22 February 1999

SOCIETE GENERALE Group
1998 Financial Year

Net Income up by 15.2% to EUR 1.1 billion (FRF 7 billion)
Net earnings per share up 11%

- **Group net income stood at EUR 1,073 million (FRF 7,039 million), up 15.2%**
- **Gross operating income was EUR 2,449 million (FRF 16,066 million), an increase of 12.5%**
- **The risk coverage ratio on Asian commitments was raised to 27% after booking a provision of EUR 550 million (FRF 3.6 billion)**
- **Russian risk was fully covered by a provision of EUR 292 million (FRF 1.9 billion)**
- **Net income from long-term investments was EUR 666 million (FRF 4.4 billion), compared with EUR 517 million (FRF 3.4 billion) in 1997**
- **The prudential general reserve was increased to EUR 550 million after an allocation of EUR 198 million**
- **The return on equity stood at 11.2%, against 10.6% in 1997**
- **Tier-one ratio was stable at 6.5%**
- **Net earnings per share were EUR 10.73 (FRF 70.40), up 11%**
- **Dividend of EUR 3.75 per share (EUR 5.63 including the tax credit, i.e. FRF 36.90)**

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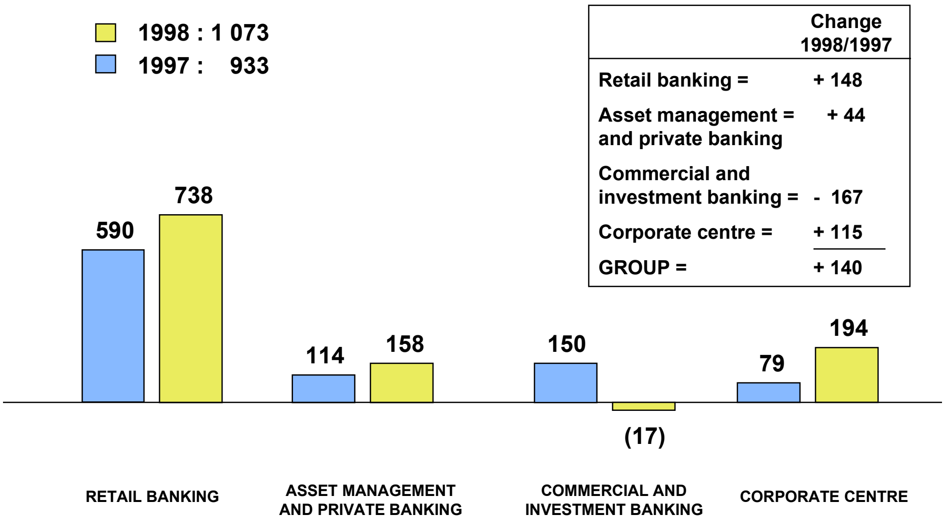
At the meeting of the Board of Directors of Société Générale on February 19, 1999, chaired by Daniel Bouton and attended by Mr André Lévy-Lang and Mr Claude Bébéar, the board closed the consolidated accounts for the 1998 financial year. Commenting on the results, Mr Bouton indicated that they were achieved despite the high cost of the international crises and thus confirmed the strength of the Group's fundamentals and the dynamic growth trend in Group profitability. He added that the development of the different businesses and the improvement in their profitability would be reinforced in the event of the successful integration of Société Générale and Paribas.

REVIEW OF OPERATIONS BY DIVISION

The results for the 1998 financial year were marked by:

- The strong growth in Retail Banking, Asset Management and Private Banking,
- The poor performance of Commercial and Investment Banking, due as in 1997 to a very high level of provisioning.

Net Income (in millions of euros)



♦ **Retail Banking: net income of EUR 738 million (FRF 4.8 billion), up 25%, and ROE of 15%**

- Retail Banking, to which almost half of Group equity is allocated, registered strong growth in results and profitability in 1998, driven by the improved performances of all the networks (Société Générale, Crédit du Nord, specialised subsidiaries, and networks outside France).

- This growth reflects **three factors**:

  – **A strong commercial performance.**

    The Group continued to reinforce its position on the individual customer segment: the number of individual customers continued to grow at a rate of over 3%; outstanding loans increased by 6.3% and deposits by 7.9%.

    In contrast, outstanding loans to corporates were down slightly (-0.4%), due to two contrasting trends: a rise of 9% in loans by specialised subsidiaries (notably lease financing) and a sharp fall (-5.6%) in outstanding loans to large corporates, due to a more selective policy of allocating equity.

  – **A tight control of operating expenses** (+1.4%). Continued productivity gains enabled the Group to finance the investments made, notably relating to the electronic and direct banking and consumer credit platforms.

  – **A fall in provisioning requirements**. This decrease (-28% in relation to 1997) is explained by a favourable economic environment and improved risk management.

- Two further points to be noted are:

  – **The rapid recovery in the ROE of the Crédit du Nord network** to almost 11% in 1998, representing growth of more than two points in relation to 1997.

  – **The strong development of retail banking outside France** (income of EUR 92 million in 1998, up 23%).

- **Asset Management and Private Banking: a 46% increase in assets under management and net income up 40% to EUR 158 million (FRF 1 billion)**

  - This sharp rise in income reflects the growth in assets under management, which stood at EUR 150 billion (FRF 984 billion) at December 31, 1998, against EUR 103 billion (FRF 676 billion) at December 31, 1997.

    - *Asset Management* consolidated its position as the *market leader* in France and pursued its policy of international development by acquiring Yamaichi (around EUR 17 billion, or FRF 110 billion, of assets under management) and creating SGAM UK.
    - *Private Banking* also registered strong growth in activity (assets managed were up by 59%, and by 14% when adjusted for the impact of acquisitions).

- **Commercial and Investment Banking: mediocre results overall due to a high level of provisioning**

  - After producing satisfactory results in 1997 given the investments made (net income of EUR 179 million and a return on equity after tax of 14%), income from **investment banking operations** was only slightly positive in 1998. This was the result of **two contrasting situations**:

    - **A very strong performance** by the **Equity and Advisory** business line. The performance of the Equity Derivatives business deserves particular mention: after a record first-half, it withstood the fall in markets in the third quarter very well, due both to the diversity of its product range and the markets on which it operates, and to the strong growth in its commercial activity, notably the sale of *warrants*. Client-related revenues from Equity Derivatives thus accounted for around 50% of this business line's net banking income in 1998.

    - In contrast, the **Debt and Currencies business line** recorded poor overall results in 1998, stemming from:
      * **The good results of the Currencies and Commodities product lines**, and of **Fimat** (*futures* brokerage).
      * **Losses** in the **fixed-income, swaps/caps/floors and emerging market debt *trading* businesses**, which after a strong first-half, were affected by the financial crisis. The Group is currently in the process of **making adjustments to these businesses** and plans to cut staff numbers by 100 people.

  - As in 1997, the **Financing** business posted an operating loss, which reflects highly contrasting situations:

    - **The strong performance** of structured finance, which showed **a sharp rise in results and profitability**, driven notably by the project finance and *leverage finance* businesses.
    - In contrast, international **commercial banking**, which had benefited during the early nineties from low provisioning requirements, posted **a sizeable operating loss**, as in 1997, **due to provisioning for Asian commitments**.
      Equity allocated to these activities was reduced by 7% in 1998 in relation to 1997.
      The process of adjusting the network is currently underway, notably in Eastern Europe and Asia, where staff numbers have been cut by 700 people.

- **Corporate Centre**

  In 1998, as in 1997, the income from the Corporate Centre was very high, due to the capital gains booked on the industrial equity portfolio (EUR 612 million, or FRF 4 billion, in 1998, compared with EUR 508 million, or FRF 3.3 billion, in 1997), which the Group has been progressively reducing. Total unrealised capital gains at December 31, 1998 (EUR 1.7 billion, or FRF 11.5 billion) were close to the level seen at end-December 1997 (EUR 1.9 billion, or FRF 12 billion).

  Capital gains generated by the disposal of subsidiaries which did not fit into the Group's core businesses (SG2, Allium, CIB) were used to reinforce the prudential general reserve. However, as the sale of SGAM Corp. has not yet been concluded, capital gains relating to this disposal were not booked in the 1998 results.

CONSOLIDATED RESULTS

Rise of 12% in gross operating income, driven by all divisions

Gross operating income showed a rise of 12.5%, with net banking income up 12.1%, driven by the strong growth in the activity of all the Group's divisions. Operating expenses registered an increase of 11.9% (around 5% when adjusted for changes in Group structure), due to the costs incurred in reinforcing the teams in certain Investment Banking business lines, and in Asset Management and Private Banking.

High level of provisioning due to increased coverage of Asian commitments and full provisioning of Russian risk

- The net allocation to provisions stood at EUR 1.5 billion (FRF 9.7 billion), against EUR 1.2 billion (FRF 7.6 billion) in 1997.
  - **There was a sharp fall (-28%) in provisioning for domestic risk (EUR 302 million)**, confirming the trend seen in the first half of the year.
  - Provisioning for **international commitments** was **exceptionally high** (EUR 1,164 million) over the full year 1998, due to **the Asian and Russian crises**. As the large part of **this provisioning** was booked **at closing of the interim accounts on June 30**, the adjustment made to provisions in the second half of 1998 was limited (EUR 238 million).
- Commitments in **the five Asian countries** fell sharply (-36%) in relation to December 31, 1997. The provisioning requirement for the financial year stood at EUR 549 million (FRF 3.6 billion), of which EUR 83 million (FRF 544 million) was booked in the second half.

COMMITMENTS IN ASIA

(in millions of euros)

Country	31/12/98	31/1/97(*)	Change (%)
South Korea	2327	4054	-42%
Thailand	1562	2137	-28%
The Philippines	62	36	70%
Malaysia	536	783	-33%
Indonesia	515	711	-26%
TOTAL	**5002**	**7721**	**-36%**
Provisions	1360	820	+65%
Risk coverage ratio	**27%**	**10%**	

(*) Pro forma figures adjusted for changes in Group structure

- **Russian risk** was reassessed at the end of December 1998. Excluding operations with a low risk profile due to their structure (essentially *trade finance*), which represented an outstanding of USD 526 million, commitments on Russian counterparties stood at USD 341 million and were almost fully provisioned for.
- Excluding *trade finance* operations (USD 437 million), which present a low risk profile due to their structure, **the Group's exposure to Brazilian counterparties was USD 588 million** at December 31, 1998.
  - *Corporate* commitments stood at **USD 280 million**.
  - Commitments relating to banks amounted to **USD 151 million** and were concentrated almost exclusively on the country's leading financial institutions.
  - The Group's portfolio of Brazilian government bonds stood at **USD 157 million**.

Operating income up 9%

With income from **long-term investments** of EUR 666 million (FRF 4.4 billion), compared with EUR 517 million (FRF 3.4 billion) in 1997, which related principally to capital gains on the industrial equity portfolio, Group **operating income** stood at EUR 1,721 million (FRF 11.3 billion), up 9% in relation to 1997 (EUR 1,581 million, or FRF 10.4 billion).

Extraordinary items: capital gains on the disposal of subsidiaries used to reinforce the prudential general reserve

Extraordinary income principally corresponded to capital gains (EUR 176 million, or FRF 1.2 billion) on the disposal of subsidiaries (CIB, Allium and SG2). Gains generated on these disposals (in the amount of EUR 198 million, or FRF 1.3 billion) were used to reinforce the **prudential general reserve**, which totalled **EUR 550 million** (FRF 3.6 billion) at December 31, 1998, to which is added **a fund for general banking risks representing EUR 600 million** before tax. Furthermore, the Group booked a provision to cover restructuring costs relating to the reorganisation of the network currently under way in Asia and Eastern Europe (EUR 61 million, or FRF 400 million) and a provision for the year 2000 (EUR 32 million, or FRF 209 million).

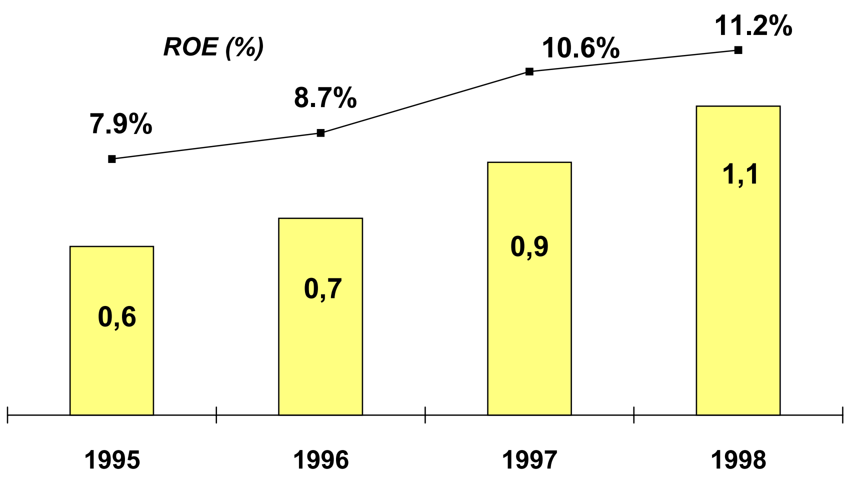
Growth of 15.2% in net income

After recognising **income taxes** and **minority interests**, **net income** came out at **EUR 1,073 million** (FRF 7 billion), representing **an increase of 15.2% in relation to 1997**.

Net earnings per share stood at EUR 10.73 (FRF 70.40) against EUR 9.67 (FRF 63.40) in 1997, and ROE for 1998 was 11.2%, compared with 10.6% in 1997.

The dividend payment, which the Board of Directors will propose at the Annual General Meeting on April 1, 1999, will amount to **EUR 3.75** per share (EUR 5.63 with the tax credit, or FRF 36.90), **up 17%** against the previous year.

Overall, and **in view of the very high cost of the international crises**, 1998 **confirmed the strength of the Group's fundamentals and the dynamic growth trend in Group profitability**.



Net income (EUR billion)

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REINFORCED CAPITAL BASE

Group shareholders' equity stood at EUR 10.2 billion (FRF 66.7 billion) at December 31, 1998, against EUR 9.7 billion (FRF 63.4 billion) at December 31, 1997, representing a rise of 5.2%.

This resulted in a B.I.S. ratio of 11.15% at December 31, 1998.

Tier-one capital represented 6.54% of total risk weighted assets of EUR 161.3 billion (FRF 1,058 billion) at December 31, 1998 (down -2% in relation to end-December 1997).

IMPACT ON THE 1998 RESULTS OF THE INTEGRATION OF SOCIETE GENERALE AND PARIBAS

The cost of the restructuring needed to implement synergies resulting from this merger will be provisioned for in the 1998 accounts, on the condition that the public share exchange offer made by Société Générale for Paribas' shares is successful,

Société Générale's share of this provision would amount to EUR 398 million (FRF 2.6 billion), after recognising the tax effect.

Net income would thus come out at EUR 675 million (FRF 4.4 billion), compared with EUR 1,073 million (FRF 7 billion) before recognition of the restructuring costs.

OUTLOOK

For the future, the Group's development strategy is focused on:

- The continued development of Asset Management and Private Banking activities;
- The turnaround in the profitability of the Commercial and Investment Banking business, notably by reducing the proportion of activities which show an inadequate return on equity;
- The continued development with high profitability of the Retail Banking business.

The development of each of these businesses and the growth in their profitability will be reinforced by the planned integration of Société Générale and Paribas. This operation, which was approved by the Board of Directors of Société Générale and the Supervisory Board of Paribas on January 31, 1999, is currently under way and will take the form of a public share exchange offer made by Société Générale for Paribas' shares. The terms of the operation are 5 Société Générale shares for 8 Paribas shares.

* ***NOTA***	*Such offer is not available in the United States, Japan and Canada,or open to residents of these countries. Société Générale shares have not been registered in compliance with the US Securities act of 1933 and may not be offered for sale or exchange or be sold or exchanged in the Unided States without registration or exception. This press release does not constitute an offer for Société Générale shares. Neither the release itself, nor any copy of it, may be transmitted or circulated to the press or public in the United States, Japan or Canada.*

GROUP KEY FIGURES

1. CONSOLIDATED RESULTS

(in millions of euros)	**1998**	**1997**	**Change in % (1)**
Net banking income	**9238**	**8243**	**12.1**
Operating expenses	(6789)	(6065)	11.9
Gross operating income	**2449**	**2178**	**12.5**
Net allocation to provisions	(1473)	(1158)	27.2
- of which Asia	(549)	(534)	2.8
- of which Russia	(292)	---	NS
Net income from long-term investments	666	517	28.7
Income from companies accounted for by the equity method	79	44	NS
Operating income before tax	**1721**	**1581**	**9.0**
Extraordinary items	(130)	4	NS
of which: - capital gains on the disposal of subsidiaries	176	0	NS
- allocation to the prudential general reserve	(198)	0	NS
- provision for restructuring costs and year 2000	(93)	(14)	NS
Amortisation of goodwill	(61)	(88)	NS
Income taxes	(502)	(532)	(5.6)
Net income before minority interests	**1028**	**965**	**6.7**
Minority interests	45	(32)	NS
Net income (2)	**1073**	**933**	**15.2**

Return on equity (%)	**11.2**	**10.6**	**NA**
Net earnings per share (in euros)	**10.73**	**9.67**	**11%**

(1) Change calculated taking the amounts in thousands of euros.

(2) In the event that public share exchange offer made by Société Générale for Paribas' shares on February 12, 1999, is successful, the restructuring costs relating to this operation will be provisioned for in the 1998 accounts.
Société Générale's share of this provision would amount to EUR 398 million (FRF 2.6 billion), after recognising the tax effect. Net income would thus come out at EUR 675 million (FRF 4.4 billion), (compared with EUR 1,073 million, or FRF 7 billion, before recognition of the restructuring costs) and net earnings per share would be EUR 6.75 (FRF 44.30) against EUR 10.73 (FRF 70.40).

2. RESULTS AND PROFITABILITY BY DIVISION

(in millions of euros)	**1998**			**1997**		
	EQUITY	**NET INCOME** (1)	**ROE (1)**	**EQUITY**	**NET INCOME** (1)	**ROE** (1)
• **Retail Banking**	4750	738	15.6%	4550	590	13.0%
• **Asset Management & Private Banking**	150	158	NS	100	114	NS
• **Commercial & Investment Banking**	4800	(17)	NS	4800	150	3.1%
- Investment Banking	1350	26	1.9%	1300	179	14%
- Financing	3450	(43)	NS	3500	(29)	NS
• **Corporate Centre**	(100)	194	NS	(650)	79	NS
GROUP	(2) **9600**	**1073**	**11.2%**	(2) **8800**	**933**	**10.6%**

(1) Net income and ROE calculated after tax. The ROE is calculated taking the amounts in thousands of euros.
(2) Average equity over financial year after payment of dividend.

3. ACTIVITY

(in billions of euros)	**December 31, 1998**	**December 31, 1997**
• Total assets	383.5	374.9
• Customer loans	126.1	122.0
• Customer deposits	103.4	93.9
• Assets under management	150.1	103.0

4. EQUITY

(in billions of euros)	**December 31, 1998**	**December 31, 1997**
• Consolidated shareholders' equity	10.2	9.7
• Total equity	11.8	11.5

5. B.I.S. RATIO

(in billions of euros)	**December 31, 1998**	**December 31, 1997**
• Risk weighted assets	161.3	163.4
• B.I.S. ratio (%)	11.15%	11.11%
of which Tier-one	6.54%	6.51%

6. EMPLOYEES	**58,600**	**55,465**