

Financial statements in euros

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Contents

Consolidated financial statements

Consolidated balance sheet

Assets

In millions of euros, at 31 December	1998	1997	1996
Interbank and money market items (note 3):			
Cash and due from central banks and post office banks	3,666	1,809	2,304
Treasury bills and money market instruments (note 5)	40,394	37,883	23,583
Due from credit institutions	71,283	74,990	82,819
Total interbank and money market items	115,343	114,682	108,706
Customer items (notes 4 and 7):			
Due from customers	139,415	126,903	113,043
Leasing receivables	9,258	8,484	7,999
Total customer items	148,673	135,387	121,042
Bonds and other fixed-income instruments (note 5)	16,615	17,295	18,190
Equities and other non-fixed-income instruments (note 5)	6,569	4,976	5,560
Equity securities held for investment and other stock investments (note 6):			
Equity securities held for investment	1,691	1,585	1,009
Other stock investments	1,779	1,723	2,945
Total equity securities held for investment and other stock investments	3,470	3,308	3,954
Investments in companies carried under the equity method (notes 8 and 9):			
Financial companies	144	140	125
Non-financial companies	846	676	569
Total investments in companies carried under the equity method	990	816	694
Tangible and intangible assets (note 10)	2,397	2,117	2,617
Accrued income and other assets (note 11)	30,560	31,554	22,926
Goodwill (note 12)	215	79	27
Total assets	324,832	310,214	283,716
COMMITMENTS GIVEN			
Financing commitments given (note 21)	67,682	60,529	49,474
Guarantees and endorsements given (note 21)	31,562	28,861	26,624
Commitments given on securities (note 21)	5,956	9,695	8,467
Commitments incurred on forward and options contracts (note 22)	2,572,897	2,209,008	1,755,662

Liabilities and stockholder's equity

In millions of euros, at 31 December	1998 ⁽¹⁾	1997	1996
	Before appropriation of income	After appropriation of income	After appropriation of income
Interbank and money market items (note 13):			
Due to central banks and post office banks	3,399	3,399	3,648
Due to credit institutions	104,695	104,695	98,225
Total interbank and money market items	108,094	108,094	101,873
Customer deposits (note 14)	117,965	117,965	109,419
Bonds and negotiable debt instruments:			
Retail certificates of deposit (note 14)	4,863	4,863	2,690
Interbank market securities (note 13)	172	172	267
Negotiable certificates of deposit (note 14)	24,614	24,614	25,796
Bonds, including short term portion (note 15)	6,996	6,996	7,757
Other debt instruments	108	108	116
Total bonds and negotiable debt instruments	36,753	36,753	36,626
Accrued expenses and other liabilities (note 16)	38,503	38,880	41,198
Provisions for risks and charges (note 17)	2,853	2,853	2,117
Subordinated debt (note 18)	8,258	8,258	8,212
Reserve for general banking risks (note 19)	1,038	1,038	1,024
Stockholders' equity (note 20):			
Capital stock	833	833	813
Additional paid-in capital in excess of par and premium on acquisition	3,421	3,421	3,183
Consolidated retained earnings, revaluation surplus, translation adjustment, equity method adjustments:			
Group share	4,886	5,673	5,005
Minority interests in consolidated subsidiaries	1,061	1,064	744
Total stockholders' equity	10,201	10,991	9,745
Net income:			
Net income attributable to the Group	1,114	—	—
Minority interests	53	—	—
Consolidated net income	1,167	—	—
Total liabilities and stockholders' equity	324,832	324,832	310,214
COMMITMENTS RECEIVED			
Financing commitments received (note 21)	—	3,790	1,511
Guarantees and endorsements received (note 21)	—	23,340	24,203
Commitments received on securities (note 21)	—	8,604	7,954

(1) Appropriation of income was determined on the basis of the proposals submitted to the general meetings of BNP and its subsidiaries.

Consolidated income statement

In millions of euros	1998	1997	1996
INCOME (EXPENSE) FROM BANKING OPERATIONS			
Net interest and assimilated income:			
Net interest and assimilated income and interbank items (note 27)	(436)	(10)	(167)
Net interest and assimilated income on customer items (note 28)	4,233	3,983	4,357
Net interest and assimilated income on lease transactions	661	640	659
Interest expense on bonds and debt instruments (note 26)	(2,915)	(2,837)	(2,936)
Interest income on bonds and other fixed-income instruments (note 29)	2,067	1,769	1,717
Income on equities and other non-fixed income instruments (note 29)	128	137	157
Net interest and assimilated income	3,738	3,682	3,787
Net commissions (note 30)	1,794	1,520	1,351
Net gains on financial operations (note 26)	1,627	1,294	681
Other net income from banking operations	207	222	203
Net banking income (note 26)	7,366	6,718	6,022
Operating expense:			
Salaries and employee benefits, including profit sharing (note 31)	(3,085)	(2,895)	(2,732)
Other expense	(1,601)	(1,454)	(1,323)
Total operating expense	(4,686)	(4,349)	(4,055)
Depreciation, amortization, and provisions on tangible and intangible assets.	(333)	(321)	(314)
Gross operating income	2,347	2,048	1,653
Net addition to allowance for credit risks and country risks (note 7)	(1,203)	(1,034)	(578)
Net operating income	1,144	1,014	1,075
Gains (losses) on disposals of long-term investments, net of provisions (note 33)	478	363	(107)
Net movement in reserve for general banking risks and miscellaneous risks	(3)	(21)	264
Nonrecurring items (note 34)	(129)	(212)	(521)
Income before taxes, share of earnings of companies carried under equity method, and amortization of goodwill	1,490	1,144	711
Income taxes (note 36)	(431)	(304)	(150)
Share of earnings of companies carried under equity method	124	124	82
Amortization of goodwill	(16)	(16)	(13)
Consolidated net income	1,167	948	630
Net income attributable to Group	1,114	909	588
Minority interests	53	39	42
Earnings per share, in euros ⁽¹⁾	5.16	4.31	2.85

(1) Earnings per share was calculated in accordance with international standards based on a weighted average number of shares of 215,888,583 in 1998, 210,951,379 in 1997 and 206,264,600 in 1996.

Based on the number of shares outstanding as at 31 December of each year as previously calculated, earnings per share would have been EUR 5.10 for the year ended 31 December 1998 on 218,410,671 shares, compared with EUR 4.26 for the year ended 31 December 1997 on 213,244,188 shares and EUR 2.83 for the year ended 31 December 1996 on 207,434,993 shares.

Consolidated statement of changes in financial position

In millions of euros	1998	1997	1996
Funds provided from stockholders' equity and equivalents			
Funds provided from stockholders' equity from operations:			
Consolidated net income	1,167	948	630
Depreciation and amortization	333	320	314
Net additions to allowances	1,160	557	1,074
Share of earnings of companies carried under equity method	(124)	(124)	(82)
Total funds provided from operations	2,536	1,701	1,936
Cash dividend	(378)	(244)	(182)
Change related to operations involving capital stock and reserves:			
Share attributable to BNP Group	3	(201)	635
Minority interests	316	435	(80)
Increase in funds provided from stockholders' equity	2,477	1,691	2,309
Increase (decrease) in reserve for general banking risks	14	21	(270)
Increase in subordinated debt	46	1,426	990
Total funds provided from stockholders' equity and equivalents	2,537	3,138	3,029
Funds provided from other sources:			
Increase in interbank items	6,222	6,839	17,163
Increase in customer deposits	8,546	12,149	9,145
Increase (decrease) in bonds and negotiable debt instruments	127	(2,291)	(2,357)
(Decrease) increase in other financial items	(676)	(1,273)	11,104
Increase in funds provided from other sources	14,219	15,424	35,055
Total increase in funds provided	16,756	18,562	38,084
Funds used:			
(Decrease) increase in interbank loans	(1,817)	(7,977)	11,514
Increase in customer loans	14,044	15,172	7,876
Increase in securities transactions	2,321	1,687	15,439
Increase in long-term investments	1,595	9,860	2,975
Increase (decrease) in tangible and intangible assets	613	(180)	280
Total increase in funds used	16,756	18,562	38,084

Notes to the Consolidated financial statements

Note 1 – Accounting policies

The consolidated financial statements include the accounts of Banque Nationale de Paris and its main subsidiaries and affiliates. The consolidated balance sheet and income statement have been prepared in accordance with the accounting principles and chart of accounts applicable in the French banking industry. The financial statements of foreign subsidiaries and affiliates prepared according to the accounting policies applicable in their respective countries have been restated prior to consolidation to conform to Group accounting policies.

Principles and basis of consolidation

Basis of Consolidation

The consolidated financial statements include the accounts of BNP and its subsidiaries and affiliates with total assets in excess of 10 million euros or net income in excess of 3 million euros (positive and negative) in which BNP holds a direct or indirect interest of 20% or more.

The following methods are applied:

- **Full Consolidation**

Financial institutions, bank holding companies, and companies whose activities are a direct extension of the banking activity are fully consolidated when BNP has a direct or indirect ownership interest of at least 50%, when the BNP Group exercises exclusive control over their management on statutory or contractual grounds or through its power to appoint a majority of Board of Directors and Supervisory Boards, and when the total assets of these units exceed 15 million euros.

- **Proportional Consolidation**

Affiliates that the BNP Group controls jointly with other stockholders are proportionally consolidated. In the absence of exclusive control, joint control is deemed to exist when a small number of stockholders can jointly appoint the members of their Board of Directors and Supervisory Boards in order to define and apply a joint strategy.

- **Equity Method**

Affiliates in which the BNP Group holds less than 50% but in which it exercises significant influence over financial policy and management are carried under the equity method, unless the Group exercises dominant or joint influence (see above). Significant influence is deemed to exist when the Group holds at least 20% of the voting rights.

Majority-owned financial institutions with total assets of 10 to 15 million euros, as well as non-banking subsidiaries (insurance and bank-related service companies) are also carried under the equity method.

- **Other Stock Investments**

Whenever the BNP Group's ability to control the operations or assets of a subsidiary or affiliate is severely and durably impaired, the investment is neither consolidated nor carried under the equity method, but is posted to "Other stock investments".

- **Change in Group Ownership Interest in Consolidated Subsidiaries or Equity Affiliates**

In the event of a change in the BNP Group's ownership interest in a consolidated subsidiary or equity-method affiliate, the proportionate change in BNP's ownership interest is reflected in consolidated stockholders' equity.

Foreign Currency Translations

Foreign currency denominated assets, liabilities, and off-balance sheet commitments of foreign branches, subsidiaries, and affiliates are translated into French francs at official year-end exchange rates, except the non-monetary assets and liabilities of the entities in countries with high inflation, which are translated at historical rates. Income statements are translated at average exchange rates for the period for foreign branches, subsidiaries, and affiliates, except in countries with high inflation, where they are translated at year-end exchange rates.

Euro zone currencies are translated using the conversion rates announced on 31 December 1998 and irrevocably locked on the introduction of the euro on 1 January 1999.

Exchange differences calculated on the basis of year-end exchange rates for capital, reserves, retained earnings, net income and the equity base of foreign branches are posted to equity.

Main Adjustments on Consolidated Financial Statements

• Goodwill

Goodwill represents the excess of the book value of the parent company's shares in consolidated subsidiaries or equity-method companies over their net assets at the date of acquisition, for the portion of the purchase price not allocated to specific assets or liabilities. Goodwill is shown as such in the balance sheet and is amortized on a straightline basis over a maximum period of twenty years, the actual period being determined on a case by case basis depending on the specific conditions relating to each acquisition. The portion allocated to specific assets is recognized using the accounting policies that apply to the corresponding assets. The portion allocated to specific assets or liabilities of companies carried under the equity method is posted to the item "Investments in companies carried under equity method".

• Intercompany Balances and Transactions

Securities issued by a fully consolidated BNP Group company, purchased by the BNP Group, and held on a long-term basis are eliminated in consolidation, with the exception of those issued by BNP and held in accordance with French regulations concerning the BNP Group's employee stock option plan.

Intercompany balances, as well as income and expenses on material intercompany transactions between fully or proportionally consolidated companies, are eliminated in consolidation.

• Lease Financing

Income from finance leases is recorded as financial revenue. Assets leased to customers are carried in the balance sheet at cost less accumulated depreciation. Such depreciation is adjusted to reflect the financial amortization of the invested capital. The resulting amortization expense is included in "Lease transaction income". Deferred tax is recorded for only half of the tax liability attributable to book-versus-tax timing differences.

Other accounting policies

Income and Expense Recognition

Interest income and related commissions are recognized on an accrual basis. Fees for services (not interest-related) are recorded when the services are rendered.

Foreign Currency Transactions

Foreign exchange positions are generally valued at official year-end exchange rates. Currency gains and losses on ordinary transactions denominated in a foreign currency are recorded in income and expense.

Translation adjustments calculated on the basis of official year-end exchange rates for assets denominated in foreign currencies and held on a long-term basis, including equity securities held for investment, the equity base of BNP branches, and investments in foreign subsidiaries and affiliates, are not reflected in the income statement.

Bond Issues

Bond issue or redemption premiums are amortized using the actuarial method over the life of the bond. Bond issue costs are charged to income on a straightline basis over the same period.

Securities

The term "securities" covers interbank market securities (mainly promissory notes and mortgage notes); treasury and other negotiable debt instruments; bonds and other fixed-income instruments (whether fixed- or floating-rate); and equities and other non-fixed-income instruments.

Securities are classified as "Trading account assets", "Investment securities held for sale", "Debt securities held for investment", "Equity securities held for investment", and "Other stock investments". Investments in companies carried under the equity method are isolated as a separate asset class.

• Trading Account Assets

Securities held for up to six months are recorded under "Trading account assets" and valued individually at market value. Changes in market values are posted to income.

• Investment Securities Held for Sale

This category includes securities held for at least six months, but which are not intended to be held on a long-term basis.

Bonds and other fixed-income instruments are valued at the lower of cost (excluding accrued interest) or their probable market value, which is generally determined on the basis of market prices. Accrued interest is

posted to income under “Interest income on bonds and other fixed-income instruments”.

Stocks are valued at the lower of cost or their probable market value, which is generally determined on the basis of stock market prices, for listed stocks, or the BNP Group’s share in net assets calculated on the basis of the most recent financial statements available, for unlisted stocks. Dividends received are posted to income under “Income on equities and other non-fixed-income instruments” at the time of their payment.

The cost of sale of investment securities held for sale is determined on a first in, first out (FIFO) basis. Capital gains or losses on disposal are reflected in the income statement under “Net gains (losses) on financial operations”, as are provisions for market value write-downs or recoveries.

• Debt Securities Held for Investment

Fixed-income securities (mainly bonds, interbank market securities, treasury securities, and other negotiable debt securities) are recorded under “Debt securities held for investment” to reflect the BNP Group’s intention of holding them on a long-term basis. Bonds classified under this heading are financed by matching funds or hedged against interest rate exposure to maturity.

The difference between cost and the redemption price of these securities is prorated over the life of the securities and posted to “Interest income on bonds and other fixed-income instruments” in the income statement. In the balance sheet, their carrying value is amortized to their redemption value.

Interest on debt securities held for investment is posted to income under “Interest income on bonds and other fixed-income instruments”.

A provision is made when a decline in the credit standing of an issuer jeopardizes redemption at maturity.

• Equity Securities Held for Investment

This category includes shares and related instruments that the BNP Group intends to hold on a long-term basis, without taking an active part in the management of the issuing companies.

“Equity securities held for investment” are recorded individually at the lower of cost or fair market value.

Fair market value of listed securities is primarily determined according to the average market price over the previous two fiscal years, or according to a more recent market price when a decrease in value of the underlying security is likely to endure. Fair market value of unlisted securities is determined according to net asset value per share (consolidated, if applicable).

Dividends received are posted to income under “Income on equities and other non-fixed-income instruments” at the time of their payment.

• Other Stock Investments

This category includes affiliates in which the Group exercises significant influence over management or investments considered strategic to the Group’s business development. This influence is deemed to exist when the Group holds an ownership interest of at least 10%.

“Other stock investments” are recorded individually at the lower of cost or fair market value.

Fair market value of listed securities is primarily determined according to the average market price over the previous two fiscal years, or according to a more recent market price when a decrease in value of the underlying security is likely to endure. Fair market value of unlisted securities is determined according to net asset value per share (consolidated, if applicable).

Capital gains or losses on disposals are recorded as “Gains (losses) on disposals of long-term investments, net of provisions” in the income statement.

Dividends on other stock investments are posted to income when the stockholders of those companies have voted to distribute the dividends during the year or upon receipt when the stockholders’ decision is not known. They are posted to “Income on equities and other non-fixed-income instruments”.

• Investments in Companies Carried Under the Equity Method

Changes in net assets of companies carried under the equity method are posted to assets under “Investments in companies carried under equity method” and to consolidated reserves under “Retained earnings”. The difference between the book value of the parent company’s shares and its share of net assets at the date of acquisition

is also posted to the item “Investments in companies carried under equity method” for the portion allocated to specific assets or liabilities.

Forward Financial Instruments

The BNP Group operates in interest rate and currency forward financial instruments, optional and non optional, both on organized exchanges and in over-the-counter transactions. It engages in interest rate and currency swaps to manage its interest rate and exchange rate risk exposure, as well as for the purposes of arbitrage and trading.

• Forward Interest Rate Instruments

Interest rate futures and options contracts traded on organized exchanges are valued at market at the balance sheet date. Realized and unrealized gains and losses are taken to income under “Net gains (losses) on financial operations”.

Gains and losses on certain OTC contracts that are isolated open positions are taken to income either when the contracts are unwound or on a *pro rata temporis* basis, depending on the nature of the instruments. Provisions for risks are made to cover unrealized losses.

Gains and losses on interest rate contracts designated as hedging operations are recognized similarly to the underlying instrument.

• Forward Currency Instruments

Options contracts are marked to market and valuation differences are posted to income. A similar treatment is used for forward exchange contracts bought and sold for trading purposes. Hedging contracts are valued at the cash price prevailing at the end of the period. Premiums and discounts on contracts designated as hedges are recognized on an accrual basis and posted to the income statement over the life of the underlying transaction.

• Equity and Equity Index Derivatives

BNP buys and sells equity and equity index options for trading and hedging purposes. In the case of trading operations, unrealized gains and losses on contracts that have not been unwound by the balance sheet date are posted directly to income. Gains and losses on settled equity and equity index contracts designated as hedging operations are recognized similarly to the underlying instrument.

• Composite Instruments

Composite instruments (also known as structured products) are valued by aggregating the individual values of each basic instrument included in the composite.

However, they are recorded for accounting purposes as a single instrument, with a single notional value off balance sheet and a single net movement in the consolidated income statement.

• Market Value of Financial Instruments

Financial instruments for which market valuation parameters are not freely available are valued on the basis of recent transaction prices or prices obtained from brokers or counterparties supported by qualitative analyses.

Customer Loans

“Customer loans” cover credits to entities other than credit institutions and are broken down into commercial and industrial loans, customer overdrafts, and other credits. Customer loans are carried in the balance sheet at principal amount plus accrued interest.

Whenever management determines that borrowers may not be able to repay their loans, a provision for credit risk is charged to income.

In the case of real estate professionals, potential losses are computed on the basis of the fair market value of the assets financed, guarantees, and losses on unfinished developments (reflecting income and expenses pending). The fair market value of assets financed takes into account rental values, prices of recent transactions involving comparable operations, and any possible capital losses. Expenses pending take into account all interest expense that will be due until complete disposal of the building program, construction costs, fees for professional services pending, and operating expenses.

Allowances for credit risks on items carried under assets in the consolidated balance sheet are deducted from the corresponding asset items. Allowances reported under liabilities consist of allowances for guarantees and endorsements, allowances for losses on unfinished real estate developments in which equity investments have been made, allowances for legal proceedings pending, allowances for risks not specifically identified, and allowances for unforeseen sectoral risks.

Additions to and deductions from allowances, loan losses, and recoveries of loans written off are all carried under “Net addition to allowance for credit risks and country risks” in the income statement.

Country Risk Provisions

Provisions for country risk are based on the evaluation of non-transfer risk related to the future solvency of each of the countries at risk and on the systemic credit risk incurred by the debtors in the event of a constant and durable deterioration of the overall situation and the economies of these countries. Country risk provisions and write-backs are reflected in the consolidated income statement under “Net addition to allowance for credit risks and country risks”.

Reserve for General Banking Risks

For conservatism reasons, the BNP Group has set up a reserve for general banking risks. Specific additions to, and deductions from, this reserve are reflected in the consolidated income statement under “Net (addition to) deduction from reserve for general banking risks and miscellaneous risks”. This reserve was originally set up through transfers from other reserves in the circumstances described in note 19.

Provisions for Miscellaneous Risks

The BNP Group makes provisions for miscellaneous risks to cover specific risks that are uncertain and not quantifiable. These provisions may be written back in the case of individual risks which become certain and quantifiable and which are covered by specific provisions.

Fixed Assets

In 1991 and 1992, as allowed by French regulations, BNP transferred its main operating real estate holdings to its subsidiary Compagnie Immobilière de France. This transaction covered wholly-owned buildings and buildings leased to BNP SA (the parent company) by one of its specialized subsidiaries. BNP intends to hold these buildings on a long-term basis. The revaluation arising from this transaction has been posted to consolidated stockholders’ equity net of the related deferred tax effect. A deferred tax allowance has been provided for. The resulting capital gain has, since 1994, been posted to the consolidated income statement in proportion to the additional depreciation charge taken by Compagnie Immobilière de France.

In order to reflect what now appears to be a lasting decline in the real estate market, the BNP Group wrote down the book value of the above-mentioned real estate in 1997. The impact of this adjustment, net of the related deferred income tax effect, was posted to consolidated stockholders’ equity, consistent with the initial adjustment. This adjustment therefore has no impact on consolidated net income.

Other buildings and equipment are stated at cost or valued in accordance with France’s appropriation laws of 1977 and 1978 or, for certain foreign subsidiaries, in accordance with local rules (see below).

Assets leased by BNP from its specialized subsidiaries are recorded as buildings, equipment, and other under “Tangible and intangible assets”.

The restructured real estate portfolio is depreciated over a fifty-year period starting from the date of transfer using the straight line method. Depreciation of other fixed assets is computed using the straightline method over their estimated useful lives.

BNP and its French subsidiaries have adopted an accelerated depreciation method for their individual company accounts. In the consolidated financial statements, depreciation is adjusted (in most cases using the straightline method) to allocate the cost of the depreciable assets over their estimated useful lives. Deferred taxes are calculated on the adjustment.

Amortization of assets leased by BNP from its leasing subsidiaries is reflected in the income statement under “Depreciation and amortization”.

Statutory Revaluation

In 1978, in accordance with applicable tax laws, BNP and some of its French subsidiaries revalued land and buildings owned at 31 December 1976 and still carried in their balance sheets at the date of revaluation. The revalued amounts at 31 December 1976 were determined by independent appraisers.

At the same time, investments in affiliates and subsidiaries were also revalued either at 31 December 1976 market values for companies listed on the Paris Stock Exchange, or on the basis of their net asset value as taken from their 31 December 1976 balance sheet after appropriation of income.

BNP has included within stockholders' equity the portion of the revaluation surplus relating to nondepreciable assets arising from this operation.

Income Taxes

BNP Group companies are subject to income tax based on rules and rates prevailing in the countries in which they operate. In France, the standard income tax rate is 33.33%. Long-term capital gains have been taxed at a rate of 19%. Capital gains and losses on securities in the portfolios are taxed at the standard income tax rate of 33.33%, with the exception of "Other stock investments", which are subject to long-term capital gains taxation. Dividends received from companies in which the BNP Group has an ownership interest of more than 10% or more than FRF 150 million are nontaxable.

In 1995 the French Government imposed a 10% surtax on corporate income for an unspecified period of time. As of 1997, it imposed an additional 15% surtax on corporate income, which will be lowered to 10% for fiscal 1999. BNP has taken these surtaxes into account to determine income taxes for each subsequent period that are currently payable, and has used the liability method to adjust the amount of deferred taxes for cases where they would be subject to the surtax when the timing differences reverse themselves at any time in the future. This position is in accordance with the 15 September 1997 interpretation of the French National Accounting Council.

A charge for income taxes is taken in the year in which the respective taxable income and expense are booked, regardless of the time when the tax is actually paid. As a result, BNP Group companies book deferred taxes calculated on the basis of all timing differences between profit and loss items for accounting and tax purposes under the liability method.

However, the deferred income tax provision on reserves related to leasing operations is determined on the basis of the portion of the reserves that might be taxed in the foreseeable future; this amount may not be less than one-half of the existing related reserve.

In accordance with international accounting rules, the BNP Group records deferred tax benefits based on the probability of their utilization, without limiting them to the amount of deferred tax liabilities recorded.

Profit-Sharing Plan

As required by French law, BNP and its French subsidiaries provide for profit sharing in the year in which the profit arises, and report the provision under salaries in "Operating expense" in the consolidated income statement.

Retirement and Pensions for Former Employees

Upon retirement, BNP Group employees receive pensions according to the laws and customs prevailing in the countries where BNP Group companies operate.

Outside France, BNP Group companies and their employees contribute to mandatory pension plans managed by independent organizations.

Retired employees of the BNP Group's French subsidiaries and affiliates belonging to the banking industry are entitled to the following pension system starting 1 January 1994, pursuant to a new industry-wide agreement on pensions:

- Retirees receive pension benefits from the social security system and two nationwide organizations, which are financed by contributions received from employers and employees.
- Retirees receive additional benefits from the pension fund of BNP and its French subsidiaries relative to services rendered prior to 1 January 1994. Funding for these additional benefits is provided by transfers from the pension funds existing reserves and by employer contributions, which are limited to a percentage of payroll costs. The amount of such additional benefits is adjusted to reflect the funding level of the pension funds and may consequently be reduced in due proportion.

The working capital contributions made to the two nationwide pension organizations in 1994 are treated as prepaid expenses and amortized over the average number of years left to retirement of BNP's participating employees, which is currently twenty years.

Employee Benefits

Under various agreements, the BNP Group is committed to pay early retirement, retirement and seniority bonuses to its employees in France and in most of the countries in which the Group does business.

Each year, the Group estimates the net current value of these commitments and adjusts the related allowance.

Note 2 – Subsidiaries and affiliates of the BNP Group at 31 December 1998

Fully consolidated companies

Financial Institutions	Group voting interest (%)	Group ownership interest (%)
IN FRANCE		
Credit Institutions		
Banexi ⁽¹⁾	100.00	100.00
Banque de Bretagne ⁽¹⁾	100.00	100.00
Banque de la Cité ⁽¹⁾	99.95	99.95
Banque de Wallis et Futuna	51.00	51.00
BNPI	97.85	97.85
BNP Factor (France) ⁽¹⁾	100.00	100.00
BNP Finance ⁽¹⁾	100.00	100.00
BNP Guadeloupe ⁽¹⁾	100.00	100.00
BNP Guyane	100.00	100.00
BNP Lease ⁽¹⁾	100.00	100.00
BNP Martinique ⁽¹⁾	100.00	100.00
BNP Nouvelle-Calédonie	100.00	100.00
Natiobail	73.93	73.93
Natiocrédibail	100.00	100.00
Natiocrédimurs	100.00	100.00
Natioénergie	100.00	100.00
Natiolocation ⁽¹⁾	100.00	100.00
Other Financial Institutions		
Arius Finance	86.95	86.95
Banexi Communication SA ⁽¹⁾	100.00	100.00
Banexi Société de Capital Risque	100.00	100.00
BNP Arbitrage ⁽¹⁾	100.00	100.00
BNP Développement SA	100.00	100.00
BNP Gestions ⁽¹⁾	100.00	100.00
BNP Immobilier ⁽¹⁾	100.00	100.00
BNP Emergis ⁽¹⁾	100.00	100.00
Compagnie d'Investissement de Paris "CIP"	100.00	100.00
Codexi	99.91	99.91
Du Bouzet SA ⁽¹⁾	99.54	99.54
Financière BNP ⁽¹⁾	100.00	100.00
Immo Investissements BNP ⁽¹⁾	100.00	100.00
Natiocrédit ⁽¹⁾	100.00	100.00
Natioinformatique	100.00	100.00
Promopart BNP ⁽¹⁾	100.00	100.00
Société Auxiliaire de Participations et de Gestion "SAPEG" ⁽¹⁾	100.00	100.00
Société Bricoise de Participations	100.00	100.00
Société Cristolienne de Participations ⁽¹⁾	100.00	100.00
Société Française Auxiliaire "SFA" ⁽¹⁾	100.00	100.00
Other		
Arius S.A.	100.00	86.95
Compagnie Immobilière de France "CIF" ⁽¹⁾	100.00	100.00
Fleurantine de Participations ⁽¹⁾	100.00	100.00
Négocéquip	100.00	100.00
SNC Goya	100.00	100.00
SNC Immobilier Haussmann 1	100.00	100.00
SNC Meunier Barjac	100.00	100.00
Société de Courtage d'Assurance Universel	100.00	100.00
OUTSIDE FRANCE		
Credit Institutions		
Europe		
BNP Bank NV (Netherlands)	100.00	100.00
BNP Espana (Spain)	99.12	99.12
BNP Finans A/S Norge (Norway)	100.00	100.00
BNP Ireland Ltd (Group)	100.00	100.00
BNP Luxembourg	100.00	99.02
BNP Plc Londres (Great Britain)	100.00	100.00
BNP Suisse (Switzerland)	99.86	99.22
Groupe United European Bank UEB (Switzerland)	100.00	100.00

⁽¹⁾ Entities forming part of the BNP SA taxation group at 1 January 1998.

Financial Institutions	Group voting interest (%)	Group ownership interest (%)
The Americas		
Banco BNP Brasil SA	100.00	100.00
Group BANCWEST CORPORATION (USA)	45.00	45.00
BNP (Canada)	100.00	99.76
BNP (Mexico) SA	100.00	100.00
BNP (Panama) SA	91.80	90.96
BNP (Uruguay) SA	100.00	100.00
BNP Private Bank & Trust Cie Bahamas Ltd.	100.00	100.00
Asia		
BNP Arbitrage Hong Kong Ltd.	100.00	100.00
BNP PrimeEast Securities (Hong Kong)	100.00	90.00
Africa		
Banque Malgache de l'Océan Indien BMOI (Madagascar)	55.78	54.83
Banque pour l'Industrie et le Commerce (Comoros)	51.00	49.90
BCI Mer rouge (Djibouti)	51.00	49.90
BMCI (Morocco)	50.00	48.93
UBCI (Tunisia)	50.00	48.93
Banque du Caire et de Paris (Egypt)	76.00	76.00
Other Financial Institutions		
Europe		
BNP Capital Finance Ltd. (Ireland)	100.00	100.00
BNP Factor (Portugal)	95.00	95.00
BNP Financière du Régent (Belgium)	100.00	100.00
BNP Leasing Limited (Great Britain)	100.00	100.00
BNP Leasing Spa (Italy)	100.00	100.00
BNP SIM SA Milan (Italy)	100.00	100.00
BNP Pasfin SIM (Italy)	70.00	70.00
BNP UK Holdings Ltd. (Great Britain)	100.00	100.00
Cipango Ltd. (Great Britain)	100.00	100.00
Interconti-Finance (Ireland)	100.00	100.00
The Americas		
BNP Cooper Neff (USA)	100.00	100.00
BNP Cooper Neff Advisors (USA)	100.00	100.00
BNP Leasing Corporation Dallas (USA)	100.00	100.00
BNP Mexico Holding (Mexico)	100.00	100.00
BNP Securities INC (USA)	100.00	100.00
BNP US Funding LLC (USA)	100.00	100.00
French American Banking Corporation-FABC (USA)	100.00	100.00
Asia-Pacific		
BNP Equities Asia	100.00	100.00
BNP Equities Australia Ltd.	80.00	80.00
BNP Finance Hong Kong Ltd.	100.00	100.00
BNP Futures HKG	100.00	100.00
BNP IFS Hong Kong Ltd.	100.00	100.00
BNP IFS Singapour Ltd.	100.00	100.00
BNP Pacific Ltd. (Australia)	100.00	100.00
BNP Prime Peregrine (South East Asia)	70.00	70.00
BNP Prime Peregrine Ltd. (Greater China)	90.00	90.00
BNP Securities HKG	100.00	100.00
BNP Vila Ltd. (Vanuatu)	100.00	100.00
Pt BNP Lippo Indonésia (Indonesia)	70.00	70.00
Pt BNP Lippo Utama Leasing (Indonesia)	80.00	56.00
Africa		
BMCI Offshore (Morocco)	100.00	48.93
Interleasing Maroc	71.83	35.15
Union Tunisienne de Leasing (Tunisia)	56.64	37.05
Other		
Asia-Pacific		
90 William Street Pty Ltd. (Australia)	100.00	100.00

Proportionally consolidated companies

Financial Institutions	Group voting interest (%)	Group ownership interest (%)
IN FRANCE		
Other Financial Institutions		
CFJPE	50.00	50.00
Europcar Lease	50.00	50.00
OUTSIDE FRANCE		
Credit Institutions		
Europe		
BNP AK Dresdner Bank AS (Turkey)	30.00	29.70
BNP Dresdner Bank AD (Bulgaria)	40.00	40.00
BNP Dresdner Bank CR/AS (Czech Republic)	50.00	50.00
BNP Dresdner Bank Z A O (Russia)	50.00	50.00
BNP Dresdner Bank (Polska) SA	50.00	50.00
BNP Dresdner Bank RT (Hungary)	50.00	50.00
The Americas		
Dresdner Banque Nationale de Paris Chile (Chile)	44.15	44.15
Inversiones Dresdner BNP Chile (Chile)	50.00	50.00
Asia-Pacific		
International Bank of Paris and Shanghai (China)	50.00	50.00
Other Financial Institutions		
Europe		
BNP AK Dresdner Finansal Kiralama AS (Turkey)	30.00	29.70
Société Financière pour les Pays d'Outre-Mer - SFOM (Switzerland)	48.36	48.36
The Americas		
Dresdner BNP Chile Corredores de Bolsa (Chile)	27.50	27.50

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Companies carried under the equity method

Financial Institutions	Group voting interest (%)	Group ownership interest (%)
IN FRANCE		
Other Financial Institutions		
Béarnaise de Participations	98.86	98.86
Chinoise de Participations ⁽¹⁾	100.00	99.54
DGC Participations	100.00	100.00
Euromezzanine SCA	28.29	28.29
Euromezzanine SCA 2	27.83	27.83
OUTSIDE FRANCE		
Credit Institutions		
Africa		
BICI Côte-d'Ivoire (Group)	34.54	34.54
BICIA du Burkina Faso	29.38	29.38
BICI du Gabon	34.86	34.86
BICI du Sénégal	35.69	35.69
BTCI Togo	35.75	35.75
International Bank of Southern Africa-SFOM Ltd. (South Africa)	39.46	39.46
The Commercial Bank of Namibia Ltd. CBON (Namibia)	21.20	21.20
Union Africaine de Crédit UFAC (Morocco)	99.09	48.48
Asia		
BNP PrimeEast Indonesia	70.00	49.00

(1) Entities forming part of the BNP SA taxation Group at 1 January 1998.

Financial Institutions	Group voting interest (%)	Group ownership interest (%)
Other Financial Institutions		
The Americas		
BNP Canada-Valeurs mobilières	100.00	99.76

Non-Financial Institutions	Group voting interest (%)	Group ownership interest (%)
IN FRANCE		
Insurance		
Natio-Vie (Group) ⁽¹⁾	100.00	100.00
Real Estate		
Cimoxi ⁽¹⁾	100.00	100.00
Meunier Promotion (Group) ⁽¹⁾	100.00	100.00
Société Française de Développement Immobilier ⁽¹⁾	100.00	100.00
Services		
Société Française du Chèque de Voyage	21.00	21.00
OUTSIDE FRANCE		
Insurance		
BNP Ré Luxembourg	100.00	99.91

(1) Entities forming part of the BNP SA taxation group at 1 January 1998.

The following changes were made to the scope of consolidation:

In 1997

- The following companies are now fully consolidated: Banco BNP Brasil, BNP PrimeEast Labuan Holding, BNP US Funding LLC (USA), BNP Arbitrage Hong Kong and Arius Finance, all newly created entities; BNP PrimeEast Securities Hong Kong and BNP Private Bank Trust Bahamas, both acquired; and BNP Gestions, BNP Mexico Holding, BMCI Offshore (Morocco), Codexi and Arius SA, which now meet the criteria for full consolidation.
- The following companies are now carried under the equity method: Euromezzanine SCA 2, a newly created entity; BNP PrimeEast Indonesia, which was acquired; and BNP Canada Valeurs Mobilières, which now meets the criteria for being carried under the equity method.
- Two companies previously carried under the equity method (Dresdner BNP Chile and Europcarlease) are now proportionally consolidated, as are three companies (Inversiones Dresdner BNP Chile, Dresdner BNP Chile

Corredores Bolsa and UEB Trust Bahamas) which now meet the criteria for proportional consolidation.

- Deloitte de Participations, BNP Securities Hong Kong, BNP Securities Australia and BNP Capital Markets are no longer fully consolidated, because they no longer meet the criteria for full consolidation. BNP Asset Finance BV is no longer carried under the equity method.
- Compagnie Financière Jean-Paul Elkann was merged into Société Financière de Participations (renamed CFJPE), and Hautmontoise de Participations was merged into BNP Finance.
- Crédifimo and Mauritius Leasing Company, previously carried under the equity method, were sold.

In 1998

- Four newly created subsidiaries, BNP Emergis, BNP Equities Asia, BNP Prime Peregrine Holding (South East Asia) and BNP Prime Peregrine Ltd. (Greater China) were fully consolidated for the first time, as was the newly acquired BNP Pasfin SIM (Italy).

- The following companies now qualify for full consolidation: BNP Financière du Régent (Belgium) and Banque du Caire et de Paris (Egypt), both previously carried under the equity method; UEB Holding, UEB Genève, UEB Monaco, UEB Luxembourg and UEB Trust Bahamas, all previously proportionally consolidated; BNP Cooper Neff Advisors, BNP Futures HKG and BNP Securities HKG, which met the criteria for full consolidation for the first time, and Société de Courtages d'Assurance Universel, which was previously consolidated at the level of the Crédit Universel sub-group.
- BNP Bail and Crédit Universel have merged into an entity now known as BNP Lease, and Locafinance has been merged into Natiolocation. These entities continue to be fully consolidated.
- Following the exchange of the equity interest in BANCWEST CORP, a holding company owning the shares in Bank of the West, for a 45% equity interest in the vehicle owning the shares in First Hawaiian Bank and in Bank of the West, the Bank of the West and First Hawaiian Bank sub-groups are now fully consolidated under the name BANCWEST CORP. The effect of this change in scope of consolidation is discussed in note 34.
- BNP Dresdner Bank Bulgaria, previously carried under the equity method, is now proportionally consolidated.
- BAI SA and BAI Asset Management have discontinued their activities and are no longer consolidated, as is KB Norge which no longer meets the consolidation criteria.

Note 3 – Interbank and money market items

In millions of euros, at 31 December	1998			1997		1996
	Gross	Allowance	Net	Net	Net	
Cash and due from central banks and post office banks:						
Cash and due from post office banks	894	—	894	602	438	
Due from central banks	2,772	(3)	2,769	1,205	1,864	
Related receivables	3	—	3	2	2	
Total cash and due from central banks and post office banks	3,669	(3)	3,666	1,809	2,304	
Treasury bills and money-market instruments (note 5)	40,421	(27)	40,394	37,883	23,583	
Due from credit institutions						
Demand deposits	4,071	(35)	4,036	4,046	4,329	
Terms loans and time deposits ⁽¹⁾						
Central banks	4,815	—	4,815	1,590	2,563	
Other credit institutions	22,973	(697)	22,276	30,501	53,215	
Related receivables	1,294	(20)	1,274	1,386	1 080	
Total term loans and time deposits	29,082	(717)⁽²⁾	28,365	33,477	56,858	
Securities and bills purchased firm or under resale agreements:						
Securities received under resale agreements	36,711	—	36,711	35,725	20,215	
Bills purchased firm or under resale agreements:						
Central banks	—	—	—	—	12	
Other credit institutions	2,058	—	2,058	1,664	1,345	
Related receivables	3	—	3	6	6	
Total securities and bills purchased firm or under resale agreements:	38,772	—	38,772	37,395	21,578	
Subordinated loans	110	—	110	72	54	
Total due from credit institutions	72,035	(752)	71,283	74,990	82,819	
Total interbank and money market items	116,125	(782)	115,343	114,682	108,706	
<i>Including accrued interest</i>	—	—	1,737	1,755	1,222	

(1) The term "Term loans and time deposits" includes overnight and term loans which are not materialized in a bill or security, particularly financial credits. Commercial loans with an initial term of more than one year granted to credit institutions, where the ultimate borrowers are business entities other than financial sector companies, generally entities from developing countries on which cross-border exposure has been provisioned (note 7), are considered financial credits.

(2) General allowances for country risks.

Note 4 – Customer items

In millions of euros, at 31 December	1998			1997	1996
	Gross	Allowance	Net	Net	Net
Due from customers					
Commercial and industrial loans:					
Discounting and related	2,003	—	2,003	2,758	3,398
Acceptances	468	—	468	369	252
Other commercial and industrial loans	4,102	—	4,102	2,395	1,591
Total commercial and industrial loans	6,573	—	6,573	5,522	5,241
Overdrafts	11,098	—	11,098	10,759	9,579
Other credits:					
Short-term loans	22,944	—	22,944	22,899	22,081
Mortgage loans	21,344	—	21,344	20,468	19,529
Investment loans	15,878	—	15,878	15,768	14,534
Export loans	3,752	(225)	3,527	3,066	2,734
Other customer loans	42,961	(8)	42,953	37,132	32,800
Total other credits	106,879	(233)⁽¹⁾	106,646	99,333	91,678
Doubtful customer loans	8,250	(5,365)	2,885	2,509	2,966
Receivables related to customer loans	716	—	716	674	562
Securities and bills purchased firm or under resale agreements	11,299	—	11,299	7,983	2,852
Subordinated debts ⁽²⁾	233	(35)	198	123	165
Total due from customers⁽³⁾	145,048	(5,633)	139,415	126,903	113,043
Leasing receivables	9,468	(210)	9,258	8,484	7,999
Total customer items	154,516	(5,843)	148,673	135,387	121,042
<i>Including: accrued interest on customer items</i>	926	—	926	854	670

(1) General allowances for country risks.

(2) Participating loans granted to BNP customers included under "Subordinated loans" amounted to EUR 168 million at 31 December 1998 against EUR 78 million at 31 December 1997 and EUR 104 million at 31 December 1996.

(3) Loans qualifying for refinancing by the French Central Bank amounted to EUR 10,296 million at 31 December 1998 compared with EUR 9,987 million at 31 December 1997 and EUR 12,519 million at 31 December 1996.

Note 5 – Trading account assets, investment securities held for sale, and debt securities held for investment

In millions of euros, at 31 December	1998			1997			1996	
	Gross value	Allowance	Net book value	Market value	Net book value	Market value	Net book value	Market value
Trading account assets:								
Treasury bills and money market instruments	20,220	—	20,220	20,220	18,169	18,169	14,264	14,264
Bonds and other fixed-income instruments	6,237	—	6,237	6,237	7,041	7,041	6,908	6,908
Equities and other non-fixed-income instruments	6,208	—	6,208	6,208	4,785	4,785	4,808	4,808
Own stock held within the Group	6	—	6	6	2	2	7	7
Total trading account assets	32,671	—	32,671	32,671	29,997	29,997	25,987	25,987
<i>Including: unlisted equities and bonds</i>	300	—	300	300	594	594	15	15
Investment securities held for sale:								
Treasury bills and money market instruments	1,219	(28)	1,191	1,186	1,349	1,361	1,893	1,903
Bonds and other fixed-income instruments:								
Public-sector issuers	900	(409)	491	568	518	665	627	737
Other issuers	3,536	(192)	3,344	3,365	3,896	3,960	4,854	4,917
Total bonds and other non-fixed-income instruments	4,436	(601)	3,835	3,933	4,414	4,625	5,481	5,654
Equities and other non-fixed-income instruments	363	(8)	355	407	189	234	698	754
Own stock held within the Group	—	—	—	—	—	—	47	52
Total investment securities held for sale	6,018	(637)	5,381	5,526	5,952	6,220	8,119	8,363
<i>Including: unlisted equities and bonds</i>	1,720	(597)	1,123	1,195	612	630	806	814
Debt securities held for investment:								
Treasury bills and money market instruments	18,983	—	18,983	19,478	18,365	18,595	7,426	7,668
Bonds and other fixed-income instruments:								
Public-sector issuers	1,825	—	1,825	1,711	1,674	1,671	1,277	1,137
Other issuers	4,725	(7)	4,718	4,793	4,166	4,264	4,524	4,553
	6,550	(7)	6,543	6,504	5,840	5,935	5,801	5,690
Total debt securities held for investment	25,533	(7)	25,526	25,982	24,205	24,530	13,227	13,358
<i>Including: unlisted bonds</i>	708	(2)	706	706	303	303	296	297
Trading account assets, investment securities held for sale, and debt securities held for investment ⁽¹⁾	64,222	(644)	63,578	64,179	60,154	60,747	47,333	47,708
<i>Including:</i>								
Treasury bills and money market instruments	40,422	(28)	40,394	40,884	37,883	38,125	23,583	23,834
Bonds and other fixed-income instruments	17,223	(608)	16,615	16,674	17,295	17,601	18,190	18,252
<i>Including: unlisted bonds</i>	2,348	(595)	1,753	1,821	1,347	1,364	794	798
Equities and other non-fixed-income instruments	6,577	(8)	6,569	6,621	4,976	5,021	5,560	5,622
<i>Including: unlisted equities</i>	380	(4)	376	380	162	163	322	328

(1) Mutual fund shares held by the BNP Group amounted to EUR 405 million at 31 December 1998, EUR 113 million at 31 December 1997 and EUR 241 million at 31 December 1996. This amount includes EUR 99 million in growth funds, of which EUR 23 million incorporated in France, compared with EUR 53 million at 31 December 1997, of which EUR 42 million incorporated in France, and EUR 151 million at 31 December 1996, of which EUR 139 million incorporated in France.

Over the past three years, securities were reclassified among the various portfolios as follows:

Former classification	New classification	Amount transferred during period (in millions of euros)		
		1998	1997	1996
Trading account assets	Investment securities held for sale	232	341	1 541
Investment securities held for sale	Debt securities held for investment	567	5	93
Debt securities held for investment	Investment securities held for sale	2	79	4
Trading account assets	Debt securities held for investment	12	291	763

Net premiums on debt securities held for investment reflecting an acquisition price higher than the redemption price amounted to EUR 153 million at 31 December 1998, compared with EUR 274 million at 31 December 1997 and EUR 71 million at 31 December 1996. These premiums are amortized over the remaining life of the securities.

Receivables corresponding to securities lent amounted to EUR 409 million at 31 December 1998, compared with EUR 363 million at 31 December 1997 and EUR 608 million at 31 December 1996.

Accrued interest on fixed-income securities was EUR 658 million at 31 December 1998 against EUR 649 million at 31 December 1997 and EUR 430 million at 31 December 1996.

A number of developing countries have obtained debt restructuring from their bankers. Since 1990, the Group has swapped a number of loans for 15- to 30-year fixed or floating-rate bonds. Some of these bonds, received in exchange for loans that were rescheduled with lower interest rates, are guaranteed to maturity by zero-coupon bonds issued by the French and the US Treasuries with a revolving guarantee of fourteen to eighteen months of interest payments.

The gross outstanding amount of such “Brady bonds” held by BNP was EUR 1,092 million at 31 December 1998, EUR 938 million at 31 December 1997 and EUR 1,167 million at 31 December 1996. At 31 December 1998, EUR 646 million of these bonds were recorded under “Investment securities held for sale” (EUR 488 million at 31 December 1997 and EUR 560 million at 31 December 1996), and EUR 447 million under “Debt securities held for investment” (EUR 450 million at 31 December 1997, EUR 608 million at 31 December 1996).

During 1998, the BNP Group used the stockholder authorization to trade in BNP shares in order to stabilize the market price to sell 1,737,296 shares at an average price of EUR 47.64 and to purchase 1,733,808 shares at an average price of EUR 47.68. The three Group subsidiaries that exchanged Compagnie d’Investissement de Paris shares for BNP shares in connection with the 1996 CIP-BNP stock-for-stock public tender offer (note 20) sold their 1,572,905 BNP shares during the first half of 1997. These shares were recorded under “Investment securities held for sale” at 31 December 1996. In addition, one of the Group subsidiaries engaged in arbitraging on stock market indexes held 65,934 BNP shares at 31 December 1998, under trading account assets.

Note 6 – Equity securities held for investment and other stock investments

In millions of euros, at 31 December	1998			1997		1996	
	Gross book value	Net book value	Fair market value	Net book value	Fair market value	Net book value	Fair market value
Equity securities held for investment:							
Unlisted securities:							
Portfolio valued according to net assets	93	63	71	29	40	22	34
Portfolio valued according to fair market value	417	206	240	199	227	217	237
Portfolio valued at cost	61	58	62	68	69	71	81
Listed securities ⁽¹⁾ :							
Portfolio valued according to year-end market prices	160	157	185	30	44	43	65
Portfolio valued according to average market prices of previous two years	1,246	1,207	1,816	1,259	1,631	656	774
Total equity securities held for investment	1,977	1,691	2,374	1,585	2,011	1,009	1,191
Other stock investments:							
Securities issued by affiliates neither consolidated nor carried under equity method ⁽²⁾	434	289	308	212	230	199	211
Other stock investments, other:							
Unlisted securities ⁽²⁾ :	819	677	825	433	501	342	434
Listed securities ⁽¹⁾ :							
Portfolio valued according to year-end market prices	30	28	63	31	61	142	165
Portfolio valued according to average market prices of previous two years	126	122	225	133	180	801	877
Portfolio valued according to other methods	674	663	665	914	914	1,461	1,465
Total other stock investments, other	1,649	1,490	1,778	1,511	1,656	2,746	2,941
Total other stock investments	2,083	1,779	2,086	1,723	1,886	2,945	3,152
Total equity securities held for investment and other stock investments	4,060	3,470	4,460	3,308	3,897	3,954	4,343

(1) Fair market value is determined according to the average stock market price over the previous two fiscal years or according to a more recent market price when a decrease in the value of the underlying security is likely to endure.

(2) Fair market value is determined according to the BNP Group's share of the companies' net assets.

Interest in subsidiaries and affiliated credit institutions classified as “Other stock investments” amounted to EUR 276 million and EUR 59 million respectively, at 31 December 1998 against EUR 203 million and EUR 39 million at 31 December 1997, and EUR 163 million and EUR 48 million at 31 December 1996.

In 1997, the Group reclassified EUR 876 million of

investments previously carried under “Other stock investments” as “Equity securities held for investment” in recognition of the fact that they are managed more actively.

The main companies carried under “Equity securities held for investment and other stock investments” with a net book value of more than EUR 38 million in the BNP Group’s accounts are listed below:

In millions of euros	Head office	Consolidated ⁽¹⁾ stockholders’ equity in 1997	Consolidated net income (loss) in 1997	Net book value in BNP Group’s accounts
Shareholding interests of less than 5% of the investee’s capital stock				
Axa	Paris	11,993	1,207	663
Vivendi	Paris	6,847	822	239
Saint-Gobain	La Défense	8,414	858	212
Elf Aquitaine	Courbevoie	12,622 ⁽¹⁾	854	179
Pechiney	La Défense	2,488	277	122
Rhône-Poulenc	Courbevoie	6,403	(761)	92
Dresdner Bank	Frankfurt	9,668	847	84
Renault	Boulogne-Billancourt	6,695	800	78
Peugeot SA	Paris	8,080	(422)	47
Lafarge	Paris	3,982	371	44
Air France	Roissy-en-France	2,407 ⁽²⁾	286 ⁽²⁾	44
Lagardère	Paris	1,814	210	42
Bouygues	St Quentin-en-Yvelines	1,253	115	41
Shareholding interests of between 5% and 10% of the investee’s capital stock				
Cofinoga	Paris	315	57	47
Cibc Inc.	USA	⁽³⁾	⁽³⁾	43

(1) Based on French accounting principles.

(2) Figure for the year ended 31 March 1998.

(3) New entity formed in 1998.

Net unrealized capital gains on equity securities held for investment and other stock investments, calculated by reference to period-end market prices for listed securities, amounted to EUR 1,830 million at 31 December 1998, compared with EUR 1,177 million at 31 December 1997 and EUR 434 million at 31 December 1996.

Net unrealized capital gains on the total portfolio summarized in notes 5 and 6 were EUR 2,431 million at 31 December 1998, including securitized receivables, against EUR 1,771 million at 31 December 1997 and EUR 810 million at 31 December 1996.

Note 7– Allowance for credit risks and country risks

In millions of euros	Allowance at 31 December 1997	Net additions (deductions) during period	Write-offs during period	Other changes during period ⁽¹⁾	Allowance at 31 December 1998
Allowances reflected under assets ⁽²⁾:					
On interbank items ⁽³⁾	1,024	(23)	(30)	(216)	755
On customer items (note 4)	6,317	579	(593)	(460)	5,843
On securities ⁽³⁾	448	337	(148)	(30)	607
Total allowances reflected under assets	7,789	893	(771)	(706)	7,205
Allowances reflected under liabilities (note 18)					
On off-balance sheet commitments	389	173	(48)	39	553
For other credit risks	388	(38)	—	574	924
Total allowances reflected under liabilities	777	135	(48)	613	1,477
Total allowance for credit risks and country risks	8,566	1,028	(819)	(93)	8,682
Allowances reflected under assets ⁽²⁾:					
Designated to cover country risks	2,041	347	(111)	(752)	1,525
Designated to cover specific risks	5,748	546	(660)	46	5,680
Total allowances reflected under assets	7,789	893	(771)	(706)	7,205
Allowances reflected under liabilities:					
Designated to cover country risks	175	—	—	615	790
Designated to cover specific risks and banking risks	602	135	(48)	(2)	687
Total allowances reflected under liabilities	777	135	(48)	613	1,477
Total allowance for credit risks and country risks	8,566	1,028	(819)	(93)	8,682

(1) The impact of variations in exchange rates amounted to negative EUR 125 million.

(2) As receivables purchased or swapped are carried at their face value, premiums and differences between purchase price and face value are recorded as allowances.

(3) Allowances on loans to credit institutions mainly concern financial credits (see note 3) exposed to country risk. Allowances on securities shown in this table cover the country risk affecting securities held by the BNP Group.

Credit-risk allowances are recorded under assets in the allowance for credit losses account. Allowances for off-balance sheet commitments are reflected under liabilities, as are allowances for legal proceedings pending, allowances for risks not specifically identified, and allowances for unforeseen sectoral risks.

Outstanding allowances on principal and interest, premiums and discounts in relation to sovereign loans totaled EUR 2,315 million at 31 December 1998 against EUR 2,216 million at 31 December 1997 and EUR 2,003 million at 31 December 1996.

In millions of euros	1998	1997	1996
Net additions to allowance for credit and country risks	1,028	896	820
Allowance for unforeseeable sectoral risks charged as nonrecurring item (note 33)	—	—	(273)
Cancellation of net (addition to) deduction from allowance for interest arrears reflected under banking income	130	77	(29)
Loan losses	939	1,064	782
Utilization of allowances following losses on debt sales	(819)	(935)	(650)
Recoveries of amounts written off	(75)	(68)	(72)
Net credit risk and country risk provision charge for period	1,203	1,034	578
Incl:			
Provision charge for specific risks	796	604	701
Provision charge for country risks	407	430	(123)

Credit exposure to sensitive countries

In 1998, the economies of a number of countries were affected to varying degrees by the prospect of severe recession and very high interest rates, the depreciation of local currencies and slumps in regional stock markets.

Some or all of these phenomena were initially concentrated during 1997 in five Asian countries (South Korea, Indonesia, Thailand, Malaysia and the Philippines), where the crisis partially eased in the second half of 1998. In mid-1998, similar trends affected first Russia and then Brazil. Russia became technically insolvent. BNP responded to these developments by constantly reassessing its risks in these countries.

BNP's on and off balance sheet exposure in these countries

is in both local and foreign currencies, and comprises lending of all maturities including short-term and trade financing, and securities portfolios including trading securities (except where the nominal value on maturity is backed by American or French zero-coupon treasury bonds). Included in BNP's exposure are all transactions of this type with governments, banks and corporate clients (except subsidiaries of multinationals based in non sensitive countries). Excluded is the portion of risks guaranteed by public institutions (such as Coface) or international institutions in non sensitive countries, or by formally pledged cash collateral. Short-term trade related financing with an initial term of less than eighteen months is included. Transactions where the only risk is of non delivery of the goods financed and on which payment is sourced from non sensitive countries are not included.

Asian countries

Direct exposure at 31 December		1998				1997	
In millions of euros	Corporate	Banks	Government and public sector	Total (excl. short-term trade related)	Short-term trade related	Total	Total
South Korea	332	395	336	1,063	269	1,332	1,568
Indonesia	504	36	42	582	113	695	941
Thailand	359	11	101	471	108	579	934
Malaysia	199	50	71	320	65	385	574
Philippines	91	57	48	196	198	394	545
Total	1,485	549	598	2,632	753	3,385	4,562

Loans to private clients from these five countries amounted to EUR 198 million at 31 December 1998.

In 1998, the BNP Group recorded additional allowances of EUR 290 million to cover specific exposures in the five most sensitive Asian countries. Total specific and general allowances represented EUR 743 million at 31 December 1998 (EUR 460 million at 31 December 1997), as follows:

- Specific allowances of EUR 382 million (EUR 90 million

at 31 December 1997) for individually identified impaired assets.

- An additional general precautionary allowance for country risks calculated using the multi-criteria approach applied by the BNP Group which is designed, in particular, to assess the impact of a further deterioration in the economic and financial situation in the five countries. This allowance amounted to EUR 361 million at 31 December 1998 (EUR 370 million at 31 December 1997).

Other countries

Direct exposure at 31 December		1998					
In millions of euros	Corporate	Banks	Government and public sector	Total (excl. short-term trade related)	Short-term trade related	Total	
Russia	56	60	442	558	75	633	

Outstandings on transactions with Russia where the only risk was of non-delivery of the goods financed amounted to EUR 203 million at 31 December 1998.

Direct exposure at 31 December 1998						
In millions of euros	Corporate	Banks	Government and public sector ⁽¹⁾	Total (excl. short-term trade related)	Short-term trade related	Total
Brazil	186	19	266	471	261	732

Brady bond debt with Brazil guaranteed by US zero-coupon treasury bonds amounted to EUR 169 million at 31 December 1998.

Note 8—Investments in companies carried under the equity method

In millions of euros	BNP Group's ownership interest	BNP Group's share of net income for most recent financial period ⁽²⁾	Total investment of the Group	Net book value of shares in companies
Financial institutions:				
BICI (Ivory Coast)	17	—	17	7
BICI (Gabon)	15	1	16	3
Béarnaise de Participations	9	3	12	5
International Bank of Southern Africa (South Africa)	4	1	5	—
Union Africaine de Crédit	4	—	4	5
BICI (Senegal)	4	—	4	3
BICI A (Burkina Faso)	4	—	4	1
Euromezzanine SCA	3	—	3	3
Chinonaise de Participations	3	—	3	2
DGC Participations	3	(2)	1	1
Other	74	1	75	79
Total financial institutions	140	4	144	109
Non-financial companies:				
Insurance companies:				
Natio-Vie	512	73	585	358
BNP Ré Luxembourg	130	14	144	7
Total insurance companies	642	87	729	365
Real estate companies:				
Meunier Promotion	35	8	43	43
Cimoxi	12	—	12	3
Société Française de Développement Immobilier	8	(1)	7	7
Total real estate companies	55	7	62	53
Other non-financial companies:				
Société Française du Chèque de Voyage	3	1	4	3
Merone et Cita	16	2	18	21
Other	18	15	33	—
Total other non-financial companies	37	18	55	24
Total non-financial companies	734	112	846	442
Total investments in companies carried under equity method	874	116	990	551

(1) Not guaranteed.

(2) BNP Group's share in undistributed income.

Note 9 – Long-term investments

In millions of euros	Gross amount at 1 January 1998	Acquisitions	Redemptions and disposals	Transfers and other changes (1)
Debt securities held for investment (note 5)	24,216	6,704	(6,777)	1,390
Other stock investments (note 6)	2,029	390	(392)	56
Equity securities held for investment (note 6)	1,936	387	(460)	114
Investments in companies carried under equity method (note 8)	816	—	—	174
Total long-term investments	28,997	7,481	(7,629)	1,734

(1) Transfers and other adjustments comprise accumulated translation differences and transfers among the various portfolio categories. Transfers between "Other stock investments" and "Equity securities held for investment" portfolios are discussed in Note 6.

Note 10 – Tangible and intangible assets

In millions of euros	1998			1997	1996
	Gross	Depreciation, amortization and provisions	Net	Net	Net
Intangible assets:					
Computer software	373	258	115	107	101
Other intangible assets	205	89	116	114	118
Total intangible assets	578	347	231	221	219
Tangible assets:					
Land and buildings	2,137	861	1,276	1,131	1,621
Equipment, furniture and fixtures	2,308	1,518	790	685	710
Fixed assets in progress	100	—	100	80	67
Total tangible assets	4,545	2,379	2,166	1,896	2,398
Total tangible and intangible assets	5,123	2,726	2,397	2,117	2,617

Operating Assets

In 1991 and 1992, as allowed by French regulations, BNP transferred its main operating real estate holdings to its subsidiary Compagnie Immobilière de France. The book value of the assets was increased by EUR 1,156 million, and the corresponding capital gain was posted to consolidated stockholders' equity under "capital gains on restructuring", net of the related income tax effect (see note 20).

In order to reflect what now appears to be a lasting decline in the real estate market, in 1997 the BNP Group wrote down the book value of these real estate assets by EUR 545 million. The adjustment, net of the related income tax effect, was recorded in the balance sheet under "capital gains on restructuring", consistently with the initial adjustment (see note 20). Consequently, this adjustment had no impact on consolidated net income.

Gross amount at 31 December 1998	Allowance at 1 January 1998	Additions to allowance during period	Deductions from allowance at 31 December 1998	Other changes ⁽¹⁾	Total allowance at 31 December 1998	Net amount at 31 December 1998
25,533	11	—	(4)	—	7	25,526
2,083	306	24	(31)	5	304	1,779
1,977	351	24	(87)	(2)	286	1,691
990	—	—	—	—	—	990
30,583	668	48	(122)	3	597	29,986

Non Operating Assets

Non operating land and buildings amounted to EUR 24 million at 31 December 1998, compared with EUR 29 million at 31 December 1997 and EUR 21 million at 31 December 1996.

Depreciation, Amortization and Provisions

The charge for depreciation, amortization and provisions totaled EUR 333 million in 1998, compared with EUR 321 million in 1997 and EUR 314 million in 1996.

Note 11—Accrued income and other assets

In millions of euros, at 31 December	1998	1997	1996
Accrued income and other adjustment accounts			
Valuation adjustment account ⁽¹⁾	3,209	6,806	5,485
Accrued income	2,498	3,101	3,230
Collection account	1,924	1,727	1,799
Other adjustment accounts ⁽²⁾	3,226	5,780	3,266
Total accrued income and other adjustment accounts	10,857	17,414	13,780
Other assets			
Premiums on purchased options ⁽³⁾	11,873	6,838	4,363
Investments in Codevi “industrial development” securities	2,476	2,412	2,447
Deferred income tax assets	432	537	343
Other	4,922	4,353	1,993
Total other assets	19,703	14,140	9,146
Total accrued income and other assets	30,560	31,554	22,926

(1) Gains arising from marking transactions (foreign exchange instruments and forward instruments) to market.

(2) Includes prepaid interest for customers and financial institutions accounts and prepaid expenses.

(3) The development of the “Options” worldwide line of business has led to a significant increase in this caption.

Note 12–Goodwill

In millions of euros, at 31 December	1998	1997	1996
Net amount at 1 January	79	27	26
Goodwill on acquisitions during the year	163	65	13
Translation difference	(3)	4	1
Amortization of goodwill	(24)	(17)	(13)
Unamortized goodwill at 31 December	215	79	27

The net amortization of the portion of goodwill not allocated to specific assets or liabilities totalled EUR 16 million in 1998 after deduction of EUR 8 million (EUR 16 million

in 1997 after deduction of negative EUR 1 million and EUR 13 million in 1996).

Note 13–Interbank and money market items and securities

In millions of euros, at 31 December	1998	1997	1996
Interbank and money market items			
Demand accounts:	6,323	6,864	5,372
Due to central banks and post office banks	3,392	3,636	1,936
Due to credit institutions	2,904	3,188	3,410
Related payables	27	40	26
Time deposits and borrowings:	55,225	56,962	62,754
Central banks	4,464	3,797	3,272
Other credit institutions	49,066	51,508	58,012
Related payables	1,695	1,657	1,470
Securities and bills sold firm or under repurchase agreements:			
Securities given under repurchase agreements	39,449	32,499	19,335
Bills sold firm or under repurchase agreements	7,097	5,548	7,572
Central banks	1,725	1,763	280
Other credit institutions	5,372	3,785	7,292
Total securities and bills sold firm or under repurchase agreements	46,546	38,047	26,907
Total interbank and money market items	108,094	101,873	95,033
Bonds and negotiable short-term debt instruments			
Interbank market securities	172	267	339
Total interbank items and money market securities	108,266	102,140	95,372
<i>Including: accrued interest</i>	<i>2,081</i>	<i>1,842</i>	<i>1,590</i>

Interbank demand deposits amounted to EUR 2,904 million at 31 December 1998, compared with EUR 3,187 million at 31 December 1997 and EUR 3,410 million at 31 December 1996.

Note 14– Customer deposits, retail certificates of negotiable certificates of deposit

In millions of euros, at 31 December	1998	1997	1996
Customer deposits:			
Demand accounts	36,152	30,334	27,809
Time accounts	42,925	39,884	37,917
Regulated savings accounts	31,291	31,885	29,222
Repurchase agreements:			
Securities sold under delivered repurchase agreements	7,569	7,312	2,318
Securities and bills sold outright or under repurchase agreements	28	4	4
Total repurchase agreements	7,597	7,316	2,322
Total customer deposits	117,965	109,419	97,270
Bonds and negotiable short-term debt instruments:			
Negotiable certificates of deposit	24,614	25,796	26,961
Retail certificates of deposit	4,863	2,690	2,617
Total bonds and negotiable short-term debt instruments	29,477	28,486	29,578
Total customer deposits, retail certificates of deposit and negotiable certificates of deposit	147,442	137,905	126,848
<i>Including: accrued interest</i>	<i>851</i>	<i>820</i>	<i>821</i>

Regulated demand savings deposits, including savings collected for investment, totaled EUR 9,643 million at 31 December 1998 (EUR 10,570 million at 31 December 1997, EUR 8,513 million at 31 December 1996). Other customer demand deposits amounted to EUR 36,397 million at 31

December 1998 (EUR 30,648 million at 31 December 1997, EUR 28,072 million at 31 December 1996).

Customer deposits, excluding negotiable certificates of deposit, may be analyzed by category of customers as follows:

In millions of euros, at 31 December	1998	1997	1996
Financial customers	14,009	10,097	8,353
Non-financial customers			
Companies	40,065	34,809	29,100
Individuals	55,434	53,814	49,036
Sole proprietors	4,686	5,253	4,745
General government agencies	1,962	1,688	1,689
Other non-financial customers	6,672	6,448	6,964
Total non-financial customers	108,819	102,012	91,534

Note 15 – Bond issues

The main bond issues for which principal outstanding exceeds 2% of total bond debt are listed below:

In millions of euros, at 31 December	1998			1997	1996	
	Issue	Maturity	Coupon in %	Principal outstanding	Principal outstanding	Principal outstanding
BNP SA						
Issue of EUR 549 million (3.6 billion FRF)	1995	2006	8.50	549	549	549
Issue of EUR 477 million (3.13 billion FRF)	1991	2000	9.00	477	477	477
Issue of EUR 445 million (2.92 billion FRF)	1994	2006	8.50	445	445	445
Issue of EUR 427 million (2.80 billion FRF)	1988	2000	9.00	427	427	427
Issue of EUR 381 million (2.50 billion FRF)	1992	1997	8.625	—	—	381
Issue of EUR 359 million (2.35 billion FRF)	1988	2000	9.00	359	359	359
Issue of EUR 320 million (2.10 billion FRF)	1992	1999	9.00	308	320	320
Issue of GBP 200 million	1994	1999	6.25	284	303	272
Issue of EUR 259 million (1.7 billion FRF)	1989	2000	9.00	259	259	259
Issue of EUR 229 million (1.5 billion FRF)	1992	2002	9.00	229	229	229
Issue of EUR 229 million (1.5 billion FRF)	1993	2003	6.50	229	229	229
Issue of EUR 198 million (1.3 billion FRF)	1989	2001	8.70	198	198	198
Issue of EUR 183 million (1.2 billion FRF)	1989	2000	9.00	183	183	183
Issue of EUR 183 million (1.2 billion FRF)	1993	2000	9.00	183	183	183
Issue of EUR 152 million (1 billion FRF)	1987	1999	Variable rate	152	152	152
Issue of EUR 152 million (1 billion FRF)	1988	2000	Variable rate	152	152	152
Other issues				2,399	2,946	3,694
Total bonds issued by BNP SA				6,833	7,411	8,509
Bonds issued by consolidated subsidiaries				352	513	597
BNP Group bonds held by consolidated subsidiaries				(287)	(289)	(451)
Total BNP Group bonds outstanding				6,898	7,635	8,655
Accrued interest				98	122	211
Total bond issues				6,996	7,757	8,866

Unamortized premiums on the various BNP Group bond issues outstanding, representing the difference between the proceeds of the issues and their redemption

price, totaled EUR 44 million at 31 December 1998, compared with EUR 50 million at 31 December 1997 and EUR 53 million at 31 December 1996.

Note 16 – Accruals and other liabilities

In millions of euros, at 31 December	1998	1997	1996
Accruals:			
Valuation adjustment account ⁽¹⁾	4,853	7,091	5,300
Accrued liabilities	2,295	2,828	1,819
Funds pending collection	153	374	382
Other accruals	2,554	2,810	3,265
Total accruals	9,855	13,103	10,766
Other liabilities:			
Liabilities related to securities transactions	10,263	13,625	14,112
Deferred income tax liabilities	879	701	666
Other payables and liabilities ⁽²⁾	17,884	13,769	8,513
Total other liabilities	29,026	28,095	23,291
Total accruals and other liabilities	38,881	41,198	34,057

(1) Losses arising from marking transactions (foreign exchange instruments and forward instruments) to market.

(2) Includes premiums received on written options.

Note 17 – Allowance for liabilities and charges

In millions of euros, at 31 December	1998	1997	1996
Allowance for off-balance sheet commitments (note 7)	553	389	321
Allowance for pension commitments and other employee benefits (note 25)	643	689	660
Allowance for other credit risks (note 7)	924	388	435
Other allowances	733	651	485
Total allowance for liabilities and charges	2,853	2,117	1,901

Off-balance sheet commitments covered by allowances amounted to EUR 913 million at 31 December 1998 against EUR 1,055 million at 31 December 1997 and EUR 804 million at 31 December 1996.

The allowance for other credit risks contains allowances made for miscellaneous risks, a general precautionary allowance in respect of at-risk countries, and an allowance set up in 1994 for unforeseeable sectoral risks in the areas believed to be the most heavily exposed to a worsening

of market conditions. This allowance was originally set up with an allocation of EUR 396 million in 1994, followed by an addition of EUR 273 million in 1996. In 1996, EUR 451 million was deducted from this allowance to create a specific allowance for counterparty risks (EUR 213 million) and to cover the decrease in value of BNP's equity investments (EUR 238 million) in UAP and Pechiney. The remainder of the allowance, amounting to EUR 218 million at 31 December 1998, is unallocated and intended to cover unforeseeable sectoral risks.

Note 18 – Subordinated debt

In millions of euros, at 31 December	1998	1997	1996
Subordinated medium- and long-term debt	6,261	6,266	5,329
Undated subordinated debt:			
Undated participating subordinated notes	350	352	352
Undated floating-rate subordinated notes:			
In foreign currencies	428	456	399
In euros	305	305	305
Total undated floating-rate subordinated notes	733	761	704
Undated notes	653	597	176
Total undated subordinated debt	1,736	1,710	1,232
Total subordinated debt issued by BNP Group	7,997	7,976	6,561
Accrued interest	261	236	218
Total	8,258	8,212	6,779

Subordinated Medium- and Long-Term Debt

Subordinated debt included under this heading consists of medium- and long-term debentures issued in euros and foreign currencies, equivalent to debt ranking last before

participating debt and securities. The main subordinated debt issues for which principal outstanding exceeds 5% of total subordinated liabilities are listed below:

In millions of euros, at 31 December	1998			1997			1996
	Issue	Maturity	Coupon in %	Principal outstanding	Principal outstanding	Principal outstanding	
Debt issued by BNP SA:							
Issue of EUR 572 million (3,75 billion FRF)	1990	2002	10,60	572	572	572	
Issue of EUR 381 million (2,50 billion FRF)	1991	2004	9,35	381	381	381	
Issue of EUR 346 million (2,27 billion FRF)	1988	2000	9,30	346	346	346	
Other issues in France				4,242	4,288	3,694	
Debt issued by foreign branches				341	563	217	
Total BNP SA borrowings				5,882	6,150	5,210	
Total borrowings by consolidated subsidiaries				379	116	119	
Total subordinated medium- and long-term debt				6,261	6,266	5,329	

Subordinated medium- and long-term debt issued by the BNP Group generally contains a call provision authorizing BNP to buy back its securities directly in the market or through tender offers or, in the case of private placements, over the counter.

Borrowings in international markets by BNP SA or foreign subsidiaries of the BNP Group may be subject to early repayment of principal and the early payment of interest due at maturity in the event that changes in applicable tax laws oblige the BNP Group issuer to compensate debtholders for the consequences of such changes. The debt securities may be called on 30 to 60 days' notice subject to approval by the

banking supervisory authorities.

Undated Subordinated Debt

In July 1984, pursuant to the French law of 3 January 1983, BNP issued a first block of 1,800,000 undated participating subordinated notes (*titres participatifs*) with a par value of French franc 1,000, for a total of EUR 274 million. Subscription rights to new undated participating subordinated notes were attached to each of these notes. In respect of rights exercised between 1 July and 30 July 1985, 1986, 1987, and 1988 BNP issued a total of 412,761 new undated participating subordinated notes with a face value of FFR 1,000 and received an issue premium

of EUR 4 million. These notes are redeemable only in the event of a liquidation of BNP, but may be redeemed in accordance with the terms of the law.

In October 1985, BNP issued EUR 305 million of undated floating-rate subordinated notes (titres subordonnés à durée indéterminée, or TSDI). These notes are redeemable only in the event of liquidation. They are subordinated to all other company debts but senior to the undated participating subordinated notes issued by BNP. The Board of Directors is entitled to postpone the interest payments on these securities if the stockholders' meeting approving the financial statements declares that there is no income available for

distribution. In September 1986, BNP raised a further USD 500 million by issuing new undated floating-rate subordinated notes with characteristics similar to those of the French franc notes issued in 1985.

Between 1996 and 1998, BNP SA issued undated notes, which may be called at the issuer's discretion, starting from a date specified in the issuing agreement and contingent upon the consent of the Commission Bancaire.

Undated participating subordinated notes, undated subordinated notes and undated notes qualify as Tier 2 capital under French regulations and international guidelines on capital adequacy.

At 31 December 1998	Issue	Call options	Coupon	Outstanding principal
BNP SA:				
Undated subordinated notes:				
Issue of EUR 305 million (FRF 2 billion)	1985		TMO	305
Issue of USD 500 million	1986		Variable rate	429
Undated notes:				
Issue of USD 20 million	1996	2006	Variable rate	17
Issue of USD 200 million	1996	2006	Variable rate	171
Issue of USD 50 million	1997	2007	Variable rate	43
Issue of USD 25 million	1997	2002	Variable rate	22
Issue of EUR 191 million (FRF 1.25 billion)	1997	2007	(2)	191
Issue of USD 50 million	1997	2007	Variable rate	43
Issue of USD 50 million	1997	2006	Variable rate	43
Issue of EUR 9 million (NLG 20 million)	1997	2007	(2)	9
Issue of EUR 37 million (BEF 1.5 billion)	1997	2002	Variable rate	37
Issue of EUR 77 million (ITL 150 billion)	1998	2008	Variable rate	77
Undated participating subordinated notes:				
BNP SA:				
Issue of EUR 274 million (FRF 1,800 million)	1984		Variable rate (1)	274
Issue of EUR 63 million (FRF 413 million)	1985–1988		Variable rate (1)	63
Issues by consolidated subsidiaries				
Issue of EUR 15 million (FRF 100 million)	1985		Variable rate	12
Total undated subordinated notes				1,736

(1) The minimum interest rate is equal to 85% of average TMO (average corporate bond yield).

(2) Fixed rate, switching to floating rate after the call option date.

Note 19 – Reserve for general banking risks

The reserve for general banking risks amounted to EUR 1,641 million at 1 January 1994. In 1994 and 1996 respectively, EUR 396 million and EUR 273 million were

released and simultaneously allocated to the allowance for unforeseeable sectoral risks (note 34). At 31 December 1998, the reserve for general banking risks amounted to EUR 1,038 million.

Note 20 – Stockholders' equity after appropriation of income

In millions of euros	Capital stock	Ordinary capital surplus	Capital gain on restructuring and revaluation surplus	Statutory and additional amortization of investments	Accumulated translation difference	Parent company's retained earnings and Group's share in retained earnings of subsidiaries	Retained earnings, capital gain resulting from real estate restructuring and revaluation surplus	Stockholders' equity attributable to BNP Group	Minority interests	Total
Balance at 31 December 1995	723	2,660	890	73	(441)	3,511	4,033	7,416	337	7,753
1996 consolidated net income						588	588	588	42	630
Cash dividend						(171)	(171)	(171)	(12)	(183)
Operations affecting capital stock in 1996:										
Stock-for-stock public tender offers	49	313						362	(123)	239
Other	9	53						62		62
Effect of deconsolidation of UAP	10				50	89	139	149		149
Effect of exchange rate fluctuations in 1996					102		102	102	(2)	100
Issue of preferred shares									60	60
Other			(31)			(8)	(39)	(39)	(15)	(54)
Balance at 31 December 1996	791	3,026	859	73	(289)	4,009	4,652	8,469	287	8,756
Consolidated net income at 1997						909	909	909	39	948
Cash dividend						(228)	(228)	(228)	(17)	(245)
Operations affecting capital stock in 1997:										
Stock-for-stock public tender offers	5	30						35	(35)	
Other	17	127						144		144
Effect of exchange rate fluctuations in 1997:										
During 1997					85		85	85	17	102
On securities being sold					85	(64)	21	21		21
Adjustment of capital gain on real estate contribution			(420)				(420)	(420)		(420)
Issue of preferred shares									445	445
Other			(9)			(5)	(14)	(14)	8	(6)
Balance at 31 December 1997	813	3,183	430	73	(119)	4,621	5,005	9,001	744	9,745
1998 consolidated net income						1,114	1,114	1,114	53	1,167
Cash dividend						(328)	(328)	(328)	(50)	(378)
Operations affecting capital stock in 1998:										
Stock-for-stock public tenderoffers	7	46						53	(53)	
Other	13	192						205		205
Effect of exchange rate fluctuations in 1998:										
Irreversible monetary depreciation (note 34)					(119)		(119)	(119)	(65)	(184)
Other					39		39	39		39
Restructuring of the interest in the BANCWEST CORP. Group									438	438
Other			(26)			(12)	(38)	(38)	(3)	(41)
Balance at 31 December 1998	833	3,421	404	73	(199)	5,395	5,673	9,927	1,064	10,991

Operations involving capital stock in 1996, 1997 and 1998

BNP's capital stock at 1 January 1996, before the elimination of the impact of reciprocal shareholding, consisted of 192,183,938 common shares with a FRF 25 par value.

Capital Increases in 1996

Pursuant to a resolution of the Stockholders' Meeting of 23 May 1995, the Board of Directors of BNP decided on 28 June 1995 to launch a stock-for-stock public tender offer for BNP España SA and on 21 May 1996 to launch a stock-for-stock public tender offer for Compagnie d'Investissements de Paris. Consequently, BNP issued 720,280 new common shares (FRF 25 par value) with rights from 1 January 1995 in remuneration for the shares of BNP España it received, and 12,202,336 new common shares (FRF 25 par value) with rights from 1 January 1996 in remuneration for the shares of Compagnie d'Investissements de Paris it received.

In accordance with Section 180 V of the 1966 French Companies Act, the Stockholders' Meeting of 21 May 1996 approved the proposal of the Board of Directors, pursuant to its meeting on 13 March 1996, to issue shares reserved for subscribers to the company savings plan via the mutual fund BNP Actionnariat. This mutual fund subscribed 652,444 new common shares (FRF 25 par value) for this purpose.

BNP's capital was also increased by the creation of 1,675,995 shares for stockholders who opted to receive their dividends in the form of shares.

Capital Increases in 1997

Pursuant to a resolution of the Stockholders' Meeting of 23 May 1995, the Board of Directors of BNP decided on 5 May 1997 to launch a stock-for-stock public tender offer for BNP Intercontinentale. Consequently, BNP issued 1,315,122 new common shares (FRF 25 par value) with rights from 1 January 1997 in remuneration for the shares of BNP Intercontinentale it received.

In accordance with Section 180 V of the 1966 French Companies Act and pursuant to delegations received from the Stockholders' Meeting of 21 May 1996, the Board of Directors decided on 6 March 1997, to issue shares reserved for subscribers to the company savings plan via the mutual fund BNP Actionnariat. This mutual fund subscribed 920,000 common shares (FRF 25 par value) for this purpose.

BNP's capital was also increased by the creation of 3,574,073 shares for stockholders who opted to receive their dividends in the form of shares.

At 31 December 1997, BNP's capital stock consisted of 213,244,188 fully paid common shares (FRF 25 par value).

During the course of 1997, BNP employees subscribed 1,400 shares with rights from 1 January 1997 under the stock option plan. The corresponding capital increase took effect on 29 January 1998.

Capital Increases in 1998

Pursuant to a resolution of the Stockholders' Meeting of 22 May 1997, the Board of Directors of BNP decided on 13 May 1998 to launch a further stock-for-stock public tender offer for BNP Intercontinentale. Consequently, BNP issued 1,702,410 new common shares with a par value of FRF 25 and rights from 1 January 1998 in remuneration for the shares of BNP Intercontinentale it received.

In accordance with Section 180 V of the 1966 French Companies Act and pursuant to delegations received from the Stockholders' Meeting of 21 May 1996, the Board of Directors decided on 4 March 1998, to issue shares reserved for subscribers to the company savings plan via the mutual fund BNP Actionnariat. This mutual fund subscribed 1,280,000 common shares with a par value of FRF 25 for this purpose.

BNP's capital was also increased by the creation of 2,176,932 new shares with a par value of FRF 25 for stockholders who opted to receive their dividends in the form of shares.

In the first half of 1998, 5,741 shares with rights from 1 January 1998 were subscribed by BNP employees under the stock option plan.

At 31 December 1998, the capital of BNP SA consisted of 218,410,671 fully paid common shares with a par value of FRF 25.

During the course of 1998, BNP employees subscribed 78,129 shares with rights from 1 January 1998 under the stock option plan. The corresponding capital increase took effect on 5 January 1999.

Analysis of additional paid-in capital in excess of par, premiums on acquisition and capital gain on real estate restructuring

This item was increased in 1996 by the additional paid-in capital in excess of par resulting from the stock-for-stock public tender offers for BNP España and Compagnie d'Investissements de Paris, as well as the issue premiums resulting from the exercise by some stockholders of the option to receive dividends in the form of shares and from the placement of shares reserved for subscribers to the company savings plan. These issue premiums amounted to EUR 14 million and 299 million, respectively, after charging goodwill against additional paid-in capital in excess of par, on the stock-for-stock public tender offers, and EUR 54 million on the new share issues concerning the payment of the dividend and the shares placed with staff members.

Similarly, in 1997 this item was increased by the additional paid-in capital in excess of par resulting from the stock-for-stock public tender offer for BNP Intercontinentale, as well as the issue premiums resulting from the exercise by some stockholders of the option to receive dividends in the form of shares and from the placement of shares reserved for subscribers to the company savings plan. These issue premiums amounted to EUR 30 million after charging goodwill against additional paid-in capital in excess of par on the exchange offer, and to EUR 126 million on issues relating to the payment of the dividend and the shares placed with staff members.

In 1998, this item was increased by the additional paid-in capital in excess of par resulting from the stock-for-stock public tender offer for BNP Intercontinentale, as well as the issue premiums resulting from the exercise by some stockholders of the option to receive dividends in the form of shares and from the placement of shares reserved for subscribers to the company savings plan. These issue

premiums amounted to EUR 46 million after charging goodwill against additional paid-in capital in excess of par on the exchange offer, and to EUR 192 million on issues concerning the payment of the dividend and the shares placed with staff members.

The capital gain on real estate restructuring of EUR 393 million relates to a restructuring operation whereby BNP transferred its real estate holdings to its subsidiary Compagnie Immobilière de France, "CIF", in 1991 and 1992. The resulting capital gain is recognized in the consolidated income statement in proportion to the additional depreciation charge taken by CIF. The value of the residual gain as at 31 December 1997 includes a write-down of EUR 420 million taken during 1997 (see notes 1 and 10) to reflect a decline in the real estate market that is now considered to be lasting.

Preferred shares

In April 1996, the BNP Group issued USD 75 million of preferred shares through its subsidiary BANCWEST CORP. These shares were redeemed on the restructuring of Bankwest Holding Company, which led to the creation of a new entity, BANCWEST CORP. Group (note 34).

In December 1997, BNP US Funding LLC, a wholly-owned subsidiary of the BNP Group, made a new USD 500 million issue of noncumulative preferred shares, which do not dilute earnings per ordinary share. They will pay a contractual dividend of 7.738% for a period of ten years. At the end of that period, the issuer may redeem the shares at par at the end of any calendar quarter. Until they are redeemed, the shares will pay a dividend indexed to Libor. The proceeds of this issue are included in stockholders' equity under "Minority interests" and the corresponding remuneration is treated as a distribution to minority stockholders.

Note 21 – Off-balance sheet commitments

In millions of euros, at 31 December	1998	1997	1996
FINANCING COMMITMENTS GIVEN AND RECEIVED			
Financing commitments given:			
To credit institutions	5,162	3,412	3,860
On behalf of customers:			
Confirmed letters of credit:			
Documentary credits	4,036	3,939	3,109
Other confirmed letters of credit	45,084	38,398	29,399
Other commitments given on behalf of customers	13,400	14,780	13,106
Total on behalf of customers	62,520	57,117	45,614
Total financing commitments given	67,682	60,529	49,474
Financing commitments received:			
Roll-over agreements (stand-by commitments) received from credit institutions	3,601	1,117	1,270
Roll-over agreements (stand-by commitments) received on behalf of customers	189	394	165
Total financing commitments received	3,790	1,511	1,435
GUARANTEES AND ENDORSEMENTS GIVEN AND RECEIVED			
Guarantees and endorsements given:			
To credit institutions:			
Confirmed documentary credits	796	759	785
Other	1,908	1,424	1,630
Total to credit institutions	2,704	2,183	2,415
On behalf of customers:			
Guarantees and endorsements:			
Real estate guarantees	756	596	519
Administrative and tax guarantees	3,840	3,640	3,476
Other	7,918	6,373	5,074
Other guarantees on behalf of customers	16,344	16,069	15,140
Total on behalf of customers	28,858	26,678	24,209
Total guarantees and endorsements given	31,562	28,861	26,624
Guarantees and endorsements received:			
From credit institutions	6,263	6,265	4,170
On behalf of customers:			
Guarantees received from government administrations and related	6,294	5,683	4,895
Guarantees received from financial institutions	794	688	497
Other guarantees received	9,989	11,567	8,470
Total on behalf of customers	17,077	17,938	13,862
Total guarantees and endorsements received	23,340	24,203	18,032
COMMITMENTS GIVEN AND RECEIVED ON SECURITIES:			
Securities to be received	5,933	9,695	8,466
Securities sold under repurchase agreements to be received ⁽¹⁾	23	—	1
Total securities to be received	5,956	9,695	8,467
Total securities to be delivered	8,604	7,954	8,515

(1) Receipt of these securities is contingent upon exercise of the repurchase option.

Note 22 – Forward and options contracts

The following transactions were entered into on different markets for specific or global hedging of assets and liabilities and for position management.

In millions of euros, at 31 December	1998			1997		
	Hedging transactions	Position management	Total	Hedging transactions	Position management	Total
Forward contracts:	708,286	1,537,551	2,245,837	661,001	1,212,314	1,873,315
On organized exchanges	39,699	812,688	852,387	30,841	596,554	627,395
Interest rate contracts	39,022	778,353	817,375	30,814	591,278	622,092
Foreign exchange contracts	0	25,376	25,376	27	43	70
Financial assets contracts	677	8,959	9,636	—	5,233	5,233
Over-the-counter	668,587	724,863	1,393,450	630,160	615,760	1,245,920
Forward-rate agreements (FRAs)	16,919	62,484	79,403	19,229	38,603	57,832
Interest rate swaps	52,548	635,254	687,802	42,507	462,915	505,422
Currency swaps	382,305	8,970	391,275	354,022	6,094	360,116
Foreign exchange forward swaps	215,961	14,949	230,910	214,347	102,736	317,083
Other forward contracts	854	3,206	4,060	55	5,412	5,467
Options	19,395	307,665	327,060	10,890	324,803	335,693
On organized markets	1,214	192,221	193,435	203	197,085	197,288
Interest rate options	—	41,795	41,795	54	72,116	72,170
Bought	—	14,263	14,263	27	30,790	30,817
Sold	—	27,532	27,532	27	41,326	41,353
Currency options	—	42,600	42,600	—	95,057	95,057
Bought	—	21,186	21,186	—	46,038	46,038
Sold	—	21,414	21,414	—	49,019	49,019
Other options	1,214	107,826	109,040	149	29,912	30,061
Bought	29	54,488	54,517	—	14,588	14,588
Sold	1,185	53,338	54,523	149	15,324	15,473
Over-the-counter	18,181	115,444	133,625	10,687	127,718	138,405
Caps and floors	4,378	63,814	68,192	2,241	57,127	59,368
Bought	1,677	27,708	29,385	1,073	27,241	28,314
Sold	2,701	36,106	38,807	1,168	29,886	31,054
Swaptions and options (Interest rate, currency and other)	13,803	51,630	65,433	8,446	70,591	79,037
Bought	7,561	27,189	34,750	4,660	37,315	41,975
Sold	6,242	24,441	30,683	3,786	33,276	37,062
Total forward and options contracts	727,681	1,845,216	2,572,897	671,891	1,537,117	2,209,008

The notional amounts of the contracts shown above should be construed as indicators of the BNP Group's activity on the financial instruments markets and not as indicators

of the market risks arising on these instruments. Gains and losses on these transactions are presented in note 26 "Net Banking Income", and in notes 11 and 16 to the balance sheet.

Evaluation of counterparty risk exposure

The BNP Group's exposure to counterparty risk arising on forward and option contracts is assessed according to European Union and international prudential ratios applicable at 31 December 1998. Accordingly, it takes into account signed netting agreements, which are used to attenuate counterparty risk on derivatives.

The Bank primarily uses the portfolio approach, which enables it to close all positions and mark them to market upon default, netting all positive and negative payments between the two parties to arrive at the net close-out amount payable or receivable. The net close-out amount may be collateralized by requiring the counterparty to pledge cash, securities or deposits as collateral.

The Bank also uses bilateral payment flow netting

to attenuate counterparty risk on foreign currency payments. In this case, streams of payment orders in a given currency are replaced by a cumulative balance due to or from each party, representing the single sum, in each currency, remaining to be settled on a given day between the Bank and the counterparty.

The transactions concerned are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of national or international master agreements. The main bilateral agreement models used are those of the Association Française des Banques (AFB), or those of the International Swaps and Derivatives Association (ISDA) for international agreements. BNP also participates in EchoNetting, enabling it to use multilateral netting for transactions involving other participants.

Credit risk on forward and options contracts	1998		1997	
In millions of euros	Positive replacement cost	Weighted risk equivalent	Positive replacement cost	Weighted risk equivalent
Sovereign exposure	225	—	75	—
Risk exposure on banks in zone A ⁽¹⁾	21,612	6,133	14,416	4,333
Risk exposure on banks in zone B ⁽¹⁾ and non-banking counterparties	3,649	2,627	2,691	2,089
Total before netting agreements	25,486	8,760	17,182	6,422
Including exposures on:				
Interest rates	12,351	3,479	7,740	2,432
Exchange rates and other instruments	13,135	5,281	9,442	3,990
Impact of netting agreements	(13,946)	(3,627)	(4,484)	(1,366)
Total after netting agreements	11,540	5,133	12,698	5,056

(1) Zone A consists of the member states of the European Union (EU) and the Organization for Economic Cooperation and Development (OECD) provided that they have not rescheduled any external sovereign debt within the previous five years, and countries that have negotiated special borrowing agreements with the International Monetary Fund (IMF) within the framework of the IMF's General Agreements to Borrow (GAB). Zone B consists of all other countries.

At 31 December 1998, the weighted risk equivalent calculated on OTC forward and options contracts,

excluding options sold, was 0.35% of the sum of notional amounts against 0.38% at 31 December 1997.

Counterparty risk exposure on forward and options contracts traded on the OTC market can be analyzed as follows according to the Standard & Poor's credit rating of the counterparty:

At 31 December 1998, by credit rating	Face value, analyzed by credit rating and residual term (%)			Total
	up to 1 year	1 to 5 years	over 5 years	
AAA-AA	39.8	16.6	9.0	65.4
A	13.2	5.4	2.5	21.1
BBB	3.7	2.4	1.0	7.1
BB or lower	4.1	1.9	0.4	6.4
Total	60.8	26.3	12.9	100.0

At 31 December 1998, by credit rating	Weighted risk equivalent, analyzed by credit rating and residual term (%)			Total
	up to 1 year	1 to 5 years	over 5 years	
AAA-AA	19.9	21.1	16.7	57.7
A	5.8	5.7	5.4	16.9
BBB	6.7	3.8	2.0	12.5
BB or lower	7.0	4.6	1.3	12.9
Total	39.4	35.2	25.4	100.0

Forward and options contracts by counterparty can be analyzed as follows:

At 31 December 1998, by credit rating	Face value, analyzed by credit rating and residual term (%)			Total
	up to 1 year	1 to 5 years	over 5 years	
OECD states	0.5	0.2	0.1	0.8
OECD banks	55.2	23.5	11.5	90.2
Other counterparties	5.1	2.6	1.3	9.0
Total	60.8	26.3	12.9	100.0

At 31 December 1998, by credit rating	Weighted risk equivalent, analyzed by credit rating and residual term (%)			Total
	up to 1 year	1 to 5 years	over 5 years	
OECD states	—	—	—	—
OECD banks	19.9	15.9	13.1	48.9
Other counterparties	19.5	19.3	12.3	51.1
Total	39.4	35.2	25.4	100.0

Note 23 – BNP’s market risk exposure associated with financial instruments transactions

The BNP Group manages its market risk exposure on operational positions using a system to assess and monitor risks that primarily focus on interest rate, foreign exchange, and equity markets.

These risks are assessed either:

- in terms of sensitivity to notional risks calculated using a limited set of risk coefficients that make it possible to assess the maximum loss incurred in 95% of movements observed in the past, over a holding period of five days;
- or, for interest rate and currency swaps with a maturity of over two years, by using a VaR (Value at Risk) valuation model for each portfolio involved. VaR is calculated on the basis of a 99% quantile and a holding period of one day. A multiplier is applied to the resulting figure, which is then aggregated with the sensitivity to notional risks calculated for the other activities. This new approach was implemented during 1998.

Sensitivity to notional risks of fluctuations in interest rates on all interest-rate related financial instruments is determined by simulating a $\pm 1\%$ change in interest rates on open positions maturing in less than a year and a $\pm 0.35\%$ change in interest rates on open positions maturing in more than a year. The hypothetical fluctuation chosen for positions resulting from arbitrage (or related) operations is limited to $\pm 0.15\%$ or $\pm 0.20\%$ according to the type of operations. For option positions, the sensitivity to notional risks of fluctuations in interest rates is considered to be equal to the highest possible absolute value that would result from the combination of interest rate fluctuations of 0.25% to 1% and volatility fluctuations determined on the basis of historical analyses.

Sensitivity to notional risks of fluctuations in exchange rates on all exchange-rate related financial instruments, excluding options, is determined by simulating a change in the Bank’s

overall net foreign exchange position in a set of closely-related currencies with similar fluctuation bands on the basis of historical analysis. Four zones have thus been identified in which the fluctuations vary between 0.50% and 10%. For option positions, the sensitivity to notional risks of fluctuations in exchange rates is considered to be equal to the highest possible absolute value that would result from the combination of exchange rate fluctuations retained for non-optional exchange rate positions and the volatility fluctuations determined on the basis of historical analysis, particularly as a function of option expiration dates.

Higher coefficients determined on the basis of historical analyses are used for countries with a government-regulated currency for both interest rate and currency instruments.

Sensitivity to notional risks of fluctuations in prices of listed equity securities is determined by simulating a change in prices of between $\pm 4\%$ and $\pm 33\%$, adjusted as a function of the stock market. This simulation applies to open positions in trading and investment securities held for sale portfolios, as well as to outstanding commitments to subscribe to share issues. The hypothetical fluctuation chosen for positions resulting from arbitrage operations varies between 0.25% and 1.25%, depending on the nature of the positions. Options’ sensitivity to notional risks is determined taking into account the highest possible absolute value that would result from the combination of fluctuations between 4% and 33% in the price of the underlying security or index and volatility fluctuations determined on the basis of historical analyses.

Sensitivity to notional risks is determined per currency, per portfolio, and per entity. The absolute value of all individual risks added together (see table, below) gives an estimate of theoretical maximum losses far exceeding the risks actually incurred, as offsetting positions taken in the same currency or market by different entities are not taken into account, nor does notional risk take into account correlations between price movements on some markets.

The BNP Group has the following notional risk exposure:

At 31 December	1998		1997	
In millions of euros	BNP Group	Including BNP France	BNP Group	Including BNP France
<i>Interest rate risk exposure</i>	264	100	264	137
On French-franc and foreign-currency money market instruments and bonds	—	18	—	18
On derivatives	—	82	—	119
<i>Currency risk exposure</i>	18	13	10	6
On foreign exchange forward instruments	—	4	—	3
On foreign exchange options	—	9	—	3
<i>Equity exposure</i>	208	16	74	12

Notional risk exposure may be broken down according to worldwide business lines:

At 31 December	1998			1997		
In millions of euros	BNP Group	Including BNP France	Including options	BNP Group	Including BNP France	Including options
Money market and forex	122	50	9	95	38	4
Bonds	96	—	—	74	—	—
Swaps and derivatives	53	53	8	105	105	13
Equities	193	—	159	62	—	53
Other	26	26	—	12	12	—

Note 24 – Maturity schedule of loans, deposits, and interest rate instruments

In millions of euros, at 31 December 1998	Demand and overnight	Maturing during three months	Maturing after three months but within one year	Maturing after one but within five years	Maturing after five years	Total
LOANS (gross):						
Interbank and money market items (note 3):						
Cash and due from central banks and post office banks	3,669	—	—	—	—	3,669
Treasury bills and money market instruments	—	22,290	3,405	9,956	4,770	40,421
Due from credit institutions	8,093	54,178	7,526	1,719	519	72,035
Customer items (note 4):						
Due from customers	19,573	68,059	14,199	25,027	18,190	145,048
Leasing receivables	—	1,194	1,469	4,790	2,015	9,468
Bonds and other fixed-income instruments (note 5) ⁽¹⁾:						
Trading account assets	—	6,237	—	—	—	6,237
Investment securities held for sale	—	1,963	372	681	1,365	4,881
Debt securities held for investment	—	1,071	708	2,092	2,281	6,153
DEPOSITS:						
Interbank and money market items and securities (note 13):						
Total interbank and money market items	18,701	76,143	9,292	2,627	1,331	108,194
Interbank market securities	—	119	23	30	—	172
Customer deposits, retail certificates of deposit, and negotiable certificates of deposit (note 14):						
Total customer deposits	46,655	51,546	10,689	7,368	1,707	117,965
Total bonds and negotiable short-term debt instruments	1,205	14,533	8,071	3,982	1,686	29,477
BNP Group bonds outstanding (note 15):	—	130	1,079	4,341	1,348	6,898
Subordinated medium and long-term debt outstanding (note 18)	—	—	—	3,219	3,042	6,261

(1) Excluding related receivables, which amount to EUR 451 million.

The BNP Group manages its liquidity within gap limits, all currencies combined, that are determined by the General Management Committee:

- The maximum mismatch on weighted balance sheet and off-balance sheet commitments maturing in more than one year (attributing maturities to commitments with no contractual maturity) is set at 25% of funds maturing in more than one year.
- The maximum mismatch on commitments with no contractual maturity, to which a maturity of more than one

year has been attributed, is set at 150% of stable funds with no contractual maturity (customer demand deposits and savings deposits net of overdrafts, stockholders' equity net of long-term investments).

Throughout 1998, BNP continually complied with regulatory guidelines with respect to its short-term (one-month) liquidity ratio and its ratio of stockholders' equity to long-term funding (funds maturing in more than five years).

Maturity schedule of forward and options commitments at 31 December 1998

In millions of euros		Maturing after one but within five years	Maturing after five years	Total
Interest-rate contracts	1,366,415	218,733	109,419	1,694,567
On organized exchanges	856,817	2,353	—	859,170
Over-the-counter	509,598	216,380	109,419	835,397
Foreign exchange contracts	654,364	40,768	16,156	711,288
On organized exchanges	75,501	1,097	—	76,598
Over-the-counter	578,863	39,671	16,156	634,690
Other contracts	132,901	24,769	9,372	167,042
On organized exchanges	115,160	2,830	—	117,990
Over-the-counter	17,741	21,939	9,372	49,052

Note 25 – Pension and postemployment benefits

Pension Benefits

In France and in most of the countries where BNP Group companies operate, pensions are financed by regular contributions to independent pension institutions that manage the payment of benefits.

Since 1 January 1994, pursuant to a new industry-wide agreement on pensions presented in note 1, BNP has been making contributions to two nationwide complementary pension organizations in France.

BNP's pension fund pays additional benefits relative to services rendered prior to 31 December 1993. BNP computes the actuarial value of such pension obligations based on the 1993 mortality table recommended by the French Insurance Code. The difference between the discount and inflation rates used at 31 December 1997 is roughly 3.5%, corresponding to the constant differential between long-term interest rates and inflation over a thirty-year period.

Funding is provided by transfers from the pension funds' existing reserves and reserves that will steadily become eligible for allocation (about EUR 107 million at 31 December 1998), and by the annual employers' contributions paid contractually by BNP SA, which are limited to 4% of payroll costs. In addition, a reserve for general banking risks was set up as a precautionary measure in 1993, to take account of the general demographic risk addressed by the industry-wide agreement concluded

in September 1993 (see notes 1 and 19).

In 1997, BNP SA signed an agreement establishing a funded pension system financed by employer and employee contributions. Upon retirement, BNP SA employees receive additional benefits over and above those they receive from the nationwide organizations.

Seniority and Postemployment Benefits

Employees of the various BNP Group companies are entitled to collective or contractual seniority and postemployment benefits such as retirement and seniority bonuses. In France, BNP is encouraging voluntary departures and early retirement among employees who meet certain eligibility criteria.

As a general rule, actuarial valuations of these obligations are made using a method that takes into account projected end-of-career salaries in order to determine the aggregate charge corresponding to benefits remaining to be paid to early retirees, retirees (if applicable), as well as vested benefits for employees.

Assumptions concerning mortality, employee turnover, and future salaries, as well as discounting rates (long-term market rates) and inflation, take into account economic conditions specific to each country or Group company. In France, the 1988-1990 mortality table adapted to the banking industry is used.

As of 31 December 1998, the discounting rate used for France and the estimated inflation rate are consistent with those used to assess the risks related to additional bank pension benefits.

BNP sets up an allowance to cover the charges related to the voluntary departure (Employment Adjustment Plan)

or early retirement by staff members, once the voluntary departure or early retirement plan concerned has been approved or submitted for collective approval.

Allowances set up to cover these obligations are analyzed below:

At 31 December 1998	Working staff	Early retirement and retirement-equivalent staff	Total
Retirement bonuses	375	—	375
Early retirement and postemployment	20	56	76
Seniority bonuses	88	—	88
Employment Adjustment Plan	26	—	26
Other obligations to employees	53	25	78
Total (note 17)	562	81	643

For the purpose of determining the amount of such allowances, the fair value of the assets invested within

entities responsible for their management is deducted from the gross amount of such obligation:

In millions of euros	Gross obligations	Assets	Net obligations
At 1 January 1998	733	43	690
Net charge for the year:			
Vested rights	47	—	47
Discounting effect	37	19	18
Benefit payments	(112)	—	(112)
At 31 December 1998	705	62	643

Note 26 – Net banking income

In millions of euros, at 31 December	Interest and related income (expense)		
	1998	1997	1996
Net interest and assimilated income on interbank items (note 27)	(436)	(10)	(167)
Net interest and assimilated income on customer items (note 28)	4,233	3,983	4,357
Net interest and assimilated income on lease transactions	661	640	659
Interest expense on debt issued by BNP Group:			
Interbank market securities	(62)	(75)	(98)
Negotiable certificates of deposit	(1,421)	(1,353)	(1,401)
Bonds	(575)	(685)	(751)
Subordinated debt and undated participating subordinated notes	(552)	(551)	(495)
Retail certificates of deposit and term savings certificates	(157)	(144)	(152)
Other	(148)	(29)	(39)
Total interest expense on debt issued by BNP Group	(2,915)	(2,837)	(2,936)
Income on bonds and other fixed-income instruments (note 29)	2,067	1,769	1,717
Income on equities and other non-fixed-income instruments (note 29)	128	137	157
Gains (losses) on financial operations:			
On trading account	1,607	1,199	576
On investment securities held for sale	20	95	105
Net gains on financial operations	1,627	1,294	681
Net commissions (note 30)	1,794	1,520	1,351
Total net banking revenues	7,159	6,496	5,819
Other net income from banking operations	207	222	203
Net banking income	7,366	6,718	6,022

Gains and losses on financial operations include:

- gains and losses on trading transactions, such as those recorded when trading account assets or borrowed securities (recorded under liabilities) are marked to market or sold;
- foreign exchange and arbitrage gains and losses resulting from purchases and sales of foreign currencies, the mark-to-market at the balance sheet date of foreign exchange and precious metals spot positions and foreign exchange forwards;
- gains and losses on interest rate and foreign exchange futures and options, with the exception of interest rate instruments entered into for hedging purposes; gains and losses on such operations are included with gains and losses on the hedged instruments;
- gains and losses on investment securities held for sale, representing capital gains and losses on disposals as well as

movements affecting allowances covering the investment securities held for sale portfolio; interest and dividends from this portfolio are recorded under “Interest income on bonds and other fixed-income instruments” and “Income on equities and other non-fixed-income instruments” (see note 29).

The cost of funding of the various securities portfolios is recorded under the interest rate expense corresponding to the liability item used for refinancing.

The item “Other net income from banking operations” primarily reflects fee income from computer services and from remote banking services, underwriting fees, provisions for losses and expenses, and BNP’s share in income from operations conducted jointly with other companies; it also includes charges invoiced back to customers and other income.

Allowances on interest in arrears related to financial credits are deducted from “Net banking income”.

Note 27 – Net interest and assimilated income on interbank items

Expense			Income				Net		
1998	1997	1996	1998	1997	1996	In millions of euros	1998	1997	1996
(7,243)	(6,248)	(5,142)	6,802	6,093	4,888	Interest on interbank demand deposits, loans, and borrowings	(441)	(155)	(254)
(1,219)	(846)	(723)	1,101	893	739	Interest on securities held or given under repurchase agreements	(118)	47	16
—	—	—	12	5	12	Interest on subordinated term loans	12	5	12
(23)	(10)	(14)	134	103	73	Income from off-balance sheet transactions	111	93	59
(8,485)	(7,104)	(5,879)	8,049	7,094	5,712	Net interest and assimilated income on interbank items	(436)	(10)	(167)

“Income from off-balance sheet transactions” reflects income and expense on refinancing agreements and on guarantees and endorsements given and received. Gains

and losses on foreign exchange transactions and on forward financial instruments are reflected under “Net gains (losses) on financial operations” (see note 26).

Note 28 – Net interest and assimilated income on customers items

Expense			Income				Net		
1998	1997	1996	1998	1997	1996	In millions of euros	1998	1997	1996
(3,898)	(3,719)	(3,019)	7,871	7,562	7,188	Interest on customer loans and deposits	3,973	3,843	4,169
(415)	(218)	(112)	477	158	100	Interest on securities held or given under repurchase agreements	62	(60)	(12)
—	—	—	4	6	12	Interest on subordinated term loans	4	6	12
—	(2)	—	138	134	135	Income from off-balance sheet transactions:			
						Income on commitments to lend	138	132	135
(12)	(2)	—	68	64	53	Income on guarantees and endorsements	56	62	53
(12)	(4)	—	206	198	188	Total income from off-balance sheet transactions	194	194	188
(4,325)	(3,941)	(3,131)	8,558	7,924	7,488	Net interest and assimilated income on customer items	4,233	3,983	4,357

Note 29 – Net income from securities portfolio

In millions of euros	1998	1997	1996
Interest on bonds and other fixed-income instruments:			
From investment securities held for sale	420	496	500
From debt securities held for investment	1,311	959	750
From Codevi “industrial development” securities	204	204	203
From hedging of interest rate instruments and other	132	110	264
Total interest on bonds and other fixed-income instruments	2,067	1,769	1,717
Income on equities and other non-fixed-income instruments:			
From investment securities held for sale	5	5	11
From equity securities held for investment	72	36	50
From other stock investments	51	96	96
Total income on equities and non-fixed-income instruments	128	137	157
Gains (losses) on transactions related to securities portfolio:			
Gains on trading account ⁽¹⁾	2,539	1,234	1,017
Gains (losses) on investment securities held for sale:			
Capital gains (losses) on disposals of investment securities held for sale:			
Capital gains	77	114	107
Capital losses	(27)	(17)	(20)
Net gains (losses) on disposals of investment securities held for sale	50	97	87
(Additions to) deductions from allowance on securities:			
Additions to allowance on securities	(44)	(18)	(8)
Deductions from allowance on securities	14	16	26
Net (addition to) deduction from allowance on securities	(30)	(2)	18
Net gains (losses) on investment securities held for sale	20	95	105
Net gains on transactions related to securities portfolio	2,559	1,329	1,122
Gains (losses) on disposals of long-term investments, net of provisions (note 33)			
Capital gains on disposals of long-term investments:			
Capital gains	517	390	194
Capital losses	(114)	(507)	(64)
Net capital gains on disposals of long-term investments	403	(117)	130
(Additions to) deductions from allowance on long-term investments:			
Additions to allowance on long-term investments	(47)	(92)	(545)
Deductions from allowance on long-term investments	122	572	308
Net (addition to) deduction from allowance on long-term investments	75	480	(237)
Total gains (losses) on disposals of long-term investments, net of provisions	478	363	(107)
Net income from securities portfolio	5,232	3,598	2,889

(1) Gains on trading account are grouped together with gains and losses on financial instruments in the consolidated income statement presentation in order to reflect the association of these various categories of instruments in the management of positions taken.

In 1997, capital losses on disposals of long-term investments included a EUR 373 million loss on UAP shares following Axa’s public tender offer, which was completed in January 1997.

This loss was offset by a deduction of the same amount from the allowance set up at 31 December 1996 to cover the decrease in value of BNP’s equity investment in UAP.

Note 30 – Net commissions

Expense			Income				Net		
1998	1997	1996	1998	1997	1996	In millions of euros	1998	1997	1996
(40)	(39)	(49)	58	49	49	Commissions on interbank and money market transactions	18	10	—
(51)	(48)	(24)	546	484	370	Commissions on customer transactions	495	436	346
(131)	(148)	(102)	86	53	36	Commissions on securities transactions	(45)	(95)	(66)
(5)	(5)	(4)	9	9	8	Commissions on foreign exchange and arbitrage transactions	4	4	4
(143)	(160)	(176)	239	228	278	Commissions on securities commitments	96	68	102
(89)	(150)	(64)	38	87	74	Commissions on forward financial instruments	(51)	(63)	10
						Commissions on securities-related services rendered:			
						On securities managed or on deposit:			
—	—	—	96	85	76	Custody fees	96	85	76
—	—	—	35	43	30	Management of customer securities portfolios	35	43	30
—	—	—	228	200	168	Mutual fund management	228	200	168
—	—	—	9	9	8	Other commissions on securities managed or on deposit	9	9	8
—	—	—	368	337	282	Total commissions on securities managed or on deposit	368	337	282
						Commissions on securities transactions on behalf of customers:			
—	—	—	211	175	120	For purchases and sales of securities	211	175	120
—	—	—	64	58	41	For purchases and sales of mutual fund shares	64	58	41
—	—	—	43	48	35	Other commissions on securities transactions on behalf of customers	43	48	35
—	—	—	318	281	196	Total commissions on securities transactions on behalf of customers	318	281	196
—	—	—	86	81	53	Commissions on customer assistance and advisory services	86	81	53
—	—	—	354	319	299	Commissions on payment systems	354	319	299
—	—	—	151	142	125	Commissions on other financial services	151	142	125
—	—	—	1,277	1,160	955	Total commissions on securities-related services rendered	1,277	1,160	955
(459)	(550)	(419)	2,253	2,070	1,770	Net commissions	1,794	1,520	1,351

The aggregate of “Net Commissions” calculated according to the regulatory definition, plus commissions reflected as interest and assimilated income (expense) and commissions

carried under “Other net income from banking operations” offers an economic measure of the relative contribution of commissions to net banking income.

In millions of euros	1998	1997	1996
Net commissions	1,794	1,520	1,351
Commission-related income:			
Included under value added to capital:			
On commitments	305	287	246
On foreign exchange transactions	205	208	169
Included under “other net income from banking operations”:			
On charges invoiced back to customers	83	84	86
On other income	98	110	83
On income from other banking transactions	52	42	48
Total commissions and commission-related income	2,537	2,251	1,983

In 1998, commissions and commission-related income accounted for 34.4% of net banking income, compared to 33.5% in 1997 and 32.9% in 1996.

Note 31 – Salaries and employee benefits, including profit sharing

In millions of euros	1998	1997	1996
Salaries	2,026	1,895	1,746
Termination benefits and social security taxes:			
Retirement bonuses and retirement expenses	197	166	237
Social security taxes	579	564	537
Total termination benefits and social security taxes	776	730	774
Incentive plans and profit sharing:			
Incentive plans	31	40	26
Profit sharing	93	65	31
Total incentive plans and profit sharing	124	105	57
Payroll taxes	159	165	155
Total salaries and employee benefits, including profit sharing	3,085	2,895	2,732

Total remuneration paid to members of the board of directors and of the office of the chairman for positions they held in 1998 at the parent company and consolidated

subsidiaries amounted to EUR 7.1 million (EUR 5.8 million in 1997 and EUR 5.2 million in 1996). The amount of directors’ fees totaled EUR 0.3 million.

Note 32 – Stock option plan

Between 1990 and 1998, the Stockholders' Meeting of BNP SA authorized the Board of Directors to grant options to purchase and subscribe shares issued by BNP SA under various plans, the characteristics of which are listed below:

Stock option plan	1994	1995	1996	1997	1998
Date of Special Stockholders Meeting authorizing the plan	14 Dec. 1993	14 Dec. 1993	14 Dec. 1993	14 Dec. 1993	14 Dec. 93
Date of Board of Directors Meeting setting conditions for the plan	23 Mar. 1994	22 Mar. 1995	21 May 1996	22 May 1997	13 May 98
Total number of shares that may be purchased or subscribed	803,000	215,500	1,031,000	238,000	1,037,000
<i>including shares that may be purchased or subscribed by members of the General Management Committee as constituted on 31 December 1998</i>	<i>324,000</i>	<i>0</i>	<i>522,000</i>	<i>105,000</i>	<i>330,000</i>
Number of beneficiaries	135	128	140	64	259
Start date for exercising the options	24 Mar. 1996 ⁽¹⁾	23 Mar. 1997 ⁽¹⁾	22 May 1998 ⁽¹⁾	23 May 2002	14 May 2003
Expiration date	23 Mar. 2001	22 Mar. 2002	21 May 2003	22 May 2007	13 May 2008
Exercise price	EUR 32.32	EUR 33.23	EUR 29.73	EUR 36.89	EUR 74.55
Number of shares purchased or subscribed as of 31 December 1998	77,900	4,970	1,000	N/A	N/A

(1) Half these options may not be exercised until one year after this start date.

Note 33 – Gains (losses) on disposals of long-term investments, net of provisions

In millions of euros	1998	1997	1996
Debt securities held for investment:			
Capital gains (losses) on disposal	–	(7)	4
(Additions to) deductions from allowances	4	8	5
Total debt securities held for investment, net of provisions	4	1	9
Equity securities held for investment:			
Capital gains (losses) on disposals	272	201	34
(Additions to) deductions from allowances	63	34	(21)
Total equity securities held for investment, net of provisions	335	235	13
Other stock investments:			
Capital gains (losses) on disposals	131	(311)	92
(Additions to) deductions from allowances	8	438	(221)
Total other stock investments held for investment, net of provisions	139	127	(129)
Gains (losses) on disposals of long-term net of provisions	478	363	(107)

Note 34 – Nonrecurring items

In millions of euros, year ended 31 December	1998	1997	1996
(Addition) to allowance for nonrecurring costs associated with the single European currency and the year 2000	(62)	(43)	(92)
(Addition) to allowance for restructured or discontinued activities	(25)	(13)	(10)
Gain on restructuring of the equity interest in the BANCWEST CORP. Group	43	—	—
(Addition) to allowance for employee benefits	(3)	(93)	(47)
(Addition) to allowance for monetary depreciation of equity interests	(40)	(22)	—
(Addition) to allowance for sectoral risks	—	—	(273)
Other nonrecurring income (expense)	(42)	(41)	(99)
Nonrecurring items	(129)	(212)	(521)

Nonrecurring items reflect the impact on the financial statements of events that are infrequent and unusual in nature for the BNP Group's various lines of business. If these items were included under other income statement headings, the comparability of current-period operations with those of the reference periods would be impaired.

BNP's latest estimate of the cost of adapting to the introduction of the single European currency and to the Year 2000, prepared at end 1998, is about EUR 335 million over the period 1996-2002. France's accounting authorities have reiterated a series of guidelines governing the provisioning of charges made probable by events that have occurred or are ongoing, in cases where the nature of such charges is clearly identifiable. In application of these guidelines, BNP set up a EUR 92 million allowance at 31 December 1996, subsequently increased by EUR 43 million at 31 December 1997 and EUR 62 million at 31 December 1998. This allowance covers the non-capitalizable cost of outside assistance needed for BNP to deal with the changeover to the single European currency, a nonrecurring event. The allowance comprises EUR 134 million for the adaptation of information systems and contributions to the cost of adapting interbank systems, and EUR 63 million for the cost of euro-related corporate communication and customer relations programs. These costs, determined according to BNP's commonly used project assessment methods, are in addition to recurring expenses. More than half of these costs had been incurred at 31 December 1998.

The discontinuation of the operations of the Banque Arabe et Internationale d'Investissement group and its subsidiaries having begun, BNP made an additional provision of EUR 25 million in 1998 to meet ongoing liquidation costs in future years.

In 1998, BNP restructured its equity interest in its BANCWEST CORP. subsidiary. BNP exchanged its shares in the subsidiary for 45% of the shares issued by the new BANCWEST CORP. entity, which combines the operations of Bank of the West and First Hawaiian Bank. In accordance with French bank accounting rules, since BNP exercises dominant influence over the new entity and its 45% equity interest is greater than the combined interests of other stockholders holding stakes of more than 5%, BANCWEST CORP. is fully consolidated. The share exchange deal generated a capital gain of EUR 43 million net of charges arising on the restructuring of the two sub-groups and on the harmonization of their accounting policies with those of BNP.

The transaction increased net banking income by EUR 72 million, gross operating income by EUR 19 million and pre-tax net income by EUR 56 million. The impact on stockholders' equity (excluding net income for the year) was to increase minority interests by EUR 438 million. At 31 December 1998, BANCWEST CORP. had total assets of EUR 12,313 million.

In response to the level of real interest rates in France in 1996, BNP decided to discount the accrued charges resulting from employee benefits in France using a market interest rate compatible with expected yields on long-term investments, in line with the practice used by pension and life insurance funds to calculate companies' commitments to their employees. This resulted in an additional provision of EUR 47 million.

BNP made a EUR 73 million provision in 1997 to cover the nonrecurring charge corresponding to staff reductions resulting from computer investments made to adapt its

computer systems to the single European currency and from the reorganization of its operational support centers and customer service activities within the domestic branch network in fiscal years 1998 and 1999. BNP also made a EUR 20 million provision to adjust the employee pension and post-retirement liabilities of the international entities to the level required by the Group's accounting policies.

The irreversible depreciation in the currencies in which some of BNP's equity interests are held led to the

recognition of a provision of EUR 22 million in 1997 and EUR 40 million in 1998 to cover the associated foreign exchange risk.

Provisions and charges in relation to tax and social security audits are reflected under "Other nonrecurring income (expense)". BNP was subject to a tax audit in France for the years 1988-1990 and 1992-1994. It has recorded provisions as needed to cover adjustments by the French tax authorities which it may choose not to contest, including late payment interest.

Note 35 – Segment information

The table below shows net banking income and gross operating income by segment of business. These segments represent the strategic business lines of the BNP Group.

Domestic Banking covers the retail activities of the branch network in France and the French subsidiaries. Retail Banking outside euro countries mainly comprises the activities of the BANCWEST CORP. and BNPI groups. The Global Customers and Markets segment includes

financial activities, asset management and specialized financing, as well as banking services for large clients provided by BNP itself and by its subsidiaries and branches.

The equity allocated to each of these segments is that effectively made available to the subsidiaries and foreign branches involved by BNP. No equity has been allocated to BNP SA French activities.

In millions of euros, at 31 December 1998	Net banking income	Gross operating income
Domestic Banking	3,829	855
Retail Banking outside euro countries	733	281
Global Customers and Markets	2,554	897
Other	348	314
Intercompany eliminations	(98)	—
TOTAL (note 26)	7,366	2,347
France	5,186	1,517
Other European Economic Space countries	687	196
The Americas and Asia	1,277	524
Other countries	216	110

Analysis by geographic area

In millions of euros, at 31 December 1998	Interbank transactions and equivalents	Customer transactions	Total
Assets:			
France	79,492	91,937	171,429
Other European Economic Space countries	11,957	18,809	30,766
The Americas and Asia	21,865	35,465	57,330
Other countries	2,029	2,462	4,491
TOTAL (notes 3 and 4)	115,343	148,673	264,016
Liabilities:			
France	65,383	72,608	137,991
Other European Economic Space countries	26,368	18,859	45,227
The Americas and Asia	13,412	23,331	36,743
Other countries	2,931	3,167	6,098
TOTAL (notes 13 and 14)	108,094	117,965	226,059

Note 36 – Income taxes

In millions of euros	1998	1997	1996
Income taxes for period, currently payable	255	319	150
Deferred income taxes (benefits) recognized during period	176	(15)	—
Income tax expense	431	304	150
From recurring items	479	380	207
From nonrecurring items	(48)	(76)	(57)

In accordance with generally accepted international accounting standards, BNP recognizes deferred tax assets on the basis of the probability that they will be recovered. The tax savings generated in 1998 from the utilization

of tax losses and the deduction for tax purposes of charges accounted for in previous periods amounted to EUR 140 million for the BNP SA taxation group.

The effective tax rate can be analyzed as follows:

In percent	1998	1997	1996
Standard French corporate income tax rate	33.3	33.3	33.3
Long-term capital gains taxed at a reduced rate in France	(1.1)	(5.1)	(2.9)
Share of earnings of companies carried under equity method	(2.6)	(3.3)	(3.5)
Permanent differences added back to taxable income in France	(8.1)	(2.3)	(6.2)
Differences in foreign corporate income tax rates	(3.3)	(4.8)	(6.2)
Separate effect of negative items	5.6	3.5	4.5
Other	3.1	3.0	0.2
Effective tax rate	26.9	24.3	19.2

Deferred taxes have been reflected in the balance sheet as shown below:

At 31 December	1998			1997	1996
In millions of euros	Companies included in the taxation group (note 2)	Other companies	Total	Total	Total
Deferred income tax assets	352	80	432	537	343
Deferred income tax liabilities	507	372	879	701	666
Net deferred income tax liability	155	292	447	164	323

The deferred income tax on the capital gain realized on BNP's transfer to its subsidiary Compagnie Immobilière de France of its buildings and rights to real estate leasing

contracts amounted to EUR 111 million at 31 December 1998, reflecting a write-down of EUR 105 million of the corresponding assets in 1997.

Note 37–Average number of employees

The average number of employees of BNP and fully consolidated subsidiaries may be analyzed as follows:

Average number of employees	1998		1997		1996	
	Management and non-management	Management only	Management and non-management	Management only	Management and non-management	Management only
BNP France	34,592	7,795	35,575	7,563	36,568	7,434
Branches outside France	5,005	1,437	4,644	1,331	4,318	1,203
French subsidiaries	3,341	1,279	3,163	1,159	2,909	1,026
Foreign subsidiaries	13,118	1,447	9,320	1,311	9,440	1,201
BNP Group total	56,056	11,958	52,702	11,364	53,235	10,864
France	37,933	9,074	38,738	8,722	39,477	8,460
Other countries	18,123	2,884	13,964	2,642	13,758	2,404
BNP Group total	56,056	11,958	52,702	11,364	53,235	10,864

Note 38 – Consolidated profit and loss account (CRB 91-02 presentation)

In thousands of euros	1998	1997	1996
INCOME AND CHARGES ARISING FROM BANKING OPERATIONS			
Interest receivable and similar income:	21,054,091	19,013,920	17,061,008
Interest receivable and similar income on transactions with credit institutions	8,048,968	7,093,899	5,712,376
Interest receivable and similar income on transactions with customers	8,558,163	7,924,314	7,488,476
Interest receivable and similar income on debt securities and other fixed-income securities	2,066,579	1,769,033	1,716,940
Income receivable arising from leasing and similar operations	2,379,795	2,226,557	2,143,097
Other interest receivable and similar income	586	117	119
Interest payable and similar charges:	(17,444,034)	(15,469,660)	(13,430,818)
Interest payable and similar charges arising from transactions with credit institutions	(8,484,899)	(7,103,740)	(5,879,491)
Interest payable and similar charges arising from transactions with customers	(4,325,686)	(3,941,778)	(3,131,925)
Interest payable and similar charges arising from debt securities and other fixed-income securities	(2,914,921)	(2,837,329)	(2,935,780)
Charges payable arising from leasing and similar operations	(1,718,528)	(1,586,813)	(1,483,622)
Income from variable yield securities	128,241	137,589	156,669
Commissions receivable	2,256,379	2,073,242	1,771,390
Commissions payable	(462,974)	(553,404)	(420,187)
Net profit on financial operations:	2,834,106	1,328,939	1,193,116
Net profit on transactions in trading securities	2,539,178	1,233,984	1,016,576
Net profit on transactions in securities held for sale	19,944	94,955	105,297
Net profit on exchange transactions	274,984	—	71,243
Net loss on financial operations:	(1,207,375)	(34,910)	(512,100)
Net profit on exchange transactions	—	(33,210)	—
Net loss on transactions in financial instruments	(1,207,375)	(1,700)	(512,100)
OTHER ORDINARY INCOME AND CHARGES			
Other operating income:	735,153	685,856	598,557
Other income from banking operations	496,214	460,960	487,522
Other income from nonbanking operations	238,939	224,896	111,035

In thousands of euros	1998	1997	1996
General operating charges:	(4,685,743)	(4,349,214)	(4,054,618)
Staff costs	(3,085,129)	(2,895,103)	(2,732,019)
Other administrative expenses	(1,600,614)	(1,454,111)	(1,322,599)
Depreciation, amortization and provisions on intangible and tangible assets	(332,394)	(320,423)	(314,252)
Other operating charges:	(545,224)	(480,805)	(414,184)
Other charges arising from banking operations	(388,072)	(339,844)	(367,892)
Other charges arising from non-banking operations	(157,152)	(140,961)	(46,292)
OTHER ORDINARY INCOME AND CHARGES			
Net loss on value adjustments in respect of loans and advances and off-balance sheet items	(1,203,104)	(1,034,338)	(578,252)
Net loss on value adjustments in respect of financial fixed assets	—	—	(107,336)
Net profit on value adjustments in respect of financial fixed assets	477,622	362,833	—
Surplus of allocation over write-back of funds for general banking risks	(2,286)	(19,231)	—
Surplus of write-back over allocation of funds for general banking risks	—	—	269,316
ORDINARY PRE-TAX PROFIT	1,602,458	1,340,394	1,218,309
EXTRAORDINARY INCOME AND CHARGES			
Extraordinary pre-tax income	(128,902)	(212,167)	(520,930)
Extraordinary income	173,707	45,235	41,856
Extraordinary charges	(302,609)	(257,402)	(562,786)
Tax on income	(430,341)	(304,457)	(149,772)
Share of profit or losses of companies carried under equity method	124,082	124,269	81,842
Non-financial	111,830	103,246	62,636
Financial	12,252	21,023	19,206
PROFIT FOR THE FINANCIAL YEAR	1,167,297	948,039	629,449
Group share	1,114,309	908,866	587,893
Minority interests	52,988	39,173	41,556

The consolidated profit and loss account (CRB 91-02 presentation) differs in the following respects from the consolidated income statement presented following the balance sheet:

- Additions to and deductions from the allowance for miscellaneous risks are reflected under “Other operating charges” in the CRB 91-02 presentation (EUR 1.2 million in 1998, EUR 1.4 million in 1997 and EUR 5.2 million

in 1996), whereas they are reflected under “Net (addition to) deduction from reserve for general banking risks and other risks” in the consolidated income statement.

- The amortization charge for goodwill is reflected under “Other operating charges” in the CRB 91-02 presentation, whereas it is reflected under “Amortization of goodwill” in the consolidated income statement (EUR 16 million in 1998, EUR 16 million in 1997, and EUR 13 million in 1996).

The BNP Group at 31 December 1998

Europe

Austria	1
Belgium	2
Bulgaria	3
Cyprus	2
Croatia	1
Czech Republic	3
Germany	4
Great Britain	8
Greece	7
Hungary	4
Ireland	2
Italy	6
Jersey	2
Luxembourg	4
Netherlands	7
Norway	2
Poland	9
Portugal	5
Romania	2
Russia	5
Spain	77
Switzerland	9
Turkey	4
Ukraine	1
Total	170

Americas

Argentina	9
Bahamas	3
Brazil	3
Cayman Islands	2
Canada	5
Chile	3
Colombia	1
Costa Rica	1
Mexico	2
Panama	3
Peru	1
United States of America	227
Uruguay	2
Venezuela	2
Total	264

Asia

China	10
Hong Kong	15
India	7
Indonesia	4
Japan	4
Macau	2
Malaysia	4
Myanmar	1
Philippines	1
Singapore	1
South Korea	1
Taiwan	3
Thailand	2
Vietnam	2
Total	57

Pacific

Australia	8
New Zealand	1
Total	9

Africa

Algeria	1
Burkina-Faso	11
Burundi	8
Comoros	6
Congo (democratic rep.)	14
Ivory Coast	43
Djibouti	8
Gabon	11
Guinea (rep. of)	12
Madagascar	8
Mauritius	10
Morocco	85
Namibia	7
Rwanda	7
Senegal	13
South Africa	2
Togo	7
Tunisia	40
Zimbabwe	2
Total	295

Middle-East

Bahrain	2
Egypt	6
United Arab Emirates	1
Iran	1
Israel	1
Lebanon	6
Total	17

Dom-Tom

French Guiana	2
Guadeloupe	12
Martinique	13
New Caledonia	10
Reunion	11
Wallis & Futuna	2
Total	50

Joint statutory auditors' report on the consolidated financial statements for the year ended 31 December 1998

To the shareholders of Banque Nationale de Paris

As statutory auditors appointed by the Shareholders' Meeting we have audited the accompanying consolidated financial statements of the BNP Group for the year ended 31 December 1998 as presented on pages 74 to 129 of this annual report.

These consolidated financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with French auditing standards. Those standards require that we perform appropriate procedures to obtain reasonable assurance about 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the BNP Group at 31 December 1998 and the results of its operations for the year then ended.

We have also carried out the specific verifications required by law on the information given in the Board of Directors' management report of the BNP Group. We have no observation to make on its fairness and conformity with the consolidated financial statements.

Neuilly-sur-Seine and Paris, 23 March 1999
The statutory auditors

BARBIER
FRINAULT & AUTRES
ARTHUR ANDERSEN
Christian Chiarasini
Radwan Hoteit

BEFEC-PRICE WATERHOUSE
Member of PricewaterhouseCoopers

Etienne Boris

SALUSTRO REYDEL

Edouard Salustro
Michel Savioz