Year ended December 31, 2005 compared to year ended December 31, 2004

Net income decreased by €557 million in 2005 to a loss of €645 million. This trend was primarily attributable to:

(i) AXA SA's net income decreased by €342 million to €–328 million. This is mainly due to:

- the mark-to-market impact on the portion of derivative instruments which are not considered as hedge accounting under IFRS, which decreased by €297 million after tax mainly due to (i) the difference between 2004 and 2005, on the mark-to-market of foreign currencies options hedging AXA Group earnings denominated in foreign currencies and (ii) the decline of the mark-to-market on interest rate swaps mainly resulting from a lower decrease of Euro interest rates in 2005 than in 2004;
- an increase in general expenses by €36 million after tax mainly due to initiatives for developing business, increasing costs in connection with the preparation for the Sarbanes-Oxley 404 attestation of effectiveness of internal controls due at year end 2006, and €3 million related the conclusion of an arbitration with to Nationwide;

(ii) Other foreign holdings net income decreased by €226 million to €–318 million driven by:

- AXA Financial Inc. (€–126 million decrease or €–127 million decrease on a constant exchange rate basis) to €–170 million reflecting after tax loss on the sale of Advest in 2005 of €–69 million and the impact of €43 million state tax release in 2004 related to the sale of DLJ in 2000;
- The Netherlands Holdings (€–107 million decrease to €–3 million), following the €+104 million non-recurring gain recorded in 2004 as a result of the sale of Unirobe;
- AXA UK Holdings (€–33 million decrease to €–105 million), mainly due to a €21 million increase in tax mainly explained by a provision for unremitted overseas earnings in Ireland partly offset by various prior year tax provision releases, together with a €6 million reduction in the net investment result, as well as a €–8 million (net of tax) indemnity to Nationwide;
- Belgium Holdings (€–31 million decrease to €–33 million), notably as a result of an indemnity fee paid following the early repayment of a loan, the non recurrence of the capital gains recognized on the disposal of Crealux, and €8 million related to the conclusion of an arbitration to Nationwide ;

partly offset by:

- an improvement of Germany holdings net income by €82 million to €–1 million, mainly due to (i) €+36 million impact linked to the final settlement in 2005 of the sale of Cologne Re JV announced in 2003, (ii) €+29 million income taxes improvement as a result of the implementation of a tax group with AXA Versicherung, and (iii) €14 million due to the capital loss on the Bausparkasse sale in 2004.

Liquidity and capital resources

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

The Company and each of its major operating subsidiaries are responsible for financing their operations. The Company, as the holding company for the AXA Group, coordinates these activities and, in this role, participates in financing the operations of certain subsidiaries. Certain of AXA's subsidiaries, including AXA France Assurance, AXA Financial Inc., AXA Asia Pacific Holdings and AXA UK Plc. are also holding companies and are dependent on dividends received from their own subsidiaries to meet their obligations. Operating entities have to meet multiple regulatory constraints, in particular a minimum solvency ratio. The amount of dividends paid by the entities to the Company take into consideration these constraints as well as potential future regulatory changes. However, based on the information currently available, AXA does not believe that such restrictions constitute a material limitation on its ability to meet its obligations or pay dividends.

AXA's insurance operations

The principal sources of funds for AXA's insurance operations are premiums, investment income and proceeds from asset sales. The major uses of these funds are to pay policyholder benefits, claims and claims expenses, policy surrenders and other operating expenses, and to make investments. The liquidity of insurance operations is affected by, among other things, the overall quality of AXA's investments and the ability of AXA to realize the carrying value of its investments to meet policyholder benefits and insurance claims as they become due.

Life & Savings

Liquidity needs can be affected by fluctuations in the level of surrenders, withdrawals and guarantees to policyholders in the form of minimum income benefits or death benefits, particularly on variable annuity business (see Item 4 "Information on the Company – Life & Savings – Surrenders").

AXA's investment strategy is designed to match the net investment returns and the estimated maturity of its investments with expected payments on insurance contracts. AXA regularly monitors the valuation and maturity of its investments and the performance of its financial assets. Financial market performance may affect the level of surrenders and withdrawals on life insurance policies, as well as projected immediate and long-term cash needs. AXA adjusts its investment portfolios to reflect such considerations.

Property & Casualty and International Insurance

Liquidity needs can also be affected by actual claims experience if they differ significantly from the estimated claims experience (see Item 4 "Information on the Company – Claims Reserves").

Insurance cash flows are generally positive and can be slightly negative in the case of exceptional events. A portion of the assets is invested in liquid, short-term bonds and other listed securities in order to avoid additional liquidity risk that may arise from such events. In the event of large catastrophic or other losses, AXA's Property & Casualty operations would be able to liquidate a certain amount of their investment portfolios.

Asset Management and Financial Services

The principal sources of liquidity relating to these operations are operating cash flows, but also, if necessary, proceeds from the issuance of ordinary shares, drawings on credit facilities and other borrowings from credit institutions.

The financing needs of asset management subsidiaries arise from their activities, which require working capital, in particular to finance prepaid commissions on some mutual fund-type products.

Sources of liquidity

At December 31, 2005, AXA's cash and cash equivalents stood at €19.5 billion (December 31, 2004: €19.8 billion), excluding bank overdrafts of €0.8 billion, (December 31, 2004: €0.7 billion). Cash and cash equivalents at the parent company fell by €685 million from €1,005 million to €320 million. Most of the decline was caused by AXA's November 2005 purchase of FINAXA bonds exchangeable into AXA shares, along with the share purchase program intended to control dilution resulting from share-based compensation and employees Shareplan program.

Maturities of financing debts are detailed in Note 17.4 of the Consolidated Financial Statements included in Item 18 of this Annual Report.

As part of its risk control system, AXA has for a number of years paid constant attention to contractual clauses, particularly those that may lead to early redemption. A large proportion of AXA's debt consists of subordinated bonds with no early redemption clauses, except in the event of liquidation. Early redemption clauses (puts, default triggers, rating triggers) are in general avoided by AXA. However, when market practice makes them unavoidable, AXA has a centralized method of monitoring these clauses. AXA is not currently exposed to early redemption clauses that management believes are likely to have a significant impact on its financial structure.

Subordinated debt

At December 31, 2005, the parent company had outstanding subordinated debt (excluding interest accrued but not yet due) of €8,974 million, or €7,837 million taking into account a €1,137 million reduction due to the impact of foreign exchange derivative instruments.

On a consolidated basis, subordinated debt (including the impact of derivative instruments) totaled €7,752 million at December 31, 2005, after taking into account all intra-group eliminations, down from €8,089 million at December 31, 2004.

The decline of €337 million equates to a fall of €662 million at constant exchange rates, with the adverse €325 million exchange rate impact relating mainly to subordinated bonds denominated in U.S. dollars. The decline was mainly due to the exercise by AXA SA of its early redemption clause on the €500 million of perpetual subordinated notes issued in March 2000 and the maturing of €–294 million of subordinated debt at AXA Financial, partly offset by a reduction in the value of derivatives instruments (€+68 million), following foreign exchange rates changes.

At 31 December, 2005, the number of shares that could be issued as a result of bond conversions was 64.4 million, as opposed to 64.3 million at the end 2004. This increase is due to convertible bonds issued by FINAXA in 1997, and which are now located at AXA level following the AXA-FINAXA merger.

For further information, refer to Note 17 to the Consolidated Financial Statements included in Item 18 of this Annual Report.

Item 5

Financing debt instruments issued

At December 31, 2005, the parent company's financing debt instruments issued (excluding accrued interest) totaled €1,236 million, a decrease of €178 million compared to end 2004. The reduction was mainly due to the redemption of Euro Medium Term Notes ("EMTN") and Bons à Moyen Terme Négociables ("BMTNs") in an amount of approximately €-332 million, partly offset by a €150 million issue of commercial paper.

On a consolidated basis, AXA's total financing debt instruments issued amounted to €2,817 million at December 31, 2005, a decrease of €86 million from the €2,903 million figure a year earlier. At constant exchange rates, the decline was €327 million (exchange rate movements had an adverse impact of €241 million, mainly on the foreign currency-denominated financing debt instruments issued by the U.S. and UK entities). The decline was mainly due to:
- €210 million bonds of MONY Group Inc. that matured in 2005;
- the redemption of EMTNs and Medium Term Notes ("MTNs") by the parent company in an amount of €332 million.

Partly offset by:
- the issue of €150 million of commercial paper by the Company on behalf of the Group's French, UK and German subsidiaries;
- reduction in the value of the trend in derivatives related to foreign exchange rates (€+55 million).

For further information refer to Note 17 to the Consolidated Financial Statements included in Item 18 of this Annual Report.

Financing debt owed to credit institutions

At December 31, 2005, amounts owed by AXA and its subsidiaries to credit institutions were stable at €17 million.

Other debt (Other than financing debt)

Other debt instruments issued

At December 31, 2005, other consolidated debt instruments issued (maturing in less than 1 year) totaled €2,410 million, up from €2,196 million at year end 2004 (including €1,684 million of debt issued by CDOs in 2005). The €215 million increase was mainly due to customer deposits with Sterling Grace of €141 million, and the entry in the scope of consolidation of the real estate company European Office Income Venture (€177 million), partly offset by the exit from the scope of consolidation of CDO Ecureuil (€-95 million).

Other debts by issuance

At December 31, 2005, other debts by issuance (including €0.8 billion of bank overdrafts), totaled €6,000 million of the total amounts of financing debt owed to credit institutions, an increase of €413 million, or €380 million at constant exchange rates. This rise was attributable primarily to the following items:

- a €435 million increase at AXA Bank Belgium as part of liquidity management in banking activities;
- a €68 million increase in bank overdrafts across the whole Group.

These movements were partly offset by:

- lower debt at CDO Jazz 1 (€119 million), in line with a lower volume of managed assets backing these credit lines;
- an €86 million decrease in German operating debt further to the transfer of the mortgage business to AXA Leben.

For further information refer to Note 18 to the Consolidated Financial Statements included in Item 18 of this Annual Report.

Issuance of ordinary shares

Since 1994, AXA has regularly offered employees in France and abroad the opportunity to subscribe to reserved share issues. Through these issues, employees invested €304 million in 2005, leading to the issue of 16.3 million new shares. At December 31, 2005, AXA employees held approximately 4.76% of AXA's ordinary shares (or 5.6% after the cancellation of AXA shares following the AXA/FINAXA merger) as opposed to 5.11% at December 31, 2004.

In 2005, AXA initiated a program to purchase its own shares in order to reduce the level of dilution resulting from equity-based remuneration and the employee stock purchase plan. Under this program, AXA bought back approximately 20 million AXA shares for a total of €512 million, the majority of which were cancelled thereafter.

In extraordinary shareholders' meetings held on December 16, 2005, AXA and FINAXA shareholders approved the merger between the two companies. The integration of FINAXA within AXA had retroactive effect from January 1, 2005 in accounting and tax terms for the AXA SA parent company. The transaction resulted in the creation of 299 million AXA shares on December 16, 2005, and the cancellation of 337.5 million AXA shares owned by FINAXA and its subsidiaries, effective January 9, 2006 at the end of the creditor opposition deadline.

Following these transactions, the Mutuelles AXA now own 14.3% of AXA's capital and 23.19% of its voting rights. For AXA and its shareholders, this transaction simplified the Group's ownership structure, enhanced the stock's standing in the market and increased the free float. It also made AXA the direct owner of the AXA brand, which had been owned up to that time by FINAXA. For FINAXA shareholders, the transaction increased the liquidity of the shares they owned and removed the discount at which their shares had traded.

Dividends received

Dividends paid to the Company were €1,420 million in 2005 (2004: €970 million), of which €74 million were in currencies other than the Euro (2004: €121 million). The €450 million increase in dividends in 2005 was mainly due to the following factors:

- Dividends received from European companies rose by €592 million to €1,309 million, including €901 million from AXA France Assurance, €146 million from Belgium and €142 million from Southern European companies. This increase reflects these subsidiaries' greater payout capacity resulting from improved earnings and surplus capital relative to capital-adequacy requirements. The main increase was from AXA France Assurance, which raised dividends by €321 million (including an interim dividend of €236 million). Belgium increased dividends by €118 million, Southern Europe by €80 million and AXA RE by €53 million.
- Dividends from insurance companies outside Europe fell by €47 million to €74 million in 2005 (2004: €121 million). The decrease was due to the non-recurrence of an exceptional dividend paid by the Moroccan unit in 2004. AXA Financial has not paid a dividend for two years. It is using its cash flow mainly to pay down debts, arising in particular from the acquisition of MONY in 2004.
- Dividends from financial companies fell by €94 million to €38 million in 2005 (consisting mainly of the €31 million received from AXA Investment Managers) as compared to €132 million at December 31, 2004. This fall is explained principally by the lack of dividends paid in 2004 by Compagnie Financière de Paris, whose 2003 earnings were boosted by releases of risk provisions.

The Company is not subject to restrictions on dividend payments, provided that its accumulated profits are sufficient to cover them. However, some subsidiaries, particularly insurance companies, are subject to restrictions on the amount of dividends they can pay to shareholders. For more information on these restrictions, see Note 29 to the Consolidated Financial Statements included in item 18 of this Annual Report.

The Company anticipates that cash dividends received from operating subsidiaries will continue to cover its operating expenses, including planned capital investment in existing operations, interest payments on its outstanding debt and borrowings, and dividend payments during each of the next three years. AXA expects that anticipated investments in subsidiaries and existing operations, future acquisitions and strategic investments will be funded from available cash flow remaining after payments of dividends, debt service and operating expenses, proceeds from the sale of non-strategic assets and businesses, and future issues of debt and equity securities.

Uses of funds

Interest paid by the Company in 2005 totaled €518 million (2004: €561 million, 2003: €487 million) or €266 million after the impact of hedging derivative instruments (2004: €321 million, 2003: €235 million). On a consolidated basis, total interest paid in cash in 2005 was €725 million (2004: €775 million).

Dividends paid to AXA shareholders in 2005 totaled €1,164 million in respect of the 2004 financial year, or €0.61 per ordinary share, versus €0.38 per share paid in respect of the 2003 financial year (€676 million in total). All of these dividends were paid in cash.

Solvency margin

Each insurance company within AXA is required by regulations in the local jurisdictions to maintain minimum levels of capital adequacy and solvency margin. The primary objective of the solvency margin requirements is to protect policyholders. Based on current information and to the best of the Company's knowledge, AXA's insurance subsidiaries comply with the applicable solvency requirements.

The solvency and capital adequacy margins in general are calculated based on a formula that contains variables for expenses, inflation, investment earnings, death, disability claims, surrenders, premium dormancy and policyholder options, distribution of assets among investment categories, and the matching of specific categories of assets and liabilities.

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

Futhermore, the supplementary supervision of credit institutions, investment companies and insurance companies belonging to a "financial conglomerate" was introduced by the European Parliament and Council Directive 2002/87/EC of December 16, 2002.

This directive was transposed into French law by an ordinance dated December 12, 2004, which introduced the notion of a "financial conglomerate" into the insurance code. Article 20 of this ordinance states that it shall apply for the first time to accounts opened as of January 1, 2005.

AXA is generally not regarded as a financial conglomerate in most of the jurisdictions it operates in. However, in accordance with the decree of September 19, 2005, if a company is not subject to additional supervision in this respect, the solvency margin is nevertheless reduced to the extent of any equity stakes that the company holds in credit institutions, investment companies and financial institutions.

In accordance with the practical methods of calculation implemented by AXA by reference to these texts, the adjusted solvency ratio was an estimated 216% at December 31, 2005, compared to 202% at December 31, 2004 on the basis of Solvency I rules, which were effective as of January 1, 2004 and taking into account a portion of future profits generated by in-force life insurance contracts as advised by the 2002.12 Directive dated March 5, 2002.

The Group solvency margin does not take into account the benefits of securitization of a motor insurance portfolio in France waiting for regulatory decisions.

The new requirements are regulated in France by the Autorité de Contrôles des Assurances et des Mutuelles (ACAM).

For additional information relating to the regulation applicable to AXA and its subsidiaries, please see Item 4 – "Information on the Company – Additional factors which may affect AXA business" of this Annual Report.

Supplementary Information – Contractual Obligations and specific information relating to off-balance sheet arrangements

A schedule of future payments under certain material contractual obligations for AXA Group is set out in the table below as at December 31, 2005.

	Carrying value by contractual maturity			Total carrying value as at December 31 2005
	12 months or less (a)	More than 1 year up to 5 years (b)	More than 5 years (c)	
Financing debts	311	385	11,234	11,930
Other debt instrument issued, notes and bank overdrafts	6,158	168	2,085	8,411
Total	**6,469**	**553**	**13,319**	**20,341**

(a) Relates to payments due in 2006.
(b) Relates to payments due from 2007 to 2011.
(c) Relates to payments due in 2012 and thereafter.

This table includes financing debt and other debt (including subordinated debt issued by the Company and its subsidiaries and non-subordinated debt) (please refer to detailed disclosure in notes 17 and 18 to the consolidated financial statements included in Item 18 of this Annual Report) and excludes the effect of related derivatives (see note 20 to the consolidated financial statements for derivative instruments).

As described above, AXA also has amounts borrowed from credit institutions, amounting to €6,017 million (including bank overdrafts for €762 million). Of the total amounts owed nearly all of the arrangements are payable on demand, except those of the company.

AXA also has contractual obligations: (i) to policyholders and/or designated beneficiaries in respect of life, health, retirement contracts and other savings-related contracts, and (ii) to policyholders in respect of Property & Casualty contracts including cover for automobile, homeowners/household, property and general liability insurance for both personal and commercial customers (small to medium-sized companies), large insurance risk cover for large national and international corporations, and reinsurance. These obligations include paying death claims, making annuity payments or paying claims arising from an insurable loss event. The timing of such payments depends on such factors as the mortality and persistency of its customer base and the occurrence of insurable loss events (please refer to note 15 to the consolidated financial statements in Item 18 of this Annual Report).

In addition, from time to time, AXA the Company and or its subsidiaries may become involved in contractual arrangements to which an unconsolidated entity is a party, which may assume many different forms such as, guarantees, subordinated retained interests in assets transferred, derivative instruments, obligations under variable interest entities including special purpose entities and other contingent arrangements. Information on contingent commitments material to AXA can be found in notes to the consolidated financial statements included in Item 18 of this Annual Report, specifically: note 17 for Financing debt, note 18 for Other debts (other than financing debt), note 29 for details on contingent assets and liabilities and unrecognized contractual commitments. In addition, specific to our U.S operations AXA Financial Group has obligations under contingent commitments at December 31, 2005, including: AXA Financial's and AllianceBernstein's respective revolving credit facilities and commercial paper programs; AllianceBernstein's $100.0 million Extensible Commercial Notes ("ECN") program; the U.S. Insurance Group's $1.17 billion of undrawn letters of credit; AllianceBernstein's $125.0 million guarantee on behalf of SCB LLC; and AXA Financial Group's guarantees or commitments to provide equity financing to certain limited partnerships of $687.4 million.

Our subsidiary, AllianceBernstein, had at year-end 2005 a $173.9 million accrual for compensation and benefits, of which $115.1 million is expected to be paid in 2007-2008, $29.0 million in 2009-2010 and the rest thereafter. Further, AllianceBernstein expects to make contributions to its qualified profit sharing plan of approximately $22.0 million in each of the next four years. AllianceBernstein currently expects to contribute an estimated $3.0 million to its qualified, non-contributory, defined benefit plan during 2006.

Further, AXA Group is also exposed to potential risk related to its own ceded reinsurance agreements with other insurers and to insurance guaranty fund laws in all 50 states, the District of Columbia and Puerto Rico. Under these laws, insurers doing business in these states can be assessed amounts up to prescribed limits to protect policyholders of companies that become impaired or insolvent.

Events subsequent to December 31, 2005, affecting AXA's liquidity

The Management Board proposed and AXA paid, following shareholders approval, a dividend of €0.88 per share on May 12, 2006. This dividend will give rise to a 40% tax credit for individuals whose fiscal residence is in France as of January 1 2006, equal to €0.35 per share.

In 2006, AXA has continued its program to buy back AXA shares in order to reduce the level of dilution resulting from equity-based remuneration and the employee stock purchase plan. AXA bought back 9.4 million AXA shares in January 2006 for a total of €0.25 billion

Please also refer to Note 30 to the Consolidated Financial Statements included under Item 18 to this Annual Report.

Consolidated Cash Flows

Net cash provided by operating activities totaled €22.1 billion for the year ended December 31, 2005, 1.9 billion higher as compared to 2004, in line with improved operational performance.

A growth in gross revenues was experienced in all of AXA's major markets: (i) Life & Savings, notably in France as a result of a steady growth in all lines of business, and in the United States, driven primarily by the consolidation of MONY for a full year in 2005 and increases in Variable Annuity and First Year life premiums, (ii) Property & Casualty, mainly driven by France and Southern Europe; growth slightly accelerated, benefiting from good momentum in personal lines and support from Canada as well as full consolidation of Turkey, Hong Kong and Singapore. In addition, AXA benefited from a favorable impact in relation with claims and expense management evolution: the combined ratio improved by 0.8 point over the period, owing to better claims-experience in the UK in personal lines and reduced claims handling costs.

Net cash used in investing activities was €18.8 billion in 2005, as compared to €16,5 million in 2004. Net cash used in purchase and sale of financial invested assets amounted €18.1 billion (€13.5 billion in 2004).

Cash used in purchase of subsidiaries and affiliated companies (net of cash acquired) amounted €1.5 billion and mainly consisted of the purchase of mutual funds in France, the purchase of Framlington and Seguro Directo, and the purchase of treasury shares as well. In 2004, cash used in purchase of subsidiaries and affiliated companies (net of cash acquired) amounted €3.9 billon and mainly consisted of the acquisition of MONY, and the purchase of mutual funds in France.

Net cash relating to financing activities totaled €–4.6 billion in 2005, mainly due to the €1.3 billion payment of dividends, and the €3.1 billion repayment of financing debt (including €1.5 billion exchangeable bonds bought by AXA from FINAXA, a €0.9 billion repayment of subordinated perpetual notes, EMTN and BMTN, partly offset by a €0.7 billion equity issuance (including a €304 million capital increase reserved for employees and a €250 million issuance of super subordinated debt). In 2004, net cash relating to financing activities totaled €0.6 billion, mainly resulting from the net cash relating to equity issuance €+2.3 billion, including €1.4 billion conversion of the ORAN (convertible bonds), (this reimbursement also explaining part of the €2 billion reimbursement of financing debt), a €0.3 billion capital increase reserved to employees and a €0.6 billion issuance of super subordinated notes.

At December 31, 2005, total consolidated net cash and cash equivalents amounted to €20.6 billion, net of €0.8 billion bank overdrafts classified under "Other debt instrument issued and bank overdrafts" in the consolidated balance sheet. (2004: respectively €21.8 billion net cash and €0.7 billion of bank overdrafts).