

ANNUAL REPORT

P A R I B A S

1998

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Disclaimer

Following the public exchange offers on Paribas and Société Générale shares launched by BNP in the evening of March 9, 1999, the date of the Paribas Annual General Meeting has been postponed, and the agenda and resolutions are likely to be altered.

In addition, an Extraordinary General Meeting is likely to be called following the Annual General Meeting, whose agenda and proposed resolutions are presented in the annex to this report.

Similarly, a General Meeting of Shareholders benefiting from double voting rights is likely to be called.

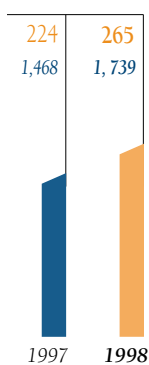
Please refer to the enclosed document "Addendum to Annual Report".

CONSOLIDATED FINANCIAL HIGHLIGHTS

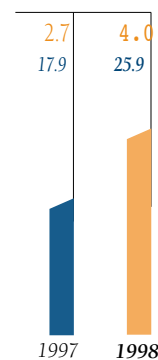
EUR 1 = 6.55957 FF

Financial strength

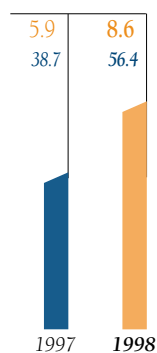
TOTAL ASSETS
(in € billion,
in FRF billion)



**UNREALIZED CAPITAL GAINS
FROM EQUITY PORTFOLIO**
(in € billion,
in FRF billion)

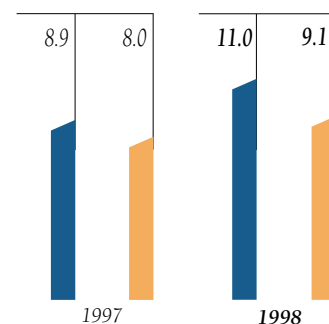


**AVERAGE SHAREHOLDERS'
EQUITY *, GROUP SHARE**
(after net income,
in € billion,
in FRF billion)



EUROPEAN SOLVENCY RATIO (in %)

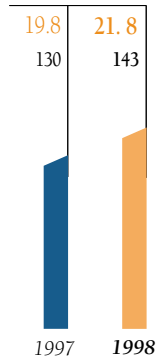
■ global
■ tier one



* before provision on SG Paribas restructuring costs of EUR 400 million, net of tax.

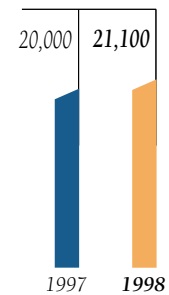
Activity

**TOTAL CUSTOMER DEPOSITS
(EXCLUDING CERTIFICATES
OF DEPOSITS)**
(in € billion, in FRF billion)



Employees

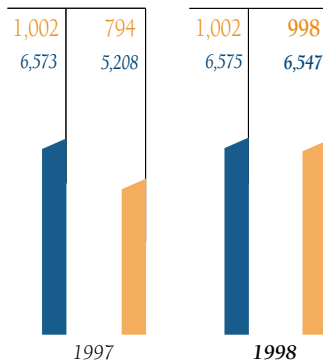
**EMPLOYEES
EXCLUDING DISCONTINUED
ACTIVITIES**
(at December 31)



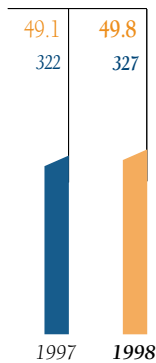
Results

NET INCOME *
(in € millions, in FRF million)

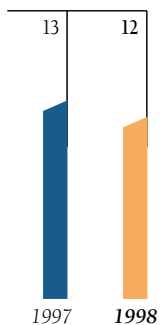
- Group share
- Group share, excluding discontinued activities



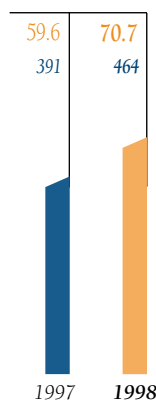
CUSTOMER LOANS OUTSTANDING
(in € billion,
in FRF billion)



RETURN ON SHAREHOLDERS' EQUITY *
(based on net income, Group share,
excluding discontinued activities, in %)



**TOTAL ASSETS
UNDER MANAGEMENT**
(in € billion,
in FRF billion)



* before provision on SG Paribas restructuring costs of EUR 400 million, net of tax.

SHAREHOLDER'S HANDBOOK

Shareholders

SHAREHOLDERS BASE AT JANUARY 29, 1999 ⁽¹⁾

	IN % OF SHARE CAPITAL	IN % OF VOTING RIGHTS
Shareholders holding more than 5% of voting rights	11.4	20.0
• Group AXA	6.7	11.7
• ALLIANZ- AGF	4.7	8.3
Other shareholders holding 0.5 % or more of voting rights	15.0	17.8
Other identified shareholders ⁽²⁾	15.0	16.0
Various shareholders ⁽³⁾	53.1	46.2
Treasury shares	5.5	-
Total	100.00	100.00

(1) as reported to the company

(2) estimated

(3) including 400,000 individual shareholders holding 10.3% of the share capital

Listing

The Paribas share is listed on the Paris Stock Exchange (monthly settlement market; groupe continu A; SICOVAM code: 12001). The Paribas share also trades in Tokyo.

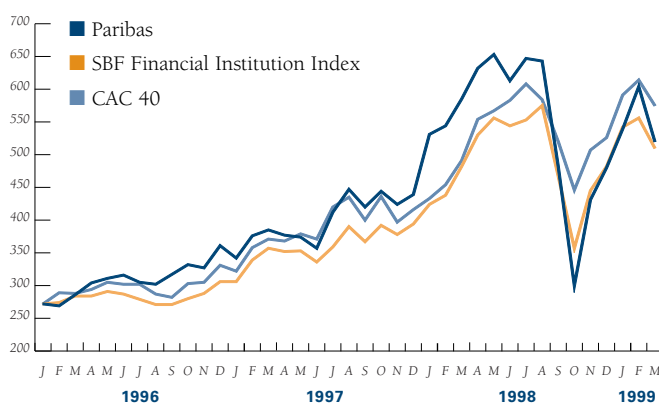
Dividend

The Shareholders' Meeting of April 1, 1999 will be asked to approve a net dividend per share of EUR 2.5 for 1998. The dividend will be payable as of April 6, 1999.

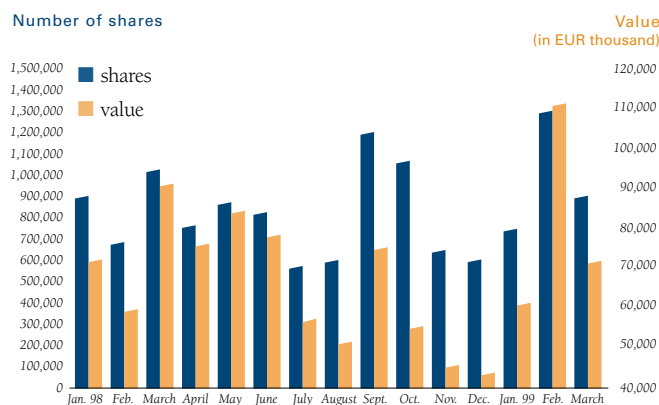
STOCK MARKET DATA

Share price	1997		1998	
	€	F	€	F
High	82.47	541.00	106.41	698.00
Low	51.68	339.00	41.31	270.98
Last	79.73	523.00	74.04	485.70
Average of last 30 trading days	72.73	477.06	72.75	477.20
Earnings per share (excluding discontinued activities)	7.2	47.2	6.5	42.6
Average number of shares outstanding (in million)	110.7		153.8	

THE PARIBAS SHARE PRICE



DAILY TRADING VOLUME (MONTHLY AVERAGE)



SHAREHOLDER INFORMATION

Paribas shareholder information is available from two specialized departments:

Paribas Actionnaires:

3, rue d'Antin 75002 Paris France

Fax: +33(0)1-42-98-66-75

in charge of relations with individual shareholders.

The investor relations department:

Tel: +33(0)1-42-98-66-35

Fax: +33(0)1-42-98-15-25

In addition to its annual report, the following printed documents are available to Paribas shareholders and followers:

- Shareholder letters

Published twice a year following the announcement of the Group's full-year and interim results, as well as on the occasion of major corporate developments. The shareholder letters convey information on Group developments and financial performance, as well as on the activity of the Committee of Individual Shareholders.

- The Annual General Meeting (AGM) report.

Committee of Individual Shareholders

Paribas was one of the first French companies to establish a Committee of Individual Shareholders in order to improve

its ongoing dialogue with all shareholders.

The twelve-member Committee includes a member of the Supervisory Board, Colette Neuville, as well as a representative of the employee shareholders, Frédérique Dambrine. The Committee meets twice a year under the chairmanship of Michel François-Poncet and André Lévy-Lang.

Any shareholder is eligible.

Members are elected for three-year renewable terms.

Applications should be sent to Paribas Actionnaires. In 1998, eight members were replaced.

The Committee's members include:

Michel François-Poncet,
Chairman

André Lévy-Lang,
Vice-Chairman

Alain Balesdent*

Jean Ballongue*

Jean-Claude Burette*

Marcel Cosse*

Frédérique Dambrine,
representing the association of
employee shareholders

Bernard d'Illiers*

Jean-Pierre Kern*

Jean-Jacques Le Guen*

Colette Neuville,
member of the Supervisory Board

Daniel Noblet*

Michel Picot*

Dominique Vigneron*

**individual shareholders*

Subsequent Events

On March 9, 1999, Banque Nationale de Paris (BNP) sought approval from the relevant French authorities (Conseil des Marchés Financiers, or CMF) to launch two separate public exchange offers (Offres Publiques d'Échange) for Société Générale and Paribas. BNP's offer for Paribas competes with the offer launched earlier by Société Générale.

The CMF cleared both BNP offers on March 16, 1999. The offers became effective March 31, 1999. At the time of completion of the present document, the calendar of these offers had yet to be set by the CMF, whose decision should be made following the publication of the information memoranda established by Société Générale and Paribas in response to the BNP offers. On April 6, 1999, the Board of Directors of Société Générale and the Supervisory Board of Paribas rejected the BNP offers.

SUPERVISORY BOARD

Michel François-Poncet

Chairman

Age 64. Joined the Group in 1961. Chairman of the Supervisory Board of Paribas Suisse. Member of the Boards of Directors of Axa, Comit, LVMH, Schneider SA and Total.

Member since May 30, 1990.
Owner of 10,048 Paribas shares.

Jean Gandois ⁽¹⁾

Vice-Chairman

Age 68. Chairman of Cockerill Sambre. Member of the Boards of Directors of BNP, Schneider and Danone, and of the Supervisory Boards of Peugeot, Suez-Lyonnaise des Eaux, Siemens AG and Akzo-Nobel.

Member since May 12, 1998.
Owner of 1,045 Paribas shares.

Euan Baird ⁽¹⁾

Age 61. Chairman of Schlumberger.

Member since May 12, 1998.
Owner of 1,091 Paribas shares.

Claude Bébéar

Age 63. Chairman of the Management Board of Axa. Member of the Boards of Directors of Société Générale, Schneider, and Lor Patrimoine.

Member since May 12, 1998.
Owner of 1,044 Paribas shares.

Daniel Bouton ⁽²⁾⁽³⁾

Age 49. Chairman and Chief Executive Officer of Société Générale. Member of the Boards of Directors of Canal+, Schneider SA and Total.

Member since January 31, 1999

Antonio Borges ⁽¹⁾

Age 50. Dean of Insead Business School. Member of the Board of Directors of Cimentos de Portugal, of the Fiscal Board of Banco Santander de Negocios, and of General Board of Sonae.

Member since May 12, 1998. Owner of 200 Paribas shares.

Philippe Degailh

Age 46. Employee representative elected March 14, 1996.

Mandate expiring in 1999.

Paul Desmarais

Age 72. Chairman of the Executive Committee of Power Corporation (Canada). Member of the Boards of Directors of Great-West, Bruxelles-Lambert, CLT-UFA and Axa.

Member since May 12, 1998.
Owner of 230 Paribas shares.

Thierry Desmarest

Age 53. Chairman of Total. Member of the Board of Directors of Cogema.

Member since May 12, 1998.
Owner of 1,546 Paribas shares.

Paul-Louis Halley ⁽¹⁾

Age 64. Chairman of Promodès. Member of the Consultative Council of Banque de France.

Member since May 12, 1998.
Owner of 1,000 Paribas shares.

⁽¹⁾ Independent Member

⁽²⁾ Subject to approval by the Annual General Meeting

⁽³⁾ Considering the public exchange offer, the share acquisitions will be made after the end of the operation.

Antoine Jeancourt-Galignani

Age 62. Chairman of AGE. Chairman of the Supervisory Board of Euro-Disney Sca, Member of the Boards of Directors of Société Générale, Bouygues, Total, and Rhône Poulenc.

Member since May 12, 1998.
Owner of 349 Paribas shares.

Denis Kessler ⁽¹⁾

Age 47. Chairman of Fédération française des sociétés d'assurances (FFSA), Vice-Chairman of Mouvement des Entreprises de France (MEDEF) and member of Conseil Economique et Social.

Member since May 12, 1998.
Owner of 209 Paribas shares.

Alexandre Lamfalussy ⁽¹⁾

Age 70. Former Chairman of the European Monetary Institute, Professor at Institut Catholique de Louvain. Member of the Board of Asbl Bruxelles-2000; Chairman of the Board of Directors of Euro MTS Ltd (since March 1, 1999)

Member since May 12, 1998.

Virin Moulin

Age 33. Employee representative elected March 14, 1996.

Mandate expiring in 1999.

Colette Neuville ⁽¹⁾

Age 62. Member of the Individual Shareholder Committees of Paribas and Rhône Poulenc. Member of the European Shareholders Group, President of the Association for the Defense of Minority Shareholders.

Member since May 12, 1998.
Owner of 550 Paribas shares.

Pierre Nourrit

Age 55. Employee representative elected March 14, 1996.

Mandate expiring in 1999.

Ernest-Antoine Seillière de Laborde ⁽¹⁾⁽²⁾⁽³⁾

Age 61. Chairman of Marine Wendel, of Compagnie Générale d'Industrie et de Participations CGIP, and of Cap Gemini. Member of the Boards of Directors of Eridania Beghin Say, Gip SA, Société Générale, Société Lorraine de Participations Sidérurgiques - SLPS, and Valeo. Member of the Supervisory Boards of Hermes International SA, Peugeot SA, Reynolds, and Oranje-Nassau Groep BV.

Member since January 31, 1999.

Serge Tchuruk

Age 61. Chairman of Alcatel Alsthom. Member of the Boards of Directors of Total, Vivendi, Alstom and Thomson-CSE.

Member since May 12, 1998.
Owner of 242 Paribas shares.

BOARD COMMITTEES

SEVERAL BOARD COMMITTEES HAVE BEEN ESTABLISHED

TO ASSIST THE SUPERVISORY BOARD:

The Compensation Committee

Established in 1987, the Compensation Committee recommends appropriate remuneration, stock option and stock purchase programs for corporate officers.

Membership:

Claude Bébéar, Paul Desmarais,
Jean Gandois, Paul-Louis Halley.

The Accounting and Audit Committee

Established in March 1995, the Accounting and Audit Committee assesses the quality of the financial information provided by the Company and monitors audit and control functions.

Membership:

Euan Baird, Denis Kessler,
Michel François-Poncet.

The Nominating Committee

The Nominating Committee recommends Supervisory and Management Board appointments as well as measures to ensure management continuity.

Membership:

Claude Bébéar, Euan Baird, Serge Tchuruk,
Michel François-Poncet.

Secretary of the Supervisory Board

Pierre-Edouard Noyelle.

Statutory Auditors

Deloitte Touche Tohmatsu
Ernst & Young Audit.

EXECUTIVE COMMITTEE

André Lévy-Lang

CHAIRMAN

Age 61. Joined the Group in 1974 through Compagnie Bancaire. Chairman of the Board of Management of Paribas. Member of the Boards of Directors of AGF, Elf, Schlumberger and Finaxa.

Member since September 19, 1991.

Owner of 41,866 Paribas shares.

Philippe Blavier

Age 53. Joined Paribas in 1981. Head of banking activities since 1996. Member of the Boards of Directors of Paribas Suisse, Paribas North America, Paribas Bank of Canada, Paribas Futures Inc.

Member since May 12, 1998.

Owner of 1,235 Paribas shares.

Michel Clair

Age 52. Joined the Group in 1991 through Compagnie Bancaire. Director of the Supervisory Board, and Real Estate. Chairman of Sinvim, Ségécé, and Finaxa. Chairman of the Board of Management of Klépierre.

Member since March 1st, 1999

Owner of 2,000 Paribas shares.

Jean Clamon

Age 46. Joined the Group in 1976. Member of the Board of Management of Paribas. Member of the Boards of Directors of Cobepa, Société Financière de Gaz et d'Énergie, Erbé, Fibelpar, Compagnie Nationale à Portefeuille and Compagnie Générale Mosane.

Member since February 27, 1997.

Owner of 843 Paribas shares.

Philippe Dulac

Age 55. Joined the Group in 1983. Member of the Board of Management of Paribas. Chairman of Banque Paribas Luxembourg. Member of the Boards of Directors of Colgate-Palmolive (France) and Esso (France) and of the Supervisory Board of Cetelem.

Member since June 15, 1990.

Owner of 1,147 Paribas shares.

Véronique Guillot-Pelpel

Age 49. Joined the Group in 1983 through Compagnie Bancaire. Director of Human Resources and Communications. Honorary Chairperson of Entreprises et Média.

Member since May 12, 1998.

Owner of 400 Paribas shares.

Dominique Hoenn

Age 59. Joined Paribas in 1963. Member of the Board of Management of Paribas. Member of the Boards of Conseil des Marchés Financiers, Sicovam, Société des Bourses Françaises and Finextel, of Banque Artesia, Paribas Luxembourg SA, Paribas Suisse SA, Paribas Asia, and Paribas International BV.

Member since June 15, 1990.

Owner of 1,084 Paribas shares.

Robert de Metz

Age 48. Joined the Group in 1991. Member of the Board of Management of Paribas. Member of the Boards of Directors of Axa Ré Finance, Cobepa and Paribas International BV.

Member since May 12, 1998.

Owner of 2,000 Paribas shares.

Bernard Müller

Age 53. Joined the Group in 1971. Member of the Board of Management of Paribas. Chairman of the Supervisory Boards of Cetelem and Banque Cortal. Member of the Boards of Directors of UFB Locabail, Ségécé, Klépierre, Paribas Suisse and Paribas Luxembourg; permanent representative of Compagnie Bancaire on the Boards of UCB, Banque Directe.

Member since May 12, 1998.

Owner of 2,929 Paribas shares.

Amaury-Daniel de Seze

Age 52. Chairman of Paribas Affaires Industrielles since 1993. Member of the Board of Management of Paribas. Member of the Boards of Directors of Groupe Bruxelles Lambert, Schneider SA, Sema Group Plc., Atos, la Poste, Clemessy, Ciments Français, IMS and Publicis.

Member since June 15, 1993.

Owner of 2,563 Paribas shares.

Philippe Wahl

Age 43. Joined the Group in 1999 through Compagnie Bancaire, Head of Retail Financial Services. Member of the Boards of UCB, Banque Directe, Cardif SA, Arval, UFB Locabail, UCI SA, and Findomestic. Member of the Supervisory Board of Cetelem.

Member since March 1st, 1999

Owner of 1,124 Paribas shares.

REMUNERATION OF EXECUTIVE COMMITTEE MEMBERS

The information listed below concerns the nine members of the Executive Committee, i.e. the seven members of the Board of Management and two Executive Directors appointed pursuant to Article 20 of the Company's by-laws.

In accordance with legal procedures, the remuneration of Board of Management members is set by the Supervisory Board. The Supervisory Board also approves the remuneration of Executive Directors.

The Supervisory Board bases its decisions on recommendations put forward by the Compensation Committee, whose members currently include Claude Bébéar, Paul Desmarais, Jean Gandois, and Paul-Louis Halley; the majority of whom are considered as independent members of the Supervisory Board.

The mode of remuneration of the members of the Board of Management is set by the Supervisory Board at the time of appointment or renewal of the Board of Management, and for the duration of its three-year mandate. Remuneration is made up of three components:

- a fixed amount, which remains constant for the three-year term;
- a first variable amount, which is a percentage of the fixed amount, based on meeting a key criterion: return on Paribas shareholders' equity. This criterion has been set for the duration of the Board of Management's mandate: 15% for 1998, 12% for 1997, and 9% for 1996;
- a second variable amount, based on the achievement of individual annual objectives given to each member of the Board of

Management. The amount of this annual bonus is discretionary.

Executive Directors are subject to the same remuneration policy.

Managers do not enjoy any significant or particular benefits relating to their position, with the exception of a company car.

Total remuneration paid in 1998

- Executive Committee members

The total remuneration paid in 1998 to the nine members of the Executive Committee amounted to EUR 6.2 million, as follows:

- EUR 3.4 million as fixed remuneration,
- EUR 2.4 million as variable remuneration,
- EUR 0.4 million in Directors' fees.

These figures include remuneration paid to Executive Committee members in their capacity as members of the Board of Management of Compagnie Financière de Paribas, between January 1, 1998 and May 12, 1998. Compagnie Financière de Paribas, subsequently merged within Paribas, was the head company of the Paribas Group until the merger effective as of May 12, 1998.

In 1997, comparable remuneration paid out by Compagnie Financière de Paribas amounted to EUR 3.2 million (fixed remuneration); EUR 2.8 million (variable remuneration); and EUR 0.5 million (Directors' fees). This remuneration was paid to the seven members of the Board of Management, six of whom are currently

members of the Board of Management of Paribas.

- Supervisory Board

The General Meeting has authorized payment of EUR 0.5 million in Directors' fees to members of the Supervisory Board, an amount unchanged from the prior year.

Directors' fees are distributed as follows:

- half of the total is divided equally among all members of the Supervisory Board;
- half is distributed according to effective attendance at Supervisory Board meetings. Attendance at each of the Accounting and Audit Committee meetings is taken into account as attendance at a Supervisory Board meeting.

Attendance at Compensation Committee and Nominating Committee meetings does not give rise to specific compensation.

Total remuneration paid in 1998 to the members of the Supervisory Board in consideration for their functions at all Group companies amounted to EUR 1.8 million.

On May 12, 1998, Compagnie Financière de Paribas was merged within Banque

Paribas to form Paribas. The majority of the members of Compagnie Financière de Paribas' Supervisory Board were appointed to the Paribas Supervisory Board. The figure above therefore includes fees paid to Paribas Supervisory Board members as well as fees paid to Compagnie Financière de Paribas Supervisory Board members, for the period from January 1, 1998 to May 12, 1998.

In 1997, comparable remuneration paid to Compagnie Financière de Paribas Supervisory Board members amounted to EUR 1.6 million.

Directors' fees and other compensation received by executives from other companies

The Supervisory Board takes fees received from other companies, both within and outside the Group, into consideration when setting the remuneration of Paribas executives.

C O R P O R A T E
A N D I N V E S T M E N T
B A N K I N G

Corporate Banking	14
Corporate Finance	16
Equity	18
Fixed Income	20

CORPORATE BANKING

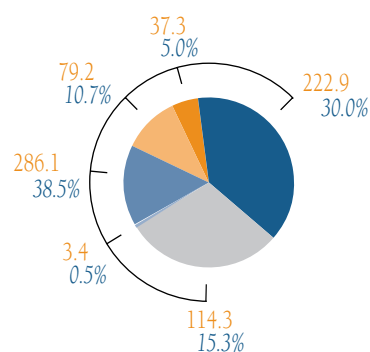
FOR MORE than five years, Paribas has focused its Corporate Banking activities away from universal banking – penalized by oversupply, shrinking margins and disintermediation. Instead, the Bank has been concentrating on providing sophisticated financing instruments to a selected clientele of large and medium-sized businesses – acquisition, project and international trade financing, and secure electronic cash flow management ■ This strategy is highly demanding, as it requires customized long-term relationships with target companies to identify opportunities, and the constant refining of the range of products and services available. ■ However, this strategy is also rewarding, as it focuses on fast-growing activities generating recurring revenues and high margins. This approach enables the Bank to capitalize on its worldwide financial engineering and advisory capabilities. Today, about 75% of Corporate Banking revenues are generated by specialized financing, as compared to just one-third six years ago.

1998: a mixed environment

1998 was a year of contrasts. Activity was strong in the first half of the year, particularly in the US. Conversely, the second half was affected by the crisis in the financial markets, resulting in a severe slowdown in emerging markets, and to a lesser extent, in industrialized countries. Thanks to accurate forecasting and cautious risk management, Corporate Banking activities posted 6% revenue growth and satisfactory profitability, despite higher provisions for the deteriorating quality of certain Asian assets. The Russian crisis had no impact on Corporate Banking activities, as most corporate risks in this region had been sold in May, prior to the outbreak of the crisis.

In Asia, Paribas adapted the organization of its Corporate Banking activities, but remains aggressive and continues to enjoy strong positions. The Bank seized a number of opportu-

GEOGRAPHICAL BREAKDOWN OF REVENUES
(Corporate Banking revenues in 1998)
(in € billion*)



- France
- Rest of Europe
- Other
- Americas
- Asia
- Africa - Middle-East

*Except revenues from allocated equity, foreign currency effects and other.

nities, notably in trade financing, and took an active role in the restructuring of private and banking debt in various countries of the region.

In an intensely competitive market, revenues from cash flow management activities in France rose by 13% (excluding the impact of interest rate changes), fueled by the emergence of the euro and sustained client support. Through a partnership with Artesia (formerly Paribas Belgique) effective since January 1, 1999, the Bank is well positioned to offer corporate clients a broad range of cash flow management products and services covering all major markets of the euro-zone.

Acquisition financing

Paribas' European merchant banking activities grew significantly, driven by robust development in French activities and progress in new markets. The merchant banking teams arranged acquisition financing for Superdiplo, the largest Spanish transaction of 1998, Imo Carwash in the UK, and Essanelle, Paribas' first transaction in the German market. In France, Paribas arranged the two largest LBOs of the year, for Gerflor and Grands Moulins de Paris.

In the US, Paribas acted as agent for 18 transactions totaling USD 1.4 billion.

Asset financing

To provide the right financing package to businesses investing in capital goods, the Paribas experts covering the aerospace, defense and real estate sectors now work hand in hand with the Bank's tax leasing and securitization specialists, capitalizing on the synergies across these various teams.

This reorganization has proved highly successful. In particular, the Bank was awarded a number of mandates in the Middle East, and was selected to arrange financing for a new real estate project in the Paris-La Défense office complex as well as for an all-inclusive tax leasing package (investment and financing) for a French regional airline.

Corporate Banking teams also cooperate with the Bank's Fixed Income, Forex and Derivatives specialists in the area of securitization, for which

Paribas was named "European Securitization House of the Year" by International Financing Review (IFR).

Export and project financing

In contrast to export credits - which recorded limited increases in 1998 as Paribas took a highly selective approach to its exposure in certain countries - project financing grew sharply during the year. Key project financing transactions included the financing of the fourth line of the Cairo subway, 20 years after Paribas was selected to finance the network's initial line; the financing of the Meizhou Wan powerplant in China, combining buyer credits in France and Spain, named Asian "deal of the year" by Euromoney; the refinancing of the Tiseley solid waste treatment plant in the UK, and that of the Qatar Vinyl Company.

International trade financing

Reflecting the dynamism of the sales forces, 1998 was an outstanding year for international trade financing activities, in terms of revenues and profitability, despite the weakness of the US dollar and raw material prices as well as the crisis in emerging markets. Paribas further strengthened its leading worldwide positions in raw materials trade financing.

An active player in metals trade financing, Paribas also retained its leadership in the power sector.

Media-telecom financing

The media-telecom sector now accounts for 15% of the world's market capitalization, and 20% of all high-yield bond issuance. In Europe, Paribas' media-telecom financing activities doubled in 1998. The Bank arranged about 20 transactions, ranging from cellular telephony (One2One in the UK), pay television (Canal+ Polska in Poland) and cable networks (Helicon in the US, Mediaréseaux in France) to telecommunications (Equant in the UK, Shanghai PTA in China)... IFR voted Paribas "Bank of the Year for European, Middle Eastern and African telecom deals".

C O R P O R A T E F I N A N C E

PARIBAS' EXPERTISE in mergers and acquisitions as well as capital markets transactions (IPOs, capital increases, corporate restructuring, privatizations...) has traditionally been at the heart of the Bank's business. From a solid base in its home market, Paribas is expanding its corporate finance activities throughout Europe as well as in Asia and Latin America. Providing decisive input helping companies to make strategic decisions, the Corporate Finance department maintains long-lasting relationships at the highest level with company executives and their key shareholders, as well as governments and international institutions. ■ So as to maximize the value it adds to its clients' strategic decisions, Paribas was one of the first European banks to concentrate its efforts on a small number of industry sectors – technology, financial institutions, energy, media and telecommunications... –, in order to develop an in-depth expertise and anticipate change in these industries on a global level.

Similarly, to enhance client services, primary equity activities (see Equity) have been combined within the Corporate Finance department in Fall 1998. Whenever required, the department also relies on the expertise of the Bank's other specialized teams (capital markets, fixed income, private banking...).

With 250 professionals around the world, including a number of Senior Bankers responsible for maintaining ongoing relationships with the Bank's most active clients, the Corporate Finance teams are well positioned to provide their clients with the most innovative, sophisticated and targeted solutions to their corporate finance needs.

1998: solid positions

In 1998, Paribas' advisory services benefited from an environment conducive to mergers and acquisitions activity in France and internationally. Revenues rose for the fifth consecutive year, to EUR 75 million (FRF 493 million), up 20% over the 1997 level, and way ahead of budget.

In M&A advisory services, Paribas strengthened its positions in the sectors which are currently undergoing restructuring and consolidation, on a European and global scale.

- In retailing, Paribas acted as advisor to Carrefour for the FRF 23.8 billion acquisition of Comptoirs Modernes and for the restructuring of its shareholder base, as well as to Pinault Printemps Redoute for its FRF 9.5 billion tender offer for Guilbert.
- In the energy sector, which is undergoing in-depth restructuring, Paribas advised Petrofina of Belgium for its sale to Total (FRF 69 billion) as well as Nesté of Finland for its merger with IVO (FRF 20 billion), giving birth to the Fortum group.

- In real estate, a sector in which Paribas is the leading French advisor, 1998 was a particularly good year with about ten transactions completed, including the sale of UIF by AXA to GFC, the acquisition of Interbail by Sophia, and the sale by Exor to Foncière Lyonnaise of a portfolio of buildings.

- The telecom and media sector was also particularly buoyant, enabling Paribas to assist France Télécom for its acquisition of ODA in France, the Telenor group of Norway for its acquisition of Russia's Vimpelcom, and, above all, the French State, for the second tranche of the partial privatization of France Télécom, combined with the establishment of a cross-shareholding between France Télécom and Deutsche Telekom (see Focus).

- Finally, the financial sector (banking and insurance) once again contributed the largest percentage of revenues to Paribas' advisory services. In Europe, the Bank assisted AXA for its FRF 19.5 billion acquisition of Royale Belge and acted as advisor on the sale of a stake in Spanish bank Banco 21. In Latin America, Paribas' advisory mandates included the sale of Bolivia's largest bank, Banco Santa Cruz, the acquisition by Sudameris of Brazilian bank Banco America Do Sul, and the sale of Argentina's Banco de Santa Fe...

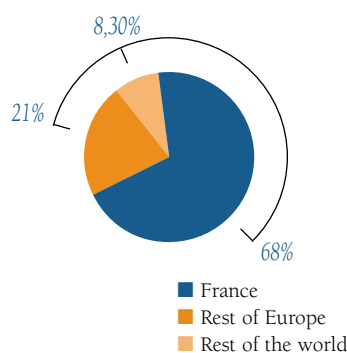
Paribas has continued to assist a number of European groups in their cross-border expansion, fueled by the arrival of the single currency. The department acted as advisor to British insurer Commercial Union for its acquisition of BLV AG in Germany, to Chise Farmaceutica of Italy for the acquisition of Laboratoires Logeais of France, to GEC Alsthom for an investment in Italy, and to Adidas of Germany for its acquisition of Salomon.

With the second tranche of the partial privatization of France Télécom in November 1998, Paribas lead-managed the largest share placement ever carried out in France, for a total amount of FRF 60 billion.

This transaction was particularly complex and innovative. The complexity came from combining in a single transaction a secondary offering of shares owned by the French State, a new share issue, and the issuance of convertible bonds. The offer was also inno-

vative, as share warrants (Bons de Souscription d'Actions) were also proposed to institutional investors, while, for the first time ever, the retail tranche, like the institutional tranche, was based on bookbuilding (Offre à Prix Ouvert), a flexible approach through which pricing is set at the close of the offer, thereby better reflecting demand for the shares. Benefiting from particularly propitious timing, the transaction was highly successful with institutional and individual investors alike. All tranches were several times oversubscribed.

GEOGRAPHICAL BREAKDOWN OF REVENUES FROM ADVISORY SERVICES



RANKING:

- Number two in transactions involving a French target, regardless of nationality of acquirer, January 1996 through December 1998.
- Number four in transactions involving a French target, regardless of nationality of acquirer, January 1998 through December 1998.

Source: Securities Data, based on preliminary amounts.

EQUITY

PARIBAS has been active in international equity markets for many years and ranks among the world's leading banks in this specialty. ■ Its internal development has been strengthened by the acquisition of several brokerage firms, including Quilter Goodison in the UK in 1986, Courcoux-Bouvet in France in 1987, and Hong Kong-based Asia Equity in 1997. ■ Paribas has traditionally developed its primary and secondary market activities along parallel tracks, with the sales and trading forces working hand in hand. ■ Since October 1998, all activities related to the primary equity markets – underwriting of stock, convertible bonds and derivative products – were combined with Advisory Services under the Corporate Finance umbrella. ■ The aim of this reorganization is to offer Paribas clients the solutions best adapted to their needs, by identifying them at an early stage. ■ Henceforth focused on secondary market transactions and syndication, Equity activities are closely related to Corporate Finance and represent a natural partner to the Bank's other operations.

Paribas' placement capabilities are exclusively targeted at a worldwide institutional clientele. Through over 630 professionals – over 90% of whom are based outside of France – the Bank offers European, Japanese and emerging market products to its institutional clients.

The emergence of the euro is fueling the growth of cross-border transactions and encouraging investors to expand their strategic horizons – accordingly, the distinction between home market and other euro zone portfolios tends to disappear. One of the first players to have spotted this trend, Paribas continues to invest heavily in this high-potential market to strengthen its leadership in euro-denominated securities. With the active support of teams based in London, Milan, Frankfurt and Paris, considerable data covering the past decade, and the capacity to forecast developments over three years, Equity research capabilities constitute a key strength. Over 1,000 businesses – including more than 600 European-based companies – are followed on an ongoing basis.

in 1998: growth in activities

Despite the turmoil and price volatility affecting the equity markets from mid-July through mid-October, 1998 was a good year for Paribas' equity activities. Revenues from clients rose sharply across all sectors of activity, with a particular strong increase in the number of European issues. The volume of primary equity issues rose by 6% and secondary market trading jumped by 78%, in a market where volume has virtually exploded.

The strategy followed in the past three years has focused on the development of a solid client base generating recurring revenues for the Bank.

Fundamentally focused on intermediation – which accounted for over 90% of total revenues in 1998 – Paribas restricts trading for own account to the volume necessary to ensure the success of its clients' transactions. Coupled with rigorous risk- and cost-control, this strategy has enabled Paribas to limit the impact of the crisis in emerging markets and Russia last year.

Primary Market

In the primary markets, the number of issues was particularly high in Europe. Paribas ranks eighth among book-runners of international equity issues (source: Capital Data) and third in international convertible bond issues (source: Capital Data). As the markets are increasingly dominated by a shrinking number of world-class players, Paribas is particularly proud of these performances. The 1998 launch of euro-denominated convertible bonds will be followed by additional initiatives this year.

The many transactions lead-managed by Paribas in Europe last year comprise:

- in Italy, the very first issue of euro-denominated convertible bonds, for Parmalat, in February (see Focus),
- in Germany, on the Neuer Markt stock exchange for high-growth companies, the successful IPO of Brokat, an internet technology specialist, and the capital increase of Mobilcom, an independent telephone operator,
- in France, the second tranche of the gradual privatization of France Télécom, combining a capital increase, the sale of additional shares by the French State, and the largest issue of convertible bonds ever carried out in Europe.

In the highly active European secondary equity markets, Paribas has continued to strengthen its positions with institutional investors around the

world. The Bank improved its ranking in European equity sales.

In Japan, to complement the success of its quantitative products, Paribas is launching traditional brokerage activities, based on sector research.

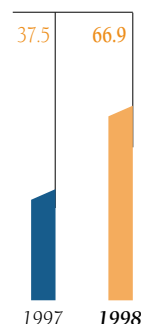
Reflecting the financial crisis, trading volume dropped in emerging markets, which represented less than 10% of revenues in 1998.

Headcount was reduced by 90 people, and the activity was restructured to offer investors global coverage of the emerging markets, along regional or sector lines.

Euro-denominated bonds convertible into shares

Paribas entered the euro-denominated convertible bond market in 1997, and carried out its inaugural transaction, on behalf of Italian dairy producer Parmalat, in February 1998. This has been followed by several other issues, for Swiss Life, the Republic of Greece and, more recently, for Deutsche Bank, which raised funds through the issue of bonds convertible into Allianz shares. With the emergence of the euro, this market segment should post particularly strong growth.

TRADING VOLUME
IN THE SECONDARY
MARKETS
(in € billion)



FIXED INCOME

AS CAPITAL MARKETS undergo rapid growth around the world, Fixed Income, Forex and Derivatives are becoming an increasingly key component of Paribas' investment banking services. ■ The strategy of the Fixed Income, Forex and Derivatives business is to establish an aggressive presence in all major international financial centers. This positioning allows the Bank to offer issuers and investors alike the information and liquidity they require to optimize their financial resources and risk management. ■ With 1,600 employees, the Fixed Income, Forex and Derivatives business is present in London, Paris, New York, Tokyo, Singapore, Hong Kong, Frankfurt, Geneva, Milan and Seoul. Coherence of the Bank's product strategy, optimized management of trading positions and risk control are ensured through a centralized organization.

1998: a contrasting year

In 1998, the Fixed Income, Forex and Derivatives business completed the efforts initiated in prior years, in terms of organization, product strategy, strengthening of the salesforces and risk control.

Following a strong first half, bond trading activities were hurt by the emerging market crisis, offsetting the Bank's strong performances in fixed income issuance and, to a lesser extent, government bonds and derivative products.

Bond markets

Bond market activities benefited from lower interest rates, fueling bond issuance and growth in trading volume. This trend was negatively impacted by the Russian crisis: in the second half of the year, reduced confidence in the markets resulted in significantly lower liquidity in all segments – apart from government bonds – as well as in a sharp increase in spreads for all non-sovereign issuers.

- In the government bond markets, the Bank reaped the benefits of its investments of the past years as revenues increased significantly. In the US, Paribas continued to strengthen its presence in Treasury Bonds, capitalizing on the Primary Dealer status it gained in 1997. In Europe, the Bank became "Super Primary Dealer" in Italian government securities, rounding out its status as a leading French "Spécialiste en Valeurs du Trésor". Paribas also ranked as the third largest successful bidder of German government securities. Finally, in Japan, Paribas confirmed its position as a leading foreign specialist in Japanese Government Bonds.

- The volume of international bond issues lead-managed by Paribas doubled in 1998 to USD 40 billion. Consequently, the Bank ranked 11th worldwide in international issues, and 6th in Eurobond issues.

Finally, despite heated competition, Paribas retained the number one position in euro-denominated and assimilated issues, while the market grew strongly.

- Following an active first half, the credit product market (high-yield bonds, emerging market debt, securitization) was heavily disrupted during the balance of the year. Despite swift action beginning in July to lower its Russian risks, the Bank was not able to fully counteract the decline in value of credit securities in the third quarter.

Derivative products

In derivative products, Paribas pursued its research and modeling efforts and reinforced its trading systems.

Paribas offers its clients a full range of products – fixed income and foreign exchange, equity derivatives, credit derivatives and insurance products. In addition, specialist teams provide advisory services on strategic financial risk management to the Bank's key clients.

In fixed income derivatives, Paribas achieved a strong performance despite market turmoil, thereby extending the advances of the previous two years.

Equity derivatives continued to post strong growth, reflecting increasing demand for indexed and guaranteed-income products. Products providing protection against equity market downside achieved spectacular growth; in 1998, Paribas ranked among the leading European providers of these types of products.

Foreign exchange and short-term products

In foreign exchange, Paribas concentrates on three key regions: North America, Europe and Asia. The Bank offers round-the-clock service, with execution centralized in Paris. In 1998, volume handled on behalf of the Bank's clients grew significantly.

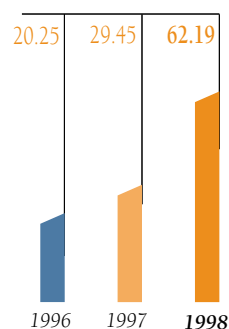
1998, the year of securitization in Europe

Securitization is a technique enabling a company to sell certain assets in the form of securities.

In 1998, Paribas was named "European Securitization House of the Year" by International Financing Review (IFR).

A key player in Europe as well as Japan, Paribas also benefited in 1998 from the experience of the Compagnie Bancaire team, which pioneered securitization in France, to strengthen its capabilities and leverage its international presence to become a leading operator in the fast-growing European securitization market.

**VOLUME OF BONDS ISSUES
LEAD-MANAGED BY PARIBAS**
(in € billion)



Source : Capital Data Bondware

A S S E T
M A N A G E M E N T
A N D B A N K I N G S E R V I C E S

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INSTITUTIONAL AND PRIVATE ASSET MANAGEMENT

PARIBAS offers institutional clients (insurance companies, pension funds, businesses, public-sector entities, multinational organizations, associations...) and high-net-worth individuals alike a customized approach to all their asset management needs. Acting as advisor or manager, Paribas covers the whole universe of investment vehicles: securities, professional assets, works of art, real estate, land properties... ■ The business has a strong European flavor: over 80% of institutional and private asset management clients and 75% of assets under management are located in Europe. ■ Research, development and management of investment products are carried out by Paribas Asset Management. Portfolio managers and analysts are specialized along asset classes – equity, bonds, short-term instruments, diversified management –, or geographical coverage and are present in the major financial centers (London, Paris, Hong Kong, Tokyo, Singapore, Geneva and Milan). Diversified and comprehensive, the product range comprises approximately 250 funds, including the Parvest Luxembourg-registered family of funds (see Focus).

Marketing and distribution teams around the world are organized along clientele types: institutional asset management is present in Europe, Asia Pacific (Singapore, Tokyo, Sydney) and the US; domestic private banking is offered in France and Italy to resident individual investors; ten sites worldwide – Geneva, Basel, Lugano, Zurich, London, Luxembourg, Monaco, Paris, Hong Kong and Singapore – offer international private banking to non-residents investors.

1998: growth of inflows

Continued growth was not hampered by the financial crisis in the third quarter of the year. Investors remained active in the markets, partly shifting their investments towards fixed-income and money-market products. In addition, the markets' volatility gave a boost to brokerage commissions. Finally, asset management activities did not record any losses on loans to Asian clients.

The volume of assets under management increased by 17% in the year, reflecting new capital inflows of 25% – including Asia – coupled with management performance, up 7%. At 1998 year end, assets under management totaled EUR 51.9 billion (FRF 340 billion). Revenues rose 22% to EUR 431 million (FRF 2.8 billion).

Significant investments were made in 1998 to expand both the product line and geographical coverage. Since the fall, the product range encompasses a full line of euro-denominated vehicles (equity, convertible bonds, short-term and diversified products), and global presence was strengthened with the opening of new units in Bahrain and Beirut.

Paribas Asset Management

Paribas Asset Management further developed its capabilities (credit analysis in fixed-income management, sector analysis for European equity management, and establishment of a dedicated convertible bond team). PAM launched over 30 mutual or restricted funds.

Institutional Asset Management

Paribas' institutional asset management activities reinforced their marketing efforts and refocused their capabilities towards more remunerative products: equity, convertible bonds and diversified funds. Important mandates were won in France, Italy (FRF 1.5 billion from the Cariplo Foundation), and Asia (FRF 3.8 billion from Japanese securities house Kokusai).

Developed since 1997, third-party distribution – sales of Paribas products through banks, insurance companies or financial advisors, either under its name or private labels – contributed substantially to the inflow of capital, notably in the Parvest funds. At December 31, 1998, over 200 agreements had been signed worldwide.

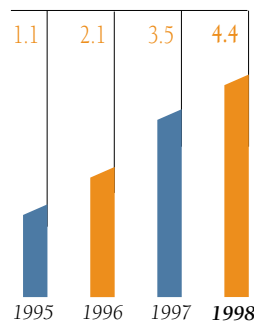
Private Banking

Private banking also benefited from investments oriented towards long-term products through the development of management by objectives which allows to customize risk/return ratios for each client. In Italy, thanks to a considerable increase in activity, Paribas has become the country's largest foreign private bank. The worldwide direct-line offering was extensively restructured and strengthened.

International Private Banking

In international private banking, new inflows and the rise in trading volume led to significant growth in activity.

ANNUAL INFLOWS
(in € billion)



Parvest

Encompassing 62 different funds at 1998 year end, Parvest is the number one Luxembourg-registered family of funds in terms of product diversification.

Assets under management nearly doubled in a year to over EUR 9 billion, making Parvest the reference in this market.

Parvest is a comprehensive and flexible asset allocation tool, enabling investors to redirect their placements swiftly and inexpensively. The Parvest family already encompasses eight funds invested in euro-denominated products, including the convertible bond fund and the first fund specializing in European financial sector securities. Parvest is available in twelve countries – ten in Europe, plus Hong Kong, and Japan.

LIFE INSURANCE AND ANNUITIES: CARDIF

ESTABLISHED in 1973, Cardif is an insurance company which develops, manages and distributes a complete line of savings contracts and annuities, targeting individuals and businesses alike. ■ Its steady growth reflects specialization within specific markets – life insurance, borrower’s insurance, pension plans – as well as its multi-distribution approach: Cardif products are sold through banks and 1,600 independent financial advisors, in addition to its direct network. ■ Today, Cardif products are sold in 19 countries.

1998 in review

France

Reflecting ongoing changes in the French tax system, new inflows in life insurance products fell by 15% in 1998, from the particularly high level of the prior year, when savers had anticipated changes in the tax code.

Unit-linked contracts were less affected, as these products offer higher returns than French franc-denominated contracts, which were hurt by lower interest rates. Consequently, unit-linked contracts greatly increased as a percentage of total new inflow.

A pioneer in unit-linked contracts since 1981, and for several years the leader in the French market – over 50% of mathematical provisions are expressed in units at market price –, Cardif proved more resilient than the French market as a whole. The company also strengthened its position among the leading group retirement insurance providers, and is France’s leading supplier of borrower’s insurance.

This leadership position has enabled Cardif to gain market share. Revenues fell by 9% to EUR 1.8 billion (FRF 12.1 billion), a far smaller decline than the market as a whole.

Cardif also reinforced its positioning as a leading provider of innovative products and services. In February, Cardif demonstrated its expertise in unit-linked contracts by being the first company to launch “D.S.K.” contracts, named after the French Minister of Finance. These contracts must be made up of at least 50% in French equities, including 5% in unlisted shares.

The key driving force behind the achievement of Cardif’s strategic objectives is its painstaking

attention to quality. In 1998, Cardif has expanded the scope of its ISO 9001 and 9002 (BVQI) certification to include all its operating and management functions (business insurance, back-office, actuarial analysis...).

One-third of activity outside of France

The pace of Cardif's decade-long drive to internationalization accelerated considerably in the past two years as the company opened ten new sites outside of France, building on its established experience in developing successful partnerships. Cardif is now active in 19 countries, including 15 European countries, as well as Argentina, Chile, Taiwan, and – through its British subsidiary Pinnacle – South Africa.

Cardif has entered a number of alliances – frequently with market leaders – in the countries where it is present.

In 1998, revenues outside of France rose sharply to EUR 1 billion (FRF 6.5 billion), up 69% over 1997, representing one-third of the total.

All told, Cardif experienced sustained growth, both in sales – up 8% to EUR 2.8 billion (FRF 18.6 billion), from EUR 2.6 billion in 1997–, and in assets under management, which amounted to EUR 18.4 billion (FRF 121 billion) at 1998 year end, up 18% over the year earlier level. In 1999, Cardif will aggressively pursue its multi-national, multi-partnership development strategy.

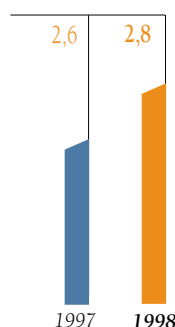
New opportunities

On April 1, 1999, Poland passed new legislation introducing defined-contribution retirement plans. In anticipation of this development.

Paribas and Cardif signed an important agreement in November 1998 with the Polish Postal Service to jointly establish a pension fund. The new law states that all employees under the age of 30 must contribute 7.3% of their remuneration to a supplementary pension fund. This contribution is optional for employees aged between 30 and 50, while the over 50's will

continue to contribute to the existing State-run pension system. The potential market represents 11 million people. Fifteen companies have entered the market. With the Polish Postal Service, Cardif and Paribas have created a joint-venture company to manage the fund. One of the joint-venture's strengths will be its distribution capability, as its products will be offered by 25,000 mail carriers throughout the country, including areas not covered by the banking networks. Cardif and Paribas hold 38% and 10% of the joint-venture, respectively.

CARDIF PREMIUM INCOME
(in € billion)



INDIVIDUAL SAVINGS MANAGEMENT: CORTAL

ESTABLISHED in 1984 as the first specialized branchless bank in Europe, Cortal offers individual savings products through direct marketing channels. ■ Through its "Centrale des Placements", clients may invest in any of the mutual funds available in the French market, select one of the funds of funds developed by Cortal, or place their orders directly on the stock market, with particularly low commissions. ■ Cortal clients may dialogue with their bank through a variety of communications tools including mail, phone and fax, voice-servers and the Internet. ■ Cortal's key assets include its expertise in direct marketing and information technology, a lean structure of just 380 associates, and a back-office designed to handle efficiently and profitably the smallest of orders. ■ These strengths are instrumental in establishing partnerships and exporting Cortal's know-how outside of its home market. ■ With 421,000 clients, Cortal is the number one direct bank in Continental Europe, as well as the most profitable, with a 23% return on equity.

The euro and the Internet are fueling Cortal's international growth potential. Cortal's ambition is to attract a domestic clientele wishing to invest in its home market, as well as to develop a cross-border offering within the euro zone, gradually providing investors throughout Europe with easy access to all key European mutual funds and to securities trading in other international money centers.

1998: a banner year

In all key measurements, Cortal's performance benefited from the favorable environment of 1998: the number of clients increased by 24%, new savings inflow jumped by 127% to EUR 1.4 billion, assets under management rose by 31%, and trading value exceeded EUR 3 billion, up 73%. Cortal is now the number one Continental European discount broker, handling 1.5 million trades last year.

This rapid expansion underscores the merits of Cortal's multi-distribution strategy: direct clientele and partnerships each contributed about half of last year's increase.

Tradition of innovation

In 1998, building on its tradition of innovativeness, Cortal offered its direct clientele a host of new products and services including:

- in March: Eurocap 50, the first European indexed fund available to retail investors; tracking the Dow Jones Eurostoxx 50, the new fund is managed by Paribas Asset Management,
- in September: Cortal Warning, Europe's first early warning service available through e-mail or cell phone. This service complements Cortal's

existing Internet offering, which allows its clients to access information and trade in real time on the Paris Stock Exchange at a cost 26% lower than telephone orders. Cortal's clientele enthusiastically adopted its Internet service – nearly 80% of all orders received by Cortal in November and December were electronic based – Internet, PC, Minitel videotex service –, up from just 50% earlier in the year.

To attract a younger clientele and active investors, Cortal further diversified its product offering: alongside its low-risk flagship product, the "Sicav des Sicav" fund of funds, Cortal launched more volatile instruments offering higher potential returns (see Focus). Since 1998, Cortal also distributes the funds of the Parvest family in France, Belgium and Luxembourg – in 1998, inflows amounted to EUR 60 million.

Partnerships

New partnership agreements were set up, notably with AGF and American Express Bank France, trebling funds under management on behalf of third parties to EUR 650 million at 1998 year end. This activity was also boosted by the creation of a dedicated fund managed on behalf of Cyrus Conseil, one of the leading independent savings management firms in France. France Télécom set up a partnership with Cortal, offering attractive pricing conditions to its shareholders (no-charge custody and discount commissions).

International development

Cortal's international expansion continued last year. Already present in Belgium, Luxembourg and since 1997, South Africa, Cortal established an Italian subsidiary in partnership with Cassa di Risparmio di Firenze.

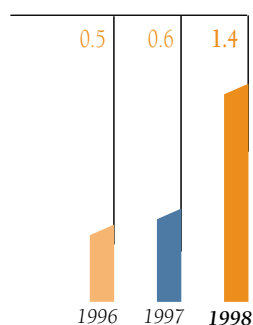
Cortal rankings

- Europe's first specialized branchless bank, established in 1984,
- largest Continental European direct bank, with 421,000 clients at 1998 year end,
- largest Continental European discount broker, handling 1.5 million trades in 1998,
- the European direct bank with the highest return on equity.

Growth of funds of funds

Created in 1996, the "Sicav des Sicav" fund of funds brings together a selection of the best-performing mutual funds in the market, independently earmarked by Cortal Fund Management. Since this initial launch, Cortal has further refined the concept, developing products with differentiated risk profiles, as well as dedicated funds designed to meet the requirements of specific partners. The fund of funds range now encompasses MultiSicav PEA, MultiSicav Active, MultiSicav Revenus, Capital Dynamique (developed jointly with business magazine *Capital*), "L'Eurosicav" for American Express, "Le Portefeuille Equilibre" for Cyrus Conseil, and "Le Multimanager Fund", for members of the "Euro Advisers" program managed by Cortal for independent financial advisors. As a result, total assets invested in funds of funds increased by 60% at 1998 year end, from year earlier level.

SAVINGS INFLOWS
(in € billion)



GLOBAL SECURITIES SERVICES

ONCE A TRADE has been executed in the stock market, it is necessary to carry out the settlement and delivery of the securities, and ensure their custody – this is the role of Paribas' Global Securities Services. ■ Paribas offers a complete range of securities processing services to a clientele of banks, brokerage firms, corporate issuers and institutional investors. ■ These services include settlement and delivery, custody, dividend payment, tax withholding and refunds, handling of all securities transactions and cash management. ■ Paribas also offers its Global Securities Services clients customized value-added services, including fund administration, issuer services, securities lending and borrowing, cash and collateral management, and insourcing services for brokerage firm activities.

Important geographic coverage

With the elimination of stock certificates in most countries, including France, Global Securities Services have become a largely virtual business – exchanges of information and permanent links with the various market participants (custodians/depositaries, central banks, etc.) are primarily electronic-based. In addition, because of the large volume of data handled, this activity, which generates recurring revenues, is now heavily automated. Critical mass, automation and data processing performance are key factors in reducing costs and gaining a competitive edge. In 1998, assets under custody rose by 45% to FRF 3,400 billion, the number of tracks executed jumped by 55% to over 5 million, and revenues increased 39% to FRF 1,260 billion. Paribas ranks among the leading European institutions and the top ten players in the world in this industry.

As securities must settle and remain in custody in their home markets, the securities processing business requires extensive geographical coverage. In this respect, Paribas' positioning is exceptional, as the Bank is present in 17 European countries:

- directly, through local Paribas units in seven countries: Belgium, France, Germany, Greece, Italy, Luxembourg and Spain;
- in Turkey, through a cooperation agreement with Banque Ottomane;
- and in nine central and eastern European countries – Austria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia and Ukraine – through a strategic alliance with Bank Austria Creditanstalt International, effective since December 1998.

This network enables Paribas to offer direct access to all major financial centers and seamless service quality on a pan-European scale, while benefiting from genuine local expertise in each market. Reflecting the quality, reliability and effectiveness of its services to clients, Paribas is regularly cited among the leaders – and in many cases as the number one – by specialized publications covering the Bank’s markets. The leading investment banks and brokerage firms in the US and UK, as well as the major international custodians, rely on Paribas for the settlement and custody of their European securities operations.

In addition, Paribas relies on a large network of local sub-custodians to offer European institutional investors a global custody service organized through a single interface. In this capacity, the Bank is active in over 50 countries around the world.

1998: the European bang

In 1998, Paribas’ greatest challenge was to handle a 55% jump in trading volume, as a number of favorable factors fueled the growth in the Securities Services business throughout the year:

- the volatility of the stock markets;
- sustained activity in fixed income products in advance of the euro;
- greater pan-European diversification of portfolios; and
- new client wins and expansion to new areas of services provided to existing clients.

In Belgium, the establishment of a branch followed the sale of Paribas Belgique to Bacob. Systems and client accounts have been successfully transferred to the new entity, and volumes

have doubled. In Greece, a recently added market for Global Securities Services, its activities have grown at a rapid pace, and Paribas now ranks first, ahead of its major domestic and international competitors.

In Italy, new services targeting institutional investors (fund administration, depository services...) have been offered to clients in 1998 – a similar offering should be launched in Germany in 1999.

Finally, the Bank faced spectacular growth in demand for outsourcing services on the part of brokerage firms: this trend has accelerated as a number of brokers have transferred their front and middle offices outside of France - primarily to London - and need to sub-contract back office functions to a French-based organization.

For Global Securities Services, another key challenge of 1998 was the adaptation of information and communications systems, with the launch of a pan-European platform shared by all units, and the switch to the single European currency, which was flawlessly executed. Recognized by the markets as the 1998 euro leader for their proactive, professional approach, Global Securities Services were successful in winning several new clients last year.

GLOBAL CUSTODIAN’S AGENT BANK REVIEW

	1994	1995	1996	1997	1998
Belgium *	★	★	★	★	★
France	★	★	★	★	★
Germany	★			★	★
Greece*					★
Italy	★	★	★	★	★
Spain	★	★	★	★	★
Turkey	★	★	★	★	★

★ Top rated svices ★ Commended services

* No "top rated" bank in this country.

Winning over new clients

In 1998, a leading US investment bank select-ed Paribas to sub-contract the securities back-office functions of its local units in three European countries. The Bank provides settlement-delivery and custody services, clearing of trades made as a member of the local exchanges, cash management, and insourcing of all securities processing accounting functions. Paribas is the only bank in Europe able to fully support the activities of local brokerage firms, offering top-quality, consistent sub-contracting services in all the markets in which it operates.

DIRECT CONSUMER BANKING SERVICES: BANQUE DIRECTE

BANQUE DIRECTE, established in 1994, was the first generalist branchless bank aimed at individual customers. ■ Illustrating Paribas pioneering spirit and technological innovativeness, Banque Directe targets a clientele of middle and senior managers, familiar with modern information and communications tools. ■ Banque Directe clients can conduct all their banking business in real time, round the clock, in absolute safety. They can communicate with their bank via phone or fax, and manage their bank accounts on-line through the Internet. ■ Banque Directe's services include all traditional checking account transactions, as well as a comprehensive range of savings and credit instruments, developed and managed by the Group's specialized units – Cetelem, UCB, Cardif and Cortal.

1998: increased interactivity

Banque Directe now serves 47,400 clients, an increase of 25% in 1998. Quality is Banque Directe's key focus – to this end, it has developed a new IT architecture meeting the highest standards required by remote banking operations. Whether the client uses the phone, Minitel videotex service, the web or voice-servers to communicate with the bank, all of these channels are interconnected, guaranteeing complete interactivity.

R E T A I L
F I N A N C I A L S E R V I C E S

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BUSINESS EQUIPMENT

FINANCE:

UFB LOCABAIL

UFB Locabail plays an important role in the relationships between manufacturers, importers and distributors, on the one hand, and users of capital goods, on the other. The company is present in European Union countries - Great Britain, Belgium, Germany, Italy, Spain and Portugal - as well as in Poland and Morocco. ■ In addition to traditional loans, leasing and financial leasing solutions designed to cover the medium-term financing needs of businesses, UFB Locabail's product line comprises factoring of trade receivables and floor-plan programs for the financing of inventories between manufacturers and dealers or retailers. ■ To distribute its services, UFB Locabail relies both on its own network of 60 branches – working directly with over 10,000 equipment vendors – and on the manufacturers, distributors and banks with which it has established partnerships. ■ UFB Locabail is the leading French specialist in capital goods financing, and is working to achieve European leadership. ■ The company holds strong market positions in agricultural and construction equipment, logistics and warehousing, industrial vehicles and office equipment.

In 1997, UFB Locabail started working with RVI – Renault's industrial vehicle arm – outside of France, and signed an agreement with Case, one of the leading US-based makers of agricultural and construction equipment, to establish a joint financing company, Case Credit Europe.

1998: a good year in Europe

Boosted by a more favorable environment and historically low interest rates, the long-awaited upturn in business investing finally occurred last year, UFB Locabail directly benefiting from this improvement. Through development of partnerships, in France and elsewhere, new production of medium-term loans increased by 19% to EUR 2.2 billion (FRF 14.4 billion). Growth was particularly buoyant outside of France, with medium-term financing up 37%. Short-term financing – factoring and floor-planning – rose by 15% EUR 2.4 billion (FRF 15.7 billion).

New partnerships

Two major partnerships were established last year:

- with Alcatel Business System, for leasing with services of their PABX line. This agreement, in force in France since 1998, might be extended to other European countries.
- with Same Deutz-Fahr, an Italian agricultural equipment maker, creating a pan-European joint-venture to offer medium-term financing and floor-planning services. This agreement is currently being implemented in France, Great Britain and Germany.

Active in six European Union countries, UFB Locabail created two new international subsidiaries, in Morocco and Poland:

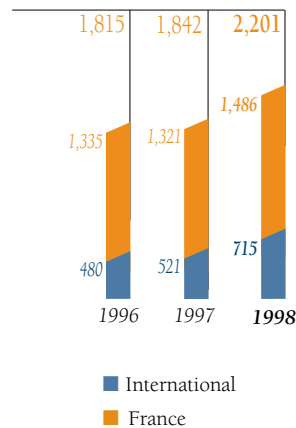
- in Morocco, Attijari Locabail – a 50/50 joint-venture with Banque Commerciale du Maroc (BCM) – has been set up to manage the leasing and financial leasing operations originated by the BCM network, the country's second largest bank.
- in Poland, UFB Locabail will provide its equipment distribution partners with financial leasing solutions.

Business Village

In 1998, UFB Locabail created an Internet business center – named Business Village – to facilitate access by small and medium-sized businesses to the Internet, and all the professional services available on this universal

medium – product information, translations, business travel... and financial services. Organized along industry sectors, Business Village is available to all types of businesses wishing to develop a dedicated Extranet presence.

NEW LOAN PRODUCTION,
1996-1998
(in € billion)



LONG-TERM RENTAL OF VEHICLE FLEETS: ARVAL

Established in 1989, Arval is a specialized company providing long-term vehicle fleet rental and management.

■ The European fleet rental business has been growing at an average annual rate of 7% in the past four years. ■ This phenomenon reflects the structural trend among business to outsource a growing number of functions not directly related to their core competencies, compounded by increasing demand for peripheral vehicle-related services. ■ Arval offers flexible and adaptable formulas based on a customized analysis of each client's needs: advice on automobile investment policy, fleet funding and management, vehicle maintenance, insurance, roadside assistance and replacement vehicle supply, fuel management, etc. ■ A key factor in earning customer loyalty stems from Arval's critical mass and ability to negotiate the best terms with suppliers, from vehicle purchasing to service supplies, and to pass on the savings to its clients.

Arval primarily targets medium-sized and large businesses, a segment which perfectly fits Paribas' traditional corporate clientele. Relationships between Arval and the Paribas teams in charge of this clientele category are therefore easily forged, in France as well as abroad.

1998: continued growth

Arval continued to advance at a rapid pace – notably outside of France, where its presence is more recent – after four years during which growth averaged 50% a year. The European managed fleet grew by 43,000 vehicles at 1998 year end, to 95,000 vehicles, an 82% increase over the prior year. Today, Arval is France's second multi-brand long-term rental company, and one of the European leaders in the sector.

In 1998, Arval was awarded a contract by France Télécom for the management of part of its national fleet (see Focus).

International

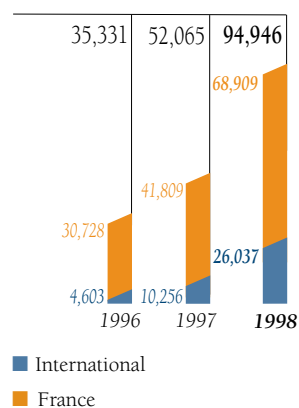
Outside of France, where Arval now generates 40% of its activity, Arval Italia has been retained by Enel, the Italian electric utility, extending an initial agreement signed in late 1997. All told, this contract entails over 9,000 vehicles.

Thanks to strong customer loyalty, Arval is frequently asked to support its clients in their own international expansion. Its international

growth is based on partnerships as well as autonomous development:

- In Italy, Arval has established a partnership with Cassa di Risparmio di Firenze. In Switzerland, Arval acquired 50% of a local long-term rental company.
- Following its initial foray into Belgium in 1991, followed by entry into Spain and Luxembourg, Arval established a presence in Portugal last year. Marketing agreements were also signed in Great Britain, Germany, and The Netherlands, as well as in Canada and Mexico.

MANAGED FLEET, 1996-1998
(number of vehicles)



In March 1998, Arval took over the management of part of France Télécom's fleet of light vehicles, 13,500 vehicles out of a total of 45,000 – as well as the company's entire industrial vehicle fleet (over 5,000 vehicles) in partnership with Via Location. Throughout

the negotiations with France Télécom, Arval benefited from the support of the Paribas Senior Banker in charge of the overall relationship with the French telecom operator. Underscoring Arval's flexible approach, Arval will manage the France Télécom vehicle fleet, but not its financing.

CONSUMER FINANCE: CETELEM

Established in 1953, Cetelem is the French and European leader in a key fast-growing market: consumer finance. French households spend just 7% of their disposable income on debt repayment, as compared to 12% in Great Britain and 16% in Germany, underscoring the growth potential of this specialty. ■ A key interface between consumers and retailers, Cetelem offers financing to purchasers of durable goods, automobiles and home improvements, offering a comprehensive range of loan facilities to meet the various needs of its clients. ■ Cetelem loans are distributed through a variety of channels: ● over 100 Cetelem directly operated branches, ● direct marketing, ● partnerships with retailers and financial institutions. ■ For its partners and for its own account, in France or abroad, Cetelem relies on an innovative product offering and high-performance statistical tools to analyze the risks according to clientele types, thereby fine-tuning its client selection and limiting its cost of risk to 1.7% of the average outstanding loan portfolio.

1998: strong growth in international activities

Despite difficult conditions early in the year, Cetelem's activity rose by 8%, fueled by a favorable environment. New loans written amounted to EUR 10.6 billion (FRF 69.7 billion).

Cetelem and its partners enjoy a major market share in loans granted at the point of sale, while retaining relatively high margins. A Cetelem subsidiary specializing in automobile financing, Cofica implements a similar strategy through alliances with carmakers and dealerships. In 1998, Cofica's new loan production dropped, reflecting intense competition.

With the establishment of Effico, Cetelem has entered the debt collection business, offering its services to third parties – FNAC, Bouygues Telecom, EDF, RATP... This activity should record strong growth in 1999.

Overhaul of IT systems

A key development of 1998 was the overhaul of Cetelem's IT system, requiring considerable efforts over a nine-month period. Supported by a mainframe computer capable of handling over three million transactions per day and a server capable of managing 1,000 simultaneous calls, the new system incorporated a number of tools developed in-house to facilitate decision-making. Operators can rapidly switch from analysis by financing to an analysis by client, while having access to an overall breakdown of

the loan portfolio and client relationship history. In 1998, Cetelem expanded its Internet presence and developed its Extranet contacts with its partners, notably in retailing. The Extranet sites should gradually replace conventional telephone-based communications.

International expansion

In Cetelem's international expansion, a key growth driver, partnerships also play a major role. Since its establishment in 1984, for example, Findomestic has become one of Italy's leading consumer finance providers. Cetelem also supports the internationalization of its existing retailer clients, such as Conforama and Carrefour. In 1997, Cetelem signed an agreement with Carrefour to establish companies managing the French retailer's activity as well as support Cetelem's own international development.

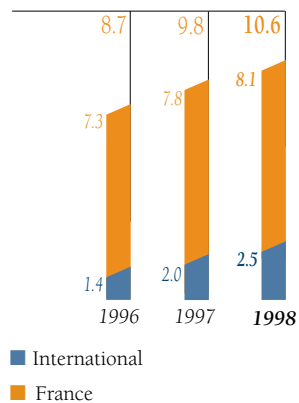
The pace of Cetelem's international development accelerated in 1998: the implementation of its existing agreements is proceeding on schedule, and the company is working on further developments, notably in Latin America and the United Kingdom.

By the end of 1998, Cetelem was active in 13 countries: in Europe – where it plans to launch its activity in Poland in 1999 –, Morocco, Argentina and Taiwan.

Cetelem's international subsidiaries are experiencing rapid growth: in 1998, international activities outside of France increased by 28%,

generating higher margins than in Cetelem's home market. The growth potential outside of France is considerable, and will require heavy investment in the coming years.

NEW LOAN PRODUCTION, 1996-1998
(in € billion)



Flagship product

The Carte Aurore credit card is the flagship product of Cetelem and its subsidiaries, and a key asset in its partnership strategy. This no-fee revolving credit card, which can be issued under the client's private label, serves many purposes: debit card, cash reserve, and a multi-service support adapted to the needs of each client, notably to boost customer loyalty. Launched in 1985, the Carte Aurore is accepted by more than 200,000 retail outlets and is used by over 10 million individuals, of which 3 million outside of France.

HOUSING AND PROPERTY FINANCE: UCB

UCB finances the acquisition of real estate properties, primarily through mortgage loans for homeowners. UCB reaches its potential clients through various nationwide networks of intermediaries: real estate agents, developers, residential builders, legal officers, and financial advisors. These partners refer their clients to one of UCB's 170 outlets, comprising UCB directly operated branches and independent authorized agents, primarily insurance agents. ■ UCB also relies on direct marketing, primarily to propose new products to existing and former clients.

■ In addition, UCB has established partnerships with other lenders wishing to outsource their acceptance and customer management services. Finally, UCB clients benefit from preferred mortgage rates if they open accounts at *Crédit du Nord* or *Crédit Lyonnais*. ■ Outside of France, UCB is active in Italy and Spain, through UCI, a 50/50 joint-venture with Banco Santander. In 1999, UCI is planning to enter the Portuguese market.

1998: a year of contrasts

In an intensely competitive French market, real estate mortgages have been used by banks as a loss-leader to attract and retain customers.

UCB's priority is to strike the right balance between volume and margins. A new pricing system intended to optimize marketing efforts has been put in place. In the past four years, the bulk of production has come from variable-rate loans. In the fourth quarter of 1998, reflecting the sharp drop in long-term rates, fixed-rate loans contributed a sizable portion of the portfolio.

UCB's new real estate loan production in France fell by 7% in 1998.

International

Reflecting sharp growth outside of France, however, total new loan production rose by 4% to EUR 2.1 billion (FRF 14 billion) over the 1997 level. Production rose by 61% in Italy and in 29% in Spain, a highly competitive yet profitable market.

Key events

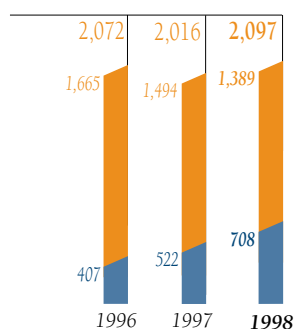
Total loans managed exceeded EUR 13.5 billion (FRF 88.6 billion) at 1998 year end. In 1998,

UCB split its corporate lending business from its individual mortgage activity. UCB Entreprises, established through this operation, achieved production in France of EUR 38 million.

In France, UCB pursued the restructuring of its organization, aimed at enhancing competitiveness – the salesforce was reinforced while acceptance and customer management services were centralized in Nantes.

Following exceptional provisions made in 1996, UCB strengthened its return to profitability with income before taxes of EUR 58 million (FRF 379 million) in 1998.

NEW LOAN PRODUCTION, 1996-1998
(in € billion)



■ International*

■ France

*excluding discontinued activities

**PROPRIETARY
INVESTMENTS
AND REAL ESTATE**

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PARIBAS
PRINCIPAL INVESTMENTS
(PARIBAS AFFAIRES
INDUSTRIELLES - PAI)

Paribas PRINCIPAL INVESTMENTS (PAI) manages Paribas' equity holdings in manufacturing and services companies. With a portfolio of EUR 6.5 billion (FRF 42.5 billion), PAI is widely recognized as one of the largest and most active equity investors in Europe. ■ PAI's portfolio has been fundamentally refocused over the past several years – PAI favors investments in medium-size businesses with annual sales ranging from EUR 75 to EUR 750 million, and actual or potential leadership positions in their respective sectors. ■ PAI's investment strategy focuses on two types of transactions – minority shareholdings and leveraged buy-outs (LBOs). ■ So as to anticipate changes and directly identify the greatest number of potential opportunities, PAI has developed in-depth sector expertise. PAI takes substantial equity stakes in the companies it supports and closely monitors their development. ■ With a long-term perspective, PAI aims to enhance the value of the businesses in which it invests, to the benefit of all their shareholders. ■ The leader in Europe, PAI is also active through locally based teams in North America and Asia.

1998: launch of an LBO fund

A key development of 1998 was the launch of the PAI LBO Fund, dedicated to European LBOs. The first closing of the fund – in which Paribas is the largest investor, along with other international institutions – took place in July 1998.

The PAI LBO Fund is a "Fonds Commun de Placement à Risques" (FCPR) managed by PAI Management, a company licensed by the COB, the French stock exchange regulator, and staffed by PAI's European teams.

With this new fund, entities outside the Paribas Group are for the first time offered the opportunity to invest in deals benefiting from PAI's expertise in initiating and structuring private equity transactions. Paribas has granted PAI LBO Fund exclusive rights for all its European LBO transactions.

In line with PAI's forecasts, the number and volume of LBO transactions posted strong growth in 1998, and now represent a rapidly expanding market. By the end of January 1999, the PAI LBO Fund had invested EUR 300 million in transactions detailed below.

The creation of the fund reflects Paribas' strategic ambition to develop PAI's private equity business, while adopting types of organization and intervention similar to those of its major international competitors.

Risks under control

PAI implements a risk monitoring and control policy based on investment selectivity, geographical and sector diversification, and ongoing close monitoring of its equity holdings. Reflecting this approach, PAI was able to weather the impact of the crises which affected the

worldwide economy in 1998 – Asian crisis, declining stock market prices... In addition, PAI does not hold any investment in former USSR countries.

Significant recurring results

PAI's activity yielded significant results in 1998: pre-tax income after financing costs totaled EUR 0.66 billion (FRF 4.3 billion), net cash generation stood at EUR 1.49 billion (FRF 9.8 billion), after new investments of EUR 0.59 billion (FRF 3.9 billion). PAI's strong recurring performance over the past five years underscores its sound strategic focus.

At 1998 year end, the net estimated value of PAI's portfolio, excluding minority interests, was EUR 6.48 billion (FRF 42.5 billion). Despite realization of capital gains totaling EUR 0.6 billion (FRF 3.9 billion) during the year, unrealized capital gains rose by EUR 0.79 billion (FRF 5.2 billion) to EUR 3.06 billion (FRF 20.1 billion).

New investments

Through the PAI LBO Fund

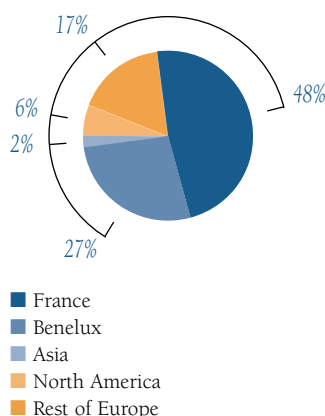
- Takeover of the investment made by Paribas in late 1997 in Panzalim, the French leader in sauces and condiments (Amora, Maille), dry pasta and prepared foods (Panzani, William Saurin), with over EUR 1 billion in sales. The PAI LBO Fund is the sponsor of this investment, with a 50.1% interest in Panzalim.
- Acquisition of a 15% interest in IPC, a leading UK magazine publisher with 100 different publications and sales of GBP 325 million. The PAI LBO Fund acts as co-sponsor, alongside Cinven, in this investment.

- Acquisition of a 45.8% interest in Gerflor, the second largest European floor covering manufacturer, chiefly active in PVC tiling, with sales of EUR 303 million (FRF 2 billion).
- Acquisition of a 9.2% interest in Beaufour (in addition to a 4.6% stake taken directly by PAI), the fourth largest pharmaceutical group in France, with sales of EUR 575 million (FRF 3.8 billion), as part of the restructuring of the company's family shareholding.
- Acquisition in early 1999 of a 95% interest in Financière Stoeffler, a maker of delicatessen products with sales of EUR 55 million (FRF 360 million).

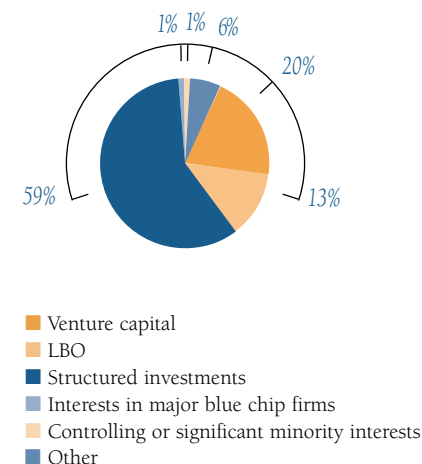
Direct investments

- Acquisition of a 25% interest in Key Plastics, a US automotive components maker, with sales of USD 360 million in technical plastic parts. Key Plastics implements a rapid growth strategy, notably through acquisitions. PAI contributes value-added services in identifying and researching targets and partners, notably in Europe.
- Acquisition of a 4.6% interest in the Beaufour pharmaceutical group alongside the investment realized by the PAI LBO Fund.
- Acquisition of a 20% interest in Interco alongside the company's manager. A fast-growing

GEOGRAPHICAL BREAKDOWN OF PORTFOLIO AT DECEMBER 31, 1998



PORTFOLIO BY NATURE OF INVESTMENTS (AT DECEMBER 31, 1998)



Italian company, Intercos is a leader in make up products, with sales of EUR 100 million.

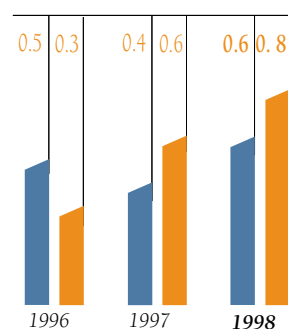
Acquisition of a 9.6% interest in Central China Power (CCP) through a private placement. CCP develops low to medium size powerplants and co-generation projects in central China.

- Acquisition of a 6% interest in Moulin, a fast-growing maker of eyeglass frames based in Hong Kong and mainland China.
- Acquisition by Cobepa of a 18.7% interest in Versatel, a Dutch telecom operator specializing in line reselling and optical fiber network operations.

Major disposals

- Third phase in the sale of Poliet to Saint-Gobain (16.9% of capital), pursuant to the gradual disposal agreement entered in 1996.

REALIZED CAPITAL GAINS AND VARIATION OF UNREALIZED CAPITAL GAINS
(in € billion)



■ Realized capital gains
■ Variation of unrealized capital gains, excluding minority interests

- Sale in the open market of a 5.9% interest in Sema Group, generating significant capital gains for Paribas by taking advantage of the company's excellent performance and high market valuation.

- Expansion of the float of Royal Canin through sale in the open market of a 25% stake, reducing Paribas' interest to 56%.

- Sale of the entire interest in Cipe as part of a strategic acquisition by Tyco, generating significant capital gains. PAI had been an active investor in Cipe since 1991.

- Sale to Italcementi of Paribas' remaining interest in Ciments Français.

- Sale of the entire interest in ONA (Omnium Nord-Africain), a historical Paribas investment.

- Sale of the entire interest in Cartier Industrie, a company in which PAI had been an active investor since its inception.

- Sale to Continentale d'Entreprise of the controlling interest in Nord-Est.

- Sale by Cobepa of an interest in Aegon, acquired through the Gevaert demerger in 1997.

- Sale by Cobepa of shares in Mobistar, the second largest cellular telephony operator in Belgium, as part of this company's IPO.

- Sale of Latécoère shares as part of this company's IPO. Paribas had participated in the company's initial MBO.

- Trade sale of Cable & Wire Assemblies (CWA). CWA, Philips' electrical wiring production unit, had been acquired through an LBO in 1989. Through its IBEL subsidiary, Cobepa held a 33% interest in CWA.

REAL ESTATE

KLÉPIERRE

SINCE 1998, Klépierre manages most of Paribas' commercial real estate portfolio primarily comprising offices and shopping centers. ■ Klépierre, 65.6% owned by Paribas, was formed through a series of transactions carried out in 1998, including its merger with Compagnie Foncière. Klépierre now is one of the largest listed commercial real estate investment companies in France.

At 1998 year end, Klépierre's assets were worth over FRF 10 billion, 67% of which in offices in and around Paris, with an occupancy rate of over 95%. The balance consists of 15 shopping centers, offering a high rate of return.

In light of the upturn in the sector and higher rental income, and the increasing spread between interest rates and commercial real estate rates of return, Klépierre intends to remain an active player in this attractive market segment. Paribas, for its part, intends to remain an important Klépierre shareholder, while gradually reducing its interest as the company acquires new assets. Klépierre has been given the resources needed for its continued development.

To this effect, Klépierre increased its interest in Ségécé to 90%. At 1998 year end, Ségécé, with 31 centers under management and 5,500,000 square feet (500,000 square meters) of retail space, is a major player in the development and management of shopping centers in France. In 1998, Ségécé signed several agreements, notably with the SNCF for refurbishment of the retail arcade of the Saint-Lazare rail terminal in Paris. The Val d'Europe shopping center, near Disneyland Paris, as well as centers in Boulogne-Billancourt, Annecy and Poitiers are currently under construction.

Other activities

Sinvim continued to implement the strategy defined in 1993. No longer investing in new real estate development projects, Sinvim is concentrating on the completion and marketing of housing complexes currently underway. Sinvim is refocusing its activity on property development and marketing on behalf of third-party investors.

In March 1998, Paribas sold its interest in Cogedim, a specialized real estate development company.

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FINANCIAL REVIEW

All figures presented in the following analysis are in euros (EUR).

I CONSOLIDATED RESULTS

In 1998, Paribas achieved net income after minority interests of EUR 1,002 million. This result is stable on 1997 when net income included substantial capital gains realized on the disposal of activities (particularly Crédit du Nord and Paribas Belgique).

Income from discontinued activities and capital gains on disposal of these activities totaled EUR 4 million in 1998, as compared to EUR 208 million in 1997.

Excluding discontinued activities, net income after minority interests totaled EUR 998 million, an increase of 26% over the prior year.

The average number of shares outstanding during the year amounted to 153.8 million, as compared to 110.7 million in 1997. This increase is attributable to the public exchange offers for Compagnie Bancaire and Cetelem at the end of 1997 and the merger transactions which followed.

Excluding discontinued activities, earnings per share amounted to EUR 6.5 against EUR 7.2 in 1997. This dilution in earnings was less due to the increase in the average number of shares than the crisis in the emerging markets, discussed in greater detail below.

in EUR million	1997	1998	1998/1997
Revenues of core business activities	4,762	5,666	+19%
General and administrative expenses	-2,999	-3,574	+19%
Provisions	-298	-174	-42%
Cost of risk on emerging countries	-299	-387	-
Pretax income before goodwill amortization	1,167	1,531	+31%
Goodwill amortization	-48	-89	-
Income Tax	-6	-300	-
Minority interests	-319	-143	-
Net income excluding minority interests and discontinued activities	794	998 *	+26%

(*) excluding a EUR 400 million provision after tax for SG PARIBAS restructuring costs. This provision will be recorded in the 1998 financial statements in the event of a favorable outcome to the Public Share Exchange Offer by Société Générale on PARIBAS launched on February 12, 1999 and following approval by the Extraordinary Shareholders' Meeting of Société Générale on April 1, 1999 of the capital issue in consideration for the Paribas shares transferred.

Including this provision in fiscal 1998 is justified by the fact that at the end of 1998, the presidents of Paribas and Société Générale agreed that a merger between the two banks was the best solution for the two groups.

A detailed break-down of the increase in pre-tax income before amortization of goodwill is provided later in the report.

The increase in goodwill amortization is attributable to the public exchange offers performed at the end of 1997 (EUR 41 million in 1998).

The income tax charge for 1998 represents an effective 20% tax rate which increases to 31% after deduction of the net income of equity affiliates already taxed of some EUR 554 million net. This average tax rate benefits from

the French reduced tax rate applicable to capital gains. This amount was close to nil in 1997 due to the tax savings resulting from the inclusion of Compagnie Bancaire, Cetelem and their French subsidiaries in the group tax election, enabling, in particular, the relief of substantial carry-forward losses.

Minority interests are down considerably following the buy-out of minority shareholders in Compagnie Bancaire and its subsidiaries. The only remaining material minority interests relate to the subsidiaries Klépierre and Cobepa.

2 CONTRIBUTION OF PARIBAS' SECTORS TO INCOME

This section analyzes the contribution of each of the Group's sectors to income before taxes and amortization of goodwill.

The following presentation of the activity sectors has been adopted:

- Retail Financial Services (Business Equipment Finance—UFB-Locabail, Long-term Rental of Vehicle Fleets—Arval, Consumer Finance—Cetelem, Housing and Property Finance—UCB);
- Asset Management and Banking Services (Institutional and Private Asset Management, Life Insurance and Annuities—Cardif, Individual Savings Management—Cortal, Global Securities Services, Direct Consumer Banking Services);
- Corporate and Investment Banking (Equity, Fixed Income, Corporate Banking, Corporate Finance, Global Securities Services);

- Proprietary Investments (Paribas Principal Investments - PAI);
- Real Estate;
- Other.

Each sector benefits from revenues on allocated equity. Equity is allocated as follows:

- Retail Financial Services: on the basis of weighted risks,
- Asset Management and Banking Services: on the basis of weighted risks, overhead and regulatory equity for life insurance operations,
- Corporate and Investment Banking: on the basis of weighted risks and value at risk in capital market activities,
- Proprietary Investments and Real Estate: on the basis of liquidity and risks on portfolio securities.

Return on equity for each of the sectors is based on this allocation.

2.1 REVENUES AND INCOME BY SECTOR

The following table summarizes revenues and operating income of each sector:

in EUR million	Retail Financial Services	Asset Management and Banking Services	Corporate & Investment Banking	Proprietary Investments	Real Estate	Other	Total
Revenues (1)	1,504	1,013	1,982	687	109	372	5,666
% / 1997	+7%	+25%	+11%	+24%	+59%	+151%	+19%
General expenses	-864	-818	-1,553	-28	-54	-257	-3,574
% / 1997	+6%	+21%	+21%	+11%	+12%	+76%	+19%
Provisions	-219	-14	-386	-	8	50	-561
% / 1997	+9%	+19%	+21%	-	n.s.	n.s.	-6%
Pretax income excluding goodwill amortization	421	181	42	659	63	165	1,531
% / 1997	+8%	+50%	-75%	+25%	+153%	n.s.	+31%
Total average allocated equity (in EUR bn)	1.6	0.7	3.5	1.9	0.7	1.4	9.8 (2)
ROE (before tax)	26%	27%	1%	35%	9%	12%	16%

(1) Including revenues on average allocated equity.

(2) This figure represents average shareholders' equity including minority interests.

2.2 ANALYSIS OF OPERATING INCOME BY SECTOR

Revenues of all sectors totaled EUR 5,666 million in 1998, an increase of 19 % over 1997.

Income before taxes and amortization of goodwill totaled EUR 1,531 million, representing a return of 16% on average equity of EUR 9.8 billion during the year, and an increase of 31% on 1997.

RETAIL FINANCIAL SERVICES

Income before taxes and amortization of goodwill totaled EUR 421 million for the year, representing a pre-tax return of 26% on allocated average equity of EUR 1.62 billion.

Activity table

in EUR billion	12.31.1997	12.31.1998	1998/1997
UFB Locabail	1.8	2.2	+19%
<i>of which outside France</i>	<i>0.5</i>	<i>0.7</i>	<i>+37%</i>
Arval	0.2	0.4	+48%
<i>of which outside France</i>	<i>0.1</i>	<i>0.1</i>	<i>+106%</i>
Cetelem	9.8	10.6	+8%
<i>of which outside France</i>	<i>2.0</i>	<i>2.5</i>	<i>+28%</i>
UCB (1)	2.0	2.1	+4%
<i>of which outside France (1)</i>	<i>0.5</i>	<i>0.7</i>	<i>+36%</i>
Total new business (1) (2)	13.7	15.1	+10%
<i>of which outside France (1)</i>	<i>3.1</i>	<i>4.1</i>	<i>+33%</i>
Factoring (UFB Locabail)	2.1	2.4	+15%
<i>of which outside France</i>	<i>0.8</i>	<i>0.9</i>	<i>+7%</i>
Long-term Rental of Vehicle Fleets (Arval) number of vehicles	52,100	95,000	+82%
<i>of which outside France</i>	<i>10,300</i>	<i>26,000</i>	<i>+154%</i>
"Trichet" Ratio*	0.3%	0.1%	-

(1) Assuming constant perimeter of activities.

(2) After elimination of double counting.

(*) Percentage of credits having a margin of less than 80 basis points.

It is specified that the "Trichet" ratio measures the rate of loans granted at a rate less than the rate of risk-free investments increased by 80 basis points. The ratio comes within the framework of the "Trichet Circular" of July 1995 in which the Governor of the Banque de France recommended that presidents of credit establishments ensure that loan terms and conditions include sufficient margins.

• France

The annual growth of 13% reported by UFB Locabail confirmed the upturn in activities already visible at the end of the first six months. The various partnerships (particularly Norbail) spurred on activity growth throughout the year.

Arval recorded growth of 25% both for its pool of leased assets (up 23%) which remain the property of Arval and its service activities (impact of France Télécom contract).

Activities and revenue

Loans granted by the Retail Financial Services companies totaled EUR 15.1 billion at the end of 1998, up some 10% on the prior year. Growth on the international market was 33%, with loans of some EUR 4.1 billion.

Cetelem reported more moderate growth of 3%, which takes into account of a down-turn in Cofica activities of 13%.

UCB recorded a drop of 7% following its decision not to cut its margin rate to retain volume levels. Nonetheless, the implementation of a new pricing scale during the second half of the year allowed UCB to recover some of the ground lost during the first semester (down 15% compared to the end of June 1997).

• International

The sector as a whole reported strong growth of 33%. International production within UFB now represents some 33% of total activities, against 28% in 1997. Similarly Cetelem generated some 25% of its loan production on the international market compared with only 20% in 1997.

Arval activities were good, supported notably by the contract with Enel in Italy.

UCB reported good performance levels, particularly in Spain and Italy which benefited from buoyant economic conditions (high margins).

The expansion in Arval's activities is of particular note with the number of leased vehicles increasing from 52,200 in 1997 to 95,000 this year.

Retail Financial Services reported revenue growth of 7% on 1997 to EUR 1,504 million. This sector contributes some 27% of total Group revenues.

Growth was, however, more modest than in previous years due to:

- non recurring problems at Cetelem (change in IT system and difficult operations conditions encountered by Cofica),
- high international expansion costs, in particular within Cetelem, UFB and Arval.

Excluding revenue on allocated equity, revenue growth is summarized as follows:

- UFB Locabail: reasonably stable at EUR 189 million,
- Arval: rise of 52% to EUR 51 million reflecting the substantial increase in loans granted (48% to EUR 0.4 billion),
- Cetelem: growth of 7% to EUR 966 million due to the problems noted above,
- UCB: increase of 5% to EUR 298 million.

General expenses

Sector general expenses are up 6% on 1997 to EUR 864 million. This increase was principally attributable to the international expansion of the activity sector.

Provisions

The net charge to provisions was EUR 219 million, representing an average provision rate of 0.8% of outstandings. Vehicle financing activities (Cofica) generate the highest risk costs.

Operating income

Pre-tax income before amortization of goodwill of the sector totaled EUR 421 million, a rise of 8% on 1997 (EUR 389 million).

This increase breaks down as follows by company group:

- UFB Locabail: growth of 11% to EUR 35 million,
- Arval: almost two-fold increase to EUR 15 million,
- Cetelem: stable at EUR 314 million. The weight of foreign investment, which represents a source of growth for future years, is of note,
- UCB: increase to EUR 58 million from EUR 34 million in 1997, attributable to a general improvement in the real-estate climate and a prudent provision policy despite a highly competitive environment in France.

ASSET MANAGEMENT AND BANKING SERVICES

Activity table

in EUR billion	12.31.1997	12.31.1998	1998/1997
Activity			
Net inflows (Institutional and Private)	0.5	4.4	x9
Cardif revenues	2.6	2.8	+8%
of which outside France	0.6	1.0	+69%
Savings inflows (Cortal)	0.6	1.4	x2.3
Stock-market transactions (Cortal)	1.9	3.3	+73%
Assets under management (1)	59.6	70.7	+19%
Institutional and Private Asset Management	44.3	51.9	+17%
Cardif	15.6	18.4	+18%
Cortal	3.8	5.0	+31%
Banque Directe (number of clients)	38,000	47,400	+25%
Assets under custody (external clients)	329	473	+45%

(1) After elimination of double counting.

With pre-tax net income of EUR 181 million and allocated average equity of EUR 0.67 billion, this sector generated a pre-tax return on equity of 27%.

Activity and revenues

This sector expanded its activities substantially during the year as evidenced by the increase in savings and assets under management.

Cardif considerably developed its foreign activities while suffering a down turn in life insurance activities in France following a change in the tax regime applicable. Cardif nonetheless held up well in this shrinking market, recording a drop of only 9% in French revenues despite a 13% contraction in the market as a whole.

The marked growth in Cortal stock-market activities is of particular note. This company adapted well to the changes in the market progressing from money market funds ("Sicav monétaires") to the management of stock market orders on the Internet, via "Sicav des Sicav" and the "Centrale de Placements".

Assets under management increased 19%. Institutional and Private Asset Management assets increased some 17%, with 7% of this increase attributable to market performance. Growth was good across all activities and particularly for Private Domestic Asset Management (up 20% on 1997) and Institutional Asset Management (up 19%). The progressive and regular shift in the asset structure towards more profitable products (mutual funds, equity products, etc.) is also of note. Cardif assets under management increased some 17%, including 7% attributable to market performance.

The number of Banque Directe customers increased by 25% during the year, despite cutting back considerably on marketing activities pending the implementation of the IT system in December 1998.

Sector revenues increased 25% over the year to EUR 1,013 million and account for 18% of total Group revenues. Revenue growth is excellent across all activities, in line with the expansion of these sectors:

Institutional & Private Asset Management	EUR 431 million, up 22%
Life Insurance & Annuities	EUR 302 million, up 24%
Individual Savings Management	EUR 82 million, up 23%
Direct Consumer Banking Services	EUR 5 million,
Global Securities Services	EUR 193 million, up 35%

General expenses

The 21% rise in general expenses to EUR 818 million reflects the costs of business expansion.

Provisions total EUR 14 million.

Operating income

Pre-tax income of the sector before amortization of goodwill is EUR 181 million, up 50% on 1997.

This increase is principally attributable to Private and Institutional Asset Management activities (up 29% to EUR 79 million) and Cardif (up 27% to EUR 90 million).

Global Securities activities exceeded break even with pre-tax income of EUR 19 million and as such would appear to have perfectly managed the integration of JP Morgan activities.

Banque Directe reported a pre-tax loss of EUR 25 million following IT developments and investment costs charged to expenses.

CORPORATE AND INVESTMENT BANKING

Exposure on country experiencing economic crisis

	Indonesia	Thailand	Malaysia	Korea	Philippines	Total 5 Asian countries	Brazil	Russia
in EUR million								
Corporates	303	261	213	367	71	1,214	212	25
Banks	13	30	15	463	3	524	12	–
Sovereign	14	3	3	46	0	67	99	–
Total	330	293	231	876	74	1,805	324	25

Excluding trade finance, net of Export Credit Agency guarantees and cash collaterals.

Total Asian risks as of December 31, 1998 are estimated at EUR 1,805 million, down some 22% on the figures reported at the end of December 1997.

The commercial strategy implemented by Paribas over past years involves the selection in these different countries of the top-rated companies and the avoidance of high-risk activities such as real-estate and finance companies.

As of December 31, 1998 the Bank's exposure to Russia was EUR 25 million, down considerably on the position as of August 31, 1998 when exposure stood at EUR 75 million.

The above amounts exclude trade finance exposure as the legal structure of these products, the nature of guarantees held and Paribas experience during previous crises, would indicate that they represent only minor risk.

The balances reported are also net of Coface export credit guarantees and cash collaterals.

Provisions for country risks

Provisions and discounts (difference between the nominal value of debts securities and their cost price) covering country risks amount to EUR 706 million.

This amount includes:

- EUR 486 million covering 27% of outstandings in sensitive countries in the Asian region (see above table),
- EUR 25 million covering all Russian outstandings at risk,
- EUR 195 million covering all other country risks.

It is specified that the EUR 706 million includes EUR 168 million of specific provisions for the Asian outstandings; these provisions are deducted from assets.

Revenues

The Corporate and Investment Banking sector recorded an overall increase in revenues of 11% to EUR 1,982 million and accounts for some 35% of total Group revenues.

This general increase varied between the different businesses in the sector:

1- Corporate finance activities encompass the Bank's primary equity and M&A activities. This business reported a substantial increase in revenues, which rose 32% to EUR 159 million (Paribas is rated 9th by International Equity Bookrunner).

2- Capital market activities reported a more moderate rate of increase (up 14% to EUR 1,026 million). The excellent performance of certain individual activities is, however, of note such as government bonds for which Paribas is 5th world-wide for the issue of bonds in the Euro zone.

3- Corporate banking revenue increased 6% to EUR 797 million. Structured financing accounts for 75% of revenues (71% as of December 31) and is up 16% on last year, while general banking activities fell back slightly by 2%. This reflects the strategy adopted for this business.

General expenses

General expenses totaled EUR 1,553 million for the year, an increase of 21% on 1997. This increase was less marked during the second half of the year (up 9%) compared with the end of the first semester when an increase in expenses was 34%.

This increase is attributable, in particular, to the completion of the development plans and the reduction in activities in Asia.

Provisions

The cost of risk in 1998 relates almost entirely to exposure to emerging countries. Thanks to the favorable economic environment in France and other countries the new provisions for credit risk were offset in full by provision write-backs.

Operating income

Pre-tax income before amortization of goodwill of the sector was EUR 42 million, down considerably on 1997 due to impact of the emerging market crisis and their knock-on effects on the markets (spreads and volatility).

The sector generated a return of 1% on allocated equity of EUR 3.5 billion.

PROPRIETARY INVESTMENTS (PAI)

The Proprietary Investments sector enjoyed a good year reporting pre-tax income of EUR 659 million and a return on equity of 35%.

1998 highlighted two of the sector's strengths:

1- In accordance with the strategic direction decided for the sector, resources used fell back once again. This is clearly evident from the book value of the portfolio which is down from EUR 3.7 billion to EUR 3.4 billion and from allocated equity (EUR 1.9 billion compared with EUR 2 billion in 1997). The creation of PAI LBO fund is consistent with this approach as it increases the Group's scope for action.

2- PAI's ability to rebuild its stock of unrealized capital gains which increased from EUR 2.3 billion at the end of 1997 to EUR 3.1 billion at the end of 1998, while over the same period PAI realized capital gains of EUR 597 million.

Revenues

PAI generated revenues of EUR 687 million during the year, an increase of 24% on 1997 (EUR 554 million).

This sector accounts for 12% of total Group revenues.

Capital gains of EUR 597 million were realized during the year compared to EUR 427 million in 1997. The largest individual gains were realized on the sale of PAI's stakes in Sema (EUR 185 million), Poliet (EUR 134 million), Royal Canin (EUR 95 million) and Cipe France

(EUR 40 million). Income from equity affiliates and dividends contributed EUR 125 million to revenues compared to EUR 217 million in 1997. This decrease was mainly due to the reduction in PAI's interest in Poliet and the sale of Ciments Français. Cobepa contributed EUR 102 million to revenues compared with EUR 140 million in 1997. The 1997 figure included a one-off transaction involving the holding company Gevaert. This revenue primarily includes capital gains realized on the disposal of Aegon, Mobistar and Hapag Lloyd in 1998.

Operating income rose 25% to EUR 659 million, providing a return on allocated equity of 35%.

REAL ESTATE AND OTHER

The Real Estate sector generated operating income of EUR 63 million in 1998. The other activities (financial equity portfolio, real-estate owned and exceptional expenses) generated pre-tax income of EUR 165 million.

3 ANALYSIS OF RISK

A major reorganization of the Risk Management department was performed in 1998 to satisfy objectives relating to independence from the business activities, resource optimization, methodology standardization and decision process and control procedure efficiency.

This department now brings together the Credit Risk units previously housed within each individual Business, the Capital Market and Liquidity Risk Management unit and a new Operational Risk Management unit. The department also comprises functional teams responsible for deciding policy, performing quantitative analysis of risks and economic capital and risk consolidation.

The department structure is based on decentralized teams of employees highly specialized in their respective areas of competence, located within the Businesses and at the various sites, but reporting overall and uniformly to a common and independent hierarchy.

3.1 RISKS ON CAPITAL MARKET OPERATIONS

Capital market risks stem from the uncertainty of future performance due to the fluctuating value of financial instruments portfolios. They are inherent to Paribas activities in the fixed income, foreign exchange, and equity markets.

Paribas monitors and manages risks at two different levels: within each of the relevant departments, and through the independent Capital Market and Liquidity Risk Management unit of the Risk Monitoring department. This unit is responsible for the implementation of high-performance risk control technologies, valuation model validation, and the ongoing monitoring of trading positions and limits.

Risk assessment

Assessing potential losses resulting from unfavorable changes in market conditions is a fundamental component of risk management. Paribas relies on an in-house value at risk model to assess its potential losses. The GEaR (Gross Earnings at Risk) risk valuation model takes into account a number of parameters likely to affect portfolio valuation, including interest rates, currency rates, securities prices and volatility, and the correlation across these parameters.

The system is based on advanced simulation algorithms able to analyze non-linear and convex positions, as well as volatility risks on options. Daily changes in the variables are simulated to estimate potential losses from capital market activities under normal market conditions and liquidity levels.

The information supplied by GEaR is supplemented by numerous hypothetical stress scenarios, or scenarios based on past market crises.

Risk limits

Paribas uses the GEaR model to measure risk in all of its capital market activities. The Capital Market Risks Committee —comprising representatives from each activity segment, the Risk Monitoring department, and the Management Board— defines GEaR limits for each market as well as for capital market activities as a whole. The level of risk allowed in each activity is based on strategic objectives, the experience of portfolio managers, customer requirements, market liquidity and volatility.

In addition to GEaR risk limits, other requirements are placed on operators to reduce risks specific to this type of activity, including concentration, liquidity, special events, or unexpected changes in volatility and historical correlation. These requirements include limits on nominal positions, sensitivity, and concentration.

GEaR limits are generated on a daily basis for each activity segment and for capital market activities as a whole, after being reviewed by the Capital Market Risks Committee.

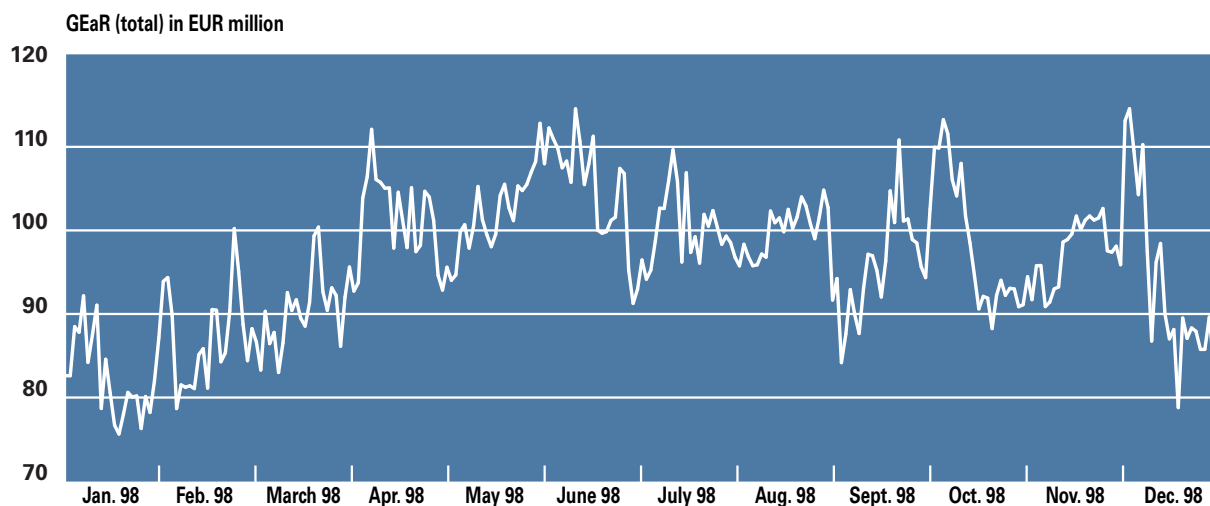
Value at risk in Fixed Income, forex and derivative and equity activities

The following risk values were established using the GEaR model in respect of the Basel Committee guidelines for estimating risk exposure levels, which require:

- identification of changes in the portfolio over a period of 10 trading days,
- 99% confidence interval,
- sample historical data based on 260 trading days.

A 99% confidence interval means that, over a ten-day horizon, potential losses should fall below GEaR approved limits in 99% of cases.

Value at Risk (10 days - 99% confidence interval): 1998 changes



Breakdown of value at risk (10 days - 99% confidence interval) by risk factor

in EUR million	Average	1998 Minimum	Maximum
Interest rate	36	19	55
Equities	27	18	44
Emerging markets	26	10	44
Foreign exchange	7	2	16
Total*	96.2	*	*

* GEaR minima and maxima for each risk factor have been set at different points in time. Consequently, adding the values provided in the table is not relevant. Cumulative minimum and maximum values at risk factors were EUR 76 million and EUR 114 million, respectively, in 1998.

Breakdown of value at risk (10 days - 99% confidence interval) by activity

in EUR million	Average	1998 Minimum	Maximum
Bonds	16	7	29
Derivative products	57	34	91
Foreign exchange	8	4	14
Equities	29	18	45
Swaps	24	14	44

For comparison purposes, the average overall value at risk recorded in 1997 amounted to EUR 94 million, with a minimum of EUR 70 million and a maximum of EUR 114 million.

It is important to note, however, that while the GEaR model takes into account offsetting factors across activities, it does not take into account parameter correlation across four main categories of underlying securities: fixed income, currency, equity, and emerging markets. This limitation tends to result overestimation of risk levels—one of the reasons why Paribas did record only one loss in excess of GEaR limits during the year.

Value at risk of Asset-Liability Management activities

Asset-Liability Management is centralized in a profit center and operates within the limits laid down by the Asset-Liability Management Committee. These limits are set for the Group globally and for each location locally, in GEaR and in nominal limits.

The Asset-Liability and Liquidity Management Committee, which comprises operating heads of the department, representatives of the management Board and of the Risk Monitoring department, monitors and controls the sensitivity of Paribas' balance sheet to changes in interest rates and other market variables. It ensures that the risk of revenue loss from adverse market changes remain within limits deemed acceptable by Paribas.

For positions that are marked to market or for positions subject to accounting under the accrual method and the lower of cost or market valuation, the value at risk averaged EUR 37 million in 1998 (with a minimum of EUR 26 million and a maximum of EUR 54 million).

3.2 LIQUIDITY RISKS

Paribas faces two categories of liquidity risks. First, it runs the risk of not being able to finance assets with matching maturities and rates; second, it runs the risk of not being able to sell a position rapidly at a reasonable price. To address the first category of risk, liquidity profiles are monitored on a daily basis and managed conservatively so that, even under unfavorable conditions, Paribas would have access to sufficient funds to finance its activities. The makeup and origin of the financing sources are reviewed on a monthly basis by the Asset/Liability and Liquidity Management Committee.

Regarding the second category of risk, the liquidity of trading positions is constantly monitored within each department, and through the independent Capital Market and Liquidity Risk Management unit, which periodically reviews inventories of illiquid lines and may determine revaluation adjustments to account for potential additional liquidation costs.

For certain so-called “exotic” contracts and/or underlying products which are relatively illiquid, the valuation is made using complex mathematical models by taking into account, on the conclusion of the transaction, uncertainties linked to these models as well as an estimate of costs of position reversals/turnarounds and hedging costs, where necessary.

3.3 CREDIT RISKS

All credit risks now fall under the responsibility of two distinct and complementary teams, structured according to a product-counterparty matrix:

- Credit Risk Corporate Banking is responsible for supervising the credit risks generated by the Banking Business and all risks *vis-à-vis* corporate customers irrespective of the source business;
- Credit Risk Financial Markets is responsible for supervising counterparty risks and loans generated by all Businesses, other than the Banking business, as well as all risks to which Paribas is exposed *vis-à-vis* financial institution customers.

According to local requirements these two divisions are represented either individually or by a joint team at all the Bank's major international sites (New York, London, Paris, Hong Kong, Singapore, Tokyo, Frankfurt, Milan, Madrid, Geneva, Luxembourg, Athens, Dubai) and its principal domestic locations.

This new organizational structure will enable the standardization of risk measurement methods, their monitoring and their consolidation. The CCB (Bank Credit Committee), co-chaired by a member of the Management Board and the Director of Risk Management (or his proxy/representative), must approve:

1. all risks exceeding USD 100 million for a Group client;
2. the country risks maximum exposure.

Counterparty risks on derivative products

Counterparty risks on derivative products are measured on a Value at Risk basis using a computer application developed internally over recent years (CRM) and designed to calculate maximum potential exposures over time.

At the end of 1998, counterparty risk outstandings on derivative transactions (at liquidation value) of the Fixed Income Business (swaps, forex, options, equity derivatives) amounted to EUR 12,281 million, before collateral received. This amounts falls to EUR 10,235 million net of collateral.

Paribas' counterparty risk, by type of counterparty

in EUR million	(a) Liquidation value	(b) Collateral	(a-b) Net liquidation value	(c) Regulatory add-on	(d) Credit equivalent
Industrial and Commercial companies	1,586	36	1,550	1,813	1,905
Financial institutions	9,374	2,010	7,364	11,354	3,744
Government	1,321	0	1,321	358	0
Total	12,281	2,045	10,235	13,525	5,649

Paribas' counterparty risk, by external rating (Moody's or Standard & Poor's)

in EUR million	(a) Liquidation value	(b) Collateral	(a-b) Net liquidation value	(c) Regulatory add-on	(d) Credit equivalent
AAA	1,511	88	1,423	1,195	729
AA	3,740	560	3,181	4,831	1,345
A	2,399	475	1,924	2,433	936
NR	4,631	924	3,707	5,066	2,638
Total	12,281	2,045	10,235	13,525	5,649

Paribas' counterparty risk, by country

in EUR million	(a) Liquidation value	(b) Collateral	(a-b) Net liquidation value	(c) Regulatory add-on	(d) Credit equivalent
France	2,428	285	2,143	2,383	1,171
Europe, excluding France	5,586	251	5,334	5,234	2,198
Japan	518	0	518	1,004	355
USA	2,171	983	1,188	3,892	1,242
Rest of world	1,579	526	1,053	1,012	683
Total	12,281	2,045	10,235	13,525	5,649

The concepts "Regulatory Add-On" (in column c) and "Weighted Equivalent Risk" (in column d) are defined below:

- "Regulatory add-on" is defined as the "estimated amount representing the potential change in the liquidation value until contract maturity";

- "Credit Equivalent" is defined as the "sum of the liquidation value and the Regulatory add-on, multiplied by a weighting coefficient depending on the type of counterparty".

3.4 OPERATING RISKS

Operating risks encompass, according to the widest possible definition, direct and indirect financial risks resulting from a wide range of failures:

- risks relating to dysfunctions in bank transaction processing procedures;
- risks relating to poor control of the banking environment (contractual, legal, taxation, regulatory environment, etc.);
- risks relating to insufficient resources for operating purposes (human resources, information systems, etc.);
- risks relating to the physical protection of bank assets and capable of limiting the bank's ability to continue its activities under normal operating conditions.

As opposed to capital market and credit risks which are more easily dealt with through the organizational structure of the bank and by attributing specific responsibilities, the appraisal and control of operating risks requires significant coordination between the different Bank entities, both operational and functional, involved in the management of these risks.

To this end, Risk Management strengthened the Operating Risk department in 1998. The principal role of this department is improving the understanding, measurement and prevention of operating risks through:

- defining a common appraisal methodology for the exposure of the various Paribas entities to operating risks;
- contributing to transverse actions undertaken at Group level (with respect to procedures and the analysis of risks associated with new Paribas products and activities);
- coordinating measures implemented by the different Paribas entities to improve operating risk management.

3.5 OTHER SPECIFIC RISK

Hedge Funds

Total stakes in the share capital of Hedge Funds is EUR 86 million at the year end and results from the recapitalization of LTCM in September 1998. Current exposure to counterparty risk in respect of Hedge Funds, other than the risk relating to the capital investment, is covered in full by guarantees (cash collateral, treasury bills, etc.).

The potential credit risk calculated in accordance with internal model methods and market parameters was EUR 218 million as of February 3, 1999. This risk is covered by the above-mentioned guarantees.

Millennium bug

The Millennium project was launched in 1996. The Millennium coordination team set up in 1997 covers the whole of Paribas. Following the merger of Compagnie Bancaire and Paribas in 1998, this project was split in two:

- Three sub-projects are being run in parallel in the Corporate and Investment Banking and Proprietary Investment sectors and for Global Securities Services. The primary aim of these projects is to ensure the millennium compliance of essential computer programs and platforms, telecommunication systems and real-estate infrastructures. These projects are being carried out in accordance with a detailed and centralized schedule and should to a large extent be completed during the first quarter of 1999. The projects also cover non-essential equipment. Integration tests, tests organized in the different financial markets where Paribas trades, global payment tests and customer tests will be performed during the first half of 1999. The Millennium back-up plan will then be implemented in all locations in order to reduce the impact of any internal or external failures and ensure the continuation of activities. The third sub-project is aimed at measuring the extent to which customer companies, financial counterparties and companies in which Paribas has invested are ready for the new millennium. An initial analysis will be performed on March 31, 1999 and repeated throughout the rest of 1999.

- In the other sectors each company has its own specific Millennium project and an appointed millennium manager. Non-computer equipment is managed centrally. Each project covers French and foreign subsidiaries and partnerships. Millennium compliance will be achieved by the second or third quarter of 1999 depending on the company.

The Millennium project is expected to cost EUR 110 million and will mobilize the equivalent of 400 individuals in 1999. About 50% of this budget will be used in 1999.

3.6 A POSTERIORI RISKS CONTROL

Since several years, Paribas runs a risk control plan, independent and a posteriori, under the responsibility of General Control Department. To ensure its independence, the General Controller directly reports to the Management Board and he presents his conclusion to the Supervisory Board and to the Accounting & Audit Committee on a regular basis.

Within the scope of his mission, the General Controller verifies on a regular basis that the procedures relating to risks' engagement, assessment and control, as described

in the previous paragraphs, comply with CRBF 97-02 (regulation issued by the French Banking Regulatory Committee) on one hand and operate properly on the other hand. A particular attention is given to the pertinence and the quality of informations provided to General management and related to Paribas' exposures to all different natures of risks.

Moreover, the Department has determined an action plan that allows an in depth review of each process generating a risk (operational, credit, liquidity, market,...) over a period of approximately 3 years.

4 REGULATORY RATIOS

(The following information has not been audited by the Statutory Auditors.)

Solvency ratios

Solvency ratios require the maintenance of a minimum level of shareholders' equity to protect against risks from counterparties as well as market risks (interest rate risk, foreign exchange risk, equity risk and commodity risk).

The solvency ratio established by European Regulations (or adequacy of shareholders' equity) can be broken down as follows:

in EUR billion	12.31.1997	12.31.1998	1998/1997
Tier One equity	7.8	8.4	+8%
Other equity	0.9	1.8	+98%
Total equity	8.7	10.2	+17%
Weighted risks	97.5	92.5	-5%
Global solvency ratio	8.9%	11.0%	
Tier One Ratio	8.0%	9.1%	

Tier One shareholders' equity rose to EUR 8.4 billion, up 8% on 1997. Other shareholders' equity includes US\$ 400 million and EUR 600 million in subordinated loan notes issued in July 1998.

Weighted outstandings fell by 5% to EUR 92.5 billion. This fall in weighted outstandings is attributable to the use of the internal capital market risk valuation model which has been approved by the "Commission Bancaire", the French Banking Regulatory Committee.

These outstandings break down into EUR 78.1 billion exposure to counterparty risk on and off the balance sheet, EUR 5.6 billion exposure to counterparty risk on derivative products and EUR 8.8 billion exposure to market risks. The multiplication of the total weighted outstandings (EUR 92.5 billion) by a factor of 8 corresponds to the required amount of shareholders' equity of EUR 7.4 billion, which is 139% covered by the shareholders' equity mentioned above.

The international solvency ratio which was set by the Bâle Committee and has included market risks since 1998 rose to 10.2% or 9.1% of Tier One equity.

Major risk control ratio

This is calculated every quarter.

Paribas always ensures that:

- the total exposure to a single party does not exceed 40% of Paribas' equity;
- the total exposure to a group of parties (where the exposure to each one is over 15% of consolidated net equity) does not exceed eight times consolidated equity.

Liquidity ratio and Own funds and permanent capital ratio

At the end of 1998 the regulatory liquidity ratio was 130%, thus exceeding the minimum regulatory requirement of 100%.

The own funds and permanent capital ratio, which measures the matching of assets due in more than 5 years to long term liabilities with residual maturities of over 5 years, was 80% at the end of 1998 compared to a regulatory minimum of 60%.

5 THE EFFECT ON PARIBAS' FINANCIAL STATEMENTS OF THE COMBINATION OF SOCIÉTÉ GÉNÉRALE AND PARIBAS

As explained in note 1 to the consolidated financial statements, the financial statements do not include a provision for restructuring and integration costs associated with the merger between Paribas and Société Générale.

These expenses mainly relate to the costs of adapting IT systems, the costs of refitting business premises, the costs of relocating employees and tax costs resulting from the merger. The proportion of these costs to be borne by Paribas has been estimated at EUR 400 million after tax.

The recording of this charge in the 1998 financial statements depends on a favorable outcome from the public exchange offer, and in particular the approval by the Extraordinary General Meeting of Société Générale on April 1, 1999 of the resolution to increase the company's capital in return for Paribas shares. The table below shows the impact on the key figures of 1998 if the restructuring costs are taken into account:

in EUR million	After restructuring costs	Before restructuring costs
Results and profitability		
Group share net income (in millions of euros)	602	1,002
Net income per share (in euros)	3.92	6.52
Return on shareholders' equity (%)	7.2	11.7
Shareholders' equity		
Group share including net income (in millions of euros)	8,551	8,951
Solvency ratios		
Weighted exposure to counterparty and market risks (in billions of euros)	92.5	92.5
European Solvency Ratio (%)	10.6	11.0
of which Tier One (%)	8.7	9.1
International solvency ratio (%)	9.7	10.2
of which Tier One (%)	8.7	9.1

6 ESTIMATED VALUE OF EQUITY INVESTMENTS

The following information concerns the Group equity investments. This information has not been audited by the Statutory Auditors.

The term "Group equity investments" denotes equity investments in non-consolidated companies—whether participating interests or held for sale securities—and in companies consolidated by the equity method, held by fully consolidated Group companies.

Unrealized gains before tax on investments include:

- unrealized gains on non-consolidated securities and listed equity affiliates, estimated using stock market data,

- unrealized gains resulting from internal valuations of marketable securities or unlisted equity affiliates. These unlisted securities are valued at their purchase price if acquired recently. In other cases, valuations are made using the stock market price of companies in the same sector or the transactions price of recent deals.

The parent company's share of the estimated value of Paribas Principal Investments' portfolio of investments reached EUR 6.5 billion in 1998, up 8% on 1997. This increase can be explained principally by the marked increase in unrealized gains, reaching EUR 3.1 billion as at December 31, 1998 compared to EUR 2.3 billion as at December 31, 1997. The securities disposed of in 1998 were sold for prices higher than their 1997 valuation. Despite the significant volume of disposals in 1998, the total of unrealized gains has continued to rise.

The parent company's share of the estimated value of the financial portfolio rose to EUR 3.1 billion, with unrealized gains rising to EUR 0.9 billion in 1998 compared to EUR 0.4 billion in 1997.

The Group share of the estimated value of the financial portfolio rose to EUR 3.2 billion, and that of Paribas Affaires Industrielles to EUR 7.9 billion.

Securities portfolio (Group share)

in EUR billion	Unrealized gains 12.31.97	Unrealized gains 12.31.98	Estimated value as at 12.31.98
Paribas Principal Investments (PAI)	2.3	3.1	6.5
Financial and miscellaneous portfolio	0.4	0.9	3.1
Total	2.7	4.0	9.6

In total, the Group share of the estimated value of equity investments reached EUR 9.6 billion, including unrealized gains of EUR 4.0 billion.

7 STOCK MARKET DATA

The net dividend which will be distributed in respect of the 1998 financial year is EUR 2.5 per share.

This is equivalent to EUR 3.75 including tax credit.

8 UNUSUAL EVENTS AND LITIGATION

There are no exceptional items or claims which may materially and unfavorably affect the company's financial standing, business or the profit reported by the company and its subsidiaries.

9 CHANGES AND OUTLOOK

The 1998 financial year was marked by a fundamental reorganization of the Group, resulting in the merger after the public exchange for the Compagnie Bancaire and Cetelem.

On February 1, 1999 Paribas and Société Générale announced their mutual intention to combine forces to create SG Paribas.

This union will take the form of a public exchange offer for Paribas by Société Générale(*), opened on February 12, 1999. This course of action was approved by the Supervisory Board of Paribas on January 31, 1999.

The success of this merger, achieved through the Société Générale's Public Exchange Offer for Paribas, is dependent on the contribution of at least 50.01% of the capital of Paribas. The shares of the new bank will be listed under the name SG Paribas.

SG Paribas has ambitious objectives (more than 15% return on net shareholders' equity in 2001) and will be a value-adding group for shareholders.

* This offer was not made in the United States of America, Japan, Australia, nor to any persons in those countries. Société Générale shares were not registered under the Securities Act of 1933 and therefore cannot be sold in the United States without registering the shares or obtaining an exemption.

MAIN HOLDINGS OF PARIBAS PRINCIPAL INVESTMENTS

	Country	% of share capital	Fully consolidated	Number of share held by the Group	Net income in EUR million	Year ended	Net dividend per share in EUR
Aeronautics							
Hurel-Dubois	France	51.27	*	423,835	8	12/98	2.29
Agribusiness							
Doux	France	20.20		11,090	20	12/97	0.00
GNA	France	64.02	*	1,623,296	11	12/97	1.37
LDC	France	5.10		185,475	25	02/98	1.68
Mestrezat et Domaines	France	86.51	*	2,489,978	4	12/97	3.41
Navidul	Spain	10.50		69,126	8	12/97	0.00
Sagal	France	99.99	*	3,862,939	49	12/97	1.37
Seda	Spain	85.23		1,708,596	3	12/97	nd
Saupiquet	France	37.09	*	442,900	-10	12/98	1.52
Automotive							
D'leteren (Cobepa)	Belgium	7.69		425,000	107	12/97	1.49
MGI Coutier	France	19.75		528,128	11	12/98	1.07
Montupet	France	10.60		976,770	14	12/97	2.29
Key Plastics	USA	25.00		nd	nd		0.00
Construction and public works							
Financière SAE-Fougerolle	France	49.82	*	3,193,152	-7	12/97	0.00
Building materials							
Collins & Aikman	USA	39.22		2,000,000	2	12/97	nd
Concorde	Italy	15.00		12,000,000	9	12/97	0.01
Poliet	France	16.90		4,692,119	142	12/98	1.52
Mechanical engineering							
Fichet Bauche	France	95.88	*	5,311,712	2	12/98	0.00
Fives Lille	France	29.29	*	794,866	12	12/98	1.07
Télécommunications							
Bouygues Télécom	France	3.00		810,000	-190	12/97	0.00
Mobistar (Cobepa)	Belgium	10.28		6,374,313	-107	12/97	0.00
Equant (Via Santa Helena)	Netherlands	0.99		1,958,240	nd		0.00
Bayantel	Philippines	1.83		19,564,825	-22	12/97	0.00
Netia	Poland	3.74		373,943	-15	12/97	0.00
Tourism - Hotels & Leisure - Transportation							
Elior (ex-Bercy Management)	France	6.90		8,299	nd		0.00
Far Eastern Air Transport	Taiwan	4.15		24,470,658	15	12/97	0.26
Sogeres	France	40.00		46,000	4	12/97	13.11
Via-GTI	France	70.64	*	2,367,529	18	12/98	0.00
Paper and packaging							
Bormioli Rocco	Italy	11.90		11,900,001	6	12/97	nd
La Rochette	France	25.89	*	6,590,894	8	12/98	0.00
Pochet	France	34.20	*	1,332,858	20	12/97	1.52
Distribution							
GIB (Cobepa)	Belgium	19.37		6,600,687	72	12/98	1.12
President Chain Store	Taiwan	1.87		8,194,566	31	12/97	0.06

	Country	% of share capital	Fully consolidated	Number of share held by the Group	Net income in EUR million	Year ended	Net dividend per share in EUR
Electrical equipment							
Carbone Lorraine	France	21.79	*	2,348,760	46	12/98	0.76
Chatham	USA	12.00		80,000	nd		nd
Sait-Radio Holland (Cobepa)	Belgium	65.50	*	1,400,742	1	12/97	0.30
Schneider	France	2.86		4,365,284	409	12/98	0.99
Energy							
Cofathec	France	19.35		924,115	2	12/97	1.22
Coparex International	France	95.31	*	1,548,750	-30	12/98	2.29
Total	France	0.51		1,226,329	1,052	12/98	1.98
Central China Power	China	9.73		15,300,000	nd		0.00
Chemicals- Drugs - Biotech							
CEPA	Spain	58.20		278,160	2	12/97	0.00
Jouan	France	27.81		66,325	3	12/97	3.05
Mayroy (Beaufour-IPSEN)	France	4.60		106,400	60	12/97	nd
Intercos	Italy	15.00		1,538,550	5	12/97	0.00
Stauber	USA	80.74		807,373	2	12/98	nd
Services							
Atos (ex-Axime)	France	12.87		1,365,191	47	06/98	4.45
Prokom	Poland	3.94		500,000	24	12/98	0.08
Sema Group	Great Britain	14.11		64,989,692	97	12/98	0.08
Sogeparc	France	2.05		145,009	20	06/98	2.33
Staff Leasing (Common + Warrants)	USA	4.96		1,174,544	20	12/98	8.61
TLC	USA	59.45		1,186,789	0	12/97	nd
Swets et Zeitlinger (Cobepa)	Belgium	15.76		699,916	17	12/97	1.93
Textile							
Dewavrin	France	6.93		8,257	20	12/97	30.49
Uco Textile (Cobepa)	Belgium	57.76	*	44,344	10	12/97	5.95
Media							
Audiofina	Luxemburg	8.88		5,573,494	76	12/97	0.55
Sté Rochefortaise Communication	France	13.09		407,276	5	12/97	0.73
UGC SA	France	15.07		5,892,678	4	12/97	0.04
UBC	Thailand	3.77		27,895,850	-26	12/97	0.00
Somarel	France	3.71		114,857	35	12/97	0.80
Insurance							
Financière de l'Erdre	France	18.65		80,094	18	12/97	21.34
Groupe Josi (Cobepa)	Belgium	23.61	*	21,490	4	12/97	nd
Winterthur Europe (Cobepa)	Belgium	4.82		89,458	36	12/97	12.39
Holding Companies							
ACP/CDC	USA	16.13		1,000	nd		0.00
Asphales (Cobepa)	Belgium	6.87		41,350	40	12/97	20.45
Frémont Partners	USA	5.21		8,633,619	nd		nd
Indeck North American Power Partners	USA	21.00		2,000	4	12/97	7.74
Merone (Groupe GAN)	France	42.97		2,634	9	12/97	0.00
Pargesa Holding (Cobepa)	Switzerland	14.73	*	241,270	457	12/97	45.33
Power Corp. (Cobepa)	Canada	2.24		4,910,000	190	12/97	0.55
Aegon (Cobepa)	Belgium	2.42		14,065,366	1,062	12/97	0.84

CONSOLIDATED INCOME STATEMENT

in EUR million	Notes	1998	1997	1996
Interest receivable and similar income	5	11,174	10,363	10,630
Interest payable and similar charges	6	(9,970)	(9,247)	(9,497)
Net commissions	7	888	765	550
Net income from securities transactions and other banking operations	8	1,680	1,514	1,315
Net income from insurance operations	10	365	231	204
Other net income		254	218	172
Net gains on sale of long-term shareholdings and properties	11	748	684	859
Net change in provisions on long-term shareholdings and properties		(27)	(189)	(232)
Share in net income of companies accounted for by the equity method	12	554	423	209
Total revenue from operations		5,666	4,762	4,210
General and administration expenses	13	(3,409)	(2,838)	(2,433)
Depreciation of fixed assets		(165)	(161)	(136)
Goodwill depreciation	14	(89)	(48)	(76)
Net income before provisions and tax		2,003	1,715	1,565
Net provisions for loan losses and other risks	15	(561)	(596)	(726)
Net income before tax		1,442	1,119	839
Income tax	16	(301)	(6)	(275)
Net income		1,141	1,113	564
Minority interests		(143)	(319)	(93)
Net income excluding minority interests and discontinued activities		998	794	471
Net income excluding tax and minority interests on discontinued activities	4	(4)	87	108
Capital gains excluding tax on discontinued activities	4	8	129	152
Minority interests on capital gains on discontinued activities	4	-	(8)	(68)
Net income from discontinued activities excluding minority interests		4	208	192
Net income excluding minority interests		1,002	1,002	663
Earning per share (in euros)*		6.52	9.05	6.06

In the event that Société Générale's public share exchange offer for Paribas goes ahead, the adjustments needed to record the provision for restructuring and integration costs will have the following impact on the 1998 income statement:

Provision for restructuring and integration costs, net of tax (note 1)	(400)
Net income excluding minority interests	602
Earnings per share (in euros)*	3.92

* Weighted average number of shares outstanding during the period.

153,795,045 110,670,396 109,512,409

CONSOLIDATED BALANCE SHEET AT DECEMBER 31

in EUR million	Notes	1998	1997	1996
Assets				
Treasury operations and interbank transactions	17	15,270	19,084	21,400
Customer loans and credits	18	49,784	49,099	47,323
Credits under finance and operating leases	19	5,296	4,985	5,009
Investments of insurance companies	20	16,018	13,745	11,788
Securities received under resale agreement and trading securities	22	71,688	50,707	43,968
Trading securities	23	65,451	44,417	43,611
Securities held for sale	24	9,480	11,650	9,913
Investment securities	25	3,237	3,565	3,957
Other accounts relating to securities	27	2,108	2,488	2,223
Long-term shareholdings and related receivables	28	3,079	2,993	2,785
Share in net equity of companies accounted for under the equity method	29	2,967	3,875	4,179
Share in net equity of discontinued activities	4	174	181	934
Fixed assets	30	2,816	2,999	3,057
Goodwill	31	1,267	1,261	359
Other assets	32	16,480	12,778	8,901
Total assets		265,115	223,827	209,407

in EUR million	Notes	1998	1997	1996
Liabilities				
Treasury operations and interbank transactions	33	39,794	47,580	50,181
Customer deposits	34	21,757	19,820	16,258
Technical provisions of insurance companies	35	15,881	13,320	10,990
Securities delivered under purchase agreement and trading securities	36	78,008	54,978	51,802
Trading securities	37	53,828	33,573	29,759
Bonds and other negotiable debt securities	38	24,101	27,012	26,686
Other accounts relating to securities	39	3,063	4,339	2,957
Accruals, provisions and other liabilities	40	15,496	12,094	10,162
Subordinated debt	41	3,036	1,685	1,555
Net worth		9,006	8,097	8,233
• Shareholders' equity		7,949	7,179	5,485
• Minority interests		1,057	918	2,748
Total net income for the year		1,145	1,329	824
• Shareholders' equity		1,002	1,002	663
• Minority interests		143	327	161
Total liabilities and net worth		265,115	223,827	209,407

In the event that Société Générale's public share exchange offer for Paribas goes ahead, the adjustments needed to record the provision for restructuring costs, net of tax, will reduce net income excluding minority interests by EUR 400 million and increase "Accruals, provisions and other liabilities" by the same amount (see note 1).

STATEMENT OF CHANGES IN CONSOLIDATED NET WORTH

in EUR million	Shareholder's equity				Minority interests	Net worth
	Share capital	Retained earnings and reserves	Treasury stock	Total shareholders' equity		
Balance at December 31, 1996	946	5,284	(745)	5,485	2,748 (2)	8,233
Net income for 1996	–	663	–	663	160	823
Dividends (except to treasury stock) (1)	–	(217)	–	(217)	(119)	(336)
Balance at January 1, 1997	946	5,730	(745)	5,931	2,789	8,720
Increase in share capital of Compagnie Financière de Paribas:						
• Exercice of options	8	46	–	54	–	54
• Conversion of bonds	2	14	–	16	–	16
• Public exchange offer for Compagnie Bancaire, Cetelem and Banque Paribas investment certificates:						
- Increase in share capital	309	2,284	–	2,593	(1,912)	681
- Goodwill deducted from equity (3)	–	(1,499)	–	(1,499)	–	(1,499)
• Net purchases of treasury stock	–	11	9	20	–	20
Change in translation adjustment	–	64	–	64	1	65
Net change in minority interests	–	–	–	–	40	40
Balance at December 31, 1997	1,265	6,650	(736)	7,179	918	8,097
Net income for 1997	–	1,002	–	1,002	327	1,329
Dividends (except to treasury stock) (1)	–	(325)	–	(325)	(57)	(382)
Balance at January 1, 1998	1,265	7,327	(736)	7,856	1,188	9,044
Increase in share capital of Paribas:						
• Exercice of options	19	52	3	74	–	74
• Conversion of bonds	8	29	–	37	–	37
• Paribas worldwide employee share ownership plan	16	29	–	45	–	45
• Issuance of shares in connection with absorption of minority shareholders in Banque Paribas, Compagnie Bancaire and Compagnie de Navigation Mixte	25	27	–	52	(52)	–
• Cancellation of Paribas shares owned by Klécinq, Kléber and CNM Finance	(133)	(292)	425	(113)	–	(113)
• Purchase of Paribas shares	–	–	(113)	(113)	–	(113)
• Doubling of par value	1,265	(1,265)	–	–	–	–
• Release of provision for other than temporary losses of insurance companies (4)	–	4	–	4	–	4
Change in translation adjustment	–	(6)	–	(6)	(8)	(14)
Net change in minority interests	–	–	–	–	(71)	(71)
Balance at December 31, 1998	2,465	5,905	(421)	7,949	1,057	9,006

(1) After eliminating dividends paid to treasury stock.

(2) After excluding minority interests in discontinued activities of EUR 238 million.

(3) If this goodwill had not been offset against shareholders' equity, it would have been amortized over 20 years from 1998.

(4) The provision set up on January 1, 1995 has been released to shareholders' equity in accordance with opinion no. 96.01 issued on March 8, 1996 by the French national accounting standards body.

1 COMBINATION OF PARIBAS AND SOCIÉTÉ GÉNÉRALE

On February 1, 1999, Paribas and Société Générale announced their intention to join forces. Société Générale's public share exchange offer for Paribas opened on February 12, 1999.

The share of the restructuring and integration costs associated with the merger to be borne by Paribas is estimated at EUR 500 million. After deducting the tax effect of EUR 100 million, the net charge is EUR 400 million. This covers the costs of adapting IT systems, the costs of refitting business premises, the costs of relocating employees and tax costs resulting from the merger.

Paribas' financial statements as presented do not include this charge of EUR 400 million net of tax, since recognition of this amount in the 1998 financial statements is dependent upon a favorable outcome to the public share exchange offer and in particular upon approval by the Extraordinary General Meeting of Société Générale, on April 1, 1999, of the issuance of shares as consideration for the Paribas shares contributed to the merger. Once these conditions are met, the consolidated financial statements will be amended to include this provision, in accordance with the decision of the Management Board.

2 PRINCIPLES OF CONSOLIDATION

Paribas consolidated financial statements include not only the banking subsidiaries but also insurance companies, in order to provide the best representation of the activities of the Group. This presentation has been adopted since 1997, following the take-over of Compagnie Bancaire and its subsidiaries. The 1996 comparative consolidated financial statements have been correspondingly restated.

This presentation constitutes an exemption to the consolidation regulations of credit institutions regarding scope of consolidation, pursuant to which insurance and non-financial companies should be accounted for under the equity method.

Excluding this difference of method, the consolidated financial statements of Paribas, a credit institution, are prepared in accordance with the provisions of the November 27, 1985 regulation modified by January 16, 1991 regulation 91.02, issued by the French Banking

Regulatory Committee, applicable to credit institutions' consolidated financial statements. The particularities of presentation other than those related to the consolidation of insurance companies are indicated in Note 3.A.

A) SCOPE OF CONSOLIDATION

Subsidiaries which do not have a material effect on the consolidated financial statements and subsidiaries held for disposal are not consolidated.

a) Fully consolidated companies

Banking, financial holding and insurance companies are fully consolidated if 50% or more of the share capital is owned by the Paribas Group, either directly or by other fully consolidated companies.

b) Companies accounted for under the equity method

Companies accounted for under the equity method are banks, financial institutions, investment holding and insurance companies in which the Group holds 20 to 50% of the share capital, provided this interest ensures that the Group has a significant and lasting influence on the company's management. In accordance with the requirements of the French Banking Regulatory Committee, industrial, commercial and real estate companies in which the Group holds an interest of at least 20% are also accounted for under the equity method.

c) Main changes in the scope of consolidation

Buyout of minority shareholders in Compagnie Bancaire, Cetelem and Banque Paribas at the end of 1997; mergers in 1998

At the end of 1997, the percentage of control exercised over Compagnie Bancaire, Cetelem and Banque Paribas was increased to 98.2%, 99.3% and 99.9% respectively, following the public share exchange offer by Compagnie Financière de Paribas which closed on December 24, 1997. The results of these companies for 1997 were recognized on the basis of the percentages previously held. These were 46.5% in the first quarter and 50.4% for the last nine months for Compagnie Bancaire, 30.6% for Cetelem and 98.8% for Banque Paribas. In July 1997, Compagnie Bancaire acquired substantially all the minority interests in Cardif and UFB Locabail by means of a public tender offer.

On May 12, 1998, the general meeting of shareholders of Compagnie Financière de Paribas approved the merger of that company into its subsidiary Banque Paribas with backdated effect from January 1, 1998.

Compagnie Bancaire, Compagnie de Navigation Mixte, CNM Finance, Kleber Portefeuille and Klecinq, all subsidiaries of Compagnie Financière de Paribas, were also merged into Banque Paribas, which changed its name to Paribas.

The consolidated financial statements of Paribas as at December 31, 1998 have been prepared in continuity with those of Compagnie Financière de Paribas

The effect of these mergers on net worth was to reduce minority interests by EUR 52 million and to increase shareholders' equity by the same amount.

Disposal of retail banking activities

Paribas' retail banking activities have been disposed of as follows:

1996: Sale of Osmanli Bankasi, a company accounted for by the equity method, in the first half; sale of Banque Continentale du Luxembourg, a fully consolidated company, effective July 1.

1997: Sale, effective January 1, of 61.6% of Crédit du Nord and its subsidiaries, previously 100% owned. The residual interest was accounted for by the equity method until end September 1997, when it was sold.

Sale, effective July 1, of 57.5% of the Paribas Belgique Group (out of the 77.4% stake held), and of the interest in Banque Paribas Nederland not held by Paribas Belgique.

1998: Sale of Banque Paribas Pacifique and Banque Paribas Polynésie, effective April 1.

Because of the significance of these disposals, and as detailed in note 3.A., items relating to these companies and to the disposal of them have been shown separately in "Net income from discontinued activities" for all the periods shown in the financial statements.

Other changes

In 1998, certain investments accounted for by the equity method were disposed of in full: 23.5% of Ciments Français and 100% of Cogedim effective January 1, and 38.2% of Nord Est and 43.4% of Banque Gabonaise Française et Internationale, effective October 1. Half of the 34% interest in Poliet, accounted for by the equity method, was sold effective July 1, after which date the residual 17% interest was deconsolidated. This disposal followed on from the partial disposals that took place in 1996 and 1997.

The equity interest in Sema was reduced by 5.9% in July 1998, resulting in the deconsolidation of Sema from that date.

In 1997, the main acquisitions were Paribas Asia Equity and Paribas Indonesia, both were fully consolidated from July 1, and April 1, 1997 respectively.

B) DATE OF CONSOLIDATION

The consolidated financial statements are based on the financial statements of Group companies as at December 31.

C) GOODWILL

Goodwill is the difference upon acquisition, between the Group's investment in a company whose financial statements are consolidated which may include purchase expenses, and the Group's share in its revalued shareholders' equity.

Positive goodwill is recorded as an asset on a separate line and negative goodwill is included under other liabilities. Positive and negative goodwill are amortized over a period determined in accordance with the acquisition objectives and, in any case, not exceeding forty years.

Generally, goodwill on banks is amortized over twenty years, over ten years for companies specializing in financial market activities, over fifteen years for industrial companies and over thirty years for insurance companies.

In conformity with Article D248.3 and the seventh European Directive, goodwill can be charged to equity when the acquisition is remunerated through an equity issue.

Pursuant to these regulations, goodwill arising from the exchange offers for Compagnie Bancaire and Cetelem appears in the balance sheet for the portion paid in cash. The balance has been charged against retained earnings, as payment was made through an issue of shares, which led to dilution approved by former shareholders.

D) RESTATEMENTS AND INTERCOMPANY TRANSACTIONS

Prior to consolidation, the financial statements of companies included in the scope of consolidation are restated to conform to the accounting principles described below.

In particular, reserves for general banking risks written by certain banking units are included under equity and, in the case of individual risks, specific provisions are written. The valuation rules and accounting principles specific to certain industrial sectors are not restated. Similarly, valuation rules specific to insurance companies are maintained in the consolidated financial statements.

All intercompany balances, as well as gains and losses on intercompany transactions, are eliminated.

Moreover in order to better reflect the activities of the Paribas Group as a whole, the income statement is presented as follows:

- total revenue from operations comprises, in addition to the revenues and charges from banking operations, other net income, income from insurance operations, net gains on sale and net change in provisions on long-term shareholdings and properties, and the Group's share in net income of companies accounted for under the equity method (excluding the related goodwill amortized in the holding Company's accounts);
- net income before provisions and tax, is obtained after taking into account general and administrative expenses, Depreciation of fixed assets, and Goodwill amortization;
- net income before tax, after deduction of Net provision for loan losses and other risks;
- net income, after deduction of tax and, when applicable, exceptional items.

In the balance sheet, securities, treasury bills and similar instruments are classified according to the management's intentions at the time of their purchase. Securities received (delivered) under resale (repurchase) agreements appear as a separately identified category of the securities portfolio.

3 ACCOUNTING PRINCIPLES

A) PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The 1998 consolidated financial statements have been prepared and are presented in millions of euros, at the official French franc conversion rate of FRF 6.55957 to the euro, fixed on December 31, 1998. Comparatives for 1997 and 1996 were converted at the same rate.

As indicated in note 2.A.c), in 1997, Paribas sold its retail banking activities. Reflecting the significance of this disposal and to provide a fair representation of the Group's current structure, consolidated financial statements presented herein exclude activities disposed of during the year. Pursuant to Article 11 of the French Commercial Code, the consequences of this presentation are detailed in Note 4.

B) FOREIGN CURRENCY TRANSLATION

- a) Foreign currency assets and liabilities are translated at year-end exchange rates, the resulting gains and losses being taken to income.
- b) Balance sheets of foreign companies and branches are translated into French francs at the year-end rate and their income statements at the year's average rate. Gains and losses resulting from translation are recorded as a change in consolidated net worth.
- c) In the case of high inflation countries, fixed assets are translated at historical rate, the resulting exchange gains or losses being taken to income.

C) FIXED ASSETS

a) Trademarks and market shares

Goodwill assigned by certain industrial groups and insurance companies to trademarks and market shares is not amortized. These identified intangible assets are reassessed every year, and, in case of a decline in value, a provision for impairment is set up. Specific methods adopted by each industrial group as regards depreciation of their market shares are not restated for consolidation purposes.

b) Other intangible assets

Preliminary expenses and leasehold rights are charged to expenses as incurred. Software is amortized over a period of 12 months.

Software developed internally by the Group is recorded as expenses, except for software developed for the settlement of a new activity which are amortized over a period of five years.

The costs of capital increases of subsidiaries are expensed. The costs of the parent company's capital increases are deducted from the share-issue premiums, net of the related tax saving.

Bond issue and redemption premiums as well as expenses related to bond issues are amortized on a straight line basis over the life of the borrowing.

Clientele acquisition prices are amortized over a period that does not exceed 10 years.

c) Premises and equipment

Premises and equipment are stated at cost except for assets of French companies that were revalued in 1978 as authorized by law. They are depreciated on a straight-line basis over their estimated useful lives. Buildings are generally depreciated over a period of 30 years, furniture, fixtures and equipment over 10 years, and computer hardware over 3 years.

D) CREDITS UNDER FINANCE

Credits under finance are classified with customer loans and credits. The related revenue is included under the net banking revenue, net of depreciation, computed on an actuarial basis.

E) INVESTMENTS OF INSURANCE COMPANIES

Securities and shares used to cover accounting unit exposure, are presented at their year-end liquidation value.

Among other investments, fixed income securities are accounted for using the rules applied to investment securities in the banking sector.

Investments that do not comply with these categories are accounted for in the balance sheet at cost, minus provisions for impairment on real estate and equities and bonds portfolios (Article RR332-20 of the New Insurance Code). When the combined market value of all these investments falls short of book value, a provision for risk is written.

F) SECURITIES, TREASURY BILLS AND SIMILAR INSTRUMENTS

The valuation method for securities, treasury bills and similar instruments depends on management's intention at the time of their purchase.

They are classified as:

- trading securities when the intention is to resell or repurchase them or to place them with customers after a short holding period and if they are negotiable on a liquid market providing an objective basis of valuation. This category includes bonds and notes acquired to hedge interest rate exposure related to swaps and other forward financial instruments;

- securities held for sale when they have been acquired in order to generate a revenue or gain, with the intention to hold them for a period of more than six months. They include bonds not placed on issue and trading securities held for over six months;

- investment securities (only fixed income securities) when the intention is to hold them on a long-term basis, in principle until maturity, and if they are matched by financing of equivalent maturity, or the interest rate exposure is hedged.

Trading securities are recorded at cost, including any acquisition costs and accrued interest. At the end of the reporting period, the securities not sold or sold short are valued at market price. The income or charge that results from the revaluation is shown in the item "Net income from trading securities", included in "Net income from securities transactions and other banking operations". This item also includes dividends received and net proceeds resulting from sales.

Upon their purchase, **securities held for sale** are accounted for at their acquisition price, excluding costs and any accrued interest. The difference between the redemption value and the purchase price is accrued to income over the remaining life of the security, by applying an actuarial method for zero coupon bonds and transferable debt securities, and on a straight-line basis for all other securities.

At year end, for each homogeneous group of securities of the same nature, unrealized losses resulting from the difference between book value and market value are provided for in the accounts. Unrealized gains are not recorded. For unlisted bonds and shares, estimated trading value is used as market price.

Investment securities are initially accounted for at their acquisition price, excluding costs and any accrued interest. At year end, they are carried at cost adjusted for amortization or accretion of the difference between the redemption value and the acquisition price over the remaining life of the securities. No provision is made at year end for any shortfall of the market value of these bonds over their book value. Provisions may be made to cover the risk of default by the issuer of the securities.

G) SECURITIES RECEIVED (DELIVERED) UNDER RESALE (REPURCHASE) AGREEMENT

Securities received under resale agreements are recorded as an asset representative of the claim due from the seller. Similarly, securities delivered under repurchase agreements are recorded as a liability representative of the debt due to the purchaser.

The income or expense relating to securities received or delivered is accrued *prorata temporis* in the income statement.

Securities delivered under repurchase agreements are accounted for applying the accounting principles relevant to their portfolio classification.

H) LONG-TERM SHAREHOLDINGS

These include all equity securities held for the long-term as well as loans related to these investments.

These securities are accounted for at purchase price except for those held by French companies that were revalued in 1978 as authorized by law. When significant and exceptional costs are incurred, these are included in the purchase price. At year end, in order to determine

potential decrease in value, equity securities are valued taking into account either the companies' net equity corrected for unrealized gains and losses and potential future earnings or the market value. They are shown in the balance sheet at the lower of cost or this valuation.

I) TECHNICAL PROVISIONS OF INSURANCE COMPANIES

Technical provisions in life insurance are mathematic provisions (difference between the present value of the commitments given respectively by the insurer and the policyholder). In non-life insurance, provisions on premiums (portions of premiums related to future years) and for claims, including administrative expenses, are made.

J) LOAN LOSS PROVISIONS

Specific provisions are made for loan losses considered likely as a result of total or partial non-payment of doubtful debts, or because contingent commitments are called. They are calculated on the basis of identified risks at the closing date. Provisions are also set up to cover risks in countries which are rescheduling their foreign debt or which have defaulted or are facing an acute financial crisis.

These risks include credit exposure (excluding Trade finance), securities and commitments given, net of Coface guarantees and cash collateral. Provisions established for doubtful debt are deducted from assets. Provisions on contingent liabilities and for country risks are included in liabilities, as well as other provisions that correspond mainly to risks resulting from the adverse economic conditions of certain sectors, which are not necessarily allocated to individual credits.

K) PROVISIONS ASSIMILATED TO RESERVES

General provisions which do not cover any potential business risk and which may be set up for regulatory or tax purposes are included, net of the tax effect, in shareholders' equity. The changes during the year are then considered as appropriations of earnings, and not charged or credited to the year's income.

L) TREASURY STOCK

The shares of Paribas held on a long-term basis by Paribas itself or by controlled subsidiaries are considered as treasury stock and are deducted at cost from shareholders' equity. Dividends received are eliminated in full from income and deducted from the distribution made by the parent company. The corresponding number of shares is deducted from the number of shares issued by Paribas in order to determine the outstanding number of shares. Gains or losses on shares are credited or charged to shareholders' equity, net of tax.

M) EARNINGS PER SHARE

Earnings per share are calculated on the basis of the average number of shares outstanding during the period. In determining the average number of shares, new shares are considered as created on the date of the availability of funds for shares issued for cash, and on the value date of the transaction for mergers and contributions in kind. Treasury shares are cancelled at the date of purchase.

N) REVENUE FROM OPERATIONS

a) Treasury operations and interbank and customer transactions

Interest is taken to income on an accrual basis. Interest on doubtful loans is included in Interest receivable. The related increase in provisions is recorded under net provisions for loan losses and other risks.

Commissions are usually recorded on a cash basis, except for certain commissions on medium and long-term export lending and commercial paper discounting which are treated as interest. Underwriting commissions on domestic and international bond issues are recorded in income at the close of the issue.

b) Revenues from bonds and other fixed income securities

Bond income corresponds to the amount of interest accrued during the holding period.

c) Revenues from long-term shareholdings and other variable income securities

Income from shares includes dividends and interim dividends received or declared before year end, as well as withholding taxes, so that the recorded income reflects the total dividend declared. For French companies, it also includes the amount of tax credit attached.

d) Revenues from insurance company operations

They represent premiums less allowances, general expenses on claim settlement, technical provisions and profit-sharing policyholder.

With effect from 1998, commission on life assurance business, paid mainly to other contracting parties under group policies and previously included in general and administrative expenses, are netted off against income from insurance operations in order to better represent the nature of these costs. Figures for 1997 and 1996 have been restated accordingly.

e) Other net income

This item includes net income from rental properties (rent less depreciation).

O) FOREIGN EXCHANGE CONTRACTS

Spot foreign exchange contracts are valued at the year-end spot rate. Forward foreign exchange transactions are valued:

- at the year-end spot rate for hedged transactions, with premiums and discounts, recognized at the inception of the contract, amortized over their life;
- at the year-end forward rate for other transactions.

Realized and unrealized gains and losses are recorded as income.

P) NET INCOME FROM FORWARD FINANCIAL INSTRUMENTS

The banks of the Group, and principally Paribas, are active in all forward financial markets; these activities can be classified as follows:

- trading activities, the objective of which is to arbitrage between sellers and buyers, either customers or market counterparties. This involves high transaction turnover and limited residual positions;

- management of interest rate and currency exposure, arising from the Groups' assets, liabilities and off-balance sheet commitments.

Income from forward financial instruments is accounted for according to the type of activity and the type of market, organized, quasi-organized markets and over-the-counter. Instruments traded on organized markets are continuously quoted and liquid enough to justify valuation at market price. Over-the-counter markets are treated as quasi-organized markets when market makers ensure continuous quotations with spreads that reflect market practice or when the underlying financial instrument is itself quoted on an organized market.

Financial instruments used in **trading activities**, either firm (e.g. future rate agreements) or conditional (e.g. caps and floors), are valued at market price, in French Francs or foreign currency. Changes in value are reflected in income. For instruments traded on over-the-counter markets, the market value takes into account adjustments for counterparty and liquidity risks and for future administrative charges related to the contracts. Non-liquid instruments are regularly reviewed. In some cases, this may result in a revaluation adjustment to take account of potential excess liquidation costs.

Interest rate and currency exposure management is usually realized through over-the-counter instruments, for which gains and losses are taken to income on an accrual basis. For instruments traded on organized markets, the result for the period corresponds to the net change in market value. For hedging instruments, the result is recognized using the same principles as that applied to the recognition of income or expense on the hedged asset or liability.

Net income or expense from these transactions is shown in Net income from security transactions and other banking operations, as Net income (charge) from forward financial instruments, except for specific hedging operations carried out for the purpose of interest rate and currency exposure management, that are assimilated to interest income (charges) and shown on the same line as the hedged asset or liability.

Q) INCOME TAX

Income tax expense includes:

- income taxes currently payable, including tax credits and similar rights applied in settlement of taxes; such credits or rights are accounted for under the same line as the income to which they relate;

- deferred income taxes resulting from temporary timing differences between pre-tax accounting income and taxable income, or from consolidation adjustments. They are computed using the liability method over all timing differences and in particular, financial reserves. The option allowing a partial calculation on the financial reserve of the lease financing operations authorized by the French Banking Commission since 1989, has not been utilized. Deferred tax benefits are recognized only if, based on the weight of available evidence, it is more likely than not that the deferred tax asset will be realized.

With effect from 1996, the deferred tax recorded by the French companies has been calculated taking into account the 10% surtax imposed by the amending 1995 finance act, and the temporary supplement in the tax rate imposed by the tax law of November 10, 1997.

Income tax related to capital gains on discontinued activities corresponds to the applicable cost for this kind of operation, less savings derived from the utilization of tax losses carried forward for the share represented by these capital gains compared to the total gains and provisions on long-term shareholdings earned by the relevant fiscal entity.

As of January 1, 1994, Compagnie Financière de Paribas has formed a group for tax purposes with a number of its French subsidiaries, directly or indirectly controlled at a rate of 95% or more.

As from January 1, 1998, as a result of the transactions entered into by Compagnie Bancaire in 1997 and the public share exchange offers by Paribas for Compagnie Bancaire and Cetelem at the end of 1997, the Paribas tax Group has been extended to include the companies previously belonging to separate tax groups headed by Compagnie Bancaire, Cetelem, UFB Locabail and Cardif.

R) RETIREMENT BENEFIT COMMITMENTS

a) Mandatory pension plans

In France and in most countries where the Group companies operate, commitments for mandatory pension plans are funded by contributions paid to retirement scheme organizations which are responsible for the payment of the pensions. These contributions are charged to income as incurred. Following the agreement of September 13, 1993 signed by all French banks with the ARRCO and AGIRC organizations (the general retirement scheme), subsidiaries of the Compagnie Bancaire Group remain committed for residual amounts with respect to current retirees and, for their period of activity within the group prior to December 31, 1993, with respect to current employees. The totality of these commitments are provided for, according to the actuarial method described below.

In several Group companies, complementary defined benefit pension plans exist, as well as retirement indemnities, prudential schemes and other advantages, based on the employees' years of service. All commitments that are not covered by insurance contracts are provided for, taking into account mortality factors, the probability of remaining in the Group until retirement date, an actualization rate of 6% and inflation of 3%. Unrecognized gains or losses due to changes in assumptions are amortized over a period of 15 years.

b) Other commitments

Charges incurred for early retirement or restructuring are provided for during the year when those measures are decided.

4 IMPACT OF THE EXCLUSION OF DISCONTINUED ACTIVITIES

As indicated in Note 3. A, the consolidated income statement includes a separate line showing the impact of discontinued activities on net income excluding minority interests. A breakdown of this line into individual income statement captions is presented below:

in EUR million	1998	1997	1996
Interest receivable and similar income		536	2,224
Interest payable and similar charges		(364)	(1,435)
Net commissions	(2)	26	348
Net income from securities transactions and other banking operations		(2)	66
Other net income		3	23
Net gains on sale of long-term shareholdings and properties	8	187	157
Net change in provisions on long-term shareholdings and properties		(1)	-
Share in net income of companies accounted for by the equity method		36	9
Total revenue from operations	6	421	1,392
General and administrative expenses		(91)	(870)
Depreciation of fixed assets		(6)	(49)
Depreciation of goodwill		-	(2)
Net income before provisions and tax	6	324	471
Net provisions for loan losses and other risks	(2)	(6)	(126)
Net income before tax	4	318	345
Income tax		(85)	(55)
Net income	4	233	290
Minority interests		(25)	(98)
Net income from discontinued activities excluding minority interests	4	208	192
Net income excluding tax and minority interests on discontinued activities	(4)	87	108
Capital gains excluding tax on discontinued activities	8	129	152
Minority interests on capital gains on discontinued activities		(8)	(68)
	4	208	192

Net income from discontinued activities represents the contribution of the entities concerned to consolidated net income for the three years as follows:

In 1996, this includes 12 months of operations for Banque Paribas Pacifique and Banque Paribas Polynésie, sold in 1998, and for Crédit du Nord (and its subsidiaries), Paribas Belgique and Paribas Nederland, sold in 1997. It includes 6 months of operations for Banque Continentale du Luxembourg and 3 months of operations for Osmanli Bankasi, sold in 1996.

In 1997, net income from discontinued activities includes 6 months of operations for Banque Paribas Belgique and Banque Paribas Nederland, the equity-accounted results of Crédit du Nord for 9 months, and 12 months of operations for Banque Paribas Pacifique and Banque Paribas Polynésie.

Capital gains on discontinued activities include for 1996, the sales of Banque Continentale du Luxembourg and Osmanli Bankasi; for 1997, the sale of Crédit du Nord (61.6% sold January 1, the balance sold September 30), of Paribas Belgique (57.5% sold in the second half) and of Paribas Nederland (shares not owned by Paribas Belgique sold in the second half); and for 1998, the sale of Banque Paribas Pacifique and Banque Paribas Polynésie.

On the balance sheet, the **share in net equity of discontinued activities** represents the consolidated value of securities that had not yet been sold at the end of the year in question. At the end of 1996, this comprises the consolidated value of Crédit du Nord, Paribas Belgique, Paribas Nederland, Banque Paribas Pacifique and Banque Paribas Polynésie. At the end of 1997, it includes the consolidated value of 19.9% of Paribas Belgique, and the whole of Banque Paribas Pacifique and Banque Paribas Polynésie. At the end of 1998, only the 19.9% interest in Paribas Belgique is included.

5 INTEREST RECEIVABLE AND SIMILAR INCOME

in EUR million	Note	1998	1997	1996
Transactions with credit institutions		3,851	3,161	3,032
Customer transactions		4,153	4,035	4,021
Bonds and other fixed income securities		848	951	1,268
Variable income securities:		144	152	153
• <i>Securities held for sale</i>		28	35	24
• <i>Long-term shareholdings and related receivables</i>		116	117	129
Lease financing transactions		2,178	2,063	2,142
Other interest receivable and similar income		-	1	14
Total	44 b	11,174	10,363	10,630

6 INTEREST PAYABLE AND SIMILAR CHARGES

in EUR million	1998	1997	1996
Transactions with credit institutions	(5,403)	(4,546)	(4,734)
Customer transactions	(1,060)	(957)	(798)
Bonds and other fixed income securities	(1,627)	(2,008)	(2,197)
Subordinated loans	(113)	(92)	(97)
Lease financing transactions	(1,767)	(1,642)	(1,670)
Other interest and similar charges	-	(2)	(1)
Total	(9,970)	(9,247)	(9,497)

7 COMMISSIONS

in EUR million	Note	1998	1997	1996
Commissions (income)				
Transactions with credit institutions		4	0	3
Customer transactions		340	323	295
Securities transactions		280	184	110
Currency transactions		5	4	5
Commitments on securities		186	132	60
Forward financial instruments transactions		51	15	16
Financial services income		609	489	342
Sub-total		1,475	1,147	831
Commissions (charges)				
Transactions with credit institutions		(40)	(28)	(35)
Customer transactions		(6)	(7)	(12)
Securities transactions		(112)	(129)	(92)
Currency transactions		(17)	(17)	(15)
Commitments on securities		(75)	(41)	(38)
Forward financial instruments transactions		(160)	(104)	(79)
Financial services expenses		(177)	(56)	(10)
Sub-total		(587)	(382)	(281)
Total	44 b	888	765	550

8 NET INCOME FROM SECURITIES TRANSACTIONS AND OTHER BANKING OPERATIONS

in EUR million	Note	1998	1997	1996
Net income from securities transactions and other financial operations				
Net income from trading securities		(258)	493	710
Net income (charge) from securities held for sale:		148	81	61
• net provisions released on securities held for sale		(9)	–	(8)
• net gains on sales of securities held for sale		157	81	69
Net income from currency operations		(42)	180	(22)
Net income (charge) from forward financial instruments	9	1,675	736	535
Sub-total		1,523	1,490	1,284
Other charges from banking operations		(107)	(249)	(283)
Other income from banking operations		264	273	314
Total	44 b	1,680	1,514	1,315

9 NET INCOME FROM FORWARD FINANCIAL INSTRUMENTS

in EUR million	Note	1998	1997	1996
Net income from hedging financial instruments included in interest receivable/payable and similar income/charges		137	(145)	(183)
Net income from other forward financial instruments included in income from securities transactions and other operations	8	1,675	736	535
Total		1,812	591	352

Breakdown of net income from forward financial instruments by type of instrument and by activity (trading and currency exposure, and management of interest rate) is shown below. However, the portion of income which relates to operations on the underlying markets is included either in Net income from trading securities or currency operations, or Interest receivable or payable.

in EUR million	Trading activity	Management of interest rate and currency exposure	1998	1997	1996
Firm transactions					
Organized markets:					
• Future contracts (interest rate, currency and other financial futures)	18	(60)	(42)	62	(35)
Over-the-counter:					
• Future rate agreements	21	3	24	15	6
• Swaps	1,070	381	1,451	105	220
• Others	1	1	2	265	128
Conditional transactions					
Organized markets:					
• Interest rate options	4	56	60	49	(72)
• Currency options	(2)	–	(2)	–	(3)
• Others	13	2	15	(17)	7
Over-the-counter:					
• Caps, floors and collars	91	(15)	76	111	52
• Swaptions, options (interest rate, currency and other)	227	1	228	1	49
Total	1,443	369	1,812	591	352

10 NET INCOME FROM INSURANCE OPERATIONS

in EUR million	1998	1997	1996
Technical balance	297	241	157
Financial balance	146	122	120
Other net technical expenses	(17)	(12)	(11)
Acquisitions expenses and administration of policies	(338)	(279)	(213)
Sub-total	88	72	53
Restatement of general expenses and intra-group items (1)	277	159	151
Revenue from insurance operations	365	231	204

(1) The figures above are shown before elimination of intra-Group items and net of general and administrative expenses, in accordance with the presentation used in the insurance industry. In order to reconcile these figures with "Income from insurance operations" as shown in the consolidated income statement, these two items have to be adjusted for.

11 NET GAINS ON SALES OF LONG-TERM SHAREHOLDINGS AND PROPERTIES

in EUR million	1998	1997	1996
Gains on disposal of long-term shareholdings	405	505	151
Gains on disposal of consolidated subsidiaries	341	171	699
Gains on disposal of properties	2	8	9
Total	748	684	859

In 1998, the most significant sales concerned Ciments Français, CIPE, AGF, ONA, Aegon, Hapag Lloyd, Nord Est, Banca Commerciale Italiana, Mobistar and the partial disposals of Sema and Poliet for a total amount of EUR 547 million.

In 1997, gains on disposal of long-term shareholdings and consolidated subsidiaries result principally from the sales of Elf, Havas, Accor, Allianz, Total, on the partial merger of Gevaert within Cobepa and on the gradual sale of Poliet, for a total amount of EUR 525 million.

In 1996, the most significant sales include UGC-Droits Audiovisuels, Compagnie Française de Sucrierie, Power Corp., a mortgage loan portfolio in the United Kingdom, and the partial disposals of Cetelem, Audiofina, Axime and Poliet, for a total amount of EUR 675 million.

12 SHARE IN NET INCOME OF COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

in EUR million	1998	1997	1996
Banks and financial institutions			
Finaxa	59	42	40
Cofinoga	29	28	25
Gevaert	–	40	36
Pargesa	106	60	41
Compagnie Nationale à Portefeuille	109	12	13
Others	54	35	17
Total Banks and financial institutions	357	217	172
Industrial and commercial companies			
Audiofina	–	–	24
Cogédim	–	4	–
Coparex	(29)	8	7
Eiffage	14	32	(35)
Générale de Transport Industriel	27	1	(3)
Poliet	21	76	66
Sagal	86	8	(1)
Sinvim	12	2	(100)
Others	66	75	79
Industrial and commercial companies	197	206	37
Total	554	423	209

In 1998, the share in net income of industrial and commercial companies was reduced by the deconsolidation of Poliet in the second half, but includes the capital gain realized by Sagal on the sale of 25% of Royal Canin.

Highlights of 1997 were the return to break even of Sinvim and the performances of Eiffage and Poliet.

In 1998, the positive contribution of banks and financial institutions remained high, reflecting the contributions of Pargesa and Compagnie Nationale à Portefeuille, which include important gains on sales.

13 GENERAL AND ADMINISTRATIVE EXPENSES

in EUR million	1998	1997	1996
Salaries and employee benefits			
• Charges and salaries	(1,429)	(1,190)	(978)
• Social security charges	(402)	(346)	(321)
• Pension costs	(136)	(88)	(83)
• Incentives and legal employee profit sharing	(71)	(50)	(33)
Sub-total	(2,038)	(1,674)	(1,415)
Taxes other than income tax	(101)	(52)	(50)
Commissions to business	(158)	(109)	(103)
Other operating expenses	(1,112)	(1,003)	(865)
Total	(3,409)	(2,838)	(2,433)

14 GOODWILL AMORTIZATION

in EUR million	Note	1998	1997	1996
Positive goodwill	31	(96)	(56)	(88)
Negative goodwill		7	8	12
Total		(89)	(48)	(76)

In 1998, amortization of positive goodwill included EUR 41 million on Cetelem and Compagnie Bancaire, compared with EUR 6 million in 1997, reflecting Paribas' acquisition of minority interests in these two companies in December 1997.

15 NET PROVISION FOR LOAN LOSSES AND OTHER RISKS

in EUR million	Note	1998	1997	1996
Increase in provisions:				
• Customers and credit institutions		(603)	(622)	(675)
• Off-balance sheet items		(18)	(33)	(38)
• Country risks and other provisions		(344)	(474)	(474)
Total increases		(965)	(1,128)	(1,187)
Release in provisions:				
• Customers and credit institutions		228	308	262
• Off-balance sheet items		13	7	15
• Country risks and other provisions		197	240	216
Total releases		438	555	494
Net increase in provisions	21	(527)	(573)	(693)
Receivables written-off and not covered by provisions		(76)	(55)	(57)
Recoveries of receivables previously written-off		42	32	24
Total		(561)	(596)	(726)

16 INCOME TAX

in EUR million	1998	1997	1996
Net income before tax, amortization of goodwill and share in net income of companies accounted for by the equity method	977	743	706
<i>Income tax rate applicable to French companies</i>	33.33%	33.33%	33.33%
Theoretical income tax expense	326	248	235
Deductible dividends from non-consolidated companies	(14)	(8)	(16)
Difference between French tax rate and foreign tax rate on foreign subsidiaries	29	15	5
Difference on items taxed at lower rates	(75)	(12)	17
Net impact of unutilized current tax losses and of use of prior period tax losses	(5)	(279)	42
Impact on current and deferred taxes of the supplement in the tax rate for French companies (25% in 1997 and 1998, and 10% in 1996)	42	39	3
Others	(2)	3	(11)
Actual income tax expense for the Group	301	6	275
Effective tax rate	30.8%	0.7%	38.9%

The unrecorded deferred tax assets on losses for the period incurred by certain companies of the Group results in a tax liability when analyzing the effective tax rate presented above. Other companies may benefit from tax savings by using tax losses from previous fiscal years on their profits for the period, whereas the structure of their results could not have predicted this potential saving previously.

In 1998 and 1997, the tax savings generated by using losses from previous fiscal years in the Group tax comprised of Paribas and its French subsidiaries reached EUR 137 million and EUR 348 million, respectively (EUR 137 million and EUR 273 million of the Group's share of net income). The use of deferred taxes generating this tax saving was made possible by enlarging the tax Group in 1997 following (i) the public exchange offering completed by Compagnie Bancaire in July 1997 for Cardif and UFB Locabail and (ii) the public exchange offering by Compagnie Financière de Paribas for Compagnie Bancaire and Cetelem in December 1997.

17 TREASURY OPERATIONS AND INTERBANK TRANSACTIONS

in EUR million	Note	12.31.1998	12.31.1997	12.31.1996
Demand and overnight deposits		6,565	6,038	5,144
Time deposits		8,041	12,324	14,056
Bills and other items purchased under overnight resale agreements		183	75	268
Bills and other items purchased under forward resale agreements		368	486	1,687
Interest receivable		91	118	164
Doubtful debts		28	48	88
Provisions for doubtful debts	21	(6)	(5)	(7)
Total		15,270	19,084	21,400

Schedule of maturities for loans made to credit institutions (time deposits and items purchased under forward resale agreements) as of December 31, 1998:

Maturity	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany eliminations	Total 12.31.1998
in EUR million	26,197	10,293	18,123	9,936	(56,140)	8,409

18 CUSTOMER LOANS AND CREDITS

in EUR million	Note	12.31.1998	12.31.1997	12.31.1996
Commercial bills		733	590	539
Other customer loans		45,311	44,934	42,343
Overdrawn accounts		1,858	1,724	2,246
Interest receivable		379	373	342
Doubtful debts		4,060	4,101	5,170
Provisions for doubtful debts	21	(2,557)	(2,623)	(3,317)
Total		49,784	49,099	47,323

Schedule of maturities for loans made to customers (commercial loans and term loans) as of December 31, 1998:

Maturity	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany eliminations	Total 12.31.1998
in EUR million	9,822	7,408	18,620	13,265	(3,072)	46,043

19 CREDITS UNDER FINANCE AND OPERATING LEASES

in EUR million	Note	12.31.1998	12.31.1997	12.31.1996
Finance leases and operating leases (gross)		8,234	7,765	7,716
Finance leases and operating leases (amortization and special provisions)		(3,113)	(3,058)	(3,020)
Doubtful debt		348	502	572
Provisions for doubtful debt		(173)	(224)	(257)
Total		5,296	4,985	5,009

Schedule of maturities for finance and operating leases as of December 31, 1998:

Maturity	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany eliminations	Total 12.31.1998
in EUR million	513	1,139	3,021	448	–	5,121

20 INVESTMENTS OF INSURANCE COMPANIES

in EUR million	Net value in balance sheet on December, 31			Expected capital gains or losses	
	Investments allocated to contracts in units of account	Other investments	Total	Other investments	
Real estate investments	226	356	582	–	
Bonds and other fixed income securities	701	6,660	7,361	930	
Mutual Fund Securities owning fixed income securities only	2,258	967	3,225	47	
Other Mutual Fund Securities	3,943	–	3,943	22	
Other investments and receivables related to investments	502	406	907	2	
1998 total	7,630	8,389	16,018	1,001	
1997 total	5,889	7,856	13,745	494	
1996 total	4,328	7,460	11,788	423	

Realization of capital gains or losses would result in payment of profit-sharing to policyholders, and, in the case of bonds, in a provision (reversal) to capitalization reserve.

21 PROVISIONS FOR LOAN LOSSES AND OTHER RISKS

in EUR million	Note	12.31.1998	12.31.1997	12.31.1996
Balance as of January 1		4,250	4,848	4,355
Net increase in provisions	15	527	573	693
Doubtful debts written off		(468)	(1,007)	(676)
Exchange differences		(47)	78	68
Changes in the consolidation scope and others		(181)	(242)	408
Balance as of December 31		4,081	4,250	4,848
Analysis of balances as of December 31:				
• Credit Institutions	17	6	5	7
• Customers	18	2,557	2,623	3,317
• Leases		205	274	289
• Other provisions		44	27	19
Total provisions deducted from assets		2,812	2,929	3,632
• Provisions on off-balance sheet commitments		86	55	89
• Country risks	40	538	407	217
• Other provisions		646	859	910
Total provisions within liabilities		1,269	1,321	1,216
Total		4,081	4,250	4,848

At the end of 1998, country risk provisions comprised EUR 318 million covering at-risk Asian countries (Indonesia, Thailand, Malaysia, Korea, Philippines); EUR 25 million for Russia; and EUR 195 million for other countries.

Provisions deducted from assets include specific loan loss provisions of EUR 168 million relating to Asia countries.

22 SECURITIES RECEIVED UNDER RESALE AGREEMENTS

in EUR million	Note	12.31.1998	12.31.1997	12.31.1996
Overnight resale agreements with credit institutions		5,942	7,282	2,434
Forward resale agreements with credit institutions		64,765	42,166	39,746
Forward resale agreements with customers		981	1,259	1,788
Total		71,688	50,707	43,968

Schedule of maturities of securities received under forward resale agreements as of December 31, 1998:

Maturity	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany eliminations	Total 12.31.1998
in EUR million	122,969	10,683	144	23	(68,073)	65,746

23 TRADING SECURITIES

in EUR million	Listed securities	Non-listed securities	Total 12.31.1998	Total 12.31.1997	Total 12.31.1996
Government securities and equivalent	4,121	–	4,121	4,249	5,923
Bonds and other fixed income securities	39 023	1,524	40,547	24,663	26,898
Shares and other variable income securities	6,629	124	6,753	5,578	4,931
Sub-total	49,773	1,648	51,421	34,490	37,752
Conditional instruments			14,030	9,927	5,859
Total			65,451	44,417	43,611

Mutual Fund Securities included in Other variable income securities amount to EUR 208 million as of December 31, 1998, compared to EUR 287 million as of December 31, 1997 and EUR 223 million as of December 31, 1996.

The amount of trading securities on loan is EUR 1,743 million at December 31, 1998 compared to EUR 2,802 million at December 31, 1997 and EUR 5,957 million at December 31, 1996.

24 SECURITIES HELD FOR SALE

in EUR million	Listed securities	Non-listed securities	Total 12.31.1998	Total 12.31.1997	Total 12.31.1996
Government securities and equivalent	4,298	–	4,298	4,795	4,328
Bonds and other fixed income securities	4,029	195	4,224	6,364	5,141
Shares and other variable income securities	171	787	958	491	444
Total	8,498	982	9,480	11,650	9,913

Mutual fund securities included in Other variable income securities amount to EUR 682 million at December 31, 1998, compared to EUR 345 million at December 31, 1997 and EUR 310 million at December 31, 1996.

The securities on loan amount to EUR 42 million at December 31, 1998 and there were no securities on loan at December 31, 1997 and at December 31, 1996.

Unrealized gains and losses on securities held for sale at December 31, 1998 amount to:

in EUR million	Shares	Fixed income	Total securities held for sale
Gross book value of securities	1,193	8,587	9,780
Provision for unrealized losses	(235)	(65)	(300)
Sub-total: Net book value	958	8,522	9,480
Unrealized gains (losses)	151	315	466
Total: estimated value at December 31, 1998	1,109	8,837	9,946

Schedule of maturities of securities held for sale (Government securities and bonds) at December 31, 1998:

Maturity	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany eliminations	Total 12.31.1998
in EUR million	3,924	1,393	2,422	1,274	(491)	8,522

25 INVESTMENT SECURITIES

in EUR million	Listed securities	Non-listed securities	Total 12.31.1998	Total 12.31.1997	Total 12.31.1996
Government securities and equivalent	32	–	32	229	230
Bonds and other fixed income securities	2,246	959	3,205	3,336	3,727
Total	2,278	959	3,237	3,565	3,957

Investment securities on loan amount to EUR 272 million at December 31, 1998, compared to EUR 79 million at December 31, 1997, and EUR 79 million at December 31, 1996.

Schedule of maturities of investment securities at December 31, 1998:

Maturity	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany eliminations	Total 12.31.1998
in EUR million	945	766	1,460	471	(405)	3,237

26 REDEMPTION VALUE

as at December 31, 1998	Gross book value	Redemption value	Premium (Discount) to amortize
in EUR million			
Fixed income securities held for sale	8,587	8,482	(104)
Investment securities	3,237	3,213	(24)

27 OTHER ACCOUNTS RELATING TO SECURITIES

in EUR million	12.31.1998	12.31.1997	12.31.1996
Interests receivable on:			
• Securities received under resale agreement	398	289	346
• Fixed income securities held for sale	229	199	212
• Variable income securities held for sale	1	23	17
• Investment securities	81	97	114
Sub-total: interest receivable	709	608	689
Settlement accounts relating to securities	1,384	1,880	1,533
Net doubtful debts	15	–	1
Total	2,108	2,488	2,223

28 LONG TERM SHAREHOLDINGS AND RELATED RECEIVABLES

in EUR million	12.31.1998			12.31.1997 Net	12.31.1996 Net
	Gross value	Provisions	Net		
Long-term shareholdings	3,370	(472)	2,899	2,898	2,691
Subordinated loans and advances, and other receivables related to long-term shareholdings	199	(18)	180	95	94
Total	3,569	(490)	3,079	2,993	2,785

Analysis of the changes in value of long-term shareholdings:

in EUR million	1998	1997	1996
Net balance as of January 1	2,898	2,691	2,247
Purchases	655	1,217	622
Sales:			
• Sale price	(1,418)	(1,693)	(923)
• Net capital gains	292	154	93
• Gross value of shares sold	(1,126)	(1,540)	(830)
• Release of provision on shares sold	91	351	58
• Net change related to sales	(1,035)	(1,189)	(772)
Change in provisions	(52)	76	(163)
Change in the scope of consolidation	425	79	642
Other changes	7	23	115
Net balance as of December 31	2,899	2,898	2,691

At December 31, 1998, long-term shareholdings with book value exceeding EUR 100 million include Aegon, Banca Commerciale Italiana, GIB and Poliet (deconsolidated after partial sale in the second half of 1998).

The estimated value of long-term shareholdings as of December 31, 1998 compares with the net book value as follows:

in EUR million	Net book value	Estimated value
Portion valued		
• At net book value	946	946
• Marked to market	1,532	4,916
• By other methods (net asset revaluation, sale value, etc.)	421	833
Total	2,899	6,695

29 SHARE IN EQUITY OF COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

in EUR million	12.31.1998	12.31.1997	12.31.1996
Banks, financial and investment holding companies	1,822	1,607	1,679
Industrial and commercial companies	1,145	2,268	2,500
Total	2,967	3,875	4,179

In 1998, the decrease of share in net equity of industrial and commercial companies is mainly due to the sale of Ciments Français and Nord Est, and to the deconsolidation of Poliet and Sema following the partial sales that took place in the second half of 1998.

30 FIXED ASSETS

in EUR million	12.31.1998			12.31.1997	12.31.1996
	Gross value	Accumulated depreciation	Net	Net	Net
Land and buildings	1,080	(136)	944	909	913
Rented buildings	1,684	(599)	1,085	1,130	1,285
Other tangible asset	1,637	(850)	787	960	859
Total	4,401	(1,585)	2,816	2,999	3,057

Depreciation and provisions on rental properties increased by EUR 152 million in 1997 to cover, as a prudent approach, expected losses on the Compagnie Bancaire rental property portfolio.

Other tangible assets include the real estate development portfolio and assets received in satisfaction of debt: EUR 134 millions and EUR 30 millions respectively en 1998.

31 GOODWILL

in EUR million	Note	12.31.1998	12.31.1997	12.31.1996
Net balance as of January 1		1,261	359	484
Increase/decrease in the year		104	956	(42)
Amortization charged to income statement	14	(96)	(56)	(88)
Exchange difference		(2)	3	5
Net balance as of December 31		1,267	1,261	359

The increase in goodwill during 1998 was due mainly to the compulsory public buyback offer for shares in Cetelem, a correction of the goodwill on Compagnie Bancaire, and restructuring in the real estate sector.

The 1997 acquisition of 47.8% and 33% interests in Compagnie Bancaire and Cetelem respectively, resulted in goodwill of EUR 2,142 million. Of this total, EUR 1,499 million was deducted from shareholders' equity, corresponding to the portion of the acquisition funded through a capital increase. Residual goodwill totals EUR 642 million.

The acquisitions of 39.5% of Cardif and 27.9% of UFB Locabail generated goodwill of EUR 178 million.

Analysis of goodwill by activity, at December 31:

in EUR million	12.31.1998	12.31.1997	12.31.1996
Banks, financial and investment holding companies	1,241	1,233	305
Industrial and commercial companies	26	28	53
Total	1,267	1,261	359

32 OTHER ASSETS

in EUR million	12.31.1998	12.31.1997	12.31.1996
Checks and acceptances for collection	1,384	1,419	1,192
Asset deferred tax	477	360	–
Accrued income, prepaid expenses and other accounts	14,619	10,999	7,709
Total	16,480	12,778	8,901

33 TREASURY OPERATIONS AND INTERBANK TRANSACTIONS

in EUR million	12.31.1998	12.31.1997	12.31.1996
Demand and overnight deposits	7,804	10,289	10,588
Time deposits	30,475	34,834	34,404
Bills and other items sold under overnight resale agreements	351	781	2,004
Bills and other items sold under forward resale agreements	804	1,173	2,641
Interest payable	361	504	545
Total	39,794	47,580	50,181

At December 31, 1998 items sold under repurchase agreements relate to EUR 1,154 million in commercial bills (EUR 1,402 at December 31, 1997), EUR 1 million in bonds and other fixed-income securities (EUR 552 million at December 31, 1997) and nil in treasury bills (same in 1997).

Schedule of maturities of term borrowings with credit institutions (time deposits and items sold under forward repurchase agreements) at December 31, 1998:

Maturity	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany eliminations	Total 12.31.1998
in EUR million	44,983	15,841	18,989	8,389	(56,923)	31,279

34 CUSTOMER DEPOSITS

in EUR million	12.31.1998	12.31.1997	12.31.1996
Demand and overnight deposits	6,751	5,314	4,300
Time deposits	14,532	14,140	11,664
Demand savings accounts	90	83	56
Time savings accounts	180	172	152
Interest payable	204	112	86
Total	21,757	19,820	16,258

At December 31, 1998, securities sold under repurchase agreements included in Demand and overnight deposits and Time deposits relate to EUR 235 million in commercial bills (EUR 39 million at December 31, 1997). They do not include treasury bills.

Schedule of maturities of customer deposits (time deposits and savings accounts) at December 31, 1998:

Maturity	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany eliminations	Total 12.31.1998
in EUR million	12,309	704	1,656	355	(312)	14,712

35 TECHNICAL PROVISIONS OF INSURANCE COMPANIES

in EUR million	12.31.1998	12.31.1997	12.31.1996
Technical provisions Life	15,338	12,728	10,539
Technical provisions non Life	543	592	451
Total	15,881	13,320	10,990

This item includes capitalization reserve, funded through sale of stocks and shares, in order to retain part of net realized capital gains to maintain actuarial yield on securities.

At December 31, 1998, it amounted to EUR 129 million (December 31, 1997: EUR 123 million ; December 31, 1996: EUR 109 million).

36 SECURITIES DELIVERED UNDER REPURCHASE AGREEMENTS

in EUR million	12.31.1998	12.31.1997	12.31.1996
Overnight repurchase agreements with credit institutions	9,617	7,069	5,917
Forward repurchase agreements with credit institutions	64,973	43,957	43,116
Overnight repurchase agreements with customers	261	483	46
Forward repurchase agreements with customers	3,157	3,469	2,724
Total	78,008	54,978	51,802

At December 31, 1998, securities delivered under repurchase agreements with lending institutions includes EUR 64,855 million in treasury bills (EUR 46,373 million at December 31, 1997), EUR 9,387 million in bonds and other fixed income

securities (EUR 4,652 million at December 31, 1997) and EUR 348 million in variable income securities (EUR 1 million at December 31, 1997).

Securities delivered under repurchase agreements with clients includes EUR 1,691 million in treasury bills (EUR 2,053 million at December 31, 1997) and EUR 1,727 million of bonds and other fixed income securities (EUR 1,899 million at December 31, 1997).

Schedule of maturities of securities delivered under forward repurchase agreements as of December 31, 1998:

Maturity	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany eliminations	Total 12.31.1998
in EUR million	125,976	9,746	490	–	(68,082)	68,130

37 TRADING SECURITIES (LIABILITIES)

in EUR million	12.31.1998	12.31.1997	12.31.1996
Conditional financial instruments sold	15,132	9,947	6,232
Securities sold short and debts related to borrowings of securities and claims	38,696	23,625	23,527
Total	53,828	33,573	29,759

38 BONDS AND OTHER NEGOTIABLE DEBT SECURITIES

in EUR million	12.31.1998	12.31.1997	12.31.1996
Bonds	8,998	12,271	10,920
Interbank debt instruments, transferable debt securities and other negotiable debt securities	15,103	14,741	15,766
Total	24,101	27,012	26,686

Starting in 1998, the issued Medium Term Notes (MTNs) were classified as negotiable debt instruments even though they were previously recorded as bonds. The figures presented for fiscal years 1997 and 1996 have been readjusted identically. At December 31, 1998, the maturities of bonds by currency and type of interest rate, as stated in the terms of issue, were as follows:

in EUR million	Average rate	Amount outstanding	1999	2000	2001	2002	2003	2004 2008	After 2008
French franc	Variable 7.01%	1,580 5,960	443 78	499 868	30 910	– 152	242 –	366 3,404	– 548
Deutschmark	Variable 6.00%	– 153	– –	– 153	– –	– –	– –	– –	– –
Euro	Variable 6.81%	– 450	– 200	– –	– 100	– –	– –	– 150	– –
Other currencies	Variable	20	–	–	–	20	–	–	–
Euro	9.15%	360	50	37	–	66	–	207	–
<i>Sub-total currencies</i>	<i>Variable</i>	<i>1,600</i>	<i>443</i>	<i>499</i>	<i>30</i>	<i>20</i>	<i>242</i>	<i>366</i>	<i>–</i>
<i>Euro</i>	<i>6.95%</i>	<i>6,923</i>	<i>328</i>	<i>1,058</i>	<i>1,010</i>	<i>218</i>	<i>–</i>	<i>3,761</i>	<i>548</i>
US dollar	Variable 5.79%	86 1,071	– –	– –	– –	86 1,071	– –	– –	– –
Japanese yen	Variable 5.30%	75 114	75 –	– –	– 114	– –	– –	– –	– –
Other	Variable 7.50%	– 3	– –	– –	– –	– –	– 3	– –	– –
<i>Sub-total</i>		<i>9,873</i>	<i>846</i>	<i>1,557</i>	<i>1,154</i>	<i>1,395</i>	<i>245</i>	<i>4,127</i>	<i>548</i>
Held by consolidated companies		(875)							
Net		8,998							

Schedule of maturities of interbank debt instruments and transferable debt securities as of December 31, 1998:

Maturity	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany eliminations	Total 12.31.1998
in EUR million	7,313	2,198	4,238	2,182	(828)	15,103

39 OTHER ACCOUNTS RELATING TO SECURITIES

in EUR million	12.31.1998	12.31.1997	12.31.1996
Interest payable on:			
• Interbank debt instruments and transferable debt securities	285	323	284
• Bonds	258	512	483
• Securities delivered under repurchase agreements	636	409	433
Sub-total	1,179	1,244	1,200
Treasury notes and savings certificates	51	66	65
Settlement accounts relating to securities	1,833	3,029	1,692
Total	3,063	4,339	2,957

Schedule of maturities of treasury notes and savings certificates as of December 31, 1998:

Maturity	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany eliminations	Total 12.31.1998
in EUR million	10	27	14	–	–	51

40 ACCRUALS, PROVISIONS AND OTHER LIABILITIES

in EUR million	Note	12.31.1998	12.31.1997	12.31.1996
Accrued expenses and others		13,383	9,946	8,315
Deferred taxes		431	341	274
Negative goodwill		35	41	48
Provisions for off-balance sheet commitments and risks on banking operations and long-term shareholdings		869	1,191	1,123
Provisions for sovereign risks	21	538	407	217
Provisions for pension costs and similar commitments		240	168	185
Total		15,496	12,094	10,162

Provisions for pension costs and similar commitments cover all residual commitments resulting from the affiliation of French Banks to the ARRCO and AGIRC organizations, other advantages based on the employees' years of service, commitments for supplementary retirement schemes and for anticipated retirement. These provisions do not include changes in actuarial value spread over 15 years, which amounted to EUR 59 million at December 31, 1998.

41 SUBORDINATED AND UNDATED TERM BORROWINGS

The maturities of borrowings by currency, as stated in terms of issues, as of December 31, 1998, were as follows:

Issuing currency in EUR million	Outstanding	1999	2000	2001	2002	2003	2004 2008	After 2008	Un- dated
Subordinated borrowings:									
• French franc	501	–	152	–	–	–	–	349	–
• Luxembourg franc	254	–	49	–	–	–	174	31	–
• Euro	600	–	–	–	–	–	–	600	–
<i>Sub-total zone Euro</i>	1,355	–	201	–	–	–	174	980	–
• US dollar	1,212	5	4	–	–	–	253	756	194
• Other currencies	54	–	44	–	–	–	10	–	–
Sub-total	2,621	5	249	–	–	–	437	1,736	194
Undated term borrowings and subordinated securities:									
• French franc	195	–	–	–	–	153	3	39	–
• US dollar	171	–	–	–	–	–	–	171	–
Sub-total	366	–	–	–	–	153	3	210	–
Interest payable	49	–	–	–	–	–	–	–	49
Total	3,036	5	249	–	–	153	440	1,946	243

At December 31, 1998, two of the Group's issues accounted for more than 10% of the total of subordinated and undated term borrowings: USD 400 million (EUR 343 million) issued in July 1998 with a coupon of 6.95% and maturity date July 2013 and EUR 600 million issued in August 1998 with a coupon of 5.625% and maturity date August 2008.

42 SHARE CAPITAL

a) Composition of share capital

In number of shares	Issued shares	Treasury stock	Outstanding shares
At December 31, 1995	120,198,109	3,271,595	116,926,514
Exercise of options	179,095	–	179,095
Reinvestment of dividends	3,770,674	468,291	3,302,383
Purchase of treasury stocks	–	10,959,738	(10,959,738)
At December 31, 1996	124,147,878	14,699,624	109,448,254
Exercise of options	1,079,989	–	1,079,989
Reinvestment of dividends	220,188	–	220,188
Issue of shares	40,558,235	–	40,558,235
Sale of treasury stock	–	(410,261)	410,261
At December 31, 1997	166,006,290	14,289,363	151,716,927
Repayment of bonds in common shares	498,092	–	498,092
Exercise of options	1,227,285	(70,018)	1,297,303
Employee share ownership plan	1,071,759	–	1,071,759
Remuneration of minority shareholders	1,642,374	–	1,642,374
Cancellation of shares	(8,705,971)	(8,303,565)	(402,406)
Movements in treasury stock	–	2,154,903	(2,154,903)
At December 31, 1998	161,739,829	8,070,683	153,669,146

The shares are fully paid. The par value, formerly FRF 50 (EUR 7.62) was increased to FRF 100 (EUR 15.24) when Compagnie Financière de Paribas was merged into Banque Paribas.

b) Authorization to purchase or to subscribe to the Company's share options

Pursuant to the authorization given by the general meeting of the shareholders of Banque Paribas on May 19, 1994, and to the resolutions of the General Meeting of May 11, 1998 formally noting the substitution of Paribas for the companies merged into it (Compagnie Financière de Paribas, Compagnie Bancaire, Compagnie de Navigation Mixte) in the commitments regarding the authorization to allot stock options to employees and corporate officers, there were 3,792,267 options to subscribe for shares at an average price of EUR 48 and 7,485,060 options to purchase shares at an average price of EUR 60 outstanding as of December 31, 1998.

43 TRANSACTIONS WITH RELATED COMPANIES

as of December 31, 1998 in EUR million	Controlled companies	Associated companies
Assets		
Treasury operations and interbank transactions	–	602
Customer loans and credits	25	120
Trading securities	–	–
Investment securities	–	–
Securities held for sale	–	–
Shareholders' advances	–	–
Liabilities		
Treasury operations and interbank transactions	–	10
Customer deposits	21	17
Commitments and contingent liabilities		
Commitments given, credit institutions:		
• Guarantees given	–	2
Commitments given, customers:		
• Confirmed lines of credit	5	292
• Guarantees given	3	51

44 SEGMENT ANALYSIS

a) Contributions by sub-group and geographic area

as of December 31, 1998 in EUR million	Geographic area	Total
Revenue from operations	France	3,506
	Outside France	2,160
Total		5,666
Customer loans and credits	France	27,432
	Outside France	22,352
Total		49,784
Customer deposits	France	6,459
	Outside France	15,298
Total		21,757
Total assets	France	103,576
	Outside France	161,539
Total		265,115
Total staff of fully consolidated companies	France	11,710
	Outside France	9,390
Total		21,100

b) Net banking revenue by geographic area

in 1998 in EUR million	Note	Interest receivable and similar income	Note	Net commissions	Note	Net income from securities transactions and other banking operations
France		5,224		521		934
Germany		129		13		27
Spain		237		39		8
Italy		638		(39)		134
Luxembourg		350		13		41
United Kingdom		1,763		108		379
Switzerland		116		84		62
Other western European countries		148		10		(8)
North America		1,911		88		68
Asia		582		47		42
Others		76		4		(7)
Total	5	11,174	7	888	8	1,680

c) Geographical analysis of loans and credits outstanding

The geographical analysis of loans and credits outstanding by country of origin of the debtor or guarantor is as follows:

in EUR million	12.31.1998			Total	12.31.1997	12.31.1996
	Treasury operations and interbank transactions	Customers	Finance leases		Total	Total
France	3,006	22,377	3,944	29,327	30,918	35,705
Germany	1,120	643	76	1,839	1,848	836
Spain	245	2,145	18	2,408	2,184	2,044
Italy	652	1,997	409	3,058	2,283	3,006
United Kingdom	1,773	2,377	665	4,815	4,666	6,076
Other western European countries	3,761	3,208	71	7,040	7,107	3,990
North America	2,236	8,220	–	10,456	12,115	8,300
Central and Latin America	188	1,851	–	2,039	1,456	1,048
Asia	1,942	3,396	–	5,338	7,210	7,436
Others	347	3,570	113	4,030	3,381	5,291
Total	15,270	49,784	5,296	70,350	73,168	73,732

45 ANALYSIS OF ASSETS AND LIABILITIES BY CURRENCY

at December 31, 1998 in EUR million	Euro currencies	British pound	US dollar	Suisse franc	Japanese yen	Other currencies	Total
Assets	142,770	8,574	62,348	3,059	42,299	6,065	265,115
Liabilities	135,793	9,431	67,873	3,496	41,492	7,030	265,115
Off-balance sheet commitments	(6,719)	967	4,555	1,524	(592)	289	24
Net position	258	110	(970)	1,087	215	(676)	24
Conditional positions	(1,285)	523	1,033	(134)	(152)	3	(12)
Customer loans	30,356	2,216	16,216	692	916	(612)	49,784
Customer deposits	9,307	1,117	8,907	731	407	1,288	21,757

Net position includes both structural (e.g. net equity of foreign branches or subsidiaries) and operational positions. Due to the active management of operational positions, the above positions may fluctuate significantly within any given year.

46 COMMITMENTS AND CONTINGENT LIABILITIES

a) Confirmed lines of credit, guarantees and securities commitments and currency transactions

in EUR million	12.31.1998	12.31.1997	12.31.1996
Commitments given			
Confirmed lines of credit:			
• Commitments towards credit institutions	3,160	5,194	4,621
• Commitments towards customers	27,270	30,406	27,377
Guarantees given:			
• Guarantees granted on behalf of credit institutions	1,918	6,699	4,385
• Guarantees granted on behalf of customers	12,133	12,581	11,726
Securities commitments:			
• Securities acquired with a right to resell/repurchase	–	–	–
• Other securities to be delivered	6,081	4,529	4,946
Commitments received			
Confirmed lines of credit:			
• Commitments from credit institutions	7,218	11,446	10,464
Guarantees received:			
• Guarantees from credit institutions	2,582	2,435	3,432
Securities commitments:			
• Securities sold with a right to resell/repurchase	–	–	–
• Other securities to be received	5,825	4,611	5,520
Firm currency transactions			
• Currencies to be received	186,961	180,888	127,383
• Currencies to be delivered	186,031	180,327	127,836

b) Forward financial instruments

in EUR million	Trading activities	Management of interest rate and currency exposure	Total 12.31.1998	Total 12.31.1997	Total 12.31.1996
Firm transactions					
Organized markets:					
• Future contracts (interest rate, currency and other financial futures)	139,756	17,850	157,607	158,507	81,575
Over-the-counter:					
• Future rate agreements	50,555	3,277	53,832	46,803	26,800
• Interest rate swaps	1,069,910	91,483	1,161,393	981,413	705,100
• Currency swaps	81,401	5,058	86,459	83,209	71,056
• Others	10,783	241	11,024	8,019	2,898
Conditional transactions					
Organized markets:					
• Purchase of interest rate options	16,671	–	16,671	17,513	25,537
• Sale of interest rate options	31,732	–	31,732	41,490	3,003
• Purchase of currency options	131	–	131	18	147
• Sale of currency options	–	–	–	–	208
• Purchase of other options	3,629	135	3,764	2,900	2,012
• Sale of other options	4,044	213	4,257	3,014	2,223
Over-the-counter:					
• Purchase of caps, floors and collars	91,758	2,422	94,180	78,250	58,049
• Sale of caps, floors and collars	108,263	2,847	111,110	97,419	80,869
• Purchase of interest rate swaptions	72,443	51	72,494	73,972	42,648
• Sale of interest rate swaptions	90,970	–	90,970	84,770	54,492
• Purchase of currency swaptions	75	–	75	121	248
• Sale of currency swaptions	–	–	–	–	41
• Purchase of interest rate options	2,403	167	2,570	6,015	7,334
• Sale of interest rate options	2,563	171	2,734	9,799	6,945
• Purchase of currency options	63,284	1,022	64,306	80,255	29,164
• Sale of currency options	65,621	1,022	66,643	83,934	30,683
• Purchase of other instruments	36,172	12	36,184	22,813	15,468
• Sale of other instruments	60,705	–	60,705	18,933	15,113

The above amounts only reflect the volume of activity of the Group in each instrument type and is not an indication of the market risk, certain instruments being used to hedge others. Group companies control the risks of credit, interest rate and exchange rate which arise on these instruments by means of internal procedures which limit the exposure by counterparty as well as the residual amount of interest rate and foreign exchange positions.

For firm transactions, the commitments represent the addition of the notional amounts of the purchases and the sales of the instruments (except for swaps for which only the value of the loaned amount is taken into account). For conditional transactions, the commitments represent the notional amounts of the purchases or sales of the instruments. The item "others" includes options on commodities, precious metals, stock indexes and equities.

Operations on organized markets are presented after netting purchases and sales of contracts of same nature and maturity.

The equivalent credit risk on the forward financial instruments as at December 31, 1998 is as follows:

in EUR million	
Liquidative value	10,235
Regulatory Add-On	13,525
Total	23,760

c) Residual period

in EUR million	Total 12.31.1998	< 1 year	1-5 years	> 5 years
Firm transactions				
Organized markets:				
• Future contracts (interest rate, currency and other financial futures)	157,607	110,556	47,051	–
Over-the-counter:				
• Future rate agreements	53,832	24,350	21,834	7,648
• Interest rate swaps	1,161,393	525,333	471,065	164,996
• Currency swaps	86,459	77,022	6,089	3,347
• Others	11,024	3,456	5,141	2,427
Conditional transactions				
Organized markets:				
• Purchase of interest rate options	16,671	15,170	1,501	–
• Sale of interest rate options	31,732	30,438	1,294	–
• Purchase of currency options	131	131	–	–
• Sale of currency options	–	–	–	–
• Purchase of other options	3,764	3,764	–	–
• Sale of other options	4,257	4,257	–	–
Over-the-counter:				
• Purchase of caps, floors and collars	94,180	42,600	38,200	13,380
• Sale of caps, floors and collars	111,110	50,258	45,067	15,785
• Purchase of interest rate swaptions	72,494	32,791	29,404	10,299
• Sale of interest rate swaptions	90,970	41,148	36,898	12,924
• Purchase of currency swaptions	75	66	5	3
• Sale of currency swaptions	–	–	–	–
• Purchase of interest rate options	2,570	1,163	1,043	365
• Sale of interest rate options	2,734	1,237	1,109	388
• Purchase of currency options	64,306	57,287	4,529	2,490
• Sale of currency options	66,643	59,370	4,693	2,580
• Purchase of other instruments	36,184	11,345	16,874	7,965
• Sale of other instruments	60,705	19,033	28,309	13,363

d) Tax litigation

Of the fully integrated companies, Paribas (on behalf of Compagnie Financière de Paribas and Banque Paribas) and the Milan and Madrid branches have been the object of tax audits resulting in notification of additional tax charges. These have been the subject of discussions with the respective tax authorities and provisions have been determined and constituted. Certain issues in the notifications are contested by Paribas Group, and are currently the subject of litigation.

47 DIRECTORS' REMUNERATION

Total fees received in 1998 by the members of the Supervisory Board of the Group amount to EUR 1.8 million. Those received by the Executive Committee members amount to EUR 6.2 million and include EUR 0.4 million Directors' fees.

48 POST BALANCE SHEET EVENTS

On February 12, 1999, following the announcement of the merger with Paribas, Société Générale launched a public share exchange offer for Paribas (see Note 1). The offer will close on March 18, 1999. The exchange basis is 5 Société Générale shares to be issued for 8 Paribas shares.

In January 1999, Paribas sold its residual interest in Poliet to Saint-Gobain.

49 CONSOLIDATED COMPANIES OF THE PARIBAS GROUP

Fully consolidated companies Company	Country	Activity	1998		1997	1996
			% effective ownership	% interest	% effective ownership	% effective ownership
Paribas	France	1	100.0	100.0	100.0	100.0
Retail financial services						
Cetelem						
Cetelem	France	1	100.0	100.0	97.8	30.6
Accea Finances	France	1	99.9	100.0	64.8	30.6
Antee	France	1	100.0	100.0	64.8	30.6
Attijari Cetelem	Marocco	1	50.0	50.0	32.4	
Banco Cetelem Argentine	Argentina	1	60.0	60.0		
Cetelem CR	Czechia	1	65.0	65.0	32.4	
Cetelem Belgium	Belgium	1	60.0	60.0	38.3	18.1
Cetelem Benelux BV	Netherlands	1	99.9	100.0	64.5	30.5
Cetelem Expansao	Portugal	1	100.0	100.0	64.8	30.6
Cetelem Expansion	France	1	100.0	100.0	64.8	30.6
Cetelem Gestion Argentine	Argentina	1	100.0	100.0		
Cetelem Immobilier	France	1	100.0	100.0	65.8	31.1
Cetelem Sfac	Portugal	1	100.0	100.0	64.8	30.6
Clariance	France	1	99.9	100.0	64.8	30.6
Cofica	France	1	99.9	99.9	64.8	30.7
Cofica Bail	France	1	99.9	100.0	64.8	30.6
Cofiplan	France	1	100.0	100.0	80.5	
Cofiplus	France	1	99.9	100.0	64.8	30.6
Compagnie Médicale de Financement de Voitures	France	1	99.9	100.0	64.8	30.6
Crédial	France	1	100.0	100.0	64.8	30.6
Dartem	France	1	50.0	50.0		
Effico Sarl	France	1	100.0	100.0	64.8	30.6
Eurocredito	Spain	1	80.0	80.0	52.0	24.1
Fidem	France	1	51.0	51.0	57.9	29.3
Fimestic	Spain	1	100.0	100.0	64.8	30.6
Fimestic Expansion	Spain	1	100.0	100.0	64.8	30.6
Fimestic Gestion AIE	Spain	1	99.0	100.0	63.8	30.2
Fimestic Servicios Informaticos AIE	Spain	1	68.0	69.0	44.2	20.4
Foncière de Cetelem	France	1	100.0	100.0	64.8	30.6
Inchcape Finance	France	1	51.0	51.0	32.4	15.3
Klébail SA	France	1	100.0	100.0	64.8	30.6
Loisirs Finance SA	France	1	51.0	51.0		
Magyar Cetelem	Hungary	1	74.6	74.6		
Neuilly Contentieux	France	1	94.7	94.7	60.9	29.1
Neuilly Gestion	France	1	98.6	99.1	63.8	31.1
Norrskan Finance	France	1	51.0	51.0		
SA Leval 3	France	1	100.0	100.0	64.8	30.2
Sofracem	France	1	100.0	100.0	64.8	30.6
Soservi	France	1	100.0	100.0	64.8	30.6
Systema Informaticos y Comunicacion	Spain	1	61.0	61.0	97.2	
Cetelem Nederland BV	Netherlands	1	99.9	100.0	64.8	30.6

Activity: 1: Banks and financial companies / 2: Investment holding companies / 3: Industrial and commercial companies.

Fully consolidated companies Company	Country	Activity	1998		1997	1996
			% effective ownership	% interest	% effective ownership	% effective ownership
UCB						
UCB	France	1	99.9	99.9	97.2	46.0
Banca UCB	Italy	1	100.0	100.0	97.2	46.0
Carnegie & Cie	France	1	99.9	100.0	97.2	46.0
CB UK (actions B)	United Kingdom	1	100.0	100.0	97.2	46.0
Klerim & Cie	France	1	99.9	100.0	97.2	46.0
Prêts & Services	France	1	99.9	100.0	97.2	
SNC Corelim	France	1	99.9	100.0		
UCI Grupo	Spain	1	50.0	50.0	48.1	22.8
UCB Bail	France	1	99.9	100.0	97.2	46.0
UCB Group	United Kingdom	1	100.0	100.0	97.2	46.0
UCB Entreprise	France	1	99.9	100.0		
UCB Locabail Immobilier	France	1	99.9	100.0	97.2	46.0
UCB Socabail Immobiliare	Italy	1	100.0	100.0	97.2	46.0
UFB						
UFB Locabail	France	1	100.0	100.0	97.2	33.0
Attijari Locabail	Marocco	1	50.0	50.0		
Business Village	France	1	100.0	100.0		
Case Credit Europe	France	1	50.0	50.0	48.1	
Case Credit UK Ltd	United Kingdom	1	50.0	50.0	49.1	
Case Leasing	Germany	1	50.0	50.0		
CB UK (actions A)	United Kingdom	1	100.0	100.0	97.2	35.3
Diamond Finance	United Kingdom	1	60.0	60.0	57.9	
Fac Location SNC	France	1	100.0	100.0	97.2	33.0
Finer	Italy	1	60.0	60.0	57.9	
Loca SNC	France	1			97.2	33.0
Locabail UK	United Kingdom	1	100.0	100.0	97.2	33.0
Locabail International Finance	Bermuda	1				34.4
Massilia Bail	France	1	100.0	100.0	97.2	33.0
Norbail Location SNC	France	1	100.0	100.0	97.2	33.0
Norbail SNC	France	1	100.0	100.0	97.2	33.0
SA Finance et Gestion	France	1	70.0	70.0	67.8	23.2
Same Deutz-Fahr Finance	France	1	100.0	100.0		
Same Deutz-Fahr Finance UK	United Kingdom	1	100.0	100.0		
Savelme SNC	France	1	100.0	100.0	97.2	33.0
Services & Finances	France	1	51.0	51.0	49.1	16.7
Socappa	France	1	99.9	99.9	97.2	33.0
UFB Factoring Italia	Italy	1	100.0	100.0	97.2	35.8
UFB Finfactor	Spain	1	100.0	100.0	97.2	35.8
UFB Kredit Bank	Germany	1	100.0	100.0	97.2	33.9
UFB Leasing Italia	Italy	1	100.0	100.0	97.2	35.8
UFB Locabail Deutschland	Germany	1	99.9	100.0	97.2	33.9
UFB Systema Leasing	Germany	1	100.0	100.0	97.2	33.9
UFB-Group	United Kingdom	1	100.0	100.0	97.2	35.3
Unifactors Belgium	Belgium	1	100.0	100.0	97.2	35.8

Activity: 1: Banks and financial companies / 2: Investment holding companies / 3: Industrial and commercial companies.

Fully consolidated companies Company	Country	Activity	1998		1997	1996
			% effective ownership	% interest	% effective ownership	% effective ownership
Arval						
Arval Belgium	Belgium	1	74.3	95.0	63.1	36.7
Arval Espana	Spain	1	99.8	99.9	97.2	
Arval Italie	Italy	1	55.0	55.0	53.0	10.7
Arval Luxembourg	Luxembourg	1	74.3	100.0		
Arval Service Lease	France	1	100.0	100.0	97.2	33.0
Cofiparc SNC	France	1	99.9	100.0	72.7	30.6
Compagnie Générale de Location Industrielle	France	1	100.0	100.0	97.2	21.8
Other						
Crédit Moderne - Antilles	France	1	80.0	100.0	77.7	54.7
Crédit Moderne - Guyanne	France	1	80.0	100.0	74.3	58.2
Crédit Moderne - Océan Indien	France	1	77.1	97.1	73.1	56.6
Kléline SA	France	1	96.6	98.0	59.9	27.4
Asset management						
Cortal						
Banque Cortal	France	1	100.0	100.0	97.2	46.0
Cortal Bank Luxembourg	Luxembourg	1	100.0	100.0	57.9	27.4
Cortal Direct	South Africa	1	50.0	50.0	48.1	
Gerfonds	France	1	100.0	100.0	97.2	45.5
Institut de Télémarketing	France	1	99.9	99.9	97.2	46.0
SNC Cortal Fund Management	France	1	100.0	100.0	97.2	46.0
SNC Cortal Pierre Gestion	France	1	100.0	100.0	97.2	46.0
Cardif						
Cardif SA	France	1	100.0	100.0	98.2	27.9
Acfi Études Actuarielles	France	1	99.9	99.9	53.1	14.9
Antarius	France	1	50.0	50.0	49.1	73.2
Axeria Assurances (ex- CPA Vie)	France	1	35.0	35.0	34.4	
Banque Financière Cardif	France	1	100.0	100.0	98.2	27.9
Cardif Assicurazioni	Italy	1	100.0	100.0	98.2	27.9
Cardif Société Vie	France	1	100.0	100.0	98.2	27.9
Cardif Asset Management	France	1	100.0	100.0	98.2	
Cardif Bancaire Transaction	France	1			98.2	39.9
Cardif Compania de Seguros de Vida	Argentina	1	100.0	100.0	98.2	
Cardif Gestion d'actif	France	1	99.9	99.9	97.2	27.9
Cardif Leven	Belgium	1	100.0	100.0	98.2	27.9
Cardif Polska	Poland	1	100.0	100.0	98.2	27.9
Cardif Provita	Czechia	1	100.0	100.0	98.2	27.9
Cardif RD	France	1	100.0	100.0	98.2	27.9
Cardif Retraite	France	1	99.8	99.8	97.2	
Cardif Services BV	Netherlands	1	100.0	100.0	98.2	27.9
Cardif Vie Polska	Poland	1	100.0	100.0		
Cardivida	Spain	1	100.0	100.0	98.2	27.9
Centro Vita Assicurazioni	Italy	1	49.0	49.0	48.1	13.5
CB UK (actions C)	United Kingdom	1	100.0	100.0	98.2	27.9
Compania de Seguros de Vida	Chile	1	100.0	100.0	98.2	

Activity: 1: Banks and financial companies / 2: Investment holding companies / 3: Industrial and commercial companies.

Fully consolidated companies Company	Country	Activity	1998		1997	1996
			% effective ownership	% interest	% effective ownership	% effective ownership
Compania de Seguros Generales	Chile	1	100.0	100.0	98.2	
Cybèle Ré	Luxembourg	3	100.0	100.0	98.2	27.9
Eolia	Italy	1	100.0	100.0	98.2	27.9
European Ré	Guernsey	1	88.6	100.0	86.4	24.6
Financial Telemarketing Services Limited	United Kingdom	1	88.6	100.0	86.4	24.6
Finaref Vie	France	1	40.0	40.0	39.3	11.1
Finarep RD	France	1	40.0	40.0	39.3	11.1
Firem	France	1			98.2	28.8
Gestion Croissance	France	1	82.0	70.5	82.5	45.2
Helios Société Vie	France	1			98.2	27.9
Investlife Luxembourg SA	Luxembourg	1	100.0	100.0	78.6	22.3
Kléber Finance Conseil	France	1			97.2	27.9
Pinnacle Holding	United Kingdom	1	88.6	88.7	86.4	24.6
Pinnacle Insurance	United Kingdom	1	88.6	100.0	86.4	24.6
Pinnacle Insurance Management Services	United Kingdom	1	88.6	100.0	86.4	24.6
Pinnacle Insurance Property Services	United Kingdom	1	88.6	100.0	84.4	24.6
Pinnafrica Holding Ltd	South Africa	1	88.6	100.0	84.4	
Pinnafrica Insurance Cy	South Africa	1	88.6	100.0		
Pinnafrica Insurance Life	South Africa	1	88.6	100.0		
Union Européenne d'assurances	France	1				13.9
Other						
Banque Directe	France	1	100.0	100.0	98.2	46.4
Bureau d'Études & de Transactions Immobilières "BÉTI"	France	2	100.0	100.0	99.9	98.8
Conseil Investissement	France	1	100.0	100.0	99.9	98.8
Paribas Asset Management (Japan)	Japan	2	100.0	100.0	99.9	98.8
Paribas Asset Management (Luxembourg)	Luxembourg	2	100.0	100.0	99.9	94.1
Paribas Asset Management Asia Ltd	Singapore	1	100.0	100.0	99.9	98.8
Paribas Asset Management Ltd (Bahamas)	Bahamas	2	100.0	100.0	99.9	98.8
Paribas Asset Management SNC	France	2	100.0	100.0	99.9	98.8
Paribas Asset Management UK Ltd	United Kingdom	2	100.0	100.0	99.9	98.8
Paribas Banque Privée Monaco	France	1	100.0	100.0	99.9	97.8
Paribas Finanziaria	Italy	1	100.0	100.0	99.9	98.8
Paribas Investment Management GmbH	Germany	2	100.0	100.0	99.9	98.8
Investment banking						
Antin Bail	France	2	100.0	100.0	99.9	98.8
Antin Contrepartie	France	1				98.8
Asia Equity Holdings Ltd	Bermuda	2	100.0	100.0	99.9	
Asia Equity Limited	Hong Kong	2	100.0	100.0	99.9	
Bank Paribas BBD Indonesia	Indonesia	1	76.0	76.0	76.0	
Banque Paribas Belgique SA	Belgium	1				71.7
Banque Paribas Canada	Canada	1	100.0	100.0	99.9	98.8
Banque Paribas Côte d'Ivoire	Ivory Coast	1	84.4	84.4	84.3	83.4
Banque Paribas Curaçao NV	Dutch West Indies	1				71.7
Banque Paribas Luxembourg	Luxembourg	1	100.0	100.0	99.9	89.3
Banque Paribas Nederland NV	Netherlands	1				90.7

Activity: 1: Banks and financial companies / 2: Investment holding companies / 3: Industrial and commercial companies.

Fully consolidated companies Company	Country	Activity	1998		1997	1996
			% effective ownership	% interest	% effective ownership	% effective ownership
Banque Paribas Pacifique	Polynesia	1			66.0	65.3
Banque Paribas Polynésie	Polynesia	1			48.7	45.4
Banque Paribas succursale de Francfort AM Main	Germany	1				98.8
Banque Paribas Suisse	Switzerland	1	100.0	100.0	99.9	97.8
Banque Parisienne Internationale	France	1	100.0	100.0	100.0	99.3
Courcoux - Bouvet SA	France	1	100.0	100.0	99.9	98.8
Eural Unispar	Belgium	1				70.2
Finecofi	France	2			99.9	98.8
Gamba Azzoni	Italy	1				98.8
Immo-Paribas	Belgium	2				71.7
Kanghwa Investment Limited	Hong Kong	2			99.9	98.8
Luxpar Ré	Luxembourg	2	100.0	100.0	99.9	89.3
Novolease NV	Belgium	1				71.6
Parbel Finance NV	Netherlands	2				71.7
Parbelux Finance	Luxembourg	2				71.7
Parfibank	Luxembourg	1				71.7
Parfipar	Luxembourg	2				71.7
Paribas (Suisse) Bahamas Ltd	Bahamas	1	100.0	100.0	99.9	97.8
Paribas (Suisse) Guernesey	Guernesey	1	100.0	100.0	99.9	97.8
Paribas Affaires Industrielles Management	France	2	100.0	100.0		
Paribas Asia Ltd	Hong Kong	2	100.0	100.0	99.9	98.8
Paribas Asset Management Inc	USA	1	100.0	100.0	99.9	98.8
Paribas Capital Investments Ltd	United Kingdom	2	100.0	100.0	99.9	98.8
Paribas Capital Markets Group Limited	United Kingdom	1	100.0	100.0	99.9	98.8
Paribas Capital Markets Ltd	Hong Kong	1	95.5	95.5	95.5	83.0
Paribas Corporation	USA	1	100.0	100.0	99.9	98.8
Paribas Derives Garanties SNC	France	1	100.0	100.0	100.0	100.0
Paribas Deutschland BV	Netherlands	2	100.0	100.0	99.9	98.8
Paribas do Brasil Consultaria Projeto	Brazil	1	100.0	100.0		
Paribas E & B Limited	United Kingdom	1	100.0	100.0		
Paribas Finance Inc	USA	1	100.0	100.0	99.9	98.8
Paribas Futures Incorporated	USA	1	100.0	100.0	99.9	98.8
Paribas Futures Ltd	United Kingdom	1	100.0	100.0	99.9	98.6
Paribas Group Australia Limited	Australia	1	100.0	100.0	99.9	98.8
Paribas International	France	2	100.0	100.0	99.9	98.8
Paribas International BV	Netherlands	2	100.0	100.0	99.9	98.8
Paribas Investissement	France	2	100.0	100.0	99.9	98.8
Paribas Investment Asia	Hong Kong	2	100.0	100.0	99.9	98.8
Paribas Japan Limited	Japan	1	100.0	100.0	99.9	98.8
Paribas Limited	United Kingdom	1	100.0	100.0	99.9	98.8
Paribas Management Services Limited	United Kingdom	1	100.0	100.0	99.9	98.8
Paribas Merchant Banking Asia	Singapore	1	100.0	100.0	99.9	98.8
Paribas Net Limited	United Kingdom	1	100.0	100.0	99.9	98.8
Paribas North America	USA	1	100.0	100.0	99.9	98.8
Paribas Principal Inc	USA	2	100.0	100.0	99.9	98.8

Activity: 1: Banks and financial companies / 2: Investment holding companies / 3: Industrial and commercial companies.

Fully consolidated companies Company	Country	Activity	1998		1997	1996
			% effective ownership	% interest	% effective ownership	% effective ownership
Paribas Properties Incorporated	USA	1	100.0	100.0	99.9	98.8
Paribas SPT Ltd	United Kingdom	1			99.9	98.8
Paribas Trust Cy	Luxembourg	2			99.9	89.3
Paribas Trust Luxembourg (ex- Fipalux SA)	Luxembourg	2	100.0	100.0	99.9	89.3
Paribas Uk Holding Ltd	United Kingdom	2	100.0	100.0	99.9	98.8
Paricomi	France	2	99.9	100.0	99.9	98.8
Parifergie	France	2	100.0	100.0	99.9	98.8
Parilease	France	1	100.0	100.0	99.9	98.8
Pasta Investment Ltd	Hong Kong	2			99.9	98.8
Philippine Asia Equity Sec In.	The Philippines	2	100.0	100.0	99.9	
Polynésie Développement	France	2	95.0	95.0	71.0	64.6
Pt Asia Equity Jasereh	Indonesia	2	85.0	85.0	85.0	
Smurfit Paribas Bank Ltd	Republic of Eire	1	50.0	50.0	50.0	49.4
Société Anonyme de Gestion d'Investissements et de Participations	Belgium	2	100.0	100.0	99.9	98.6
Société Néo-Calédonienne de Développement et de Participations	Polynesia	2			71.9	71.1
Wigmore Loan Finance Limited	United Kingdom	1	100.0	100.0	99.9	98.8
Property						
Antin Gérance	France	2	95.1	95.1	95.0	98.9
CB Pierre	France	1	65.0	99.0	97.2	46.0
Compagnie Foncière	France	2			61.5	60.9
Klé 31	France	1	65.6	99.9	50.1	
Klépierre	France	1	65.6	65.6	50.1	22.8
SA Cecobil	France	1	32.8	50.0		
SA Centrale Immobilière	France	2	65.6	100.0		
SA Socoseine	France	2	46.6	74.9		
SA Tours Nationale	France	1	57.4	100.0	50.1	23.2
SAS 192 avenue Charles-de-Gaulle	France	1	65.6	100.0	50.1	22.8
SAS 21 Kléber	France	1	66.0	100.0	98.2	
SAS 21 La Pérouse	France	1	65.6	100.0	98.2	46.4
SAS 43 Grenelle	France	1	65.6	100.0	98.2	46.4
SAS 43 rue Kléber	France	1	65.6	100.0	50.1	22.8
SAS 46 rue Notre-Dame-des-Victoires	France	1	65.6	100.0	50.1	22.8
SAS 5 rue de Turin	France	1	65.6	100.0	50.1	22.8
SAS 52 rue d'Iéna	France	1	67.3	100.0	52.0	24.1
SAS 70 rue Cortambert	France	1			50.1	22.8
SAS Baudin Levallois	France	1	65.6	100.0	98.2	42.7
SAS Baudot Massy	France	1	65.6	100.0	98.2	
SAS Begles Arcins	France	1	43.1	75.0	37.3	17.2
SAS Brescia	France	1	28.7	50.0		
SAS Centre Jaude Clermont	France	1	57.4	100.0	50.1	23.2
SAS Centre Villepinte	France	1	57.4	100.0	50.1	23.2
SAS Cerenicim	France	1	89.7	100.0	88.4	87.5
SAS Concorde Puteaux	France	1	65.6	100.0	98.2	42.7

Activity: 1: Banks and financial companies / 2: Investment holding companies / 3: Industrial and commercial companies.

Fully consolidated companies Company	Country	Activity	1998		1997	1996
			% effective ownership	% interest	% effective ownership	% effective ownership
SAS Daumesnil Reuilly	France	1	65.6	100.0	98.2	46.4
SAS Doumer Caen	France	1	57.4	100.0	50.1	23.2
SAS Espace Dumont d'Urville	France	1	65.6	100.0		
SAS Espace Kléber	France	1	65.6	100.0		
SAS Fontenay La Redoute	France	1	65.6	100.0		
SAS Kléber Levallois	France	1	65.6	100.0	98.2	42.7
SAS Klébureaux	France	1	65.6	100.0		
SAS Klécentres	France	1	57.4	87.5	50.1	23.2
SAS Klégestion	France	1	65.6	100.0	98.2	
SAS Langevin Herblay	France	1	65.6	100.0	50.1	23.2
SAS Le Havre Capelet	France	1	65.6	100.0		
SAS Le Havre Tourneville	France	1	65.6	100.0		
SAS Leblanc Paris 15 ^e	France	1	65.6	100.0	98.2	42.7
SAS Melun Saint-Pères	France	1	57.4	100.0	50.1	23.2
SAS Oise Cergy	France	1	82.8	100.0	73.6	23.2
SAS Paul Doumer Rueil	France	1	65.6	100.0	50.1	23.2
SAS Poitiers Aliénor	France	1	65.6	100.0		
SAS Saint André Pey Berland	France	1	57.4	100.0	50.1	23.2
SAS Sommer Antony	France	1	65.6	100.0	50.1	
SAS Strasbourg La Vigie	France	1	57.5	100.0	50.1	23.2
SAS Suffren Paris 15 ^e	France	1	65.6	100.0	98.2	42.7
SAS Vanne Montrouge	France	1	67.3	100.0	52.0	24.1
SAS Varennes Ormes	France	1	65.6	100.0	50.1	24.1
SC Centre Bourse	France	1	50.0	85.0	49.1	16.3
SC Cecocord	France	1	65.6	100.0		
SC Rouen Candé	France	1	65.6	100.0		
Secmarne	France	1	37.7	61.7	33.6	24.6
SCI Antin Vendôme	France	2	32.8	50.0		
SCI Boulogne d'Aguesseau	France	1	64.9	99.9		
SCI Étoile Quinzième	France	1	64.9	99.9		
SCI Les Bureaux d'Évry 2	France	1	16.4	25.0		
SCI Les Ellipses	France	1	64.9	99.9		
SCI Levallois Anatole-France	France	1	64.9	99.9		
SCI Levallois Michelet	France	1	64.9	99.9		
SCI rue du Sentier	France	1	65.6	100.0		
SCI Rueil Hermès	France	1	64.9	99.9		
SCI Secovalde	France	1	26.2	40.0		
SCI Seine Rive Gauche	France	1	65.6	100.0		
SCI Suffren	France	1	64.9	99.9		
SCI Villepinte Le Tropical	France	1	64.9	99.9		
SNC 86 Anatole France	France	1	65.6	100.0		
SNC Cecoville	France	1	65.5	99.9		
SNC Couperin Foncière	France	1	65.6	100.0		
SNC de l'Extension d'Évry 2	France	1	16.4	25.0		
SNC Foncière Saint-Germain	France	1	65.6	100.0		

Activity: 1: Banks and financial companies / 2: Investment holding companies / 3: Industrial and commercial companies.

Fully consolidated companies Company	Country	Activity	1998		1997	1996
			% effective ownership	% interest	% effective ownership	% effective ownership
SNC Général Leclerc 11/11bis Levallois	France	1	65.6	100.0		
SNC Godefroy Puteaux	France	1	65.6	100.0		
SNC Kléber La Pérouse	France	1	65.6	100.0		
SNC Liège 25 Paris 8°	France	1	65.6	100.0		
SNC Soccendre	France	1	55.4	100.0		
SNC Université Paris 7°	France	1	65.6	100.0		
Société du 23 avenue Marignan	France	1	65.6	100.0	50.1	18.6
Société Foncière Mulhouse-Nord	France	2	65.6	100.0	61.5	60.9
Solorec	France	1	59.9	100.0	50.1	16.3
Shareholdings and other						
Cobepa						
Agemar S.A.H.	Luxembourg	2				32.1
Amparzo	Netherlands	2	59.0	100.0	60.9	29.1
Belvuco	Belgium	2				32.8
Belvuco (ex- Invest. Beleg. Maatschap. Lacourt "IBEL")	Belgium	2	45.0	77.3	42.5	52.1
Cippar	Belgium	2	46.9	79.5	46.0	48.8
Cobema	Belgium	2	59.0	100.0	58.2	
Cobepa Finance	Luxembourg	2	59.0	100.0	58.2	64.3
Cobepa International	Netherlands	2	59.0	100.0		
Cobepa Technology	Belgium	2	59.0	100.0	58.2	64.3
Compagnie Belge de Participations Paribas "Cobepa"	Belgium	2	59.0	60.9	58.2	64.3
Compagnie de Développement International	Luxembourg	2				64.3
Compagnie de Gestion et de Développement Informatique	Belgium	2	59.0	100.0	58.2	64.3
Compagnie de Participations Internationales BV	Netherlands	2	59.0	100.0	58.2	52.7
Compagnie de Participations Internationales SA	Luxembourg	2	57.5	97.5	55.9	52.7
Compagnie Financière & Mobilière "Cofim"	Belgium	2	59.0	100.0	58.2	64.3
Compagnie Financière Africaine	Belgium	2	48.5	82.1		
Compagnie Forestière "Cosylva"	Belgium	2	46.9	79.5	46.0	48.8
Copabel SA	Belgium	2	57.5	97.5	55.9	52.7
Coparin	Luxembourg	2	59.0	100.0	55.9	52.7
Société Financière de Développement et de Participations "Fidepa"	Belgium	2	29.5	50.0	29.1	32.1
Financial Control International	Netherlands	2			58.2	64.3
Financière Cristal SA	Luxembourg	2	46.9	79.5	46.0	48.8
Group TSA	Belgium	2	59.0	100.0	46.0	48.8
Groupe Financier Liégeois	Belgium	2	59.0	100.0	46.0	48.8
Holnor	Netherlands	2	57.6	97.5	55.9	64.3
I.I.M.	Netherlands	2	59.0	100.0	58.2	64.3
International Financing Partners SA	Luxembourg	2	46.9	79.5	46.0	48.8
Libelux	Luxembourg	2	59.0	100.0	57.6	63.6
Libenel	Netherlands	2	59.0	100.0	58.2	64.3
Lucht & Licht BV	Netherlands	2	45.0	77.3		
Mascagni	Belgium	2	45.1	77.3		
Paribas Deelnemingen NV	Netherlands	2	55.5	94.1	54.1	61.1
Paribas Participation Limitée	Canada	2	57.5	97.5	55.9	52.7

Activity: 1: Banks and financial companies / 2: Investment holding companies / 3: Industrial and commercial companies.

Fully consolidated companies Company	Country	Activity	1998		1997	1996
			% effective ownership	% interest	% effective ownership	% effective ownership
Ramlux	Luxembourg	2	45.0	77.3	42.6	52.2
Regema	Belgium	2			42.5	52.1
Regio Invest. Ontwik. Maats.	Belgium	2	45.0	77.3	42.5	52.1
SA Mosane	Belgium	2	46.9	79.5	46.0	48.8
Société d'Investissements Internationaux (Nlle)	Belgium	2				64.3
Société Financière de Réalisation "Sofiréal"	Belgium	2	59.0	100.0	58.2	64.3
Texaf	Belgium	2	48.5	82.1	47.7	52.7
Tradexco SA	Belgium	2	59.0	100.0	58.2	64.3
Vobis Finance	Belgium	2	29.5	50.0	29.1	32.1
Crédit du Nord						
Banque Courtois	France	1				98.7
Banque Kolb	France	1				50.9
Banque Laydernier	France	1				100.0
Banque Lenoir & Bernard	France	1				99.9
Banque Nuger	France	1				59.6
Banque Rhône-Alpes	France	1				100.0
Banque Tarneaud	France	1				77.5
Chauchat Expansion	France	2				98.1
Crédit du Nord	France	1				100.0
Fimmogest	France	2				98.7
Midi Courtage Assurance	France	2				99.8
Norbail Immobilier	France	1				100.0
Norbail Sofergie	France	1				100.0
Norfinance	France	1				100.0
Norimmo	France	2				99.8
Remusat	France	2				98.6
SCI Couronna	France	2				98.7
Sedel	France	2				98.0
Société de Bourse Gilbert Dupont	France	1				100.0
Société de Participations Techniques et Financières	France	2				98.1
Turgot Gestion	France	1				77.5
Union Bancaire du Nord	France	1				100.0
Other						
Compagnie Bancaire	France	1			98.2	46.4
Compagnie Financière de Paribas	France	1			100.0	100.0
Bureau Immobilier de Négociations Commerciales et Financières	France	2	100.0	100.0	99.9	98.9
Capefi SA	France	2	100.0	100.0	99.9	98.8
Coger SARL	France	1	100.0	100.0	98.2	46.4
Compagnie Auxiliaire d'Entreprises & de Chemins de Fer	France	2	100.0	100.0	100.0	99.8
Compagnie de Navigation Mixte	France	2			99.2	97.5
Compagnie de Navigation Mixte Finance SNC	France	2			99.2	97.5
Compagnie de Placement & de Prévoyance	France	1				46.4
Compagnie d'Entreprises Industrielles et Commerciales "CEIC"	France	2	98.3	98.3		
Compagnie Financière Ottomane "Nouvelle"	France	1	93.3	93.3	95.2	97.1
Compagnie Franco-Marocaine	France	2			99.7	99.7

Activity: 1: Banks and financial companies / 2: Investment holding companies / 3: Industrial and commercial companies.

Fully consolidated companies Company	Country	Activity	1998		1997	1996
			% effective ownership	% interest	% effective ownership	% effective ownership
Ejenorte	Spain	1	100.0	100.0	98.2	
Ejesur	Spain	1	50.0	50.0	49.1	
Élan Europe	France	1			98.2	46.4
Financière Kléber	France	1	100.0	100.0	98.2	46.4
Financière Sema	France	2				45.9
Foncière de la Compagnie Bancaire	France	1	100.0	100.0	98.2	46.0
G.A.M. - CB	France	1	96.5	98.9	78.6	33.9
G.E.P. - CB	France	1	93.5	96.5	84.4	36.7
Great Central Railway Land SA	France	2	99.9	99.9	99.4	98.6
Harewood Properties Ltd	United Kingdom	1	100.0	100.0	99.9	98.8
Kléber Portefeuille	France	1			97.2	46.0
Klécar	France	1	100.0	100.0	98.2	46.4
Klécing	France	1			97.2	46.0
Klép 1 SAS	France	1			97.2	42.7
Klétrois	France	1			98.2	46.4
Martello Land Ltd	United Kingdom	1	100.0	100.0	99.9	98.8
Marylebone Gate Ltd	United Kingdom	1	100.0	100.0	99.9	98.8
Nouvelle Holding Guyomarc'h	France	2	98.0	100.0	97.9	98.2
Omnium de Gestion et de Développement Immobilier	France	2	100.0	100.0	100.0	99.7
Opatra	France	2	100.0	100.0	100.0	100.0
Ottofrance International	France	2	100.0	100.0	100.0	
Parfici	France	2	100.0	100.0	100.0	100.0
Pargelux Holding SA	Luxembourg	2				100.0
Paribas Capital Développement	France	2				100.0
Paribas Europe	France	2				100.0
Paribas Investissement Développement	France	2	100.0	100.0	100.0	100.0
Paribas Participation BV	Netherlands	2				98.8
Paribas Participations	France	2	100.0	100.0	100.0	100.0
Paribas Santé	France	2	100.0	100.0	100.0	100.0
Paribas Santé International BV	Netherlands	2	100.0	100.0	100.0	100.0
Prominco Holding	Switzerland	2				97.8
Quatch	France	2	99.9	100.0		
S.FE.I.	France	2			97.5	97.5
S.I. 89 Neuilly	France	1	100.0	100.0	97.2	46.0
S.I.S.	France	3	100.0	100.0	98.2	46.4
SNC Marché Saint-Honoré	France	2	100.0	100.0	99.9	98.8
SA 25 Kléber	France	1	100.0	100.0	98.2	46.4
SA 37 La Pérouse	France	1	100.0	100.0	98.2	46.0
SA De Flers	France	1	100.0	100.0	98.2	46.0
Safadeco - SA	France	2	100.0	100.0	100.0	100.0
Safadeco - SP	France	2	100.0	100.0	100.0	100.0
SAS 11 rue Louis-Philippe	France	1	100.0	100.0	98.2	46.0
SAS 18 La Pérouse	France	1	100.0	100.0	98.2	46.4
SAS 5 Kléber	France	1	100.0	100.0	98.2	46.0
SAS Amboise Boulogne	France	1	100.0	100.0	98.2	42.7

Activity: 1: Banks and financial companies / 2: Investment holding companies / 3: Industrial and commercial companies.

Fully consolidated companies Company	Country	Activity	1998		1997	1996
			% effective ownership	% interest	% effective ownership	% effective ownership
SAS Charenton Bercy	France	1			98.2	46.4
SAS Charléty Coubertin	France	1			98.2	46.4
SAS Colombier Carrières	France	1	100.0	100.0	98.2	46.4
SAS Combs la Ville	France	1	100.0	100.0	98.2	46.0
SAS Cordim	France	1				46.4
SAS Étoile Résidence	France	1	100.0	100.0	98.2	42.7
SAS Kléfinances	France	1	100.0	100.0	98.2	42.7
SAS Pont d'Orly	France	1	99.9	99.9	97.2	46.0
SAS Sinkle	France	1	100.0	100.0	97.2	42.7
SAS Taitbout Paris 9 ^e	France	1	100.0	100.0	98.2	42.7
SAS Vacquerie	France	1	100.0	100.0	98.2	46.0
SCI 50 rue de Bourgogne	France	1	99.9	99.9	97.2	42.7
SCI Le Chêne Pierre	France	1	100.0	100.0	97.2	42.7
Segefico - SA	France	2	100.0	100.0	100.0	100.0
Sifro SNC	France	1	100.0	100.0	98.2	
Sobac	France	2				97.5
Société 36 avenue de l'Opéra	France	2	100.0	100.0	70.0	69.2
Société Anonyme LB	France	2	58.4	97.3	57.7	64.6
Société Centrale d'Investissement	France	2	90.7	90.7		
Société de Gestion	France	1	96.7	97.6	82.5	36.7
Société d'Études Immobilières & de Constructions	France	2	100.0	100.0	99.9	98.9
Société Européenne d'Études et de Gestion Industrielle et Financière "Sedicecom"	France	2			75.8	75.8
Société Financière de Gaz & Énergie SA	Luxembourg	2				100.0
Société Financière Paribas Suisse BV	Netherlands	2				98.8
Société Générale Commerciale & Financière "SGCF"	France	2	100.0	100.0	100.0	100.0
Sogimo	France	2	100.0	100.0	100.0	99.8
Valeurs et Rendements SA	Luxembourg	2				100.0
Via Banque (Groupe)	France	1	60.0	60.0	59.5	58.8
Via Bourse	France	1				31.3
Via Crédit Banque (Groupe)	France	1			59.5	77.8

Activity: 1: Banks and financial companies / 2: Investment holding companies / 3: Industrial and commercial companies;

% effective ownership: effective percentage held by Group companies;

% interest: sum of percentages held by majority-owned companies.

50 COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

Companies accounted for under the equity method Company	Country	Activity	1998		1997	1996
			% effective ownership	% equity method	% effective ownership	% effective ownership
Retail financial services						
Cetelem						
A.G.F Financement 2	France	1	40.0	40.0	25.5	12.1
Banco Servicios Financieros	Argentina	1	40.0	40.0		
Cofidis	France	1	15.0	15.0	8.8	4.2
Cofidis Belgium	Belgium	1	15.0	15.0	8.8	
Cofidis UK	United Kingdom	1	15.0	15.0	8.8	
Cofidis Espana	Spain	1	15.0	15.0	8.8	4.2
Cofinoga	France	1	44.0	44.0	28.5	14.9
Covefi	France	1	34.0	34.0	21.6	10.2
Facet	France	1	38.8	38.8	24.5	11.6
Fimagroup	Belgium	1	40.0	40.0	25.5	12.1
Finalion	France	1	49.0	49.0	31.4	14.9
Finama	France	1	49.0	49.0	31.4	14.9
Findomestic	Italy	1	42.7	42.7	28.5	13.5
Fipryca	Spain	1	40.0	34.0	21.6	10.2
Fortis Cr�dit	Belgium	1	27.0	45.0	16.7	
Laser	France	2	9.8	9.8		
Magyar Cetelem	Hungary	1			32.5	
Novacr�dit	France	1	34.0	34.0	22.6	10.7
Soci�t� de Paiement Pass	France	1	40.0	40.0	25.5	12.1
Vecofin	Italy	1	15.0	15.0	8.8	
Volvo Automobiles France Finance	France	2	50.0	50.0		
UFB						
Deutsche Leasing France	France	1			38.3	13.0
Saint �loi	France	1	49.0	49.0	47.1	16.3
UFB Ace Leasing	Belgium	1	49.0	49.0	47.1	17.2
Asset management						
Cortal						
Cortal Belgique	Belgium	1	40.0	40.0	38.3	18.1
Cardif						
Assurances Banque Populaire	France	1	15.0	15.0	14.7	5.1
Banca Del Salento	Italie	1	3.5	3.5	2.9	0.9
Investment banking						
Banque Gabonaise et Fran�aise Internationale	Gabon	1			43.4	42.9
Banque Gabonaise et Fran�aise Internationale Bail	Gabon	1			33.8	33.4
Banque Gabonaise et Fran�aise Internationale Participations	Gabon	1			43.4	
Banque P�trofigaz	France	1	44.8	44.8	44.8	44.8
Property						
Kl�ber Promotion	France	3	99.9	100.0	97.2	46.0
Presbourg �toile & Cie	France	3	100.0	100.0	98.2	46.0

Activity: 1: Banks and financial companies / 2: Investment holding companies / 3: Industrial and commercial companies.

Companies accounted for under the equity method Company	Country	Activity	1998		1997	1996
			% effective ownership	% equity method	% effective ownership	% effective ownership
SAS Cordim	France	3	100.0	100.0	98.2	
Ségécé	France	3	55.4	89.4	64.8	30.6
Ségécé Promotion	France	3				30.6
Sinvim et Compagnie	France	3	100.0	100.0	97.2	46.0
Sinvim Île-de-France SNC	France	3	100.0	100.0	98.2	46.0
Sinvim SA	France	3	100.0	100.0	98.2	46.0
Shareholdings and other						
Axime (Groupe)	France	3			26.0	26.0
Carbone Lorraine	France	3	21.8	21.8	23.8	20.2
Cetap	France	3			33.3	33.3
Ciments Français (Groupe)	France	3			23.5	27.0
Compagnie de Fives-Lille (Groupe)	France	3	29.3	29.3	29.3	29.3
Compagnie Générale de Développement Immobilier Cogedim (Groupe)	France	3			100.0	99.7
Coparex International (Groupe)	France	3	95.3	95.3	95.3	95.3
Eiffage (Groupe)	France	3	31.1	5.5	33.5	33.5
Fichet Bauche	France	3	90.0	96.0	89.2	85.8
Financière Fougerolle	France	2	49.8	49.8	49.8	49.8
Générale de Transport et d'Industrie	France	3	70.4	70.6	69.8	66.0
Hurel Dubois	France	3	51.3	51.3	53.6	52.1
La Rochette (Groupe)	France	3	26.1	26.1	26.9	27.6
Mestrezat et Domaines	France	3	86.5	86.5	86.5	86.5
Nord Est (Groupe)	France	2			38.2	38.2
Pochet Société Anonyme	France	3	34.1	34.2	33.8	33.3
Poliet	France	3			34.5	51.5
Régie Immobilière de la Ville de Paris "R.I.V.P."	France	3	30.8	30.8	30.8	30.4
Saupiquet	France	3	34.7	37.1	34.4	33.8
Sema Group	United Kingdom	3			18.4	19.0
Société de Fabrication d'Instruments de Mesure	France	3	30.3	33.2	30.0	29.6
Via North America	USA	3	100.0	100.0	99.2	97.5
Cobepa						
Ancorabel	Belgium	3	9.6	21.3	8.7	–
Berginvest	Belgium	3	20.8	44.2	20.4	19.3
Cable and Wire Assemblies "C.W.A."	Belgium	3			14.0	10.3
Codefi	Belgium	3	48.5	82.1	47.7	52.7
Compagnie Centrale 1909	Belgium	3	20.1	34.0	19.8	
Fountain Nederland Holding	Netherlands	3				12.2
Fountainbrand International NV	Dutch West Indies	3				12.2
Gevaert SA (Groupe)	Belgium	2				19.9
Groupe Josi	Belgium	3	13.9	23.6	12.2	13.5
La Floridiennne	Belgium	3	12.2	26.0	12.8	13.5

Activity: 1: Banks and financial companies / 2: Investment holding companies / 3: Industrial and commercial companies.

Companies accounted for under the equity method Company	Country	Activity	1998		1997	1996
			% effective ownership	% equity method	% effective ownership	% effective ownership
Sait Radio Holland	Belgium	3	38.9	65.9	37.3	41.1
Sopex	Luxembourg	3	22.5	49.9	21.0	25.7
Spaas	Belgium	3	22.1	49.0	18.6	
Uco Engineering	Belgium	3	26.0	60.8	42.5	32.8
Uco Textile	Belgium	3	26.0	60.8	23.9	32.8
Vlaamse Uitgevers Maatschappij "VUM"	Belgium	3			10.5	12.9
Zetes	Belgium	2	19.5	33.0		
Other						
Caisse Nationale A Portefeuille (Groupe)	Belgium	2	19.7	2.4	14.3	14.6
Erbe (Groupe)	Belgium	2	42.1	45.5	42.1	41.5
Finaxa (Groupe)	France	2	22.7	22.7	23.3	23.4
Pargesa Holding SA (Groupe)	Switzerland	2	13.1	14.5	11.6	10.9
Banque CLÉMENT	France	1				32.8
Banque Pouyanne	France	1				35.0
Verveine	France	1				34.0
Axa Ré Finance	France	1	21.0	21.0	21.0	20.8
Banque de Marchés et d'Arbitrage	France	1	38.6	38.6	38.6	38.6
C.L.F. Banque	France	1			19.6	29.3

Activity: 1: Banks and financial companies / 2: Investment holding companies / 3: Industrial and commercial companies.

% **effective ownership**: Effective percentage held by Group companies;

% **equity method**: Percentage applied to determine the share in net equity and net income of companies accounted for by the equity method.

AUDITORS' REPORT CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 1998

In accordance with our appointment as auditors by your Annual General Meeting, we hereby report to you for the year ended 31 December 1998 on the audit of the accompanying consolidated financial statements of Paribas.

These consolidated financial statements are the responsibility of the Management Board. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the assets and liabilities of the Group as at December 31, 1998 and the results of its operations within the scope of consolidation.

Without qualifying the opinion expressed above, we draw your attention to Note 1 of the financial statements which specifies that a public share exchange offer for Paribas was initiated by Société Générale on February 12, 1999. Furthermore, it should be noted that the consolidated financial statements prepared by the Management Board as of February 17, 1999 do not include a provision in an amount of EUR 400 million, net of income tax, for restructuring and integration costs related to this transaction. The recognition of this provision in the December 31, 1998 financial statements is dependent upon a favourable outcome to the public share exchange offer and, in particular, upon approval by the Extraordinary General Meeting of Société Générale, on April 1, 1999, of the issuance of shares as consideration for the Paribas shares contributed to the merger. Once these conditions are met, the consolidated financial statements will be amended to include this provision, in accordance with the decision of the Management Board.

We have also performed the procedures required by law on the Group financial information given in the report of the Management Board. We have nothing to comment as to the fair presentation of this information, nor its consistency with the consolidated financial statements.

Paris and Neuilly, March 9, 1999

The Auditors

Ernst & Young Audit

Patrick Gounelle

Deloitte Touche Tohmatsu

Jacques Manardo

Note: This is a free translation of the original French report, for information purposes only.

GENERAL INFORMATION

CORPORATE NAME

Paribas - Registered office
3, rue d'Antin - 75002 Paris.

PARIS TRADE REGISTER

B 662 047 885

APE CODE

651 C

FORM OF THE COMPANY

Public limited company with Management and Supervisory Boards governed by articles 118 to 150 of

the French Companies Act of July 24, 1966. The company has a finance company status, governed by the laws 84-46 of January 24, 1984 and 96-597 of July 2, 1996 on the modernization of the French financial sector.

ACCOUNTING PERIOD

From January 1 to December 31.

SHARE CAPITAL

At December 31, 1998, the share capital of Paribas amounted to FRF 16,158,273,600 (EUR 2,463,312,930.57) and comprised 161,739,829 shares of FRF 100 par value, fully paid up. The number of existing voting rights totaled 174,123,154 for 153,657,775 shares outstanding.

CHANGES IN SHARE CAPITAL AND FULLY DILUTED CAPITAL

Date	Description	Common shares	Preferred shares	Non-voting preferred share	Total shares
December 31, 1995	Share Capital	40,172,728	2,448,073	851,927	43,472,728
	Conversion of non-voting preferred shares	-	206,873	(206,873)	-
	Capital increase	12,051,816	760,455	229,542	-
December 31, 1996	Share Capital	52,224,544	3,415,401	874,596	56,514,541
	Payment of share dividend	1,100,225	-	-	-
December 31, 1997	Share Capital	53,324,769	3,415,401	874,596	57,614,766
	Payment of share dividend	2,101,392	-	-	-
	Conversion of non-voting preferred shares	874,596	-	(874,596)	-
	Conversion of preferred shares	3,415,401	(3,415,401)	-	-
	Merger Financière Paribas, Compagnie Bancaire, CNM	100,411,368	-	-	-
May 12, 1998	Share Capital	160,127,526	-	-	160,127,526
	Capital increase reserved to employees	1,071,759	-	-	-
	Stock options	540,544	-	-	-
December 31, 1998	Share Capital	161,739,829	-	-	161,739,829
	Stock options	118,596	-	-	-
January 29, 1999	Share Capital	161,858,425	-	-	161,858,425
	Options currently unexercised	3,673,671 *	-	-	-
	Fully diluted capital **	165,532,096	-	-	165,532,096

* See "Stock options" table.

** Apart from stock options, no securities giving access to share capital are currently outstanding.

PARIBAS' SHAREHOLDER BASE IN THE PAST THREE YEARS

	January 29, 99		January 23, 98 *		Décember 31, 96	
	in % of share capital	in % of voting rights	in % of share capital	in % of voting rights	in % of share capital	in % of voting rights
Shareholders holding more than 5% of voting rights	11.4	20.0	12.5	20.8	26.9	39.2
Groupe AXA-UAP	6.7	11.7	6.6	11.3	10.7	13.6
Allianz AGF	4.7	8.3	4.7	8.4	6.0	10.8
CIPAF		less than 5%		less than 5%	5.0	7.2
Groupe Parfinance-Frère		less than 5%		less than 5%	4.1	6.6
Other significant shareholders	30.0	31.8	28.8	32.8	17.9	20.2
Public	53.1	46.2	50.1	46.4	43.3	40.6
Treasury shares	5.5	–	8.6	–	11.9	–

* Date of publication of total number of shares outstanding following Compagnie Bancaire exchange offers (BALO).

VOTING RIGHTS

Pursuant to Article 27 of the Company's by-laws, registered and fully paid up shares held for at least two years are granted double voting rights.

STATUTORY DISCLOSURE OF SHAREHOLDINGS

Pursuant to Article 7 of the Company's by-laws, significant shareholdings in the Company must be reported.

Any individual or legal entity, acting jointly or severally, passing a threshold corresponding to 0.5% of the Company's total voting rights or any multiple thereof, through purchase or sale of shares, must report this to the Company, within ten days, by registered mail, stating the number of shares and voting rights held.

In the absence of such disclosure, any individual or group of shareholders, representing at least 2% of the share capital or voting rights, may request that all unreported shares above the highest reported statutory threshold be deprived of voting rights on the occasion of a shareholder meeting where the failure to report has been discovered. This measure will remain in force for a period of two years following the filing of the necessary notification.

In addition, increases in share ownership or voting rights above the 5%, 10%, 20%, 33%, 50%, and 66% thresholds—either through the purchase of shares in

the open market or through public offers—are subject to reporting requirements and authorization by the relevant authorities pursuant to French law on commercial companies and banking activities.

STOCK OPTIONS

- The Paribas General Meeting of May 11, 1998 authorized the Board of Management, for a four-year period, to grant Group employees and executives options to purchase or subscribe to shares representing a maximum of 3.5% of the Company's share capital.
- Existing stock option programs are detailed below. The stock option programs were granted prior to the May 12, 1998 merger by Compagnie Financière de Paribas (CFP), Banque Paribas (BP), Compagnie Bancaire (CB) and Compagnie de Navigation Mixte (CNM).

STOCK OPTIONS PLANS

- In November 1998, upon recommendation of the Supervisory Board, the Board of Management granted new stock options to Company employees and executives.

Pursuant to the policy enforced in recent years to avoid diluting the interest of existing shareholders, the options granted are options to purchase shares. For the same reason, the exercise price is based on the average share price during the 20 trading days preceding the attribution, without any discount.

A total of 975 beneficiaries were granted options, as compared to 319 beneficiaries in the December 1997 program. The number of options was 2,351,000, as compared to 2,065,000 in December 1997. The increase in the number of beneficiaries primarily reflects the inclusion of the Compagnie Bancaire Group, merged within Paribas in May 1998, as well as the management's policy wish of issuing options to new beneficiaries and

rewarding the contribution of associated at all levels of the company.

The attribution of options is discretionary and is based on performance, skills and responsibility criteria. It is aimed at enhancing employee motivation and loyalty, as the options can only be exercised after a period of five years, subject to the beneficiary's continued employment or affiliation with the Group.

The following table summarizes the stock option programs granted. The second table presents the stock option programs of consolidated subsidiaries. The third table breaks down the options granted to members of the Paribas Board of Management at the time of their attribution. The options are granted by the Supervisory Board upon recommendation from the Compensation Committee.

Date	Company	Duration	Number of stock options (4)	Number of beneficiary holders	Nature (1)	Price in EUR (5)	Number of exercised or expired options at Jan. 29, 1999	Options still outstanding at Jan. 29, 1999
1991	CFP	8 years	669,415	220	S	44.37	540,738	128,677
	CB	8 years	308,289	81	S	30.53	289,363	18,926
1992	CFP	8 years	822,094	220	S	40.72	583,088	239,006
	CB	8 years	416,606	69	S	23.55	384,610	31,996
1993	CFP	8 years	28,175	1	S	47.89	–	28,175
	CB(3)	8 years	62,726	19	S	54.06	8,197	54,529
	CB	8 years	454,406	109	S	36.68	177,225	277,181
1994	CFP	8 years	16,920	1	S	61.69	–	16,920
	CFP	8 years	1,273,500	97	S	51.99	131,500	1,142,000
	BP	8 years	599,841	73	S	61.89	117,311	482,530
	CB	8 years	413,558	105	S	35.18	80,279	333,279
	CNM	5 years	136,800	54	S	60.22	110,924	25,876
	CB(3)	8 years	71,280	20	S	44.71	3,564	67,716
	BP	8 years	286,626	186	S	61.89	52,426	234,200
1995	CFP	8 years	117,000	29	S	41.31	11,500	105,500
	CFP	8 years	161,000	12	P	41.47	28,000	133,000
	CB	8 years	161,377	104	S	38.04	8,312	153,065
	CB(3)	8 years	84,942	36	S	29.69	5,940	79,002
	CFP	8 years	42,000	5	P	41.47	–	42,000
	CFP	8 years	1,050,700	341	P	41.77	72,400	978,300
	CB	8 years	201,375	100	S	42.83	7,563	193,812
	CB(3)	8 years	64,449	35	S	53.97	3,168	61,281
1997	CFP	8 years	1,678,500	526	P	53.36	69,000	1,609,500
	CFP	8 years	101,000	13	P	57.02	–	101,000
	CFP	8 years	25,000	4	P	60.06	–	25,000
	CFP	8 years	5,000	1	P	67.84	–	5,000
	CB	8 years	199,530	149	P	60.81	2,070	197,460
	CFP	8 years	2,065,000	319	P	72.41	24,000	2,041,000
	1998	PARIBAS	8 years	2,351,800	975	P	62.96	–
Sub-total: stock options still outstanding								3,673,671
TOTAL			13,932,909			56.10 (2)	2,775,178	11,157,731

(1) S: subscription, P: purchase.

(2) Compounded average price of unexercised options.

(3) Ex-Cardif.

(4) Adjusted number of options with Paribas conversion rate: 9 PB for 5 CB
2 PB for 1 CNM
1 PB for 1 CFP
1 PB for 1 BP.

(5) Adjusted price.

STOCK OPTIONS GRANTED BY FULLY CONSOLIDATED SUBSIDIARIES

Date	Company	Duration	Number of stock options	Number of beneficiary holders	Nature (1)	Price in EUR	Number of exercised options at Jan. 29, 1999	Options still outstanding at Jan. 29, 1999
1993	Cetelem	8 years	60,000	29	S	55.64	32,010	27,990
	UFB	8 years	44,600	30	S	54.73	11,200	33,400
1994	Cetelem	8 years	36,750	34	S	48.53	3,000	33,750
	UFB	8 years	48,100	44	S	53.81	5,700	42,400
	Safadeco	8 years	55,998	19	S	30.49	3,000	52,998
1995	Cetelem	8 years	79,380	79	S	57.55	6,300	73,080
	UFB	8 years	28,100	32	S	56.71	1,500	26,600
1996	Cetelem	8 years	87,400	95	S	85.68	700	86,700
	Safadeco	8 years	108,000	21	S	30.64	10,000	98,000
	UFB	8 years	40,200	37	S	68.60	–	40,200
1997	Cetelem	8 years	60,250	117	P	94.98	500	59,750

(1) S: subscription, P: purchase.

STOCK OPTIONS GRANTED TO MEMBERS OF THE PARIBAS BOARD OF MANAGEMENT*

Date	Company	Duration	Number of stock options	Nature	Price in EUR	Number of exercised options at Jan. 29, 1999	Options still outstanding at Jan. 29, 1999
1991	CFP	8 years	61,977	S	44.37	61,977	–
1992	CFP	8 years	75,500	S	40.72	9,977	65,523
1993	CFP	8 years	28,175	S	47.89	–	28,175
1994	CFP	8 years	125,000	S	51.98	–	125,000
1995	CFP	8 years	25,000	S	41.31	–	25,000
	CFP	8 years	115,000	A	41.77	–	115,000
1997	CFP	8 years	290,000	A	53.36	–	290,000
	CFP	8 years	410,000	A	72.41	–	410,000
1998	PARIBAS	8 years	275,000	A	62.96	–	275,000
Total			1,405,652		59.10 **	71,954	1,333,698

* Members of the current Board of Management who were members at the time of distribution.

** Average price of unexercised options.

REMUNERATION

Total remuneration paid during the year to members of the Supervisory Board as compensation for work performed on behalf of Group companies: EUR 1.8 million. Total remuneration paid during the year to members of the Board of Management: EUR 6.2 million, including EUR 0.4 million in “Directors’ fees”.

LOANS AND GUARANTEES GRANTED TO MEMBERS OF EXECUTIVE MANAGEMENT

None.

PROFIT SHARING PLANS

The December 4, 1998 capital increase reserved to employees, led to the issuance of 1,071,760 shares, or 0.67% of Paribas’ share capital. At December 31, 1998, Paribas’ personnel held, pursuant to this capital increase and through other company savings funds, 1.53% of the Company’s share capital.

PERSON IN CHARGE OF INFORMATION

Yves-Marie Dalibard, Director of Communications,
Paribas - Tel.: 33 (0) 1 42 98 12 34.

Design and production
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