment in that subsidiary.

Under both French GAAP and U.S. GAAP, if a subsidiary issues shares for a price in excess of or less than the carrying value of the investment in that subsidiary, the difference is generally reflected as an after-tax gain or loss in income. However, the after-tax gain or loss may differ between French GAAP and U.S. GAAP due to differences in the underlying accounting principles used for determining the value of net assets disposed.

Under French GAAP, in the event that a subsidiary issues shares and there is a specific plan to repurchase such shares (at the time shares were issued), this gain is recorded in income with a corresponding charge to establish a provision, on a pre-tax basis. There is no impact on AXA's consolidated net income and shareholders' equity under French GAAP. At the point in time when a portion or all of the issued shares are repurchased a portion or all of the provision will be released with a corresponding reduction in goodwill arising on the acquisition. Under U.S. GAAP, the after-tax gain is accounted for as a capital transaction and recorded in shareholders' equity.

1.4. ACCOUNTING FOR INVESTMENTS

Fixed maturities, equity and real estate, other than assets allocated to UK "With-profit" contracts

In respect of the accounting for fixed maturity and equity investments outside of the separate accounts (unit-linked) asset portfolios, under French GAAP, fixed maturities and equity investments are, in general, carried at amortized cost and historical cost, respectively, less valuation allowances. Under U.S. GAAP, the accounting for these securities depends on the investment classification:

– securities classified as "held to maturity" are reported at amortized cost,
– securities classified as "trading" are reported at fair value with changes in unrealized gains and losses included in income, and
– securities classified as "available for sale" are reported at fair value with changes in unrealized gains and losses included in "other comprehensive income" (a separate component of shareholders' equity).

In respect of valuation allowances on impairment fixed maturity and equity securities and real estate investments, under French GAAP an impairment for an other-than-temporary decline in value is recorded as a **valuation allowance.** With specific regard to equity investments, under French GAAP it is presumed that there is an other-than-temporary impairment dependent on the extent to which the fair value is below carrying value (that is, depending on market conditions, 20% in 2001 or 30% for 2002 given the stock markets volatility) and for a continuous period of 6 months or more

prior to year end. If the impairment is deemed to be other-than-temporary, and in case of investments intended to be held, the impairment charge recorded is equal to the difference between the net carrying value and the greater of market value or other reference value determined based on the intended investment holding period, net worth, future cash flows and specific considerations relating to the industry sector/activities of the issuer.

Under U.S. GAAP, unless evidence exists to support a realizable value equal to or greater than the cost basis of the investment, a write-down to fair value accounted for as a realized loss should be recorded (it is not reversible in future periods). As a result of the large number of investments in equity securities, AXA has concluded for the periods presented that all declines in value in excess of cost should be realized as an other-than-temporary impairment in the income statement unless the decline in value was both (i) less than 20% compared to cost and (ii) the time period the security was less than cost was 6 or fewer consecutive months. In addition, the Company reviews whether there are any qualitative factors specific to the issuer and/or industry in which it operates that would indicate that the decline in value was other-than-temporary.

Under French GAAP, the impairment charge can be reversed in future periods in the event that market conditions change. Under U.S. GAAP, such impairment is recorded as a realized loss against income and is not reversible in future periods.

Assets allocated to UK "With-profit" contracts

The assets supporting the UK "With-profit" contracts consist primarily of fixed maturity and equity securities. The UK "With-profit" contracts are participating contracts and distribution from the "With-profit" long term fund is based on legal restrictions whereby policyholders have a 90% right to all risks and rewards of the participating ("With-profit") fund. Therefore, changes in the estimated market value of these assets held in the "With-profit" fund impact the valuation of the fund and, therefore, the valuation of the underlying insurance liabilities.

Under French GAAP, assets supporting the UK participating ("With-profit") fund are stated at market value with changes in market value included in income, as the unrealized investment gains and losses on these investments are included in the determination of the related insurance liability. These assets include fixed maturity and equity securities, real estate and loans.

Under U.S. GAAP, real estate assets and loans allocated to UK "With-profit" contracts are carried at historical cost less accumulated depreciation and amortized cost or unpaid principal balance, respectively. In addition and prior to January 1, 2001, the fixed maturity and equity investments allocated to UK "With-profit" contracts were classified as "available-for-sale" and stated at market value. Consequently, the entire change in market value, being the net unrealized investment gains or losses, was recorded in "other comprehensive income" (a separate component of shareholders' equity) even though the related impact of the change in unrealized gains and losses on assets on UK-"With-profit" policyholder benefits was recorded against income in the same period. Accordingly, AXA believed that this exclusion under U.S. GAAP did not reflect fully the economic effect of the UK "With-profit" contracts. An increase in the estimated fair value of these assets resulted in an increase in the liability for policyholder benefits, and a reduction of AXA's consolidated net income. A decrease in the estimated fair value of assets resulted in a decrease in the liability for policyholder benefits, and an increase in AXA's consolidated net income.

As a consequence, this led to AXA's presentation of *"U.S. GAAP, except for adjustment for the change in unrealized investment gains and losses on assets allocated to UK "With-profit" contracts"* in the reconciliations of consolidated net income and consolidated shareholders' equity from French GAAP to U.S. GAAP whereby the changes in market

value of the assets allocated to UK "With-profit" contracts were included in income: a presentation that AXA believed was more meaningful under the circumstances.
Effective from January 1, 2001 and as permitted under the transition rules of FAS 133, "Accounting for derivatives instruments and hedging activities", the fixed maturity and equity securities supporting the participating ("With-profit") business have been reclassified from "available-for-sale" to "Trading". These investments continue to be stated at market value, however, the changes in market value of these investments are no longer recognized in "other comprehensive income" (a separate component of shareholders' equity), but are recognized in income. Consequently, from 2001, AXA's presentation of *"U.S. GAAP, except for adjustment for the change in unrealized investment gains and losses on assets allocated to UK "With-profit" contracts",* in the reconciliations of consolidated net income and consolidated shareholders' equity from French GAAP to U.S. GAAP, was no longer necessary.

1.5. FUTURE POLICY BENEFITS

Under French GAAP, insurance liabilities for Life & Savings business, also referred to as future policy benefits, are calculated in accordance with the applicable local regulatory and accounting rules if consistent with the French accounting principles used by AXA. The future policy benefits are actuarially determined using actuarial assumptions relating to investment yields, mortality, morbidity and expenses. Contracts are assumed to remain in-force until their contractual maturity date or the death of the insured. Under U.S. GAAP, future policy benefits for traditional life policies, that is for contracts with significant mortality or morbidity risk, are computed using a net level premium method on the basis of actuarial assumptions as to mortality, persistency and interest based on the insurance company's experience, with a margin for adverse deviation; such actuarial assumptions are established as of the date of policy issue. When the liabilities for future policy benefits plus the present value of expected future gross premiums are insufficient to provide for expected future policy benefits and expenses, a premium deficiency reserve is established by a charge to earnings.

For French GAAP purposes, in 1996 Equitable Life changed its method of accounting for certain long-duration participating life insurance contracts in accordance with the provisions prescribed by FAS 120, "Accounting and reporting by mutual Life insurance enterprises and by insurance enterprises for certain long-duration participating contracts".

Reinsurance contracts that cover Guaranteed Minimum Income Benefits ("GMIBs") features of variable annuity / separate account type contracts are accounted for as insurance contracts under French GAAP on a prospective basis whereby the amount is recognized over the contract term. Under U.S. GAAP the reinsurance contract covering the income feature represents a derivative instrument accounted for under FAS 133 at fair value.

1.6. EQUALIZATION RESERVES

Under French GAAP, equalization reserves are recognized in respect of future catastrophe risks, which are determined in accordance with local regulatory requirements in certain jurisdictions in which AXA operates. Such reserves are not permitted to be recognized as a liability under U.S. GAAP until such losses are incurred.

1.7. PLAN OF FINANCIAL REORGANIZATION OF AXA EQUITY & LAW ("THE PLAN")

Accounting for the transaction

In connection with the plan, a portion of the surplus assets held in the participating ("With-profit") fund, referred to as the "Inherited Estate" was attributed to AXA, as the shareholder. AXA's portion of the Inherited Estate along with

the non-participating insurance business was transferred out of the participating ("With-profit") fund into separate legal non-participating funds in which 100% of the operating results would inure to AXA in future periods. As a consequence of the plan and effective from January 1, 2001, additional significant differences arose between French GAAP and U.S. GAAP as set out below.

Under French GAAP, the plan was accounted for as a business combination as it was a transaction with the policyholders, an equivalent third party interest. As a result, (i) assets and insurance liabilities transferred from the participating fund to the non-participating fund were re-estimated at fair value and or based on new assumptions for interest rates and mortality, (ii) VBI was recognized in respect of the profits to emerge on the unit linked business transferred to the non-participating fund, and (iii) the cost of the incentive bonus paid to policyholders that elected in favor of the Plan was established as goodwill.

Under U.S. GAAP, the transaction could not be accounted for as a business combination, as it was a portfolio transfer within a commonly controlled group and, therefore, (i) no VBI was recognized, and (ii) the cost of the incentive bonus was recorded as an expense in the period, which was recorded as a decrease to U.S. GAAP net income of €433 million (adjustment in the reconciliation under the caption "Purchase accounting and goodwill").

Profit recognition for UK "With-profit" business as a result of the plan

Under French GAAP, the profit recognized by AXA in respect of the UK "With-profit" business represents 10% of the bonus declared by the actuary and represented a change in methodology under French GAAP in 2001. Under U.S. GAAP, the profit recognized by AXA on such business represents 10% of all revenues and expenses in the period, with the remaining 90% attributed to "unallocated policyholder dividend liability" in recognition of the consequences of the fundamental legal restructuring of the funds undertaken in connection with the plan.

1.8. IMPACT OF CHANGES IN FRENCH ACCOUNTING PRINCIPLES IN 2001

The implementation of new French regulations effective from January 1, 2001 resulted in certain one-time adjustments to the reconciliations of consolidated net income and consolidated shareholders' equity from French GAAP to U.S. GAAP. The cumulative effect of changes in French accounting principles were recorded as adjustments to opening shareholders' equity under French GAAP. Consequently, certain differences in accounting principles in prior years are not representative of the differences that will exist in future periods as indicated below.

Equalization reserve

In prior periods and under French GAAP, equalization reserves included both reserves for future unusual losses and catastrophe risk reserves, which were established in accordance with local regulatory requirements in certain jurisdictions in which AXA operates. As a result of the new French regulations, equalization reserves are limited only to future catastrophe risks, reserves are no longer permitted under French GAAP for future unusual losses in any one period. These equalization reserves are not recognized as a liability under U.S. GAAP, until such loss is incurred and, therefore, such liabilities are eliminated under U.S. GAAP.

The cumulative effect of the elimination of equalization reserves (in respect of future unusual losses) under French GAAP was recorded as an adjustment to opening consolidated shareholders' equity at January 1, 2001. As a result, the reconciling difference in net income is lower in 2001 as compared to 2000 and 1999.

Cost of reinsurance

Due to the implementation of new French regulations, the cost of reinsurance is recorded in income in the year the reinsurance arrangement, including for long duration contracts, is placed with a third party reinsurer, including for long duration contracts. Under U.S. GAAP, the cost of reinsurance on long duration contracts is amortized into income over the lifetime of payments.

The cumulative effect of the change has been recorded as an adjustment to opening shareholders' equity on January 1, 2001. Future policy benefits as presented in AXA's reconciliations of consolidated net income and consolidated shareholders' equity from French GAAP to U.S. GAAP include this new difference in accounting.

Intercompany transactions

Effective for intercompany transactions on or after January 1, 2001 and under the new French regulations, realized gains and losses on intercompany sales of assets are eliminated in their entirety, unless there is an other-than-temporary impairment that is to be recorded as a loss immediately, which is the similar to U.S. GAAP. No difference exists between French GAAP and U.S. GAAP in 2001 and thereafter.

However, in prior periods, French GAAP differed from U.S. GAAP, as French GAAP did not eliminate such gains and losses if the seller or buyer was an insurance or reinsurance company. Consequently, this difference is still presented in AXA's reconciliation of consolidated net income and consolidated shareholders' equity from French GAAP to U.S. GAAP in respect of 2000 and 1999.

Under French GAAP, realized gains are recognized when securities or real estate with appreciated values are contributed to mutual funds or real estate funds established for the purpose of supporting French savings contracts. Under U.S. GAAP, such gains are proportionately recognized when the savings contracts are issued or the fund shares are sold to entities not included in the consolidated financial statements.

1.9. OTHER DIFFERENCES

Restructuring provisions

Under French and U.S. GAAP, the nature of costs that can be included in restructuring provisions is generally similar. However, U.S. GAAP requires that certain conditions exist before recording a restructuring provision which are not required under French GAAP. Among such conditions is the U.S. GAAP requirement that the benefit arrangement be communicated to employees and include sufficient detail to enable employees to determine the type and amount of benefits they will receive if they are terminated. As a result of this and other conditions, certain costs included in restructuring provisions under French GAAP are not permitted under U.S. GAAP.

Share-based compensation (other than in respect of business combinations)

Under French GAAP, the accounting of share-based compensation is limited to share option plans and depends on whether the share option plan (i) relates to the purchase of shares in the open market or the increase in AXA share capital, (ii) provides for a guarantee of liquidity, or (iii) is issued by AXA (the Company) or another AXA entity.

Under U.S. GAAP, the accounting for share-based compensation includes share options and other share-based compensation, such as employee share purchase programs. The accounting depends on whether (i) the share-based compensation has performance-based conditions, (ii) will be settled in cash or (iii) if non-performance based, the related share-based compensation is issued at a significant discount from the market price at date of grant.

There are two principal differences that arise between French GAAP and U.S. GAAP as set out below.

– Under French GAAP share-based compensation is not recorded in respect of certain share option plans issued by AXA (the Company) that do not provide a guarantee for liquidity whereas under U.S. GAAP a compensation charge is recorded if at grant date the options are issued at a significant discount; and
– For all other share option plans issued by AXA (the Company) and other AXA entities, the principles for measuring share-based compensation under French GAAP are principally similar to those used under U.S. GAAP. However, the compensation expense is recorded over the vesting period in the income statement and included as a liability under French GAAP (decrease in net assets) whereas under U.S. GAAP the amount is recorded against shareholders' equity (no impact on net assets), unless it is to be settled in cash and would be included as a liability as well.

Pension plans

Under French GAAP, AXA uses an actuarial methodology that is consistent to the measurement and recognition basis prescribed under U.S. GAAP, with the exception of the recognition of an additional minimum pension liability that is not recognized under French GAAP. For U.S. GAAP purposes, AXA has adopted FAS 87, "Employer's accounting for pensions", as of January 1, 1989. At the date of adoption a transition asset, reflecting the over-funded status of AXA Equity & Law's pension plan, was recorded and is being amortized over the remaining fifteen-year average service life of employees. If the accumulated benefit obligation exceeds the fair value of plan assets, an additional minimum pension liability is recorded such that the total liability in the balance sheet is at least equal to the unfunded accumulated benefit obligation. The after-tax amount is, in general, recorded in "other comprehensive income" (separate component of shareholders' equity).

Long-term debt with early redemption rights

Under French GAAP when long term debt is issued with early redemption rights whereby the redemption price is in excess of the original issue price per bond or note, the excess premium may not be amortized over the period from original issue date to earliest redemption period subject to certain market conditions. Under U.S. GAAP, as the value of the long term debt accretes according to the stated redemption price, this accretion, if significant, is amortized over the period up to earliest redemption date and is recorded as interest expense with a corresponding increase in the value of the principal outstanding in the balance sheet.

Deferred tax

Under French GAAP, deferred income taxes are not required to be recognized in respect of distributions if the distribution is not going to be made in the foreseeable future and the ability to make such a distribution is at the control of management. Under U.S. GAAP, deferred income taxes arising on distributions are recorded in full if subject to local tax upon distribution (inside tax basis) even if the distribution is not going to be made in the foreseeable future and the ability to make such a distribution is under the control of management.

Under French GAAP, the determination of whether a valuation allowance should be recorded against deferred tax assets will consider an economic approach (based on thorough analysis of future statutory profits), as to whether the deferred tax asset is deemed recoverable. Under U.S. GAAP, FAS 109 gives greater weight to previous cumulative losses than the outlook for future probability when determining whether deferred tax assets are realizable.

Under both French GAAP and U.S. GAAP, the impact of a change in enacted tax rates on deferred tax assets and liabilities is recorded in income. Due to certain significant differences in the underlying accounting principles between

French GAAP and U.S. GAAP, particularly in respect of the value of fixed maturity and equity investments (held at amortized cost or historical cost under French GAAP and generally at market value under U.S. GAAP), the impact of the change in tax rates on income under French GAAP and U.S. GAAP will differ accordingly.

Treasury shares

Under French GAAP, treasury shares are reported as an asset if certain conditions are satisfied. Under U.S. GAAP, the cost of treasury shares is reported as a deduction from shareholders' equity. If such shares are then reissued, the proceeds received are correspondingly reported as a change in shareholders' equity. Therefore, any gains or losses from holding such shares are recorded as adjustments to shareholders' equity.

De-recognition of transferred assets

Assets transferred to entities in which AXA does not hold an ownership are permitted to be recognized as a disposal under French GAAP. Under U.S. GAAP any realized profit or loss on the disposal is eliminated if the transaction does not meet the requirements for de-recognition due to various factors including continuing involvement.

2. U.S. GAAP COMMENTARY FOR 2002 AND 2001 STATEMENTS OF INCOME

Restatement of 2001 & 2002 U.S. GAAP Financial Information

AXA records other-than-temporary impairments on certain of its investment securities. Following discussions with the staff of the Securities and Exchange Commission's Division of Corporation Finance, AXA corrected how it determines when a decline in value should be considered to be other than temporary and a realized loss recognized. The policy that AXA now follows to determine if the decline in value below cost is other-than-temporary is described elsewhere in this note. As this procedure was not applied in 2001, AXA restated its 2001 U.S. GAAP financial information to recognize an impairment charge on the decline in value below cost that was considered to be other- than-temporary and has derived the consequences of this new methodology on its 2002 U.S. GAAP financial statements.

In applying these procedures, AXA recognized, for the period ended December 31, 2001, an additional charge of €1,853 million (gross) in the income statement that had been previously recorded as an unrealized loss that was a component of "other comprehensive income". This amount has been reduced by an amount of the loss that was allocated to policyholders, minority interests and income tax. The amounts allocated to policyholders, minority interests and income tax were also previously recorded in "other comprehensive income". The effect of this restatement was to decrease AXA's 2001 U.S. GAAP consolidated net income by €1,128 million to €356 million, as presented in the tables below. There was no impact on AXA's consolidated shareholders' equity at December 31, 2001 as the Company had already recorded the unrealized effect of the decreased market value of its investment securities through "Other comprehensive income" (a separate component within shareholders' equity) in that period.

As this procedure was not applied when this annual report was filed, AXA has also restated its 2002 U.S. GAAP financial information. The net impact in the income statement for the year ended December 31, 2002 is an additional gain of €647 million, gross or €300 million, net, also with no impact on AXA consolidated shareholders' equity at December 31, 2002.

After reviewing the potential impact of this new impairment policy on AXA's U.S. GAAP results for the year ended December 31, 2000, the Company concluded that the application of this new policy would not require a restatement for the year ended December 31, 2000.

The tables below present the reconciliation between the net income previously reported and the net income as restated for the periods indicated:

(in euro millions)

Consolidated net income in accordance with U.S. GAAP	Year ended December 31, 2002
As previously reported:	(2,887)
Adjustment for additional investment impairment charge:	
Gross adjustment	647
Attribution to policyholders' participation	(101)
Tax effect	(214)
Minority Interest	(32)
As restated	**(2,588)**

(in euro millions)

Consolidated net income in accordance with U.S. GAAP	Year ended December 31, 2001
As previously reported:	1,484
Adjustment for additional investment impairment charge:	
Gross adjustment	(1,853)
Attribution to policyholders' participation	209
Tax effect	436
Minority Interest	80
As restated	**356**

2.1. STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2002

(in euro millions)

Consolidated Net income

	Years ended December 31, 2002	
	U.S. GAAP (revised)	French GAAP
Life & Savings	(1,506)	1,063
Property & Casualty	(937)	(19)
International Insurance	(455)	(176)
Total Insurance	**(2,898)**	**869**
Asset Management	223	218
Other Financial Services	61	119
Total Financial Services	**284**	**337**
Holding companies	27	(257)
Net income, Group share	**(2,588)**	**949**

The 2002 U.S. GAAP **net income Group share** amounted to **€–2,588 million,** or €–3,536 million lower than the French GAAP net income.

This decrease was principally due to:

– The impairment charge on equity securities under U.S. GAAP (please refer to differences in principles described in section 1.4 of the current note), totaling €2,270 under U.S. GAAP (net Group share impact), compared to €614 million under French GAAP.

– The unfavorable impact of financial markets trends (i) on the value of investments in mutual funds and real estate companies, consolidated under U.S. GAAP at their market value (€–1,008 million), and (ii) on the profit emerging from the UK "With-profit" funds, of which 10% is recognized in the U.S. GAAP net income (impact: €–274 million).

– An additional valuation allowance recorded against the Japanese deferred tax asset (€–1,014 million), mechanically accounted for under U.S. GAAP in consideration of a cumulative tax loss under a three-year period under U.S. GAAP, and deferred distribution tax liabilities maintained in U.S. GAAP Group accounts (€–345 million) related to the profit emerging from the non-profit fund; under U.S. GAAP, any distribution tax is recorded, regardless of the probability of distribution in a foreseeable future.

– The elimination under U.S. GAAP of (i) the exceptional profit accounted for in Alliance Capital under French GAAP (€148 million) relating to the partial release of the dilution profit set up at the time of acquisition of Sanford Bernstein, as under U.S. GAAP, this dilution profit was entirely accounted within shareholder's equity, and (ii) the realized gain on the disposal of AXA Australia health activities (€87 million).

– The valuation difference between French and U.S. GAAP (€–119 million) on the reinsurance contracts on guaranteed minimum income benefit features respectively in AXA Financial (reinsurance ceded) and AXA Corporate Solutions (reinsurance accepted, as these contracts are derivative instruments, accounted for at fair value under U.S. GAAP.

– These unfavorable items were partly offset by the fact that goodwill is no longer amortized from 2002 (€+588 million impact), and by the impact of fair value accounting for derivatives under FAS 133 (€+412 million).

The **Life & Savings segment** was the most impacted by these restatements, showing a net income Group share lower by €–2,569 million under U.S. GAAP, summarized as follows:

(i) The additional valuation allowance recorded against the Japanese deferred tax asset for €–1,014 million,
(ii) A higher impairment charge on equity securities for €–926 million,
(iii) The unfavorable impact of financial markets trends on the value of investments in mutual funds and real estate companies for €–421 million,
(iv) The recognition of deferred tax liabilities on future distribution in United Kingdom for €–345 million,
(v) The accounting of 10% of the profit emerging from the UK "With-profit" funds (€–274 million),
(vi) Partly offset by the fact that goodwill is no longer amortized from 2002 (€+301 million).

In the **Property & Casualty** segment, U.S. GAAP net income Group share is lower by €–918 million compared to French GAAP, mainly due to (i) the unfavorable impact of financial markets trends on the value of investments in mutual funds and real estate companies for €–515 million, (ii) a higher impairment charge on equity securities for €–589 million, partly offset by (iii) the fact that goodwill is no longer amortized from 2002 (€+103 million).

The U.S. GAAP net income Group share in the **International Insurance** segment is lower by €–279 million compared to French GAAP, as a result of (i) the valuation difference on reinsurance contracts accepted that cover guaranteed minimum income benefits, which are treated as derivatives instruments under U.S. GAAP rather than valued as insurance contracts (€–148 million), (ii) a higher impairment charge on equity securities for €–75 million, and (iii) the unfavorable impact of financial markets trends on the value of investments in mutual funds for €–67 million.
In the **Asset Management** segment, the positive impact of eliminating the goodwill amortization (€+154 million) is nearly offset by the elimination of Sanford Bernstein exceptional profit recorded under French GAAP (€–148 million).

The **Holdings** companies had a higher net income Group share under U.S. GAAP by €+284 million, stemming from (i) the fair value accounting under FAS 133 for derivatives (€+498 million), partly offset by (ii) the elimination of the realized gain on the disposal of AXA Australia health activities (€–87 million), (iii) a higher impairment charge on equity securities (€–67 million), and (iv) the compensation charge of €–61 million arising on the employee stock purchase plan.

2.2. STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2001

(in euro millions)

Consolidated Net income

	Years ended December 31, 2001	
	U.S. GAAP (revised)	French GAAP
Life & Savings [(a)]	(195)	922
Property & Casualty	(864)	52
International Insurance	(457)	(386)
Total Insurance	**(1,516)**	**588**
Asset Management	131	153
Other Financial Services	74	97
Total Financial Services	**204**	**250**
Holding companies	(999)	(318)
NET INCOME before the impact of exceptional operations	**(2,311)**	**520**
Impact of exceptional operations	2,667	–
Net Income	**356**	**520**

(a) Excluding the impact of exceptional operations.

The 2001 consolidated net income Group share in accordance with U.S. GAAP totaled €356 million and was lower than AXA's consolidated net income in accordance with French GAAP by €164 million.

This favorable impact was primarily attributable to €2,667 million being included in the consolidated net income under U.S. GAAP as a result of the plan of financial reorganization of AXA Equity & Law undertaken in 2001 and the transition rules of Statement of Financial Accounting Standards ("FAS") No. 133, as amended *"Accounting for derivative instruments and hedging activities"* ("FAS 133 ") adopted by AXA on January 1, 2001 as set out below:

– An after-tax cumulative-effect-type credit to income of €2,698 million from "Other comprehensive income" (a separate component of shareholders' equity), representing the after-tax net unrealized investment holding gain for the fixed maturity and equity securities backing the UK "With-profit" business at January 1, 2001. This adjustment was in accordance with the transition rules of FAS 133 whereby AXA reclassified £ 19,806 million (or approximately €31,492 million at transition date) of fixed maturity and equity securities supporting the UK "With-profit" business from "available-for-sale" to "trading". Under French GAAP such investments were already stated at market value with changes in market value included in French GAAP net income.

– A €762 million release of unallocated policyholder dividend liability (included in future policy benefits) to income as a result of the transfer of non-participating business from the existing participating "With-profit" fund to a non-participating fund, as a result of the fund restructuring in connection with the plan. This was offset by a €433 million charge against income corresponding to the payment of the incentive bonus paid to the "With-profit" policyholders that elected in favor of the plan by one of the UK holding companies. Under French GAAP, these items were recorded in AXA's consolidated shareholders' equity, which resulted in an overall decrease of €79 million after the recognition of (i) goodwill of €451 million corresponding to the incentive payment to the "With-profit" policyholders and the direct costs associated with this transaction, and (ii) a value of purchased life business in force of €466 million.

Excluding the impact of the plan of financial reorganization of AXA Equity & Law, AXA's consolidated net income under U.S. GAAP was lower than the consolidated net income under French GAAP by €2,831 million primarily due to the following items:

– In all the following segments, higher other-than-temporary impairments on assets were recorded under U.S. GAAP for €–1,128 million.
– Life & Savings segment: Under U.S. GAAP, the investment holdings in mutual funds are stated at market value whereby under French GAAP such investments are held at cost. Consequently, due to the deterioration in the global stock markets in 2001, net unrealized investment losses in these investments were recognized under U.S. GAAP but not under French GAAP: AXA's Life & Savings segment (€291 million). Moreover, as a result of the fundamental restructuring of AXA Equity & Law in connection with the plan of financial reorganization undertaken in 2001, under French GAAP 100% of the change in the UK "With-profit" fund is included within future policy benefits, only 10% of the cost of bonus is included in AXA's consolidated net income. Under U.S. GAAP 10% of all changes in the UK "With-profit" fund (revenues and expenses) are included in AXA's consolidated net income. Consequently and primarily due to the deterioration in the global stock markets in 2001, this gave rise to an additional charge of €310 million against AXA's consolidated operating results.
– Property & Casualty activities: Under U.S. GAAP, the investment holdings in mutual funds are stated at market value whereby under French GAAP such investments are held at cost. Consequently, due to the deterioration in the global stock markets in 2001, net unrealized investment losses in these investments were recognized under U.S. GAAP but not under French GAAP: Property & Casualty segment (€367 million).
– Other relating to holding company activities: The U.S. GAAP result included charges related to (i) share-based compensation associated with the 2001 employee share purchase program whereby the ordinary shares were issued at a discount below market price, (ii) the recognition of additional interest expense, being the amortization of premium on the subordinated convertible debt issued by the Company in 1999 and 2000, as AXA has the right of early redemption at a stipulated price greater than the original issue price per note, and (iii) the impact of the accounting for derivatives and hedging activities in accordance with FAS 133.

3. MATERIAL DIFFERENCES BETWEEN FRENCH GAAP AND U.S. GAAP

3.1. CONSOLIDATED SHAREHOLDERS' EQUITY GROUP SHARE (INCLUDING NET INCOME)

(in euro millions)

Consolidated shareholders' equity

	At December 31, 2002	2001	2000
Consolidated shareholders' equity in accordance with French GAAP	**23,711**	**24,780**	**24,322**
Material differences (net of taxes):			
Differences in scope of consolidation	(1,198)	4	581
Goodwill and purchase accounting [(a) (b)]	4,266	3,867	4,162
Difference in value of shares exchanged (buyout of minority interests)	(388)	(327)	(265)
Cost of stock options (buyout of minority interests)	(272)	(286)	(211)
Investment accounting and valuation [(a)]	408	1,407	2,670
Deferred acquisition costs	(96)	(4)	187
Equalization provisions	200	201	416
Future policy benefits (net of reinsurance)	(194)	77	(171)
Treasury shares held	(485)	(485)	(384)
Derivatives and hedging activities	(41)	(69)	–
Deferred tax	(1,359)	–	–
Minimum pension liability [(c)]	(1,039)	(122)	–
Other items	344	296	254
Total reconciling adjustments	146	4,560	7,239
Consolidated shareholders' equity in accordance with U.S. GAAP	**23,857**	**29,340**	**31,561**
Consists of: Continuing operations	23,857	29,340	31,561
Discontinued operations	–	–	–
Unrealized investment gains on real estate allocated to UK "With-profit" contracts	NA	NA	273
Consolidated shareholders' equity in accordance with U.S. GAAP, except for adjustment for the change in unrealized gains on real estate assets allocated to UK "With-profit" contracts	**NA**	**NA**	**31,834**

(a) In 2001, the impact of the financial reorganization in the UK of €2,698 million was reclassified from the item "Goodwill and purchase accounting" to the item "Investment accounting and valuation" to present this impact in coherence with the presentation of the results 2001.

(b) Including adjustment on dilution gain Alliance Capital (which was previously presented as a separate line item ; 2001 : €347 million and 2000 : €326 million).

(c) Presented separately in 2002, previously included in "Other items".

3.2. CONSOLIDATED NET INCOME

(in euro millions)

Consolidated Net Income	Years ended December 31, 2002 (revised) (b)	2001 (revised) (b)	2000
Consolidated Net Income in Accordance with French GAAP	**949**	**520**	**3,904**
Material differences (gross of tax):			
Differences in scope of consolidation	(1,481)	(614)	(171)
Goodwill and purchase accounting (a)	402	(596)	(398)
Cost of stock options (buyout of minority interests)	(11)	67	(828)
Investment accounting and valuation (excluding UK "With-profit" related assets)	(1,637)	(1,693)	(31)
Investment accounting for UK "with-profit" business assets:			
– Elimination of net unrealized investment losses (gains)	–	–	682
– Reclassification of fixed maturities and equity securities at January, 1 2001	–	3,853	–
Deferred acquisition costs	(112)	(51)	(45)
Equalization provisions	–	(224)	(246)
Future policy benefits (net of reinsurance)	(297)	(226)	(54)
Elimination of gain on sale of treasury shares	–	–	(75)
Restructuring provisions and other non-admissible provisions	(12)	(218)	29
Derivatives and hedging activities	486	(109)	–
Other items	(48)	83	(46)
Deferred tax			
– Differences in principles	(1,359)	–	–
– Tax effect of US GAAP reconciling adjustments	533	(437)	527
Total reconciling adjustments	**(3,536)**	**(164)**	**(656)**
CONSOLIDATED NET INCOME IN ACCORDANCE WITH U.S. GAAP	**(2,588)**	**356**	**3,248**
Consists of :			
Continuing operations	(2,588)	356	951
Discontinued operations of DLJ	–	–	2,297

(a) 2002 includes profit booked in Alliance Capital of €148 million in French GAAP non recognized in U.S. GAAP of which €277 million related to the partial release of the dilution profit offset by €129 million in relation to the associated amortization of goodwill.

(b) 2001 and 2002 U.S. GAAP adjustments and U.S. GAAP net income were restated.

Persons responsible for this annual report (document de référence)*

PERSONS RESPONSIBLE FOR THIS ANNUAL REPORT (DOCUMENT DE RÉFÉRENCE)

To the best of our knowledge, the information contained in this document accurately reflects the true financial position of the Company. It comprises all information required to enable investors to reach an informed opinion of the assets, activities, financial position, earnings and prospects of the Company. It contains no misleading omissions.

Paris, July 9, 2003
Chairman of the Management Board
Henri de Castries

STATEMENT BY THE INDEPENDENT ACCOUNTANTS

In our capacity as independent auditors of AXA and pursuant to Regulation 98-01 of the *Commission des Opérations de Bourse* (the "COB," the French equivalent of the U.S. Securities and Exchange Commission), we have examined, in accordance with French professional standards, the information concerning the financial position and historical financial statements contained in the original annual report *(document de référence),* which was filed with the COB on April 9, 2003, under the identification number D.03-418, and in an updated annual report for which modifications were made to pages 257, 262, 263, 264, 265, 267, 268, 269, 270, 271, 272, and 273.

These annual reports are the responsibility of the Chairman of the Management Board. Our responsibility is to express an opinion on the accuracy of the information contained therein concerning the financial position and financial statements.

We issued an opinion on the original annual report dated April 8, 2003, in which we concluded, based on our procedures described below, that we had nothing to report regarding the accuracy of the information concerning the financial position and financial statements presented in the original annual report.

Our procedures, which were performed in accordance with French professional standards, consisted of the following:

- reading the other information contained in the original annual report in order to identify any material inconsistencies with the information concerning the financial position and the financial statements, and reporting any obviously incorrect information that came to our attention, based on our overall knowledge of the Company acquired during our audit, with the exception of information concerning AXA's Embedded Value, which we did not review (excluding Adjusted Net Asset Value, which was subject to the procedures described in this paragraph). With respect to:
  - information pertaining to Embedded Value, included on pages 51-53 of the Key Information section of the annual report, we verified its consistency with the report of the independent actuarial firm Tillinghast, dated February 27, 2003, which Tillinghast issued after a limited review of AXA's calculations.
  - AXA's European consolidated solvency margin, AXA calculated the estimates at December 31, 2002 by reference to the European Directives.
- verifying that there were no events subsequent to our opinion referred to above that would cast doubt on the accuracy of the information included in the financial statements and the financial position that were not already included in the updated annual report.
- assessing the accuracy of the information about the financial position and the financial statements presented in the updated annual report and verifying that this information agrees with the audited financial statements. Our procedures also included reading the other information that was updated in order to identify any material inconsistencies with the information concerning the financial position and the financial statements and reporting any obviously incorrect information that came to our attention, based on our overall knowledge of the Company acquired during our audit.

The annual report does not contain any isolated forward-looking statements.

Based on the procedures described above, we have nothing to report regarding the accuracy of the information concerning the financial position and financial statements presented in the original annual report and the updates.

Paris, July 9, 2003

The Independant Auditors

PricewaterhouseCoopers Audit
represented by Catherine Pariset
and Gérard Dantheny

Mazars & Guerard
represented by Charles Vincensini

PERSON RESPONSIBLE FOR INFORMATION

Mr. Denis Duverne
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Tel: 01 40 75 57 00

(*) Document updated on June 12, 2003 and on July 9, 2003.

COB

Pursuant to COB Regulation 98-01, this shelf registration document *(document de référence)* was registered with the *Commission des Opérations de Bourse* (the French stock exchange regulatory authority) on April 9, 2003. **Updates were made on June 12, 2003 and on July 9, 2003.** It may be used in connection with a financial transaction only if accompanied by a prospectus *(note d'information)* that has received the visa of the *Commission des Opérations de Bourse.*