

AXA Konzern AG Business Report

2002



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Members of the Supervisory Board

MEMBERS OF THE SUPERVISORY BOARD

CHAIRMAN

Dr. Claus-Michael Dill

Chairman of the Board of
Directors
AXA Konzern Aktiengesellschaft,
Köln

DEPUTY CHAIRMAN

Claas Kleyboldt

Chairman of the Supervisory
Board
AXA Konzern Aktiengesellschaft,
Köln

MEMBERS

Christof W. Goeldi

International Director
AXA Central Europe, AXA GIE

Noël Richardson

Member of the Board of
Directors
AXA Konzern Aktiengesellschaft,
Köln

Members of the Board of Directors

MEMBERS OF THE
BOARD OF
DIRECTORS

CHAIRMAN

Franz Fuchs

MEMBERS

Dipl. Vw. David Furtwängler
Othmar Michl

MANAGEMENT

Wilhelm Brandstetter
Mag. Erich Eberdorfer
Mag. Klaus Eberhart (since 29.04.2002)
Dr. Lukas Haider
Mag. Peter Höfinger
Mag. Herbert Hübl
Alfred Karasinski
Dr. Peter Loisel
Dr. Peter Lovrek
Leopold Raith
Mag. Helmut Raunig (since 29.04.2002)
Mag. Kurt Svoboda (since 29.04.2002)
Gerhard Ulmer

Members of the Advisory Body

MEMBERS OF THE ADVISORY BODY

ACTIVE MEMBERS

**Chairman of the Advisory Body
Prof. Herbert Krejci**

Honorary Chairman of the Supervisory Board
VA Tech. AG

**Dr. József Bayer, Associate
Professor**

Managing Director Business Partner
Axel Springer Budapest Kft.

Hon. Prof. Mag. Dr. Leo. W. Chini

University of Economics, Vienna,
Institute for Business Science of Small
and Medium Sized Enterprises
(since 30.09.2002)

Komm. Rat Josef Fischer

Chairman of the Supervisory Board
Fischer GmbH (till 30.09.2002)

Ing. Franz Geiger

Chairman of the Board of Directors
Siemens Aktiengesellschaft Österreich
(till 30.04.2002)

Dkfm. Elisabeth Gürtler

Acting Director
Eduard Sacher GmbH
Hotel Sacher

Dr. Erich Hampel

Chairman of the Board of Directors
Bank Austria Creditanstalt AG

Komm. Rat Helga Mischek

Mischek Bau Aktiengesellschaft

Dr. Martin Purtscher

Chairman of the Supervisory Board
Vorarlberger Illwerke AG and
Vorarlberger Kraftwerke AG
(till 31.12.2002)

Dkfm. Hans Schmid

Chairman
Lowe Lintas GGK Holding AG

Hofrat Prof. Dr. Wilfried Seipel

General Director of the Museum of the
History of Art

**Konsul Dkfm. Mario Stedile-
Foradori**

Member of the Board of Directors
Arlberger Bergbahnen AG

Komm. Rat Hilde Umdasch

Chairman of the Supervisory Board
Umdasch AG
(till 30.04.2002)

Dr. Franz Vranitzky

Federal Chancellor

ASSOCIATED MEMBERS

**Dr. János Berényi General
Director**

Chairman of the Board of Directors
Győr-Sopron-Ebenfurti Vasút Rt.

Business Report

ECONOMIC ENVIRONMENT

The Austrian economy achieved somewhat less than one percent real growth in 2002. In the first three quarters the Austrian economy grew by 0.8 percent relative to the previous year. Economic activity in the first half year was still satisfactory, real gross domestic product grew by half of a percent from quarter to quarter, discounting seasonal fluctuations, but in the summer the mood of companies worsened. This was the time when the stock market crisis took effect, and doubts about the strength of international economic prosperity increased.

Companies' investment confidence reached its lowest point in 2002. Individual consumption was in 2002 more resistant to the weakening economic activity. Consumers spent one percent more than in the previous year. Taking the international crisis into consideration, exports and tourism also developed well.

As a result of economic growth slowing down, unemployment grew to an unusual extent in 2001 and 2002. However, in the second half year of 2002 the growth of labour supply and unemployment slowed down.

DEVELOPMENT FORECAST OF THE COMPANY

At the end of 2002 the company changed hands. AXA Konzern AG was sold to the Austria-Versicherungsverein auf Gegenseitigkeit and the Vulcania Holding GmbHs in a 50-50 percent proportion. The cartell-rights auditing process was still ongoing at the time of preparation of this report. The economic development of the company after the effective date of the balance sheet went on as planned.

INSURANCE MARKET 2002

Austria - non-life insurance

In the year under review, 2002, accrued gross premium from non-life insurance grew by 7.1 percent, to 192.8 million euros. Net premium in the retention grew by 6.6 percent, to 175.5 million euros in 2002. As a result, AXA Versicherung AG continued to grow in 2002.

The catastrophic flood in August 2002 was a serious burden on claim expenditures. The expenses on insurance events grew by 20.3 percent, to 152.7 million euros. (Previous year: 127 million euros). The expenses on insurance activity decreased in 2002 from 63.4 million euros to 59.4 million euros. This corresponds to a 6.4 percent decrease relative to 2001.

Austria - Life insurance

In the current year the accrued gross premium of life insurance amounted to 95.6 million euros.

The income from continuous premiums with its 11.3 percent growth is ahead of average market development. In the field of single premiums, relative to 2001, both at AXA and in the whole market, income from premiums significantly decreased. As a result of the favourable situation in income from continuous premiums, AXA acquired a solid position among the most successful Austrian insurance companies.

As a result of newly taken out property insurance policies gross premium development grew from 12.4 million euros to 15.8 million euros in 2002. The development of net premium was 12.3 percent last year. The company managed to increase the total stock of property and casualty insurances in the current year by 85.1 million euros, and that of the life insurances linked to investment units or to indices by 136 million euros. So the total stock of sum insured by the end of 2002 reached 2,674.3 million euros. The expenses on insurance events (not including the increase of reserves for future policy benefits for life and other insurance contracts) amounted to 56.8 million euros.

Compared to the previous year this means a decrease of 36.4 percent. This tendency was caused by the situation with maturities in the year 2001, which resulted from changes in the tax law concerning single premium policies taken out in 1996.

With the pleasingly large growth of new businesses the expenses on insurance activity rose to 21 million euros, and with this they were 6 percent above the amount of the previous year.

Hungary - Property insurance

In the business year 2002, AXA Insurance Corporation was able to carry on with its greater than average development reached in the previous year. The gross premium income of the property insurance branch has grown 29.7 percent, to 82 million euros. Annual profit (before dividend payment) reduced from 1.8 million euros to 0.9 million euros.

Hungary - Life insurances

AXA Insurance Corporation was able to increase its premium income by 25.9 percent to 26.9 million euros. The sale of unit-linked products was successful. The premium income of these products was 5.5 million euros. The 1.2 million euros annual result of life insurances is equal to the result of the previous year.

Hungary - Pension Fund

The AXA Pénztárszolgáltató Kft in Budapest, operating as a pension fund administrator, is 98.2 per cent owned by the AXA Konzern AG, Vienna, Austria. As a result of their intensive marketing activity the membership of the AXA and United Public Service Pension Fund (AXA és Egyesült Közszolgálati Nyugdíjpénztár) could increase from 149,000 to 160,000 by 31 December 2002. The assets of the pension fund managed by the AXA Asset Management Corporation

(AXA Vagyonkezelő Rt.) on 31 December 2002 was 82.1 million euros in the case of the Voluntary Pension Fund (Önkéntes Nyugdíjpénztár), and 40.7 million euros in the case of the Private Pension Fund (Magánnyugdíjpénztár).

The tendency towards concentration apparent in the pension fund market remained unchanged in 2002. In the field of private pension funds 85 percent of the whole membership is registered at the 6 biggest pension funds. In the sphere of voluntary pension funds 75 percent of the whole membership is shared by the 14 biggest pension funds. The 0.6 million euros result of 2002 is equal to the result of the previous year.

Liechtenstein -AXA Versicherung AG

The non-life insurance sector in the previous year - as a result of their partial withdrawal from indirect selling – recorded a premium decrease from 5.1 million Swiss francs in the previous year to 0.9 million Swiss francs. The annual loss after tax in the current year amounted to 2.5 million Swiss francs. The equity of the company amounts to 4.9 million Swiss francs.

Liechtenstein - AXA Lebensversicherung AG

In the life insurance sector recorded premium increased by 248.3 percent, to 28.6 million Swiss francs. In the current year it was above all the sales of life insurances linked to investment units since it was especially favourable.

The volume of capital investment increased from 27.3 million Swiss francs in 2001 to 43.4 million Swiss francs. The centre of interest in investments remains a balanced portfolio composed of fixed-rate securities and shares.

Report of the Supervisory Board on the Business Year 2002

During the business year the Supervisory Board have carried out the tasks set for them by the law and the company regulations. It has supervised management on the basis of regular reports by the board of directors, and informed itself about the business situation at several meetings. The Annual Report and the Business Report of the business year 2002 was audited by PricewaterhouseCoopers Auditing Corporation, Vienna, and was unqualified in accordance with the legal requirements.

The Annual Report was acknowledged by the Supervisory Board in the form suggested by the board of directors. The Supervisory Board present to the General Assembly the proposal to grant a vote of acceptance and approval of the Annual Report of the company.

Vienna, April 2003

On behalf of the Supervisory Body:

Dr. Claus-Michael Dill, under his own seal

BALANCE SHEET AS OF DECEMBER
31, 2002

Assets

	CURRENT YEAR	PREVIOUS YEAR
	In €	In TH€
A. Investments		
I. Intangible assets		
1. Licences	555,173.16	481
2. Advance payments	0.00	298
	555,173.16	779
II. Tangible assets	595,150.00	720
III. Financial investments		
1. Investments in related parties	72,231,290.82	67,212
2. Participations	1,389,106.98	1,130
3. Investments	12,391,985.89	13,734
	86,012,383.69	82,076
	86,607,533.69	82,796
B. Current assets		
I. Receivables and other assets		
1. Receivables from related parties	683,059.89	522
2. Other receivables and assets	3,460,137.34	2,736
	4,143,197.23	3,258
II. Cash at bank	13,423.01	6
	4,156,620.24	3,264
C. Prepayments and accrued income	39,862.09	34
	91,359,189.18	86,873

Liabilities

		CURRENT YEAR In €	PREVIOUS YEAR In TH€
A. Equity			
I. Issued capital		7,823,230.60	7,823
II. Capital reserve			
Restricted		34,511,663.51	34,512
III. Retained earnings			
Other (free) reserves		43,749,046.14	43,749
IV. Net profit or loss for the year			
Of which retained loss –920,606.84 EUR; in the previous year 58 THEUR		-3,499,404.40	-921
		82,584,535.85	85,163
B. Reserves before tax			
1. Revaluation reserve calculated on the basis of an extraordinary depreciation		35,573.35	36
2. Other reserves before tax		32,319.43	32
		67,892.78	68
C. Provisions			
1. Provision for severance pay		35,645.69	25
2. Provision for pension type payments		970,301.00	841
3. Provision for tax payment		10,633.56	10
4. Other provisions		461,384.20	424
		1,477,964.45	1,300
D. Liabilities			
1. Liabilities to related parties		7,086,037.19	0
2. Other liabilities			
Of which, originating from tax 63,973.79 EUR; in the previous year 137 THEUR			
Of which, in the framework of social security 12,461.05 EUR; in the previous year 18 THEUR		142,758.91	290
		7,228,796.10	290
E. Accruals and deferred income		0.00	52
		91,359,189.18	86,873

Vienna, January 27, 2003.

AXA Konzern
Corporation

Franz Fuchs, under his own seal

David Furtwängler, under his own seal

Othmar Michl, under his own seal

PROFIT AND LOSS STATEMENT ON BUSINESS YEAR 2002

		CURRENT YEAR	PREVIOUS YEAR
		In €	In THE
1.	Other business income		
	a) Income from the sale of investments	4,341.52	5
	b) Income from the cancellation of reserves	91,346.10	37
	c) Other	1,010,236.01	284
		1,105,923.63	326
2.	Personnel expenditures		
	a) Wages	-983,261.60	-921
	b) Expenditures on severance pays	-27,899.01	-11
	c) Expenditures on pension	-129,319.92	-184
	d) Expenditures on obligatory social security contributions, and taxes subject to income and obligatory contributions	-149,244.89	-144
	e) Other social expenditures	-26,000.71	-1
		-1,315,726.13	-1,261
3.	Depreciation of intangible assets and tangible assets	-389,867.20	-283
4.	Other operating expenditures	-1,763,930.80	-1,783
5.	Total of lines 1 – 4	-2,363,600.50	-3,001
6.	Income from shares (of which, from related parties 456,224.26 EUR; in the previous year 1,112 THEUR)	479,949.26	1,136
7.	Income from other financial investments and securities	657,930.75	672
8.	Other interests and similar income (of which, from related parties: 2,949.84 EUR; in the previous year 91 THEUR)	4,409.55	185
9.	Loss of value and increase in value of financial investments	56,278.03	361
10.	Expenditures on financial investments (of which, loss of value 1,323,899.40 EUR; in the previous year 388 THEUR)	-1,323,899.40	-391
11.	Interests and other expenditures (of which, connected enterprises 45,699.05 EUR; in the previous year 0 EUR)	-45,699.10	0
12.	Total of lines 6 – 11	-171,030.91	1,963
13.	Operating and financial profit	-2,534,631.41	-1,038
14.	Income tax and profit tax	-44,166.15	-113
15.	Loss for the year	-2,578,797.56	-1,151
16.	Cancellation of reserves before tax	0.00	172
17.	Posted to untaxed reserves	0.00	0
18.	Retained loss from the previous year	-920,606.84	58
19.	Net profit or loss for the year	-3,499,404.40	-921

Vienna, January 27, 2003

AXA Konzern
Corporation

Franz Fuchs, under his own seal

David Furtwängler, under his own seal

Othmar Michl, under his own seal

No objection may be raised, therefore the annual report of AXA Konzern Corporation, dated Vienna, December 31, 2002 is hereby supplied with an unqualified auditor's report in accordance with § 274, Section 1 of the Ktk:

"The book-keeping and the annual report, based on our obligatory examination, is in accordance with the legal requirements. The annual report, taking into account the generally accepted accounting principles, as far as possible, truly reflects the company's financial and profitability situation. The business report is in accordance with the annual report."

Vienna, January 27, 2003

PRICEWATERHOUSECOOPERS
Auditing Co.

Mag. Wiltschek
auditor

Dkfm. Gogg
auditor

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Members of the Supervisory Board

MEMBERS OF THE SUPERVISORY BOARD

CHAIRMAN

Franz Fuchs

Chairman of the Board of
Directors of AXA Konzern
Aktiengesellschaft, Wien

MEMBERS

Othmar Michl

Member of the Board of
Directors of AXA Versicherung
AG

Dipl. Vw. David Furtwängler

Chairman of the Board of
Directors
AXA Versicherung AG

Noël Richardson

Member of the Board of
Directors
AXA Konzern Aktiengesellschaft,
Köln

Gerhard Ulmer

Member of the Board of
Directors
AXA Versicherung AG

Members of the Board of Directors

MEMBERS OF THE BOARD OF DIRECTORS

CHAIRMAN

Mag. Peter Höfinger

MEMBERS

Sándor Kőszegi

András Juhos

Pál Ertl

Centre,
regional and
county directorates

CENTRE

1134 Budapest,
Róbert Károly krt. 76-78.
Tel.: +36-1-2386-000
Fax: +36-1-2386-060

DECENTRALIZED
SALES REGIONS

**REGIONAL DIRECTORATE
CENTRAL REGION AND BUDAPEST**

Director: János Bordás
1134 Budapest,
Róbert Károly krt.76-78.
Tel.: +36-1-2368-352
Fax: +36-1-2386-350

Budapest (SC)
1134 Budapest,
Róbert Károly krt. 76-78.
Pest County

1134 Budapest,
Róbert Károly krt. 76-78.
2600 Vác, Köztársaság u. 6.
2700 Cegléd, Kossuth tér 4.

Komárom County
2800 Tatabánya, Koós K. út 17/a.

Fejér County
8000 Székesfehérvár, Távirda u. 2.
2400 Dunaújváros, Dózsa Gy. út

Nógrád County
3060 Pásztó, Deák F. út 10.

WESTERN HUNGARY

Director: Ottó Karácsony
9700 Szombathely,
Hunyadi u. 10-12.
Tel.: +36-94-513-570
Fax: +36-94-513-599

Vas County (SC)
9700 Szombathely, Hunyadi u. 10-12.

Zala County
8800 Nagykanizsa, Csengery u. 7.
8360 Keszthely, Erzsébet királyné útja12.
8900 Zalaegerszeg, Deák tér 2.

Veszprém County (SC)
8200 Veszprém, Kereszt u. 7.

Győr-Moson-Sopron County (SC)
9021 Győr, Árpád u. 21.
9400 Sopron, Új u. 1.

NORTHERN HUNGARY

Director: Baghy Zoltán
3525 Miskolc, Széchenyi u. 3-9
Tel.:+36-46-500-950
Fax:+36-46-500-979

Borsod-Abaúj-Zemplén County (SC)
3525 Miskolc, Széchenyi u. 3-9
3700 Kazincbarcika, Fő tér 35.
3900 Szerencs, Rákóczi u. 102.

Heves County (SC)
3300 Eger, Bródy S. u. 4.
3200 Gyöngyös, Haniss tér 1.

Szabolcs-Szatmár-Bereg County (SC)
4400 Nyíregyháza, Vasvári Pál u. 1.

Hajdú-Bihar County (SC)
4025 Debrecen, Sumen u. 6.

SOUTHERN HUNGARY

Director: Zoltán Bihari
6000 Kecskemét, Csányi J. u. 1-3.
Tel.:+36-76-500-330
Fax:+36-76-600-359

Bács-Kiskun County (SC)
6000 Kecskemét, Csányi J. u. 1-3.
6500 Baja, Eötvös u. 6.

Jász-Nagykun-Szolnok County (SC)
5000 Szolnok, Szántó krt. 16/a.
5100 Jászberény, Zirzen Janka u. 8.

Csongrád County (SC)
6723 Szeged, Gogol u. 3.

Békés County (SC)
5600 Békéscsaba, Haán Lajos u. 1.

SOUTHERN TRANSDANUBIA

Director: Dr. Csaba Pálffy, in charge
7621 Pécs, Citrom u. 2.
Tel.:+36-72-513-850
Fax:+36-72-513-889

Baranya County (SC)
7621 Pécs, Citrom u. 2.

Somogy County (SC)
7400 Kaposvár, Széchenyi tér 8.

Tolna County (SC)
7100 Szekszárd, Rákóczi u. 22.

(SC) = Service Centre

ARC**CENTRE**

Director: József Bodnár
1025 Budapest, Frankel Leó u. 45.
Tel.:+36-1-3362-323
Fax:+36-1-3362-320

**DECENTRALIZED
SALES REGIONS****REGIONAL DIRECTORATE**

Pest County
1025 Budapest, Frankel Leó u. 45.
2310 Szigetszentmiklós,
Bajcsy-Zs. u.1.

Győr-Moson-Sopron County
9623 Győr, Vasvári Pál u. 9.
9500 Celldömölk, Gréfin tér 2.

Csongrád County
6724 Szeged, Dáni J. u. 1.

Szabolcs-Szatmár-Bereg County
4400 Nyíregyháza, Luther tér 1.

Business Report

ECONOMIC ENVIRONMENT

The global economy has not come out of recession, in spite of this having been forecasted for the second half of 2002. The unfavourable international market situation was accompanied by the worsening of national disequilibrium. It was foreseeable that 2003 was going to be a restrictive year for the whole of the Hungarian economy. The near future holds a serious challenge for a financial mediating system which has to stand its ground in the increasingly competitive situation in the now liberalised market circumstances of capital market services.

In 2002 Hungary was moderating the effect of international recession by stimulating domestic demand (state investments, outflow of wages and state subsidized loans), as a result of which the growth of the national economy has not slowed down to an extent similar to that of the more developed states. Hungary's gross domestic product, relative to the same period of the previous year, grew by 3.5 percent in the third quarter of 2002 and by 3.2 percent in the first three quarters.

The dynamic income-outflow of the year before the elections and of the hundred day program - especially in the non-productive and public sector - was unfavourable to the budget, and 2002 closed with a budget deficit record. The wage drift above the increase of productivity

(12.5 percent in the first three quarters in real terms), and the steadily appreciating forint (by more than 12 percent related to the euro between May 2001 and December 2002) together have seriously weakened the country's competitive position on the international market. As a result of this, companies investing in Hungary became uncertain, and this was further worsened by the ongoing debate about the benefits of EU membership.

However, there are signs of some kind of business upturn, which are apparent in new investment intentions and a regional shift in the number of new companies, mainly influenced by infrastructure developments.

In spite of all this, the slowing down of investments in 2002 casts the shadow of further slackening of the growth of industrial production in 2003. This is especially valid for the decreasing investment in the manufacturing industry, which was especially exposed to the effects of boom and slump, and in this sector the state did not interfere, unlike in the building industry. So even if there is a favourable tendency in the international market, its effects can only be enjoyed in Hungary at least half a year later.

Considering that the government's inflation objectives were modified several times during the year, in 2002 prices were 5.3 percent higher on average than in 2001, and with this the Central Bank's 4.5 +/- 1 percent inflation objective was fulfilled. However, in the second half of the year certain processes started, which suggested a dynamic inflation growth for 2003 again.

The biggest stock markets of the world closed prior year with a significant loss. 2002 was the third year of losses for the largest European and American stock markets. This is especially true of those who invested their savings in 1999 into the shares of the North American technological sector, and lost two thirds of their invested capital, while those who invested in European shares lost 50 percent on average. Although there was not much chance of avoiding loss of value on the yearly level, following the rise in the stock market (continuous rise for eight weeks) there was a slight hope of having only moderate losses. Contrary to tradition the month of December also brought more losses on the stock markets, the main reasons for that are the tensions in world politics, which were still ongoing at the beginning of 2003.

The long strike in Venezuela, and rising oil prices in December resulting from the Iraqi-American conflict raised further doubts as to the coming of an international boom in 2003. The uncertainty caused by the war is unfavourable to the stock market as a whole.

The development of the company

There was no change in the AXA Insurance Corporation's business area and ownership structure. The year 2002 was extraordinarily difficult in insurance, and our Company was affected on several levels. At the end of 2001, and from 2002 there were personal changes in the membership of both the Board of Directors and the

Supervisory Board .

At the same time the competence of the company's management units were reorganised as well – parallel in co-operation with the Austrian and German parent companies.

In the new organisational structure five management areas were created: Customer management, Life, Non-life, Operation management and Infrastructure management. Infrastructure management includes the Financial Management as well. With the establishment of the new organisational chart, private and corporate client policies having belonged under the competence of two separate management members of the board, now belong under a unified non-life branch, whilst within the inner structure concentration on the two tasks demanding the employment of different insurance techniques is still assured.

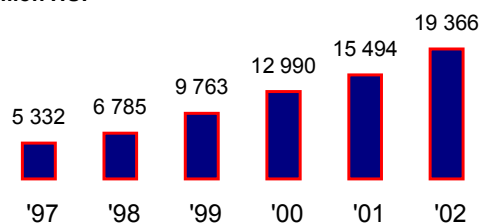
Saving on costs begun in 2001 - because of the worsening situation of the reinsurance sector - was further aggravated, while our marketing network was further expanded.

Non-life insurance

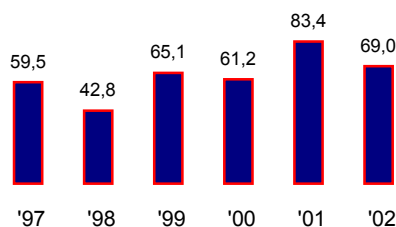
Car insurance is still the most significant branch in the company's portfolio, and the premium of comprehensive car insurance makes up more than 50 percent of the whole non-life insurance premium income.

The complete liberalisation of compulsory car liability insurance is still not going to be realised, so the free rating of premiums is still limited by an official maximum price.

Evolution of earned premium (1997-2002)
million HUF



Loss quota in % (1997 to 2002)



The effect of the terror attack on 11 September, 2001 could be seriously felt in the reinsurance premium of the year 2002. The premiums of certain branches of reinsurance have grown to a significant extent. The situation in reinsurance was further worsened by the expenses on damages caused by the 2002 summer flood in Central Europe. Thanks to the selective acceptance policy of our company, our stock was less damaged by the flood, as our company does not have

significant stock in this area .

Also because of the situation in reinsurance, from 1 January 2002, terror and cyber risks were excluded from the conditions of property insurance. This restriction of risks was understood and accepted by our clients.

In the area of product development the AXA Perfect product package has to be mentioned, which supplies flexible, up to date protection in the insurance categories of small, medium and large companies.

Our branch of home and condominium insurance has grown above the market average, and the purpose is the further strengthening of the property insurance portfolio.

Our unique MultiPartner-system made possible the return of claim free premiums worth 22,512 million forints to those partners who have several policies, and had no claims in the current year.

We were successful in widening our relationships in the insurance of works of art through insuring the collections of private and small galleries.

Our company has always paid special attention to the high quality of its services, so we reinforced our claimmanagement, especially in optimizing the conditions in vehicle claimmanagement in Budapest.

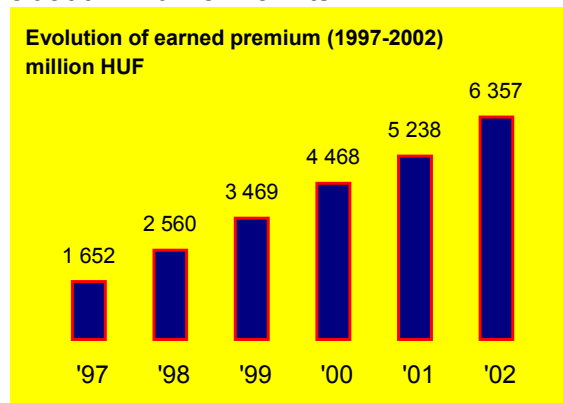
Our customer management system, called Customer Care Center, which is integrated into the central telephone customer service, deals with several tens of thousands of calls, which allow our customers to solve their insurance policy related

problems, and have their questions answered quickly.

Life insurance

In the field of our life insurances we completed the establishment up of our unit-linked insurances with pension products, and for several outside MLM sales channels we developed exclusive products.

The year 2002 also brought excellent results from the point of view of single premium investment (unit-linked) insurances, with a premium-income of about 1.1 billion forints.



The year's other successful products are the gradual payment insurances that can be joined to the redemption of bank mortgage.

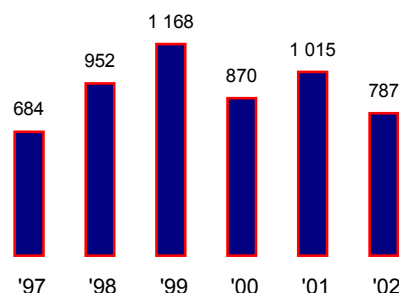
We started successful cooperation with several banks, partly through the group life-insurance of their mortgage stock, partly through products which can be linked, so for example with a unique credit card construction which can be joined with single premium insurances.

For the life insurance branch the year 2002 meant the beginning of a new expansion: our premium income of life insurance as a whole grew by 20.3 percent, surpassing the year 2001, and well above inflation.

Our leading agency conception - having justified itself - was able to develop further on the basis of our customers' very favourable reaction to the creation of agencies with a competence to decide and manage cases. (Until the end of the business year 46 leading agencies opened in the country).

As it was usual in previous years, the application process of private customers' policies was done - almost in 100 percent of cases - by computer transfer, also assuring and speeding up the process of preparing the insurance policies. Relationships to brokers have always been of outstanding importance in the life of the company - considering that more than 50 percent of the premium income relates to them. In the second half of the year we started to cooperate with several MLM type sales channels, on the basis of which - life and non-life insurances - selling began.

External service staff (1997-2002)



The membership of the AXA and United Public Service Pension Fund (AXA és Egyesült Közszolgálati Nyugdíjpénztár) in the voluntary branch is 97,128, and in the private branch 57,272. The assets managed are 9,544 billion forints in the voluntary branch and 18,384

billion forints in the private branch. The First Public Service Financial Counselling Corporation (Első Közzolgálati Pénzügyi Tanácsadó Kft.), which offers insurance for the public sector, is more and more effective in supplying this special service.

Our company made use of the popularity of football in Hungary to increase the public's awareness of the company through a marketing campaign organised at the time of the football World Cup.

Investments

The investment portfolio at the end of the year was 30,419 million forints (EUR 128.74 million – 236.29 HUF/EUR) which means an increase of 28.3 percent related to the previous year.

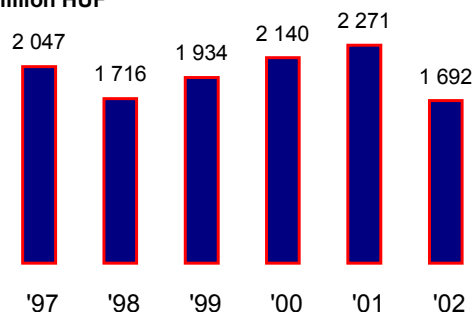
The portfolio consists almost solely of securities (more than 93 percent), and new investments were made primarily into short-term bonds. The company did not buy foreign shares because of the decline in the world economy, but neither did it sell any. The company's objectives relating to its investment portfolio were achieved in the business year. The end of the year evaluation of the securities was carried out according to the strictest precautionary principle, taking into consideration that government securities had been devalued by the company at the maximum to nominal value .

The yield of investments

The past business year was a complex challenge for capital markets. In the first quarter, thanks to the general elections, the Hungarian bond market showed a dynamic development, but from

April a tendency of decline could be observed. International markets - unlike those of Hungary - have suffered the greatest losses of the past 70 years. In this unfavourable economic situation the proceeds of investments also declined from 2,270.6 million forints to 1,692 million forints. The losses of international stock markets have resulted in a significant devaluation of securities.

Results of investments (1997-2002)
million HUF



OUTLOOK FOR BUSINESS YEAR 2003

The board of directors set the following objectives for the business year 2003:

In 2003 we intend to pay special attention to increasing car insurances above the market average - whilst retaining their profitability. Our company has established excellent relationships with companies taking part in car financing, so this cooperation offers a good chance to further increase the results of 2002 both in volume and quality.

We wish to supply new assistance-services to our appr. 40,000 clients who have home insurance - thus emphasizing the service character of our company.

With our bank partners - exploiting the current trend of taking out personal loans - we are trying to supply a more comprehensive range of services, both as to vehicles and private property. Concrete loans are realised with the help of AXA Homeloan Assistance.

In the field of life insurance we are planning to renew our classical life insurance products. From the sales point of view relating to our own network, the purpose is the strengthening of our role as financial / risk advisers, while in relation to the outside MLM line, our purpose is to strengthen partner relationships. We wish to expand

our relationships with banks as well, through drawing in new partners and deepening our existing cooperative relationships.

In the field of accident and health insurances we still wish to focus on the creation and marketing of group insurance policy packages.

The Hungarian insurance market is becoming busier with more participants and we have to compete with an increasing number of quality service partners, but based on the results of 2002 we think that our company's services are a good basis for remaining among the leading companies of the market, regarding both premium growth and customer satisfaction.

Acknowledgements

We wish to thank all our customers for their confidence, to our internal and external sales colleagues, who with their enthusiastic and persistent work have provided a basis for the success of the year 2002.

BALANCE SHEET AS OF DECEMBER 31 2002

Assets (in THUF)

Assets	December 31, 2001	December 31, 2002	Life	Non-life	Non-dividable
A. Intangible assets	295,676	255 114	0	0	255 114
B. Investments	23,342,830	28 569 067	16 095 338	12 347 891	125 838
I. Real estates	124,388	125 838	0	0	125 838
II. Investments in related parties	20,390	36 780	0	36 780	0
III. Other investments	23,198,052	28 406 449	16 095 338	12 311 111	0
IV. Deposit receivables from an insurance transaction taken into reinsurance	0	0	0	0	0
V. Revaluation of investments	0	0	0	0	0
C. Investments performed for the benefit of the contracting parties of unit-linked life insurances	188,645	1 164 390	1 164 390	0	0
D. Receivables	2,425,419	2 799 401	567 971	2 051 566	179 864
I. Receivables from a direct insurance transaction	1,855,617	2 080 767	557 830	1 522 937	0
II. Receivables from reinsurance transactions	326,215	464 348	6 606	457 742	0
III. Reserve share from the life insurance reserve fund, relating to the reinsurer	0	0	0	0	0
IV. Other receivables	243,587	254 286	3 535	70 887	179 864
E. Other assets	882,064	2 323 932	347 189	1 628 090	348 653
1. Tangible asset (except for real estates), inventories	399,534	348 653	0	0	348 653
2. Cash at bank, petty in hand	482,530	1 975 279	347 189	1 628 090	0
3. Own shares bought back	0	0	0	0	0
4. Other	0	0	0	0	0
F. Prepayments and accrued income	1,802,580	2 021 132	998 532	1 011 675	10 925
Total Assets	28.937.214	37 133 036	19 173 420	17 039 222	920 394

Equity & Liabilities (in THUF)

Equity & Liabilities	December 31, 2001	December 31, 2002	Life	Non-life	Non-dividable
A. Equity	3,476,876	3 962 011	1 068 647	2 893 364	0
I. Issued capital	1,173,000	1 173 000	187 680	985 320	0
II. Issued but unpaid capital (-)	0	0	0	0	0
III. Capital reserve	2,213,433	2 213 433	354 149	1 859 284	0
IV. Retained earnings (±)	-649,043	75 166	240 198	-165 032	0
V. Restricted reserve	0	0	0	0	0
VI. Revaluation reserve	0	0	0	0	0
VII. Net profit for the year (±)	739,486	500 412	286 620	213 792	0
B. Subjected loan capital	0	0	0	0	0
C. Insurance technical reserves	21,839,746	26 900 326	15 705 142	11 195 184	0
1. Reserve of unearned premiums	2,028,049	2 081 160	698 436	1 382 724	0
2. Mathematical reserves	11,353,396	14 662 326	14 461 123	201 203	0
3. Open claim reserves	6,842,387	8 775 305	76 261	8 699 044	0
4. Premium refund reserve dependent on and independent of profit	816,695	529 600	420 956	108 644	0
5. Claim fluctuation reserve	181,217	181 217	0	181 217	0
6. Other insurance technical reserve	618,002	670 718	48 366	622 352	0
D. Insurance technical reserves for the benefit of the contracting parties of unit-linked life insurances (I+2)	188,645	1 164 390	1 164 390	0	0
E. Provisions	0	0	0	0	0
F. Liabilities to reinsurer	3,801	5 892	0	5 892	0
G. Liabilities	2,511,329	4 312 672	641 096	3 441 435	230 141
I. Liabilities from direct insurance transactions	1,587,608	2 269 050	620 216	1 648 834	0
II. Liabilities from reinsurance transactions	668,084	864 502	826	863 676	0
III. Liabilities from bond issue	0	0	0	0	0
IV. Credits	0	0	0	0	0
V. Other liabilities	255,637	1 179 120	20 054	928 925	230 141
H. Accruals and deferred income	916,817	787 745	126 355	275 384	386 006
Total Equity & Liabilities	28.937.214	37 133 036	18 705 630	17 811 259	616 147

PROFIT AND LOSS STATEMENT
DECEMBER 31 2002 (IN THUF)

	December 31, 2001	December 31, 2002	Life	Non-life
A) NON-LIFE INSURANCE BRANCH				
01. Earned premiums, without reinsurance	13,746,569	16 766 613	0	16 766 613
a) gross premium	16,364,596	19 625 138	0	19 625 138
b) premium transferred to reinsurer (-)	-1,848,912	-2 766 662	0	-2 766 662
c) change of the reserve of unearned premiums (±)	-870,416	-259 220	0	-259 220
d) share of reinsurer of the change of reserve of unearned premiums (±)	101,301	167 357	0	167 357
02. Investment profit to be refunded to the policy holders (in accordance with line C/06)	0	0	0	0
03. Other insurance technical income	55,265	21 988	0	21 988
04. Claim expense	10,472,653	12 488 666	0	12 488 666
a) Claim payments and adjustment costs	8,585,145	10 580 541	0	10 580 541
b) change of open claim reserves (±) (itemised, IBNR)	1,887,508	1 908 125	0	1 908 125
05. Change of mathematical reserves (±)	20,367	-48 797	0	-48 797
06. Change of premium refund reserve dependent on and independent of profit (±)	29,584	35 426	0	35 426
07. Change of claim fluctuation reserve (±)	0	0	0	0
08. Change of other insurance technical reserves (±)	-151,808	45 593	0	45 593
09. Net operating costs	3,755,916	4 321 096	0	4 321 096
a) acquisition cost incurred in the current year	2,187,666	2 651 167	0	2 651 167
b) change of deferred acquisition costs (±)	-531,369	-136 674	0	-136 674
c) administration costs (except for investment costs)	2,256,506	1 992 336	0	1 992 336
d) commissions and profit share due from reinsurer (-)	-156,887	-185 733	0	-185 733
10. Other insurance technical expenditures	148,715	234 562	0	234 562
A) INSURANCE TECHNICAL PROFIT (01+02+03-04±05±06±07+08-09-10)	-473,593	-287 945	0	-287 945
B) LIFE INSURANCE BRANCH				
01. Earned premiums, without reinsurance	5,192,832	6 344 352	6 344 352	0
a) gross premium	5,252,812	6 317 957	6 317 957	0
b) premium transferred to reinsurer (-)	-45,601	-12 357	-12 357	0
c) change of the reserve of unearned premiums (±)	-14,450	38 839	38 839	0
d) share of reinsurer of the change of reserve of unearned premiums (±)	71	-87	-87	0
02. Insurance technical income from investments	1,332,569	1 394 197	1 394 197	0
a) dividend and participation received	3,506	3 849	3 849	0
b) other investment income	1,288,143	1 338 534	1 338 534	0
c) profit from the sale of investments, other income from investments	133,664	51 814	51 814	0
d) investment income allocated from life insurance (in accordance with line C/05) (-)	-92,744	0	0	0
03. Unrealised profit from investments	1,058	46 136	46 136	0
04. Other insurance technical income	2,664	3 007	3 007	0
05. Claim expense	727,017	824 418	824 418	0
a) claim payments and adjustment costs	714,930	799 625	799 625	0
b) change of open claim reserves (±) (itemised, IBNR)	12,087	24 793	24 793	0
06. Change of mathematical reserves (±)	2,920,044	3 357 726	3 357 726	0
07. Change of premium refund reserve dependent on and independent of profit (±)	-53,982	-322 521	-322 521	0
08. Change of claim fluctuation reserve (±)	0	0	0	0
09. Change of other insurance technical reserves (±)	229,888	982 867	982 867	0
10. Net operating costs	2,187,716	1 986 446	1 986 446	0
a) acquisition cost incurred in the current year	882,744	956 910	956 910	0

b) change of deferred acquisition costs (±)	141,614	-14 345	-14 345	0
c) administration costs (except for investment costs)	1,163,397	1 044 707	1 044 707	0
d) commissions and profit shares due from reinsurer (-)	-39	-826	-826	0
11. Insurance technical expenditures from investments	130,159	414 929	414 929	0
a) operating and maintenance expenditures of investments, including interests paid and interest type expenditures	36,114	3 195	3 195	0
b) loss of value of investments, written-back loss of value of investments (±)	80,204	342 073	342 073	0
c) loss from the sale of investments, other expenditures on investments	13,841	69 661	69 661	0
12. Unrealised loss from investments	8,711	113 456	113 456	0
13. Other insurance technical expenditures	1,235	1 499	1 499	0
B) INSURANCE TECHNICAL PROFIT (01+02+03+04-05±06±07±08±09-10±11-12-13)	378,335	428 872	428 872	0
C) NON-INSURANCE TECHNICAL SETTLEMENTS				
01. Dividend and participation received	2,454	2 446	0	2 446
02. Interests and interest type income received	924,233	961 676	0	961 676
03. Income from tangible assets related to the insurance stock	0	0	0	0
04. Exchange profit from the sale of investments, other income from investments	114,651	20 855	0	20 855
05. Investment income allocated from life insurance (in accordance with line B/02/d)	92,744	0	0	0
06. Investment profit to be refunded to the policy holders (-) (in accordance with line A/02)	0	0	0	0
07. Operating and maintenance expenditures of investments, including interests paid and interest type expenditures	3,123	1 926	0	1 926
08. Loss of value of investments, written-back loss of value of investments (±)	48,118	258 772	0	258 772
09. Exchange loss from the sale of investments, other expenditures on investments	14,679	11 950	2 722	9 228
10. Other income	269,465	29 378	6 761	22 617
11. Other expenditures	319,723	232 553	60 484	172 069
D) OPERATING AND FINANCIAL PROFIT (±A±B+01+02+03+04+05-06-07-08-09+10-11)	922,646	650 081	372 427	277 654
12. Extraordinary income	481	294	87	207
13. Extraordinary expenditures	0	0	0	0
14. Extraordinary profit or loss (12-13)	481	294	87	207
E) PROFIT OR LOSS BEFORE TAX (±D±14)	923,127	650 375	372 514	277 861
15. Tax	183,641	149 963	85 894	64 069
F) PROFIT OR LOSS AFTER TAX (±E-15)	739,486	500 412	286 620	213 792
16. Use of retained earnings for dividend	0	0	0	0
17. Dividend approved	0	0	0	0
G) NET PROFIT FOR THE YEAR (±F+16-17)	739,486	500 412	286 620	213 792