



ANNUAL REPORT - COMPAGNIE FINANCIÈRE DE PARIBAS

PARIBAS

1997



TABLE OF CONTENTS

Group organization	(cover flap)
Profile	1
Interview with the chairmen	2
Consolidated financial highlights	6
Shareholder's handbook	9
Supervisory Board	14
Executive Committee	17
INVESTMENT BANKING	18
Equity	20
Fixed Income	22
Corporate Banking	24
Advisory Services	26
Securities Services	28
Paribas Principal Investments (<i>Paribas Affaires Industrielles</i>)	30
ASSET MANAGEMENT	38
Institutional and Private Asset Management	40
Cardif	42
Cortal	43
RETAIL FINANCIAL SERVICES	44
UFB Locabail	46
Arval	46
Cetelem	47
Cofica	47
UCB	48
Banque Directe	48
OTHER ACTIVITIES	49
Rental property management	49
Real estate holdings	50
Equity holdings	51
MANAGEMENT REPORT	53
CONSOLIDATED STATEMENTS	68
Report of the Statutory Auditors	121
General information	124



INVESTMENT BANKING

Equity

Fixed Income

Corporate Banking

Advisory Services

Securities Services

Paribas Principal Investments

(Paribas Affaires Industrielles)



P A R I B A S

ASSET MANAGEMENT

*Institutional and Private
Asset Management*

Cardif

Cortal

RETAIL FINANCIAL SERVICES

UFB Locabail

Arval

Cetelem

Cofica

UCB

Banque Directe

Profile

Paribas, a specialized international bank with a strong European base, implements a strategy focusing on selective growth in expanding markets, emphasizing technological innovation, creativity, worldwide presence and distribution.

With shareholders' equity of FRF 53 billion (USD 8.9 billion) and a Cooke solvency ratio of 8.6%, Paribas ranks among the world's premier banking groups. Paribas intends to strengthen return on equity — currently at 13% — to 15% by the year 2000.

In 1997, Paribas conducted a series of transactions aimed at integrating within a single organization all Group businesses. Following successful exchange offers for all Banque Paribas, Compagnie Bancaire and Cetelem shares held by outside investors, Compagnie Financière de Paribas will ask the Shareholder Meetings of the various companies involved to approve the merger of Banque Paribas, Compagnie Financière de Paribas, Compagnie Bancaire, and Compagnie de Navigation Mixte. The new entity

resulting from this merger will be renamed "Paribas".

This series of transactions is aimed at creating value for Paribas shareholders by streamlining its financial structure and nurturing the growth of profitable businesses in which the Bank already enjoys leading positions.

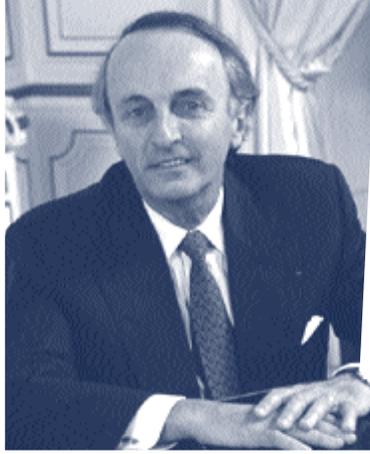
Paribas is now organized around three core businesses:

- **Investment Banking,** including Equity; Fixed Income; Corporate Banking; Advisory Services; Securities Services and Paribas Principal Investments (Paribas Affaires Industrielles);
- **Asset Management,** including the Institutional and Private Investment Management activities of Banque Paribas, Cardif and Cortal;
- **Retail Financial Services,** including UFB Locabail, Arval, Cetelem, UCB and Banque Directe.

Paribas' ambition is to be the European reference and one of the world leaders in each of its chosen businesses.



MICHEL FRANÇOIS-PONCET
Chairman of the Supervisory Board



ANDRÉ LEVY-LANG
Chairman of the Board of Management

Interview with the chairmen

“We are ahead of our own timetable. Net return on equity was 13% last year. Our ambition is to reach 15% by the year 2000.”

.....
In 1997, Paribas achieved record profits of FRF 6.6 billion — is this uptrend sustainable?
.....

1997 was a milestone year for Paribas, both structurally and in terms of results. Our goal is threefold:

- for our clients, to rank among the world's best banks in our chosen areas of specialization;
 - for our shareholders, to reliably generate net return on equity of 15%;
 - and for our associates, to provide exciting, high-quality international career opportunities.
- We are well on the way toward meeting all these objectives.

Our 1997 results are good: net income, at FRF 6.6 billion, was up 51%, and excluding the activities disposed of in 1997 — i.e., with our structure going forward — net income would have been up 68%. In terms of profitability, we are on track and

ahead of our own timetable: net return on equity was 13% last year, as compared to an interim target of 10% in 1998. Our ambition is to build on this progress to reach a 15% return by the year 2000.

A long-standing strategic objective — and an area of significant progress in all our businesses last year — is to increase the recurring portion of our results. In Corporate Banking, strengthened marketing capabilities have enabled us to considerably expand our volume of client-related revenues, reducing profit dependence on trading for our own account. Asset Management for third parties also had an excellent year, both in terms of performance and growth of assets under management. Paribas Principal Investments (*Paribas Affaires Industrielles*) confirmed its capacity to generate steady profits, thanks to the careful diversification of its portfolio, and turned in an outstanding performance, with return on capital invested of 30%.

Finally, Compagnie Bancaire is reaping the benefits of several years of effort, returning to net profitability and exceeding its targets for 1997.

Obviously, there is still work to be done in all areas. Our growth plans are ambitious, in line with the potential of the markets in which we operate. We are continuing to invest, particularly in our international development. And our results are providing us the financial resources we need to do this.

.....
How will the integration of Compagnie Bancaire and Paribas create value?
.....

This merger is a fundamental step in constructing the Paribas of tomorrow, and is value-creating both from a business and from a financial standpoint.

On the business side, with the support of Paribas' network of logistical capabilities and solid working relationships, the companies of the Compagnie Bancaire group will be able to accelerate growth of their activities outside of France, which already represent 25% of the total. Conversely, Paribas will gain direct access to several million Compagnie Bancaire customers in France and elsewhere, a client base which should over time benefit our asset management and brokerage activities. In addition, the merger will allow us to combine certain functions and achieve economies of scale, for example in purchasing and procurement. From a financial standpoint, the merger with Compagnie Bancaire will rebalance the structure of our income stream, toward stable, recurring activities with strong growth potential. Investors put a higher value on profitability based on solid business franchises serving a broad clientele. Virtually all the activities now integrated into Paribas enjoy double-digit growth rates, reflecting the potential of their markets and their international expansion. With the merger, we are emphasizing Paribas' appeal as a growth stock — and the markets and rating agencies have reacted favorably, as the share price has shown.

.....
What will the new Paribas look like?

The structure is considerably simplified. With the three-way merger of Compagnie Financière de Paribas, Compagnie Bancaire and Banque Paribas, the holding company structure will disappear. In its place will be a single bank, Paribas, encompassing a number of operating units specialized by line of business or operating as wholly owned subsidiaries, in three core businesses:

- Investment Banking, encompassing all activities conducted under the Paribas name, apart from asset management for third parties;
- Asset Management, comprising the Institutional and Private Asset Management activities of Paribas, Cardif and Cortal;
- Retail Financial Services, comprising the activities conducted by Compagnie Bancaire, UFB Locabail, Arval, Cetelem, UCB and Banque Directe.

So we can say that Paribas is a bank active in fast-growing businesses, with 20,000 employees, including 8,000 outside of France.

.....
Is the strategy modified by the merger?

Our strategy remains based on our perception that the worldwide financial environment is characterized by banking oversupply and increasingly skilled, well-informed and demanding customers. With the explosion of information technologies, our businesses are undergoing fundamental changes, and certain activities are becoming outdated. In this environment, we are pursuing a strategy of specialization, focusing on areas with strong growth potential where we can clearly add value. This is why we got out of retail network banking in France, Belgium and The Netherlands, markets we consider saturated. We are focusing on profitable, high-growth specialties where we already enjoy or can rapidly gain leadership positions, across which we see clear synergistic opportunities, both in terms of production and distribution.

“With the three-way merger of Compagnie Financière de Paribas, Compagnie Bancaire and Banque Paribas, the holding company structure will disappear. Virtually all the activities now integrated into Paribas enjoy double-digit growth rates. We are emphasizing Paribas' appeal as a growth stock.”

“Obviously, to deal with a clientele numbering in the dozens you use different techniques than for one numbering in the thousands, but the commitment to specialization and innovation stays the same.”

.....
But Paribas’ client base is quite different from Compagnie Bancaire’s. Is it possible to merge their people and cultures?
.....

Contrary to what you might think, there is a bigger cultural gap between a Paribas banker and the people you find in your average universal bank than between a Cetelem executive and a specialist in derivative products, for example. What these latter two have in common is a focus on specialization and innovation — and this is fundamental. Obviously, you use different techniques to deal with a clientele numbering in the dozens than for one numbering in the thousands, but we think the mindset and commitment to quality is the same in both.

.....
Do you think the crisis in Southeast Asia that affected the second half of 1997 is likely to affect 1998 as well, and how?
.....

Though we are not one of the European banks most exposed to the Asian crisis, we did decide to take the precaution of including a FRF 1.9 billion provision in our 1997 accounts, representing 11% of our exposure in the region, in addition to specific provisions on risks that have already materialized.

This being said, we continue to believe in the long-term future of this region. The fundamentals haven’t changed — demographics, market liberalization, high savings rates, growing needs, competitiveness, training levels. The region’s growth potential remains huge, and so we will continue to invest there.

.....
Aren’t there new opportunities for acquisitions in Asia?
.....

There are bound to be such opportunities. Some won’t appeal to us, because they concern retail banking, which is not one of our businesses. We’ll look carefully at the others, at their quality,

their profit potential as part of our group, and at how welcome a foreign investor is likely to be. The present situation is also creating recruitment opportunities, of individuals as well as entire teams. This option is less risky, and we’re already taking advantage of it.

.....
Are you being a bit too cautious?
.....

When we look back at Paribas’ history, we don’t see many missed acquisition opportunities that we still regret. On the other hand, looking around us, we see a lot of acquisitions that have turned out to be costly failures, with much energy wasted trying to combine teams and customers, and, in the end, destruction of shareholder value.

.....

Does this mean that Paribas has reached critical mass in all its businesses?

.....

Within the bank, there are still areas — such as asset management or certain capital market activities — where we want to continue growing, to leverage our capabilities and achieve economies of scale. But this is true in certain specific businesses, not across all of the bank's activities. We must not let the latest fads dictate our strategy. Experience shows that, once a certain level is reached, you don't become twice as efficient by becoming twice as big. All in all, we believe that we do have the critical mass we need to achieve our goals — to rank among the world leaders in our businesses and be the European benchmark, with a recurring profit stream. This certainly does not mean that we are just saying no to growth, quite the contrary. In 1997, our internal growth was quite impressive. Over 2,000 new positions were filled, 1,500 of them outside of France.

This represents a 10% increase in the workforce of the businesses we have retained. Internal growth is also a significant part of our 1998 budgets. And we will continue to look very carefully at all acquisition opportunities.

.....

Are you ruling out any form of combination with another major institution, either French or foreign?

.....

Today, Paribas is a well-rounded, well-balanced organization, focused on fast-growing businesses where it enjoys leading positions. This means that most potential mergers or large-scale acquisitions will almost inevitably result in considerable duplication. How, we must ask ourselves, could such a transaction, value-destroying, be in the interest of our shareholders?

This is the question we need to ask, and most of the time the answer is negative.

.....

What do you expect from the single European currency?

.....

The Euro will truly revolutionize the financial markets. We are prepared for this — not only because our extensive experience with the ecu and Euro as well as the refocusing of our activity put us ahead of the competition, but also because we enjoy some important structural advantages. We are more international and more European than most of our competitors, we won't have to start paying interest on demand deposits, and we don't earn much money from intra-European foreign exchange transactions.

Initially, the Euro should give a boost to capital market activities as well as mergers and acquisitions. Gradually, over the next five to ten years, the single currency will also encourage the development of mass markets, beginning with direct banking. We hold a strong hand in all these areas — we just have to play our cards well.

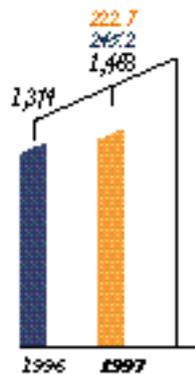
“The Euro will first give a boost to capital market activities and M&A. Then, over the next five to ten years, mass markets will gradually benefit as well, beginning with direct banking. We hold a strong hand in all these areas — we just have to play our cards well.”

Consolidated financial highlights

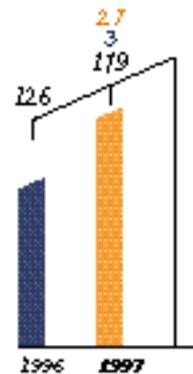
Dollar exchange rate based on the average 1997 Dollar exchange rate : USD 1 = FRF 5.9881

Euro exchange rate based on the average 1997. Ecu exchange rate : Ecu 1 = FRF 6.59070

TOTAL ASSETS
(in FRF billions, in USD billions,
in Euro billions)



UNREALIZED CAPITAL GAINS :
(in FRF billions, in USD billions,
in Euro billions)

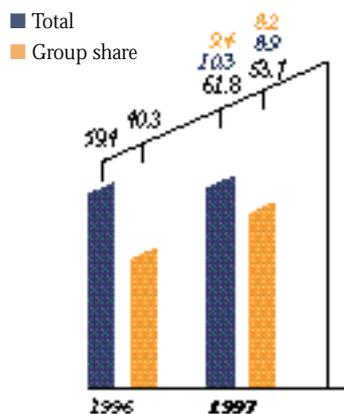


Financial strength

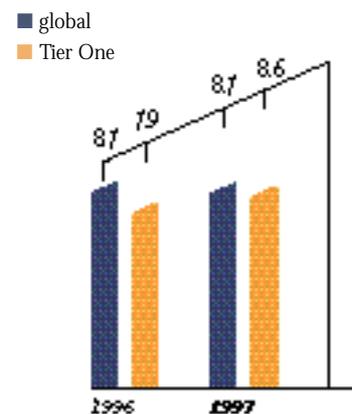
With net return on equity of 13%, the interim target of 10% set for 1998 is already exceeded. The objective is to build on this performance and reach 15% by 2000.

Net unrealized gains (excluding minority interests) rose from FRF 12.6 billion to FRF 17.9 billion. The Cooke Tier One ratio amounted to 8.6%.

SHAREHOLDERS' EQUITY
(after net income, in FRF billions,
in USD billions, in Euro billions)



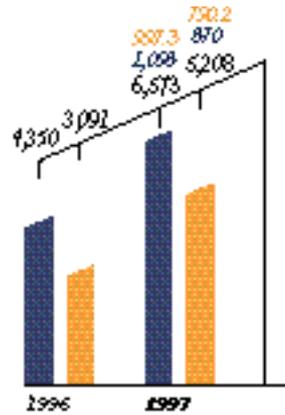
COOKE RATIO (in %)



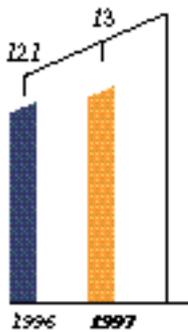
NET INCOME

(in FRF millions, in USD millions,
in Euro millions)

- Group share
- Group Share excluding discontinued activities



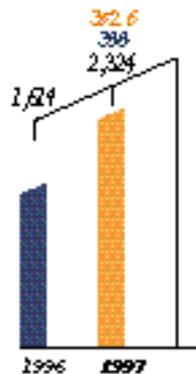
RETURN ON SHAREHOLDERS' EQUITY
(based on net income, Group share,
excluding discontinued activities, in %)



Results

Net income, Group share, rose by 51% to FRF 6.6 billion. Excluding activities sold during the year, i.e. in Paribas' new structure, net income jumped 68%.

TOTAL DIVIDEND DISTRIBUTION:
(in FRF millions, in USD billions,
in Euro billions)



1997 LONG-TERM RATINGS

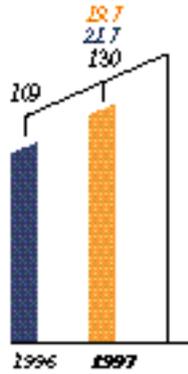
	BANQUE PARIBAS
Standard and Poors	A
Moody's	A2

CONTRIBUTION OF THE MAIN ACTIVITIES TO NET INCOME, GROUP SHARE
(former structure, in millions)

	1996 FRF	1997 FRF	1997 USD	1997 EURO
Banque Paribas	802	1,034	172.7	156.9
Paribas Principal Investments	3,197	3,504	585.2	531.7
Compagnie Bancaire	- 583	667	111.4	101.2
Structure	- 325	3	0.5	0.46
Net income, Group share excluding discontinued activities	3,091	5,208	867.0	790.2

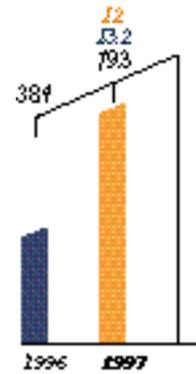
Activity

TOTAL CUSTOMER DEPOSITS
(excluding certificates of deposits,
in FRF billions, in USD billions,
in Euro billions)



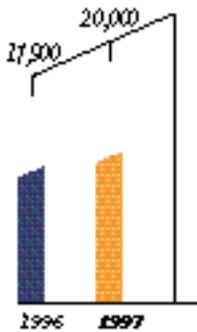
Share information

MARKET CAPITALIZATION
(at December 31, in FRF billions,
in USD billions, in Euro billions)

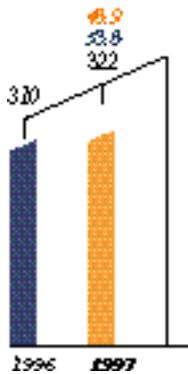


Employees

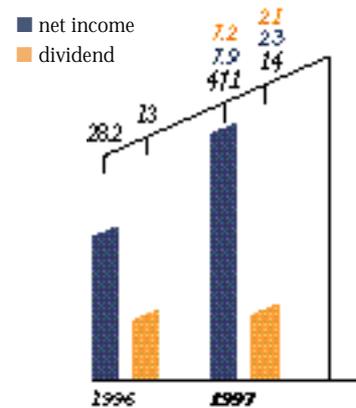
**EMPLOYEES EXCLUDING
DISCONTINUED ACTIVITIES**
(at December, 31)



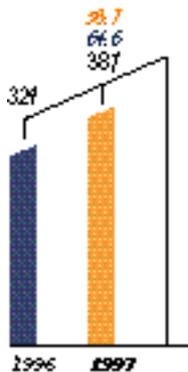
CUSTOMER LOANS OUTSTANDING
(in FRF billions, in USD billions,
in Euro billions)



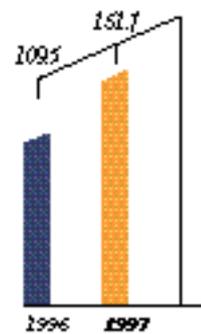
**NET INCOME, GROUP SHARE, EXCLUDING
DISCONTINUED ACTIVITIES AND DIVIDEND
PER SHARE** (in FRF, in USD, in Euro)



TOTAL ASSETS UNDER MANAGEMENT
(at December 31, in FRF billions,
in USD billions, in Euro billions)

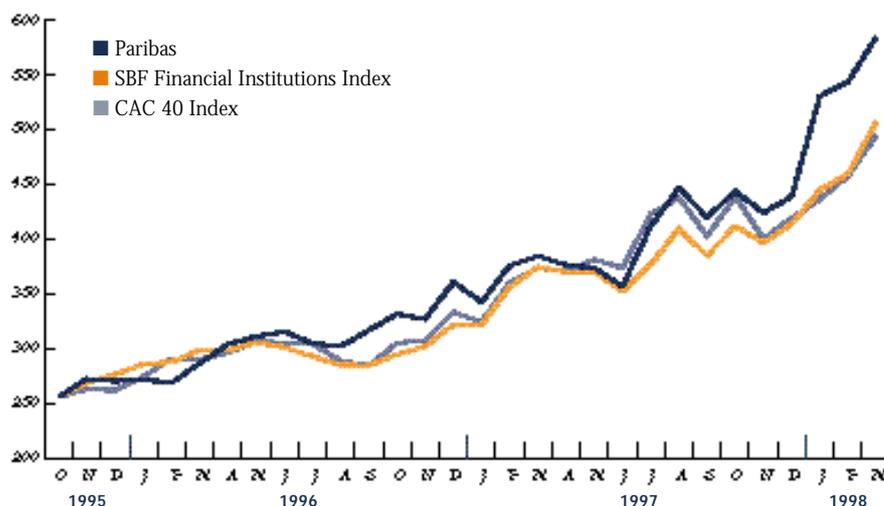


NUMBER OF SHARES OUTSTANDING
(at December 31, in millions)

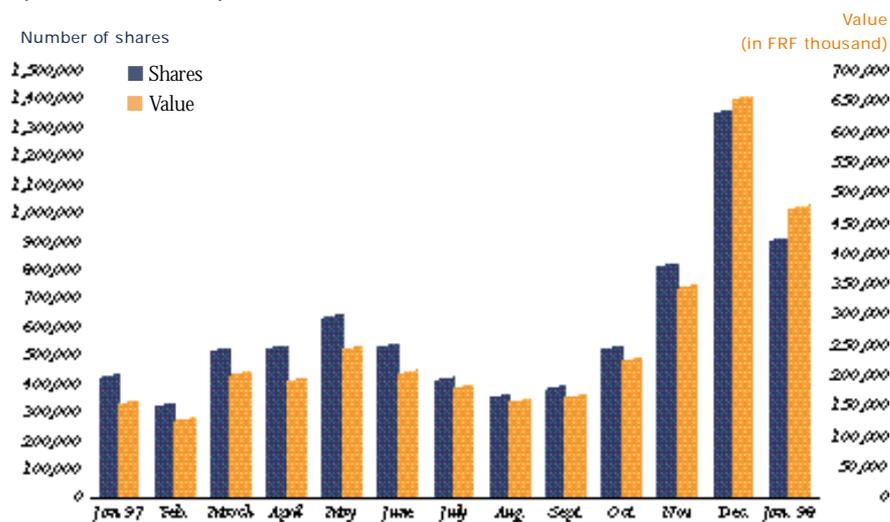


Shareholder's handbook

THE PARIBAS SHARE PRICE



DAILY TRADING VOLUME (MONTHLY AVERAGES)



PARIBAS' SHAREHOLDER BASE AT MARCH 13, 1998

	IN % OF SHARE CAPITAL	IN % OF VOTING RIGHTS
Shareholders holding more than 5% of voting rights	12.1	20.5
• Groupe AXA	7.8	12.4
• Groupe AGF	4.3	8.1
Other significant shareholders	26.8	29.2
Public	52.5	50.3
Treasury shares	8.6	-

The information below is subject to approval of the resolutions submitted to the Ordinary and Extraordinary Shareholder Meeting of Banque Paribas, to be held on May 11, 1998, which will be asked to approve the merger within Banque Paribas of Compagnie Financière de Paribas, Compagnie Bancaire and Compagnie de Navigation Mixte. It is also subject to approval of the resolutions submitted to the Ordinary and Extraordinary Shareholder Meeting of Compagnie Financière de Paribas, to be held on May 12, 1998, which will be asked to approve the merger of Compagnie Financière de Paribas within Banque Paribas. Completion of these transactions is also subject to consultation of the employee representatives of the various companies involved.

The Paribas share is listed in Paris and Tokyo.

.....
Corporate name
.....

Paribas

.....
Registered office
.....

3, rue d'Antin
75002 PARIS

.....
Paris trade register
.....

B 662 047 885

.....
APE code
.....

651 C

Form of the company

Public limited company with Management and Supervisory Boards governed by articles 118 to 150 of the Companies Act of July 24, 1966. The company has a finance company status, governed by the laws 84-46 of January 24, 1984 and 96-597 of July 2, 1996 on the modernization of the French financial sector.

Accounting period

From January 1 to December 31.

Share capital

Following the mergers, the share capital of Paribas will comprise 160,127,526 shares of FRF 100 par value, fully paid up.

Voting rights

Pursuant to article 28 of the by-laws, registered and fully paid up shares held for at least two years are granted double voting rights. Paribas shares issued from Compagnie Financière de Paribas shares enjoying double voting rights will retain this right following the mergers.

Statutory disclosure of shareholdings

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

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

In the absence of such disclosure, any individual or group of shareholders, representing at least 2% of the share capital or voting

rights, may request that all unreported shares above the highest reported statutory threshold be deprived of voting rights on the occasion of a shareholder meeting where the failure to report has been discovered. This measure will remain in force for a period of two years following the filing of the necessary notification.

In addition, increases in share ownership or voting rights above the 5%, 10%, 20%, 33%, 50%, and 66% thresholds — either through the purchase of shares in the open market or through public offers — are subject to reporting requirements and authorization by the relevant authorities pursuant to French law on commercial companies and banking activities.

Shareholder information

Paribas shareholder information is available from two specialized departments:

Paribas Actionnaires:

3, rue d'Antin
75002 Paris
France

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

in charge of relations with individual shareholders.

The investor relations department,

responsible for relations with institutional investors and analysts:

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

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

Information on Paribas can also be accessed through the Group's web site (<http://www.paribas.com>), as well as through France's Minitel videotex service (3616 CLIFF).

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

- Shareholder letters
Published twice a year following the announcement of the Group's full-year and interim results, as well as on the occasion of major corporate developments. Shorter than the annual report, shareholder letters convey information on Group developments and financial performance.
- The Annual General Meeting (AGM) report
Presenting the highlights of Paribas shareholder meetings.

Paribas Information Briefings

Each year, Paribas organizes four meetings with individual shareholders in France. In 1997, over 4,000 people attended meetings — and met the Paribas chairmen — in Toulouse, Nantes, Lyon and Versailles. In 1998, meetings are scheduled in Lille, Marseille, Lyon and Bordeaux. Last year, Paribas Actionnaires launched several new initiatives targeting individual shareholders, in response to a survey conducted in 1996, which indicated strong demand for events aimed at expanding their familiarity with the world of finance.

In particular, five visits to the Paribas trading floor enabled 75 people to discuss with specialists and better understand Paribas' role in capital market activities. In addition, seven one-day training seminars, attended by over 700 shareholders, provided a solid introduction to the stock exchange, asset allocation strategies, tax considerations, etc. Finally, Paribas organized a financial and economic trip to Hong Kong, attended by two dozen shareholders, who were given in-depth presentations on the region's economy and finance as well as Paribas' role in this part of the world.

Committee of Individual Shareholders

In 1992, Paribas became one of the first French companies to establish an ongoing dialogue with its shareholders through a dedicated committee.

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

The Committee aims at encouraging new initiatives likely to improve the dialogue between the Company and its shareholders. Any shareholder is eligible. Members are elected for three-year renewable terms. Applications should be sent to Paribas Actionnaires.

The Committee's members include:

Michel François-Poncet,
Chairman
André Lévy-Lang,
Vice-Chairman
Jean Ballongue*
Hubert Bosch*
Frédérique Dambrine,
representing the association
of employee shareholders
Pierre-Emile Fournier*
Bertrand d'Illiers*
Jacqueline Mertz*
Grégory Molinaro*
Colette Neuville, member
of the Supervisory Board
Bernard Nottin*
Jean Pustelnick*
Joseph Sberro*
Gérard Vigneron*

**individual shareholder*

Supervisory board ⁽¹⁾

Michel François-Poncet

Chairman

Age 63. Joined the Group in 1961. Chairman of the Supervisory Board of Banque Paribas Suisse. Member of the Boards of Axa-UAP, Comit, LVMH, Schneider SA and Total.

Member since May 30, 1990.
Mandate expiring in 2000.
Owner of 10,048 Paribas shares.

Philippe Degeilh

Age 45. Employee representative elected March 14, 1996.

Mandate expiring in 1999.

Euan Baird ⁽²⁾

Age 60. Chairman of Schlumberger.

Member since May 26, 1994.
Mandate expiring in 2000.
Owner of 1,091 Paribas shares.

Paul Desmarais ⁽²⁾

Age 71. Chairman of the Executive Committee of Power Corporation (Canada). Member of the Boards of Great-West, Bruxelles-Lambert, CLT-UFA and Axa-UAP.

Member since September 27, 1990.
Mandate expiring in 2000.
Owner of 230 Paribas shares.

Claude Bébéar

Age 62. Chairman of the Management Board of Axa-UAP. Member of the Boards of Directors of Schneider SA, Saint-Gobain and Havas.

Member since May 30, 1990.
Mandate expiring in 2000.
Owner of 1,044 Paribas shares.

Thierry Desmarest ⁽²⁾

Age 52. Chairman of Total. Member of the Board of Directors of Cogema.

Member since September 27, 1995.
Mandate expiring in 2001.
Owner of 1,046 Paribas shares.

Antonio Borges ⁽²⁾

Age 49. Dean of Insead Business School. Member of the Board of Directors of Cimentos de Portugal, of the Fiscal Board of Banco Santander de Negocios.

Member since May 12, 1998.
Mandate expiring in 2001.
Owner of 20 Paribas shares.

Jean Gandois ⁽²⁾

Vice-Chairman ⁽³⁾

Age 67. Chairman of Cockerill Sambre. Member of the Boards of Directors of BNP and Danone, and of the Supervisory Boards of Peugeot and Suez Lyonnaise des Eaux.

Member since May 30, 1990.
Mandate expiring in 1999.
Owner of 1,045 Paribas shares.

(1) Membership of the Paribas Supervisory Board as from May 12, 1998, subject to approval by the Compagnie Financière de Paribas and Banque Paribas Shareholder Meetings. The membership date represents the date as of which the member first joined either the Compagnie Financière de Paribas or the Banque Paribas Board.

(2) Independent Member.

(3) Subject to approval by the Supervisory Board of Paribas.

Paul-Louis Halley ⁽²⁾

Age 63. Chairman of Promodès.
Member of the Consultative Council
of Banque de France.

Member since April 25, 1997.
Mandate expiring in 2000.
Owner of 2,929 Paribas shares.

Antoine Jeancourt-Galignani

Age 61. Chairman of AGE Chairman of
the Supervisory Board of Euro-Disney Sca,
Member of the Boards of Directors
of Société Générale, Bouygues and Total.

Member since March 31, 1994.
Mandate expiring in 1999.
Owner of 219 Paribas shares.

Denis Kessler

Age 46. General Manager of Axa-UAP.
Vice-Chairman of CNPF, member
of the Conseil Economique et Social.

Member since April 23, 1996.
Mandate expiring in 1999.
Owner of 209 Paribas shares.

Alexandre Lamfalussy ⁽²⁾

Age 69. Former Chairman
of the European Monetary Institute,
Professor at Institut Catholique
de Louvain. Member of the Board
of Asbl Bruxelles-2000.

Member since May 12, 1998.
Mandate expiring in 2001.

Christian Manset

Vice-Chairman

Age 56. Joined the Group in 1965.
Member of the Boards of Erbé,
Cipaf and Cobepa, and of the Board
of Advisors of Finaxa.

Member since April 25, 1996.
Mandate expiring in 1999.
Owner of 2,833 Paribas shares.

Virin Moulin

Age 32. Employee representative
elected March 14, 1996.

Mandate expiring in 1999.

Colette Neuville ⁽²⁾

Age 61. Member of the Individual
Shareholder Committees of Paribas and
Rhône Poulenc. Member of the European
Shareholders Group, President of the
Association for the Defense of Minority
Shareholders.

Member since March 29, 1995.
Mandate expiring in 2000.
Owner of 300 Paribas shares.

Pierre Nourrit

Age 54. Employee representative
elected March 14, 1996.

Mandate expiring in 1999.

Pierre Scohier

Age 62. Chairman of Cobepa. Member
of the Boards of Directors of Groupe
Bruxelles-Lambert, Power Corporation
(Canada), Erbé and Parfinance.

Member since June 15, 1990.
Mandate expiring in 1999.
Owner of 710 Paribas shares.

Serge Tchuruk

Age 60. Chairman of Alcatel Alsthom.
Member of the Boards of Directors
of Aérospaciale, Total and
Compagnie Générale des Eaux.

Member since May 30, 1990.
Mandate expiring in 2001.
Owner of 242 Paribas shares.

Committees

Several Committees have been established to assist the Supervisory Board:

The Compensation Committee

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

Membership:

Claude Bébéar, Paul Desmarais,
Jean Gandois.

The Accounting and Audit Committee

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

Membership:

Euan Baird, Denis Kessler,
Michel François-Poncet.

The Nominating Committee

It recommends Supervisory and Management Board appointments as well as measures to ensure management continuity.

Membership:

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

The International Committee

Comprising members appointed for two-year terms on the basis of their international experience, the International Committee advises the Board on matters related to Paribas' international development.

Membership:

Michel François-Poncet
Chairman of the Supervisory Board of Paribas

André Lévy-Lang
Chairman of the Board of Management of Paribas

Nadhmi Shakir Auchy
Chairman, General Mediterranean Holding

Karl-Hermann Baumann
Member of the Supervisory Board of Siemens AG

Serge Boidevaix
Ambassador of France

Walter J.-P. Curley
Former Ambassador of the United States to France

Pierre Everaert
Former Vice-Chairman, Philips Electronics NV

Fouad Filali
Chairman, Omnium Nord-Africain (ONA)

Albert Frère
Chairman, Frère Bourgeois SA

Thierry de Montbrial
Chairman, IFRI (Institut Français des Relations Internationales)

Julian Ogilvie-Thomson
Chairman, Anglo American Corporation and De Beers Consolidated Ltd.

Sergio Romano
Former Ambassador of Italy, political journalist

Maitre Basile Yared
Managing Director, HPI (Holding de Participations et d'Investissements), Hariri Group

Secretary of the Supervisory Board

Pierre-Edouard Noyelle.

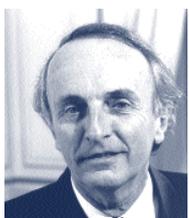
Statutory Auditors

Deloitte Touche Tohmatsu-Audit
Ernst & Young Audit.

Executive committee ⁽⁴⁾

André Lévy-Lang

CHAIRMAN



Age 60. Joined the Group in 1974 through Compagnie Bancaire. Chairman of the Board of Management of Paribas. Member of the Boards of Directors of Athéna, Elf,

Schlumberger and Finaxa.

Member since May 30, 1990.

Owner of 25,843 Paribas shares.

Philippe Blavier



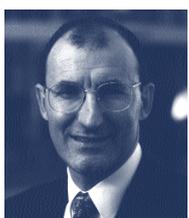
Age 52. Joined Paribas in 1981. Head of banking activities since 1996. Member of the Boards of Directors of Banque Paribas Suisse, Paribas North America, Paribas Bank

of Canada, Paribas Futures Inc. and Banque Gabonaise et Française Internationale.

Member since May 12, 1998.

Owner of 260 Paribas shares.

Jean Clamon



Age 45. Joined the Group in 1976. Member of the Board of Management of Paribas. Member of the Boards of Directors of Cobepa, Erbé, Fibelpar, Compagnie Nationale à

Portefeuille and Compagnie Générale Mosane.

Member since February 20, 1997.

Owner of 758 Paribas shares.

Philippe Dulac



Age 55. Joined the Group in 1983. Member of the Board of Management of Paribas. Chairman of Banque Paribas Luxembourg. Member of the Boards of Directors of

Colgate-Palmolive (France) and Esso (France) and of the Supervisory Board of Cetelem.

Member since May 30, 1990.

Owner of 1,147 Paribas shares.

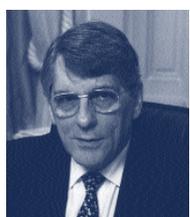
Véronique Guillot-Pelpel



Age 48. Joined the Group in 1983 through Compagnie Bancaire. Director of Human Resources and Communications. Honorary Chairman of Entreprises et Média.

Member since May 12, 1998.

Dominique Hoenn



Age 58. Joined Paribas in 1963. Member of the Board of Management of Paribas. Member of the Boards of Conseil des Marchés Financiers, Sicovam, Société des Bourses Françaises and Finextel.

Member since June 15, 1990.

Owner of 1,084 Paribas shares.

Robert de Metz



Age 47. Joined the Group in 1991. Member of the Board of Management of Paribas. Member of the Boards of Directors of Axa Ré Finance, Cobepa and Paribas International BV.

Member since February 26, 1997.

Owner of 600 Paribas shares.

Bernard Müller



Age 52. Joined the Group in 1971. Member of the Board of Management of Paribas. Chairman of the Supervisory Boards of Cetelem and Banque Cortal. Member of the

Boards of Directors of UFB Locabail, Ségécé and Klépierre, permanent representative of Paribas on the Boards of UCB, Banque Directe and Cardif.

Member since November 25, 1997.

Owner of 2,929 Paribas shares.

Amaury-Daniel de Seze



Age 51. Chairman of Paribas Affaires Industrielles since 1993. Member of the Board of Management of Paribas. Member of the Boards of Directors of Groupe

Bruxelles Lambert, Schneider SA, Sema Group Plc., Atos, La Poste, Clemessy, Ciments Français and IMS.

Member since May 28, 1993.

Owner of 523 Paribas shares.

(4) Membership of the Paribas Executive Committee and Board of Management subject to approval by the Supervisory Board of Paribas. The membership date represents the date as of which the member first joined either the Executive Committee or Board of Management of Compagnie Financière de Paribas or Banque Paribas.



INVESTMENT BANKING

A unique position in Europe

Equity

Fixed Income

Corporate Banking

Advisory Services

Securities Services

Paribas Principal Investments (Paribas Affaires)

Paribas specializes in high growth potential activities where it enjoys undisputed know-how, benefits from long-term competitive edge, and intends to rank among the world leaders. With long-established European roots, proven ecu experience, and the capacity to anticipate developments in capital markets, Paribas is far and away the leading Euro bank.

REVENUES (in millions)

	INVESTMENT BANKING EXCL. PAI IN FRF	97/96	PAI IN FRF	97/96	TOTAL IN FRF	TOTAL IN USD	TOTAL IN EURO	97/96
Revenues ⁽¹⁾	12,488	+ 15%	3,615	+ 25%	16,103	2,689	2,443	+ 17%
Pretax result ⁽²⁾	2,853	- 5%	3,448	+ 26%	6,301	1,152	956	+ 10%
Pretax return on equity	14%		30%		20%			
Allocated equity	19,700		11,700		31,400	5,243	4,764	

(1) Including revenues of allocated equity.

(2) Net income before tax, general provision for Asian exposure and amortization of goodwill.



Investment Banking
activities around the world

<i>Abidjan</i>	<i>Libreville</i>
<i>Abu Dhabi</i>	<i>Lima</i>
<i>Amsterdam</i>	<i>Lisbon</i>
<i>Athens</i>	<i>London</i>
<i>Basel</i>	<i>Los Angeles</i>
<i>Bangkok</i>	<i>Luanda</i>
<i>Barcelona</i>	<i>Lugano</i>
<i>Berlin</i>	<i>Luxembourg</i>
<i>Beirut</i>	<i>Madrid</i>
<i>Beijing</i>	<i>Manama</i>
<i>Bogota</i>	<i>Manila</i>
<i>Bratislava</i>	<i>Mexico</i>
<i>Brunei</i>	<i>Milan</i>
<i>Brussels</i>	<i>Montevideo</i>
<i>Budapest</i>	<i>Moscow</i>
<i>Buenos Aires</i>	<i>New Delhi</i>
<i>Cairo</i>	<i>New York</i>
<i>Caracas</i>	<i>Osaka</i>
<i>Casablanca</i>	<i>Port-Gentil</i>
<i>Chicago</i>	<i>Prague</i>
<i>Dalian</i>	<i>Rome</i>
<i>Dallas</i>	<i>Ruwi (Sultanate of Oman)</i>
<i>Doha</i>	<i>San Francisco</i>
<i>Dubai</i>	<i>Santiago de Chile</i>
<i>Dublin</i>	<i>Sao Paulo</i>
<i>Frankfurt</i>	<i>Seoul</i>
<i>Ganzhou</i>	<i>Shanghai</i>
<i>Geneva</i>	<i>Sharjah</i>
<i>Guernsey</i>	<i>Singapore</i>
<i>Hanoi</i>	<i>Sydney</i>
<i>Hong Kong</i>	<i>Taipei</i>
<i>Houston</i>	<i>Teheran</i>
<i>Istanbul</i>	<i>Tokyo</i>
<i>Jakarta</i>	<i>Toronto</i>
<i>Johannesburg</i>	<i>Warsaw</i>
<i>Kuala Lumpur</i>	<i>Vienna</i>
<i>Labuan</i>	<i>Zürich</i>
<i>Lagos</i>	

Paribas' strategy focuses on innovation, specialization and sector expertise. The Bank has chosen to focus on five high-potential priority sectors – financial institutions, media and telecommunications, energy, technology, and metals and mining – in which Paribas has built a strong reputation.

In 1997, revenues from Investment Banking activities, including Paribas Principal Investments, accounted for 49% of total revenues. Fueled by the sharp growth in client-related revenues, revenues from Investment Banking activities rose by 17% to FRF 16,103 million. The cost of risk, amounting to 0.1% of total loans outstanding, remained under control. The pre-tax profit margin from Investment Banking activities stood at 20% in 1997.



Equity

Two interrelated activities

Paribas has traditionally developed its primary and secondary market activities along parallel tracks. Underwriting of stock and equity-related securities, on the one hand, and selling or trading these securities, on the other, are closely interrelated activities.

Relying on strong sector and geographical research capabilities, Paribas' sales and trading teams work hand-in-hand, backing each other up. From a marketing standpoint, the credibility and reputation of each team enhance those of the other. In addition, equity-related activities are a fundamental complement to the Bank's other areas, notably Advisory Services.

Paribas has been active in the equity markets for many years, and ranks among the leading banks in this field. Its rise dates back to the boom in the markets in the early 1980's, initially in London and then in Paris. Paribas strengthened its operations with the acquisition of brokers Quilter Goodison in London and Courcoux Bouvet in France,

followed by the purchase of Asia Equity in 1997. Its development strategy focuses on internal growth, backed up by the acquisition of brokerage firms with solid expertise in a particular market segment.

In the primary markets, Paribas offers a wide range of products and services linked to new equity issues — origination, underwriting, syndication — placement in relation with secondary offerings, rights issues, block trades and bought deals, IPOs, issues of convertible bond and warrants. In the secondary markets, Paribas' placement capabilities focus on institutional clients.

Paribas' sales and trading teams benefit from the support of top-quality, highly respected research analysts.

1997: strengthened market share

With over 600 professionals around the world, Paribas has built a highly efficient distribution capability. Fueled by favorable market conditions and consistently high volumes, the Bank gained market share. In 1997, equity revenues were up by over 60%. Though the crisis in Asia caused volumes to slow down in the latter part of the year, it had relatively little impact on overall performance, thanks to Paribas' cautious trading strategy. In the primary markets, where underwriting and placement capabilities are concentrated within a small number of banks, Paribas gained market share. The Bank ranked number 8 as lead-manager of international equity issues, number 3 in Europe, and number 1 in France for domestic equity issues (source: Euromoney Bondware). In the secondary markets, aggressive marketing efforts in the past several years enabled

Paribas to strengthen its position with major institutional clients. Its product offering was further expanded with the acquisition of Asia Equity. Several high-profile transactions allowed Paribas to rank among the leading underwriters in the world:

- No. 1** in French domestic issues
- No. 2** in international IPOs
- No. 2** for international investors
- No. 5** in European equity issues
- No. 8** in international equity issues

(source: Euromoney Bondware)

1998 OBJECTIVES

Boost

revenues, despite the likely negative impact of the Asian crisis



Although less of a determining factor in the Equity business than in other areas, the single European currency should fuel the growth of cross-border transactions, thereby creating attractive opportunities. In addition, the Euro will cause many institutional investors to adapt the allocation and structure of their portfolios.

Against this backdrop, Paribas should benefit from the quality of its research and its long experience in secondary markets. In advance of these developments, the Bank is expanding and intensifying its salesforce for the products of the European market. The range of Euro-based products will also be broadened with the offer of Euro-denominated convertible bond issues. In early 1998, Paribas successfully lead-managed the first transaction of this type, an Euro 281 million issue for Italy's Parmalat.

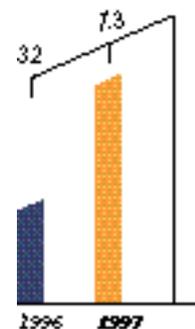
Transactions around the world

- Paribas acted as global coordinator and lead underwriter for the IPO of France Telecom. The FRF 42 billion offering attracted record institutional demand for a European equity issue. Retail investors numbered a record 3.8 million. Despite volatile market conditions at the time of the issue, the France Telecom stock price posted sharp increases, underscoring the quality of the placement. This transaction was voted best international deal, best IPO and best French franc issue (sources: International Equity Review and World Equity).
- Paribas lead-managed the convertible bond issue for Taiwanese company Winbond. In the midst of the Asian crisis (the Taiwan index fell 20% during the offering period), this maker of computer memory raised USD 100 million.

- Paribas lead-managed the Global Depositary Receipt (GDR) offer for ARIG, the leading insurer and reinsurer in the Arab world, headquartered in Bahrain. Despite difficulties in the fall, the company's shareholders were able to raise nearly USD 300 million through this transaction, voted the best equity issue in the Middle East (source: International Equity Review).
- For Italian bank Mediobanca's ITL 1,037 billion (USD 620 million) issue of bonds redeemable into Alleanza shares held by Generali, Paribas acted as co-lead manager.

- Paribas was co-lead manager for a USD 230 million convertible bond issue by Russian oil giant Lukoil, voted equity-linked "Deal of the year" in the emerging markets (source: Corporate Finance).
- Paribas was co-global coordinator for the USD 82 million issue and New York Stock Exchange (NYSE) listing of Unimarc, a Chilean supermarket operator.

VOLUME OF ISSUES LEAD-MANAGED BY PARIBAS
(in ECU billions)



Strengthen

Paribas' distribution capabilities in the fast-growing European market

Reinforce

Paribas' presence in emerging markets



Fixed Income

Comprehensive offering

Fixed Income, Forex and Derivatives are a fundamental component of Paribas' investment banking services. Capital markets continue to grow at a rapid pace under the combined influence of several factors — increasing liquidity chasing investment opportunities, growth in the number of investing institutions (insurance companies, pension funds, mutual funds), new issuance techniques, and the need for investors to diversify their risks.

Paribas' strategy is to be active on all major world markets in order to offer investors a comprehensive range of products and services. With the emergence of the single European currency, Paribas focuses in particular on developing a prominent position in products soon to be denominated in Euros.

With 1,600 people around the globe, Paribas' Fixed Income, Forex and Derivatives business operates from offices in London, Paris, New York, Tokyo, Singapore, Hong Kong, Frankfurt, Geneva, Milan and Seoul. A centralized organization ensures the coherence of the product strategy and the optimization of trading positions and risk control.

1997: an outstanding year

Revenues from Paribas' Fixed Income, Forex and Derivatives business were up 24% in 1997. Excluding the impact of the Asian crisis, the performance for the year would have exceeded forecasts.

Bond markets:

Activities in the bond markets benefited from generally strong prices and the rise in issuance volume. The fourth quarter of the year was affected by the Asian crisis, causing prices to drop and momentarily slowing down the credit market.

- In the government bond market, revenues were satisfactory, notably in France and Japan. Paribas strengthened its position in the US Treasury bond market, gaining primary dealer status in March 1997. The Bank increased its share of the Japanese government bond market. With the prospect of the single European currency, Paribas built on its strong positions in France and developed its activities in the Italian and German government bond markets.
- Revenues on the Eurobond market were also satisfactory, in terms of issuance as well as medium-term notes. Paribas conducted a number of innovative transactions, including an issue of perpetual bonds on

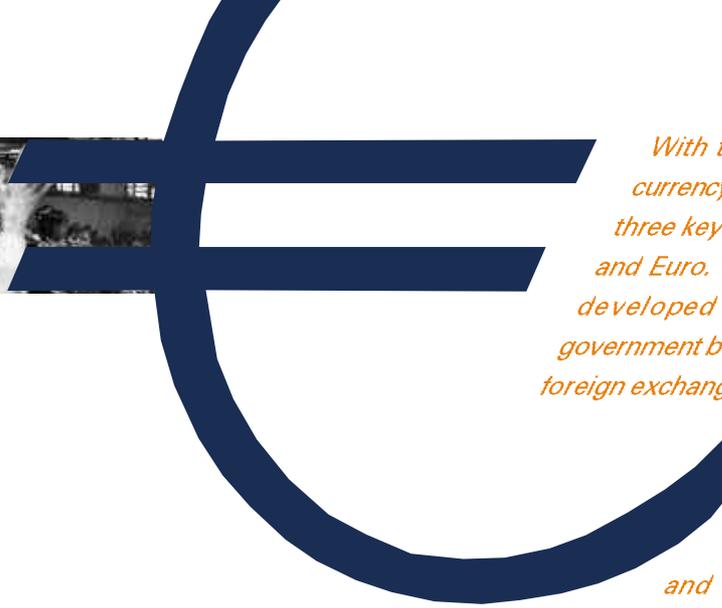
behalf of French insurer Axa. Paribas ranks number 1 in France, number 5 in Europe and number 10 worldwide in terms of Eurobond issuance (source: IFR), with an unchallenged lead in ecu and Euro-denominated issues. The Eurobond business, which performed particularly well, won the Eurobond of the year award.

- The market for credit products — high-yield bonds, emerging market debt, securitization — continues to grow at a rapid pace. Paribas has substantially strengthened its presence in this area which, with the arrival of the Euro, should reach a new stage in its development, as it has done in the US market.

1998 OBJECTIVES

Continue

to expand the range of products offered to institutional investors



With the prospect of the single European currency, Paribas refocuses its activities on the three key markets of the future — dollar, yen and Euro. The Bank's capabilities have been developed in all market segments — government bonds, credit products, derivatives, foreign exchange. Paribas is already recognized as the leading Euro bank. In 1997, it ranked number 1 in Euro-denominated bond issues and won awards for the Euro-issue of the year and the financial deal of the year (source: IFR). Paribas also introduced Eurostart, the first pure Euro-based foreign exchange product.

Paribas achieved strong performances in emerging market debt trading. The Asian crisis had a limited effect on revenues, as the Bank's business in this area is primarily focused on Latin American and Eastern European debt.

Derivative products:

In derivative products, Paribas is renowned for developing innovative solutions, offering its clients a full range of products, from the ordinary to the most complex structures — fixed income and foreign exchange, equity derivatives, credit derivatives, and insurance products. Specialist teams provide advisory services on strategic financial risk management.

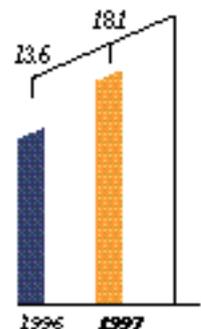
In fixed income derivatives, highly satisfactory results were achieved in swaps and structured

products. Fixed Income options were adversely affected by the stabilization of the market, reflecting declining interest rate volatility. Equity derivatives continued to grow rapidly, due to strong demand for indexed and guaranteed-income products. Revenues, down from their 1996 level, were affected by considerable price volatility during the October stock market crisis.

Foreign exchange and short-term products:

In foreign exchange and short-term products, Paribas is active in three major markets: North America, Europe and Asia. The Bank offers round-the-clock service, with execution centralized in Paris. Higher volatility and trading volume contributed to creating a favorable environment for these activities. Paribas improved volumes in its three main markets — dollar, yen and Euro — due to aggressive marketing efforts and top-quality service. Results were up significantly, both in spot and derivative activities. Paribas is working hard on its preparation for the European single currency, strengthening its presence in short-term instruments in the countries where it has chosen to compete.

VOLUME OF BOND ISSUES LEAD-MANAGED BY PARIBAS
(in ECU billions)



Pursue
its research and innovation efforts in derivative products

Strengthen
its competitive edge in Euro-denominated instruments



Corporate Banking

A strategy of specialization

For the past five years, Paribas has focused its Corporate Banking activities on a limited number of specialized areas where its financial advisory and engineering expertise can best be used to secure worldwide leadership positions. Facing an intensely competitive environment, exacerbated by the increasing commoditization of products, Paribas views specialization and service excellence as the cornerstone of its strategy, as well as a means to avoid the erosion of margins. Innovation, creativity, rapid and reliable execution, customized service are Paribas' trademarks in this area.

Underscoring the pace of change, revenues from high value-added structured financing now account for over two-thirds of Paribas' Corporate Banking revenues, as compared to just one-third five years ago. Growth in this high-margin area should continue in coming years, enabling Paribas to reach its target of a 15% return on equity. Thanks to its generalist Corporate Banking activities, Paribas is able

to rapidly identify the needs of its clientele — mainly comprised of large and medium-sized businesses —, offer effective solutions, and cement durable working relationships with its customers. In cooperation with other Bank units — particularly capital market, advisory services, and asset management activities, — Paribas offers a full range of services. One of the Bank's key strengths is high-security electronic management of financial flows.

1997: a year of rapid growth

Revenues from Corporate Banking activities were up 10%, to FRF 4.5 billion, in 1997. For the first time ever, revenues generated in Europe exceeded those in the US. The situation in Switzerland was turned around, and profitability continued to grow in the French market. The

Bank's conservative policy limited its exposure to Asia, which accounted for just 11% of corporate banking revenues last year. Disciplined asset allocation procedures enabled the Bank to maintain its cost of risk at an extremely low level — 0.20% of total loans outstanding.

Acquisition financing:

Paribas' merchant banking teams are recognized as major players in this field. With a strong international presence, Paribas can meet its clients needs anywhere in the world. In the US, where Paribas enjoys a leading position, over USD 3 billion were raised for acquisition financing and leveraged buy-outs. For example, Paribas

arranged the USD 300 million financing for the merger of two large restaurant chains and the USD 325 million financing for the acquisition of a leading company in the electronic equipment sector. With 22 transactions completed in 1997, the growth of this activity continued in Europe, boosted by the market's development. Paribas is one of the top three European players, leader in France and number 2 in Spain and Italy. In these three countries, Paribas acted as arranger or co-arranger for all major LBOs, including the FRF 11 billion acquisition of SEAT in Italy, the largest European LBO to date, and Eiffage's debt refinancing in France.

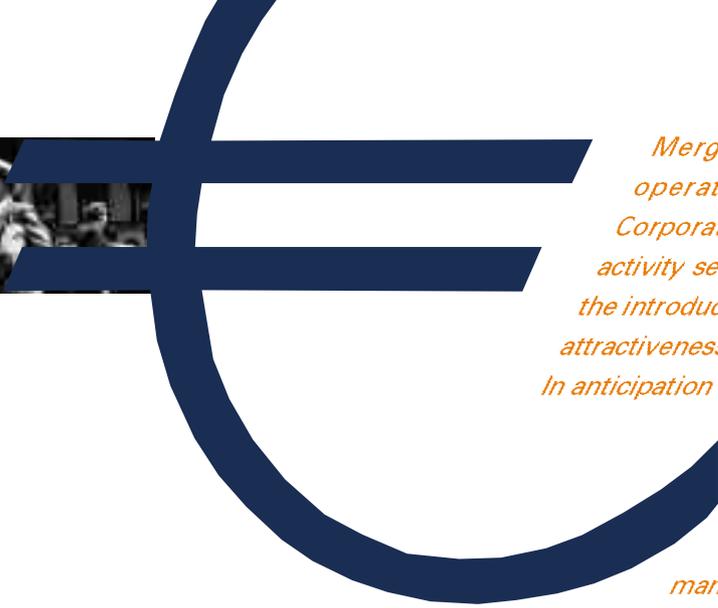
Media-telecom financing:

The Bank benefited from intense activity in the media and telecommunications sector last year. With nearly 100 transactions completed, including nearly one-third as arranger or co-arranger, Paribas ranks among the leaders

1998 OBJECTIVES

Successfully handle
the transition to the Euro

Raise
profitability in Europe
and the US



Mergers, acquisitions, restructuring operations, LBOs, project financing. Corporate Banking is one of the Paribas activity sectors most likely to benefit from the introduction of the Euro, stimulating the attractiveness of these types of transactions. In anticipation of the single currency, Paribas will offer its clients a wide range of Euro-linked products, notably credits and cash flow management services. Paribas is well positioned to capitalize on the many opportunities created by the single currency and market deregulation.

in this specialty. In 1997, the Bank was particularly active in cable and pay-per-view television, as well as in cellular telephony. In Europe, where it is the number 2 player, the Bank is consulted on all major projects.

Export and project financing:

With export credits becoming a fundamental element in project financing, the two activities were merged during the year to enhance their marketing efficiency. Capable of carrying out transactions from fifteen different exporting countries, Paribas is a major player in this area, specializing in multi-source financing operations particularly well adapted to the globalization of trade and the needs of its large multinational clients. The financing of the Al Hidd powerplant in Bahrain, for example, combined Swiss, Italian and American export credits. Other important

examples include the Nordural aluminum plant in Iceland, the Quafac petrochemical complex in Qatar, and the Eco Electrica power station in Puerto Rico.

International trade financing:

Despite falling oil and raw material prices, 1997 was a very good year for the Bank's international trade financing and structured credit activities, bolstered by exceptional growth in emerging markets, particularly Russia, Central Africa and Latin America.

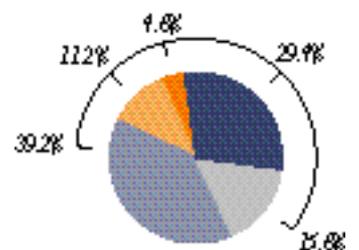
Aerospace financing:

Another good year was also recorded in aerospace financing, due to the sharp recovery in aircraft orders. Paribas participated in the financing of over 50 aircraft for some twenty different airlines. In Europe, Paribas is also active in financing aircraft acquisitions by regional airlines, and was awarded a number of mandates with a combined worth in excess of FRF 1 billion.

Healthcare financing:

The Bank is now the US leader in the high-growth healthcare financing market. Paribas organized a USD 250 million financing for the merger of two companies specializing in intravenous perfusion, creating the sector's new leader.

GEOGRAPHICAL BREAKDOWN OF REVENUES



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

Expand
the client base and offer multi-disciplinary services

Maintain
a selective presence in Asia



Advisory Services

A historical presence

Advisory Services play a fundamental role in corporate and investment banking, and are therefore at the heart of Paribas' business. Since its founding, the Bank has traditionally been an important actor in the European industrial landscape. Its expertise in financial engineering, mergers and acquisitions, capital restructuring, privatizations and other financial transactions today extends from Europe to Latin America and Asia. Providing decisive input helping companies to make strategic decisions, the advisory services business creates long-lasting relationships at the highest level with company executives and their key shareholders. When required, Advisory Services can rely on the expertise of the Bank's other divisions (Capital Markets, Underwriting, Corporate Banking, Asset Management...), in order to best meet the needs of their clients.

Selectivity and expertise

Paribas was one of the first European banks to organize itself along industry sectors. Operating on a global level, Paribas teams are well positioned to anticipate and analyze developments in the industries they cover. In order to create value for its clients, the Advisory Services team includes specialists in financial and stock market transactions, estate engineering, and transfer of family-owned businesses. Geographically, Paribas has chosen to concentrate its activities in Europe, where it aims to rank among the leaders, in Latin America and Asia. On the industrial front, other than the sectors that have been earmarked as priorities at the Group level (technologies, metals and mining, financial institutions,

energy, media and telecommunications), the Advisory Services business has developed expertise in other areas, including automobiles, retailing, agribusiness, aerospace and defense, electrical construction, and real estate. Coupling its sector expertise and financial engineering skills, backed by broad international coverage, Paribas can provide its clients with innovative solutions and ideas.

1997: sharp growth in France...

With revenues of FRF 410 million in 1997, Advisory Services recorded their best year ever. Benefiting from a favorable business climate, both in France and internationally, and despite heightened competition, revenues were up 30% last year.

In France, Paribas strengthened its leading position. As advisor to the French State for the partial privatization of France Telecom, to the controlling shareholders at the time of the during the FRF35 billion tender offer for Worms & Cie by Soméal, and to Axa-UAP for the FRF 5.9 billion acquisition of Compagnie des Immeubles de la Plaine Monceau by SIMCO — resulting in the creation of France's largest listed real estate investment company, Paribas' Advisory Services played an instrumental role in most major deals in the Paris market last year.

As in 1996, transactions conducted on behalf of other Groupe Paribas entities (sale of Paribas Belgique, tender offers for Cardif and UFB Locabail, merger of Paribas with Compagnie Bancaire and Cetelem) accounted for 15% of revenues.

1998 OBJECTIVES

Expand
activities in Europe
(UK, Germany, Italy)
and Asia (Hong Kong)



For Paribas' Advisory Services, the single currency will clearly stimulate business development. The unification of the European market will accelerate the pace of industry consolidation and restructuring. Companies that today hold a significant share of their domestic market will need to gain a satisfactory European dimension. At the same time, deregulation in a number of sectors currently under State control should continue. For Paribas, which is building up its presence throughout Europe, particularly in Germany, Italy and the UK, these developments will pave the way for new opportunities.

... and outside of France

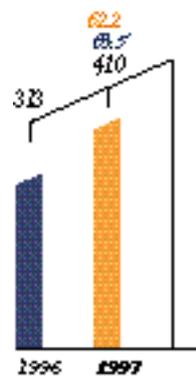
Paribas strengthened its presence in Europe:

- in Italy, the Bank acted as advisor to Banca Popolare di Verona for the acquisition of Credito Bergamasco and to Ferrovie Dello Stato for the sale of Telesistemi Ferroviari to Finsiel;
- in Germany, it advised Pharmacia & Upjohn on the sale of Sanorania to Synthelabo and negotiated the acquisition of Tipp-ex by Bic;
- in the Benelux countries, with Cobepa, it assisted Swiss Life on the acquisition of GAN Belgium, advised on the sale of the Heytens retail group, and assisted insurer Royale Belge on the sale of its interest in Banque Bruxelles-Lambert.

In addition, Paribas continued to advise non-French clients on the sale and acquisition of French assets. It advised the US group TLC Beatrice Foods on the sale of Franprix and Leader Price to Casino, and AMEC on its joint acquisition, with management, of Spie Batignolles. The Bank won a number of privatization mandates in emerging markets: sale of Indian Ocean Fertilizers in South Africa as part of the privatization of Togo's Office of Phosphates, privatization of the La Paz water company in Bolivia, sale of

Venezuela's Banco Republica and Brazil's Companhia Uniao de Seguros Gerais, acquisition of Boccharas Cestari by Hutchinson in Brazil... In addition, Paribas has been selected to advise on the privatization of the water services in Guadalajara, Mexico and Guayaquil, Ecuador.

REVENUES FROM ADVISORY SERVICES (in FRF millions, in USD millions, in Euro millions)



Build

on breakthroughs in key sectors — financial institutions, media and telecommunications, capital goods... — to win new mandates

Continue

expanding in Latin America and emerging markets



Securities Services

A high-volume approach

Paribas offers a complete range of securities processing services to a clientele of brokerage firms, banks, institutional investors (insurance companies, pension funds, mutual fund management companies) and businesses.

These services include custody, settlement and delivery, dividend payment, tax withholding and refunds, handling of all securities transactions and cash management.

Reflecting the growing complexity of client needs and increasing diversity of transactions, the Bank has developed a range of customized services, including securities lending and borrowing, management of derivatives, registrar and transfer activities on behalf of listed companies, remote data access and dissemination of financial information. Some of the largest international financial institutions have chosen to outsource their securities services to Paribas due to its well-known expertise, service quality and innovation, notably in the area of Euro-linked products.

To cope with ever increasing volume and provide the speed and reliability of services required by clients, the development of a high-volume approach to this activity is needed. In a highly competitive market where pressure on margins continues to increase, productivity is the key to profitability. Ongoing investments in technology, powerful information systems and highly qualified teams are the best guarantee of success. With over FRF 1 billion in revenues forecast for 1998, Paribas is one of the few institutions expected to benefit from the consolidation of the securities services industry.

A broader product range

In 1997, Securities Services expanded their European product offering. After France and Luxembourg, they are now offering fund administration services in the Italian market. Securities lending and borrowing services are now available in Spain. Custody, settlement and delivery services have recently been set up in Turkey — through a cooperative agreement with Banque Ottomane — and Greece. A branch office was established in Belgium following the sale of Paribas Belgique to the Bacob group.

Back-office outsourcing services enjoy significant growth potential. A number of brokerage firms and local subsidiaries of international banks, which had traditionally relied on their in-house custody, settlement and delivery departments, are now refocusing on their core businesses, trading and fund management. After Paris and Frankfurt, Paribas developed this activity in Milan in 1997. Similar projects are planned for 1998, particularly in Madrid and Brussels.

In France, Paribas now ranks among the leading sub-contractors providing access to the block trade settlement system (CRI). In Germany, Paribas became the first bank to offer settlement services for a remote broker on the Frankfurt Stock Exchange.

1998 OBJECTIVES

Prepare
for the technological challenges of the European single currency and year 2000

Turn
this opportunity into a commercial and financial success



The introduction of the Euro represents a unique opportunity for the Securities Services business. Paribas was an active participant in workshops developed to shape the future European financial markets (France, Germany, Spain). As European leader and following the successful integration of JP Morgan's European activities, Paribas enjoys a competitive edge which should continue to advance in the new economic environment created by the single

currency. Increasingly, clients view the Euro zone more and more as a single domestic market. Paribas is one of the few institutions capable of providing top-quality service in the six countries accounting for 86% of GNP of the "in" zone. Significant IT investments were made in 1997; a team of 60 people dedicated to the Euro project was put together; a range of Euro-products is currently being developed, and dedicated communications channels have been set up.

1997: a very good year

In 1997, revenues from Securities Services totaled FRF 925 million, a 21% increase over 1996.

Today, Paribas is a major player in Europe, present in eight countries (Belgium, France, Germany, Greece, Italy, Luxembourg, Spain and Turkey) and covering over 50 markets.

In terms of assets held in custody (FRF 2,700 billion at 1997 year end, up 30% over the prior year level) and the number of transactions it handles (3 million last year), Paribas is a clear European leader in securities services.

In 1997, as in prior years, the quality of Paribas' services won it the greatest number of awards in all European markets.

The American magazine Global Custodian gave Paribas its "top rated" ranking in France, Italy and Spain, and the "commended" ranking in Belgium and Germany. For the first time this year, Banque Ottomane in Turkey also received the "top rated" award.

Paribas was also voted number 1 clearing bank in Europe by British magazine ICB. Finally, Global Investor of the US rated Paribas number 1 European sub-custodian in Spain and Italy and number 2 in France and Germany.

Expand

Securities Services into new markets (Russia, Eastern Europe, future EU members)

Expand

the full product offering across Europe



Paribas Principal Investments (Paribas Affaires Industrielles — PAI)

A refocused business

Paribas Principal Investments (PAI) manages Paribas' equity holdings in manufacturing and service companies, with one of the largest investment portfolios in Europe.

Over the past several years, PAI's business and portfolio have been fundamentally refocused. PAI favors investments in medium-sized businesses with annual sales ranging from FRF 500 million to FRF 5 billion and actual or potential leadership in their respective sectors. Since 1996, PAI has also begun playing a leading role in leveraged buy-outs (LBOs) in Europe and the US. PAI takes substantial equity interests in the companies it chooses to support, and participates in the definition of their strategy, building on the expertise of its people. PAI monitors their development in good and bad times. With a long-term perspective, PAI aims to enhance the value of the businesses in which it invests, to the benefit of all their shareholders. PAI's experience over the past four years has shown that its strategy, based on a diversified portfolio

and long-term vision, enables the Paribas unit to accelerate its investment turnover rate and generate stable, recurring profits.

Proven sector expertise

So as to anticipate change and actively manage its interests, PAI has developed in-depth familiarity with the local and global operating conditions of the priority sectors it has chosen to

support — agribusiness; chemicals, cosmetics, pharmaceuticals and healthcare; retailing; electronics, information systems and telecommunications; energy; automotive and heavy equipment; media and communications. The European leader in its field, with specialized teams in France, Benelux countries, and the UK, PAI is developing its presence in North America and Asia. The businesses in which PAI invests benefit from the support of Paribas' extensive global network.

1997 priorities — international investments and LBOs

1997 was the first full year of implementation of PAI's refocused strategy. Simultaneously, it reinforced its presence in the LBO market.

PAI's active support to the businesses in which it invests was illustrated by several key transactions last year:

- the successful initial public offering (IPO), and subsequent share price rise, of Royal Canin, a pet food business whose growth over the past several years benefited from PAI's expertise;

PARIBAS PRINCIPAL INVESTMENTS FINANCIAL HIGHLIGHTS
(in billions)

	1996 FRF	1997 FRF	1997 USD	1997 EURO
Estimated portfolio value	44.3	45.8	7.6	7.0
Estimated portfolio value, net of minority interests	37.4	39.3	6.6	5.6
Net income	3.2	3.5	0.6	0.5
of which: — realized capital gains	3.1	2.6	0.4	0.4
— Cobepa	0.7	0.9	0.1	0.1

1998 OBJECTIVES

*Pursue
the development
of cross-border transactions*



With the emergence of the single European currency, PAI will gain access to new opportunities throughout Europe without incurring foreign exchange risks. Allowing a number of manufacturing and services groups to gain Europe-wide status, the Euro will accelerate the development of cross-border transactions. In addition, the European currency is likely to result in a lowering of interest rates, favoring the use of LBOs. In this favorable environment, PAI is particularly well positioned to capitalize on its solid European presence.

- Fives-Lille's acquisition of Cinetic, strengthening the company's focus on automotive equipment, together with disposal of several non-core businesses;

- development and implementation of Eiffage's recovery strategy, in close cooperation with the construction company's management.

Providing ongoing support as long as it is needed, PAI also actively manages its portfolio. In 1997, PAI sold a number of interests in companies whose performance was successfully turned around, as well as in businesses over whose management it could not exercise a significant influence.

Highly selective growth outside of France remains a key priority for PAI. Having built a specialized team in North America, PAI took advantage of attractive opportunities in this market, including the acquisition of a 39.2% stake in Collins & Aikman on the occasion of this fast-growing floor covering company's LBO.

In Asia, where Paribas was particularly selective, PAI limited its investments and was able to weather the impact of the region's financial crisis.

In Europe, PAI pursued its geographical diversification, illustrated by the acquisition of an 11.9% interest in Bormioli Rocco, Italy's leading glassware manufacturer.

PAI also reached a new stage in the development of its activities in the LBO market, expected to grow rapidly in the continental European market following its establishment in the UK. A host of factors should favor the growth of the European LBO market in coming years, notably the strategic refocusing of major industrial groups on their core activities, the succession needs

of entrepreneurs who have built successful medium-sized businesses, the emergence of a new class of managers motivated by an association with financial backers, and the impact of European unification and the single currency on cross-border transactions.

Solid advances have already been made in France, Spain, the Benelux countries and Italy. In 1997, PAI participated in the LBO of Seda, Spain's second largest instant coffee producer, and conducted the year's second largest LBO in France, the acquisition from Danone of Panzalin, a maker of prepared foods, sauces and condiments sold under the Amora, Maille, Panzani and William Saurin brands.

All told, PAI's 1997 activity generated net cash of FRF 5.4 billion excluding dividends, while new investments totaled FRF 3 billion. Capital gains were substantial. In 1997 as in prior years, proceeds from sales of assets substantially exceeded their estimated value presented in the 1996 annual report, underscoring the conservative nature of the Group's valuations. Last year, proceeds were FRF 0.9 billion higher than the estimated resale value of the corresponding assets. At 1997 year end, the net estimated value of PAI's portfolio, excluding minority interests, totaled FRF 39.3 billion, an increase of FRF 1.9 billion over the prior year level. Unrealized capital gains rose from FRF 10.7 billion to FRF 14.9 billion over the period.

Develop
LBO business

Continue
to strengthen PAI teams
in Europe, the US and Asia



New investments

- acquisition of 50% of Panzalin, the French leader in sauces and condiments (Maille-Amora), pasta and prepared food (Panzani, William Saurin). PAI acquired these activities from Danone in December 1997, through an LBO it also initiated. With an outstanding reputation and strong market shares, the companies involved had combined sales of FRF 6.5 billion in 1997, and operating income of over FRF 400 million. They employ over 3,200 people. These activities, no longer of strategic importance for the Danone group, will be better positioned to capitalize on their growth potential, notably in international markets. This acquisition, totaling FRF 4.2 billion, was financed through an LBO comprising FRF 1 billion in equity, 50% of which provided by PAI, a FRF 400 million loan from the seller, a senior debt of FRF 1,700 million, a subordinated debt of FRF 400 million, and a FRF 700 million revolving loan.
- acquisition of an 11.9% interest in Bormioli Rocco. With annual sales of FRF 4 billion, Bormioli Rocco is the world's second largest glassware maker, leader in the Italian market, and

a major player in glass containers, notably for the pharmaceutical, food and fragrance industries. Paribas has been granted an option to raise its interest in Bormioli Rocco to 13.5%. Proceeds from Paribas' investment enabled Bormioli Rocco to fund part of its acquisition of Saint-Gobain's glassware subsidiary, with over FRF 1 billion in sales.

- acquisition of a 7% interest in Bercy-Management. With sales of FRF 9.5 billion, 3,500 restaurants and 25,000 employees worldwide, Bercy Management is the French leader in institutional catering (Générale de Restauration, Orly Restauration) and concession restaurants (Elitair, HRC). This transaction was conducted as part of the refinancing by Bercy Management of its acquisition of the interest held by Compagnie Générale des Eaux and management in Financière Générale de Restauration, and of the acquisition of HRC.

An IPO of Bercy-Management is under consideration.

- acquisition of a 39.2% interest in Collins & Aikman Floor Coverings as part of an LBO conducted with US-based Quad C. The Collins & Aikman group, one of the European leaders in office floor coverings, specializing in top-of-the-range products, is experiencing rapid growth in sales and profitability, thanks to its strong competitive positioning and technological leadership.
- interest in Carbone Lorraine raised from 20.2% to 23.8%, on the occasion of the sale by Péchiney of a 20% interest in the maker of carbon-based components.
- acquisition of an 82.5% interest in Seda. With this transaction, PAI initiated the first LBO of a Spanish listed company, financed through a FRF 100 million equity interest, a FRF 24 million loan from the selling entity and senior debt of FRF 140 million. With sales of FRF 300 million and a 13% EBIT margin, Seda is the leading Spanish maker of private-label instant coffee, number 2 in instant coffee in Spain and Portugal, and a leading exporter, notably to France.

- acquisition of a 10% interest in Jarvis Porter, the UK-based European leader in specialized technical labels.
- acquisition by Cobepa, through Paribas Deelnemingen, of a 8.4% interest in Holland Chemical Industries (HCI), on the occasion of the IPO, on the Amsterdam Stock Exchange, of this chemicals distribution group.
- acquisition of a 9% interest in Lark International Entertainment, the leading Hong Kong operator of movie theaters.
- acquisition of a 12% interest in Chatham, a US leader in electronic and telecommunications equipment cases.
- acquisition of a 50% interest in TLC, a US personnel management outsourcing company.
- acquisition of a 3.2% interest in Cosmos, the second largest maker of soft drinks in the Philippines.



- acquisition by Cobepa of a 25% interest in Vegro Beheer, the leading Dutch wholesaler of bathroom fixtures and heating equipment.
- acquisition of a 3.9% interest in the Prokom group, Poland's third largest data processing company, specializing in systems integration.

- exchange of 5.45% interest in Sphère International against shares in Accor hospitality group, sold in the open market during the year.
- sale of property and operating company of the Four Seasons hotel in Mexico City to a group of investors.

Major disposals

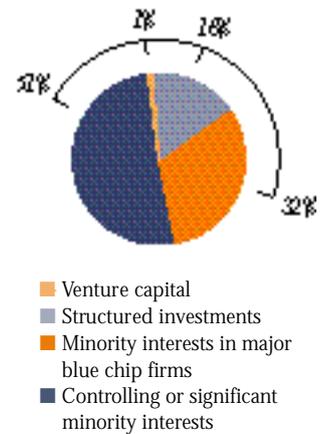
- second stage in the gradual sale of Poliet to Saint-Gobain (16.9% of capital).
- sale by Sagal of a 18.7% interest in Royal Canin on the occasion of the pet food company's IPO, reducing PAI's interest to 80.5%.
- sale in the open market of PAI's 1% interest in oil company Elf.
- sale in the open market of PAI's 3.6% interest in media group Havas.
- sale in the open market of 2.7% interest in LDC, the second largest poultry producer in France.

Other significant transactions

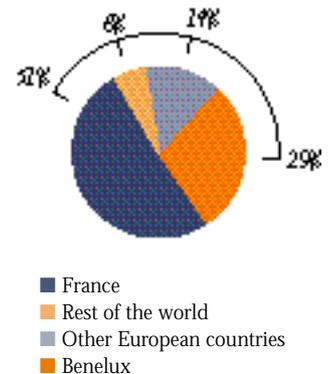
- in-depth restructuring of the Cobepa holding company, including a two-way split of Gevaert, followed by a partial merger. This transaction, eliminating an intermediary holding company, reduced the company's discount to net asset value, enhanced the value of the portfolio, and enabled Cobepa to gain direct control over high-quality assets.

- merger within GB of the supermarkets, hypermarkets and franchising operations of GIB, Belgium's leading retailer, 19.5% held by Cobepa. GIB is active in food retailing (GB), do-it-yourself (Brico) and fast-food restaurants (Quick). With this transaction, French retailing group Promodès became a 27.5% holder in GB, whose IPO is planned within the next five years.

PORTFOLIO BY NATURE OF INVESTMENTS
(at December 31, 1997)



INVESTMENT PORTFOLIO BY GEOGRAPHICAL AREA
(at December 31, 1997)





MAJOR HOLDINGS ACCOUNTED FOR BY THE EQUITY METHOD

AGRIBUSINESS

SAGAL

The Sagal group, wholly owned by PAI, had 1997 sales of FRF 3,884 million and net income after minority interests of FRF 318.3 million. Sagal operates through three business units:

- **Royal Canin**, the leader in dry dog food in France and Europe, with market shares of 36% and 18%, respectively. Royal Canin was listed on the Second Marché of the Paris Stock Exchange in March 1997, reducing PAI's interest to 81.35%.
- **Soprat**, the French leader, with a 48% market share, in fresh breaded food products, sold under the Père Dodu name, and number 2 in fresh oriental specialty foods, with the Chip-Long brand.
- **Diana**, a maker of organic ingredients for the food and pharmaceutical industries, with world or European leadership positions in certain countries.

GUYOMARCH NA

GNA (Guyomarc'h Nutrition Animale) is the largest French producer of animal feed with an 11% market share. In world markets, GNA is active in nine countries through service subsidiaries and represented in another 40 through distributors. The GNA group had 1997 sales of FRF 4.7 billion and net income after minority interests of FRF 67.4 million. PAI holds a 66.8% interest in GNA, listed on the Second Marché of the Paris Stock Exchange since June 1996.

CONSTRUCTION AND PUBLIC WORKS

FINANCIÈRE SAE-FOUGEROLLE (EIFFAGE)

Parfici, a wholly-owned subsidiary of Groupe Paribas, holds a 49.8% interest in Financière SAE-Fougerolle, which in turn holds a 54.7% interest in Eiffage. Eiffage is one

of Europe's major construction groups and the leader in Europe's building sector.

In 1997, Eiffage had sales of FRF 33,760 million, as compared to FRF 32,796 million in 1996. The building sector remained depressed last year, while other activities performed well. In contrast to the losses recorded in 1996, Eiffage posted net income of FRF 604.9 million in 1997. Significant steps were taken to improve profitability, and non-core assets were disposed of, generating total proceeds of approximately FRF 1 billion.

CIMENTS FRANÇAIS

Ciments Français is a European leader in cement, granulates, and ready-to-mix concrete. In 1997, it recorded sales of FRF 13.0 billion, up significantly from the 1996 level, reflecting



healthy activity levels in the US, Turkey, Morocco and Spain. Excluding minority interests, the Ciments Français group recorded net income of FRF 602 million last year, compared to FRF 318 million in 1996. In early 1998, PAI sold its 23.6% interest in Ciments Français to Italy's Italcementi group.

INDUSTRIAL COMPONENTS

CARBONE LORRAINE

Carbone Lorraine is a world leader in carbon- and graphite-based components used in electrical equipment, magnets, industrial circuit breakers, etc. In 1997, sales amounted to FRF 3,483 million, up by 13%, and consolidated net income, net of minority interests, increased by 60% to FRF 217.7 million. The group completed several significant acquisitions during the year. In March 1997, as Pechiney sold its interest in Carbone Lorraine in the open market, PAI increased its stake in the company from 20.2% to 23.8%.

MECHANICAL ENGINEERING

FIVES-LILLE

Fives-Lille, 29.3% held by PAI, is a French leader in mechanical engineering. The group's activity levels remained satisfactory in 1997. Sales totaled FRF 4,347 million. Most subsidiaries posted satisfactory results, apart from FCB, which suffered an operating loss of FRF 87 million. Net income after minority interests totaled FRF 37 million, bolstered by capital gains on the sale of Thome Crépelle and Dragon. The group continues to tighten its strategic focus and recently acquired Cinétic, a maker of assembly and handling equipment for the automotive industry.

ENERGY

COPAREX

Coparex International, 95.3% owned by PAI, has been an independent oil exploration and production group for the past four decades. The company is active in France, Canada, Venezuela, The Netherlands, Indonesia, Tunisia and Albania. In 1997, Coparex had sales of FRF 531 million and net income after minority interests of FRF 45.8 million. Key developments of the year were a significant oil discovery in Indonesia, on the Lematang permit, and continued strengthening of the group's positions in Tunisia.



BUILDING MATERIALS

POLIET

In July 1997, PAI sold a 16.9% interest in Poliet to Saint-Gobain, pursuant to the agreement reached in 1996, thereby reducing its interest in Poliet to 34.6%. Poliet contributed FRF 504 million to PAI's income from companies accounted for by the equity method in 1997.

PAPER AND PACKAGING

NORD EST

Nord Est, 43% owned by PAI, now generates 100% of its sales in the packaging sector, as the 1997 activity of J.B. Delpierre (producer of smoked fish) was accounted for by the equity method to reflect the planned disposal of this unit, pursuant to an agreement reached in late March 1998.

Consolidated sales amounted to FRF 2,321 million in 1997, down from FRF 2,604 million in 1996. Nord-Est posted a consolidated net loss after minority interests of FRF 67.8 million, reflecting negative exceptional items of FRF77 million.

The performance of the packaging sector was once again disappointing in 1997, with continued pressure on selling prices. The Group is taking steps to turn around its performance.

LA ROCHETTE

In 1997, La Rochette had consolidated sales of FRF 3,304 million, up 10.6% from the 1996 level, reflecting improved paper pulp selling prices in France and growth in output.

Excluding extraordinary items, La Rochette posted consolidated net income of FRF 7.5 million, as compared to a consolidated net loss of FRF 308 million in 1996. Consolidated net income after minority interests totaled FRF0.9 million.

INFORMATION TECHNOLOGY

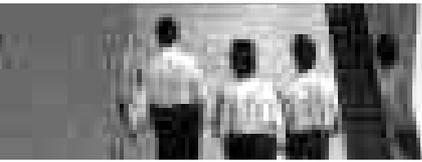
SEMA GROUP

Sema group is a European leader in the development and integration of large customized information systems and in

outsourcing. In 1997, Sema Group had revenues of GBP 1,130 million, a sharp 22% increase from the 1996 level. Net income after minority interests totaled GBR 44 million, up 39%.

Sema pursued its external growth in the outsourcing sector last year with the acquisition of British Railways Business Systems in the UK. Following the restructuring of its shareholder base (merger of Financière Sema within Sema Group Plc and buy-out of minority interests in certain group subsidiaries), Paribas now directly holds an 18.5% interest in Sema Group.

No longer considered the subsidiary of a banking group with regards to US regulation, Sema Group is authorized to conduct the full spectrum of its activities in the US, a major growth opportunity that the group intends to seize.



HOLDING COMPANIES

COBEPa

In 1997, Cobepa — now 58% owned by PAI — conducted a major restructuring of its assets. Cobepa concentrated its interests in the Flemish part of Belgium around Ibel, notably through the absorption of Belvuco. Subsequently, Gevaert was split into two separate entities of roughly equal size, one merged into Cobepa and the other acquired by Almanij. Following these transactions, Cobepa directly holds and manages a number of interests formerly owned by Gevaert, notably in Aegon, Bayer and KNP-BT. Cobepa also disposed of several equity interests, notably in Banque Paribas Belgique, Fountain, SOS, Ipsi-Cissell, while new investments were made in Belgium — All Tag, Spaaskarsen, NDS — and The Netherlands — Triple P, Holland Chemical, Ariane Beheer... Merchant banking activities posted satisfactory growth. Cobepa's consolidated net income totaled BEF 24,410 million, reflecting exceptionally high capital gains. After consolidation restatements, Cobepa contributed FRF 916 million to PAI's consolidated net income.

MAJOR COBEPa HOLDINGS

POWER CORP.

Power Corp., 2.1% owned by Cobepa, is a Canadian company, whose largest shareholder is the family of Mr. Paul Desmarais Sr. It is active in insurance (Great-West Life), asset management (Investors), media and communications, and holds a 25% interest in Pargesa. In 1997, Power Corp. became Canada's largest life insurer, through the successful acquisition of London Life for CAD 2.94 billion.

PARGESA

Switzerland-based Pargesa, 14.7% owned by Cobepa and 50% owned by the Frère and Desmarais groups, holds interests in Belgium's Groupe Bruxelles Lambert. Through this company, it exercises a significant influence over Petrofina in the oil sector,

Compagnie Luxembourgeoise de Télédiffusion (CLT, 50% owned by Bertelsmann) in the media sector, and Imetal in construction materials.

A key development of 1997 was the sale of its interest in Banque Bruxelles Lambert, as part of the public exchange offer launched by ING Groep, generating substantial capital gains.

GIB

GIB Group, the Belgian leader in distribution, is 19.3% owned by Cobepa. In food retailing, the Nopri-Unic stores are gradually being converted into GB units. Do-it-yourself activities continued to increase in all countries where the group is present, while Quick fast-food restaurants had a year of consolidation.



ASSET MANAGEMENT

A perfect fit

Institutional and Private Asset Management

Life insurance and annuities: CARDIF

Individual savings management: Cortal

Banque Paribas' Institutional and Private Asset Management activities, Cardif (life insurance and annuities) and Cortal (individual savings management) have been combined with a single Asset Management sector. These various units share the same values — dedication to specialization, innovation and customer satisfaction.

REVENUES 1997
(in FRF millions)

	INSTITUTIONAL AND PRIVATE ASSET MANAGEMENT IN FRF	CARDIF IN FRF	CORTAL IN FRF	TOTAL IN FRF	TOTAL IN USD	TOTAL IN EURO	97/96
Revenues	2,315	2,513	440	5,268	879.7	799.4	+ 26%
Pretax result	404	484	100	988	165	150	+ 86%
Pretax return on equity				30%			
Allocated equity				3,300	551	500.7	



With different customer bases and marketing approaches, these activities are all based on specialization and innovation. Fueled by improving living standards and favorable demographics in the industrialized world, they benefit from fundamental social and economic trends, stimulating sharp growth in savings and investments.

Cross-fertilization, shared resources and synergies in a number of areas should create value in asset management and savings. Strong working relation-

ships have already been established — Cardif develops the life insurance products distributed by Paribas, Cortal sells Paribas Asset Management products... These ties will be solidified, while the individual brand identity and client relationships of the various units will be preserved.

In 1997, the Asset Management sector accounted for 16% of total Paribas revenues. Growth in new savings funds and assets under management was sustained in all three units. Total revenues rose by 26% to FRF 5,268 million, with pre-tax profit margin amounting to 30%. Total assets under management jumped by 20% to FRF 386.9 billion.



Institutional and Private Asset Management

Customized Offering

Paribas offers institutional clients (insurance companies, pension funds, businesses, public-sector entities, associations...) and high-net-worth individuals alike a customized approach to their asset management needs.

For Paribas, third-party asset management is a key growth priority, as this activity:

- provides recurring revenues and profits;
- does not require significant capital, generates relatively moderate risks, and provides high return on capital employed;
- benefits from demographic, economic and regulatory changes in industrialized countries, fueling growing demand for asset management products

An efficient organization

Paribas' competitive edge is based on the integration of its production (research, development and management of investment products under the Paribas Asset Management umbrella) and distribution capabilities, organized along client categories on a worldwide basis.

Paribas Asset Management (PAM):

A team of 270 people worldwide is responsible for the development and management of PAM's product line. Investment decisions are made by specialized product and regional committees. Active in all major financial centers (London, Paris, Geneva, Luxembourg, Frankfurt, New York, Hong Kong, Singapore, Tokyo), the PAM teams, supported by a dedicated salesforce, develop and manage a diversified, versatile product line.

Parvest is largest Luxembourg-registered family of funds in terms of asset categories. With over a decade of experience, Parvest is considered a benchmark in its specialty, providing an extensive range of Euro-denominated funds with about FRF 30 billion under management, anticipating the needs of investors ahead of the European financial unification.

Dedicated distribution salesforce:

A powerful salesforce supports Paribas' efforts — its 400 client relationship managers, based in all major financial centers, specialize in specific client categories (institutions, resident and non-resident individual investors). While Europe still represents its largest customer base, Paribas is also active in the Asia-Pacific region (Singapore, Hong Kong, Taipei, Tokyo and Sydney), the Middle East (representative offices in Dubai and Abu Dhabi), the US and Latin America.

To further optimize its distribution capabilities and boost the volume of assets under management, Paribas has developed partnerships with leading financial institutions. About fifty distribution agreements were signed with European firms — primarily in France, Italy and Germany —, as well as with Merrill Lynch, for worldwide distribution outside of the US. Early results of this strategy are highly encouraging.

1998 OBJECTIVES

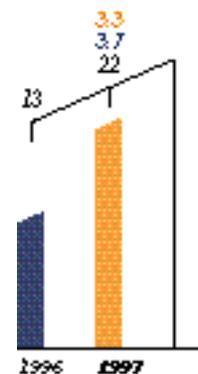
Capitalize

on the development of the single European currency to rank among the ten largest asset management firms in Europe

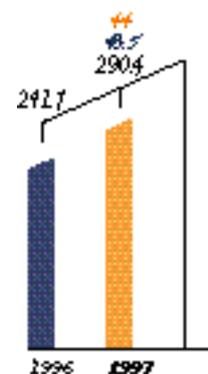


For Paribas' Institutional and Private Asset Management, the success of the European single currency is a key priority. Paribas aims to rank among the leading firms in a unifying Europe, set to become the world's second largest financial market. Paribas is well prepared for this challenge, having been one of the first banks to offer a comprehensive range of diversified European investment products. With the Parvest family of funds, Paribas will offer an extensive line of Euro-denominated products and services in 1999 — including specific investment and savings products, account management and statements, portfolio valuation, and management services — thereby rapidly capitalizing on its advance in this area.

INFLOWS
(in FRF billions, in USD billions, in Euro billions)



ASSETS UNDER MANAGEMENT
(in FRF billions, in USD billions, in Euro billions)



1997: further growth

In 1997, total volume of assets under management rose by 20% to FRF 290 billion. Revenues from asset management activities grew by an even more impressive 28% to FRF 2,315 million.

Institutional asset management:

exceeded its revenue targets, as investments increasingly focused on higher-return products (equity and diversified funds). Significant breakthroughs were achieved – in France, Paribas won a mandate from savings bank CGR for the management of nearly FRF 700million in assets.

French retailer Carrefour chose Paribas to manage two new funds (Epargne Dynamique Carrefour and Carrefour Sélection) distributed through the financial services counters of its hypermarkets. Outside of France, Paribas won mandates from Italy's Consap for the management of a FRF 1.8 billion fund invested in Italian bonds and from the central bank of the Philippines for a FRF 600 million international bond fund.

Growth of domestic private banking activities:

was driven by the switch to long-term products, primarily equity and diversified mutual funds, as well as the development of trust portfolio management by objectives and insurance products. Courcoux-Bouvet, Paribas' brokerage unit, posted a particularly good performance.

International private banking:

recorded a sharp increase in its results, reflecting significant inflows as well as a substantial increase in trading volume. Trading volume benefited from the development of on-line services, supported by dedicated teams organized on a worldwide basis.

Strengthen

Courcoux-Bouvet's salesforce in France

Expand

external distribution capabilities through additional partnerships

Reinforce

Paribas' positions in high-potential markets, notably in Asia, the Middle East and Latin America



Life insurance and annuities: CARDIF

A specialist in unit-linked products

Demographic, economic and sociological trends in Western Europe and the rest of the industrialized world represent a solid platform for the growth and expansion of life insurance products. A Paribas subsidiary specializing in this activity, Cardif develops, manages and distributes savings contracts and annuities primarily targeting individuals, as well as businesses.

In 1997, new savings collected by Cardif rose by 24% to FRF 17.2 billion. Outside of France, savings collection increased by 51%. Total savings funds under management rose by 16% to FRF 100 billion.

Cardif's comprehensive product range encompasses:

- Insurance life products — unit-linked policies and retirement plans — for individuals.

To help clients select the right savings formulas, in 1997 Cardif developed model investment management profiles to determine the risk level and investment options best adapted to each policyholder's requirements.

Cardif also offers insurance products covering traditional risks (death, disability, hospital care...), and is one of France's leading provider of borrower's insurance.

- For businesses and their employees, Cardif develops policies covering future retirement benefits, savings plans and group insurance products. In particular, Cardif offers policies enabling employees to customize their individual death, disability and healthcare coverage. The Group is also an expert in pension fund management.

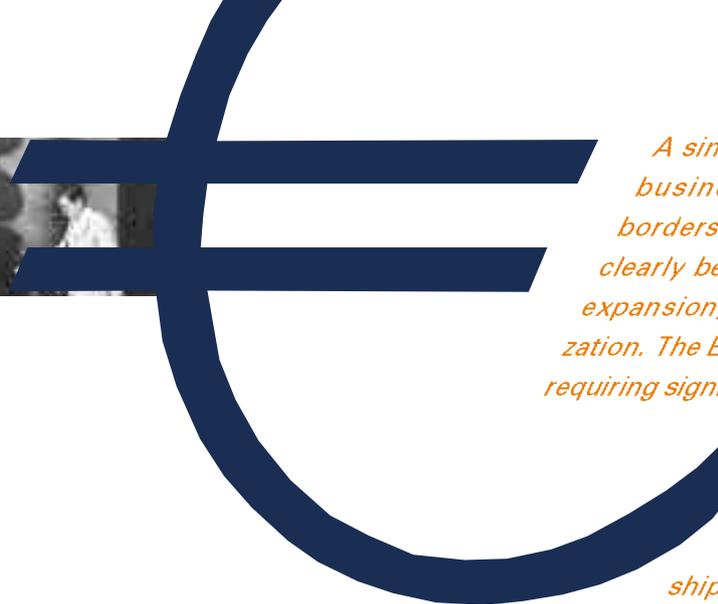
1997 — growth outside of France

Based on the mutual fund lines developed to support its insurance and savings products, Cardif is expanding its third-party asset management activities. Its distribution agreement with the Crédit du Nord banking network was renewed for a seven-year period.

In the past two years, Paribas has rapidly expanded its international presence. Agreements reached in 1996 are yielding promising results, notably in Italy. Active in ten countries outside of France (Belgium, Czech Republic, Germany, Ireland, Italy, Luxembourg, The Netherlands, Poland, Spain, and the UK), Cardif entered six new markets around the world in 1997: Austria and Portugal; Argentina and Chile; Taiwan; and South Africa.

1998 OBJECTIVES

*Pursue
expansion,
specifically worldwide*



A single currency, a single market, a unifying business base, easy comparisons across borders — the single European currency will clearly benefit Cardif and Cortal's international expansion, based on innovation and specialization. The Euro also represents a new challenge, requiring significant efforts to familiarize individual investors with the single currency. A large unified market will facilitate the development of new partnerships across Europe.

Individual savings management: CORTAL

The need for individuals to establish and develop their savings base is rapidly growing in the industrialized world. Distribution of savings products to individuals through direct marketing channels is Cortal's chosen specialization. Cortal primarily offers individual savers access to stocks and mutual funds.

1997 — a banner year for Cortal

Just nine years after its founding, Cortal clearly demonstrated the value of its strategy and strengthened its profitability in 1997. Over 320,000 individual investors have chosen Cortal, whose return on equity exceeds 20%.

New savings funds collected jumped by an impressive 93% to FRF 11 billion. At 1997 year end, total funds managed amounted to FRF 22.8 billion.

Cortal is a branchless organization, relying on an extensive range of communications systems to respond rapidly and efficiently to its clients — phone and fax, voice-servers, Minitel videotex service, as well as on-line services through its "Cortal Home Line".

Ongoing innovation

After its Optimal account, Cortal has developed another flagship product, "Centrale des Placements", enabling its customers to invest in all mutual funds available in the French market, regardless of their sponsor, and to trade directly and cost-efficiently on the Paris Stock Exchange.

Further demonstrating Cortal's innovative skills, its "Sicav des Sicav" fund of funds, created in 1996, combines in a single support the best-performing funds in the marketplace, based on their three-year track record. The popularity of this formula led Cortal to extend its product line, with "Capital Dynamique" and "Palmarès PEA".

Another service enjoying rapid growth, "Actions Bourse" enables individual investors to trade directly on the Stock Exchange under particularly attractive terms.

Growth of partnerships

To expand its customer base, Cortal is developing partnerships with distributors, like the Continent food retailing chain, and other financial institutions, such as American Express Bank, which now offers its clients an investment catalog comparable to "Centrale des Placements", "Réponse Express Placements". Present in Belgium and Luxembourg, Cortal expanded its activities to South Africa last year, in partnership with ABSA, one of the country's leading banks.

Develop
Euro-denominated product offering

Create
new partnerships



RETAIL FINANCIAL SERVICES

UFB Locabail

.....

Arval

.....

Cetelem

.....

Cofica

.....

UCB

.....

Banque Directe

.....

Within Paribas, dedicated subsidiaries provide specialized financial services to individuals and businesses.

REVENUES
(In millions)

	1997 FRF	1997 USD	1997 EURO	97/96
Revenues	9,104	1,520	1,381.5	+ 6%
Pretax result	2,277	380.25	345.5	NS
Pretax return on allocated equity	25%			-
Allocated equity	9,200	1,536.4	1,396.0	-



Building on their in-depth familiarity with their clients' needs, the expertise of their personnel and accelerating technological advances, these specialized units distribute their products and services through direct marketing channels, complemented by a limited number of outlets.

Following Compagnie Bancaire's traditional approach, the culture of these companies favors the establishment of partnerships, combining their product development skills with the distribution capabilities of retailers and financial institutions.

This strategy has been a key component of their growth, accelerating their access to new markets, in France as well as internationally. International expansion, initially focusing on neighboring European countries, has now been extended to Latin America, Africa and Asia.

Retail Financial Services encompass the following companies: UFB Locabail, Arval, Cetelem, Cofica, UCB, Banque Directe.

In 1997, this sector provided 27% of Paribas' revenues, or FRF 9,104 million, up 6% over the prior year level. Pre-tax profit amounted to 25% of revenues. All sector companies reinforced their international expansion, based on specialization, service quality, innovation and partnerships.



Business equipment finance

UFB LOCABAIL

UFB Locabail provides capital good financing and factoring services to a clientele of European businesses.

In France, the company's 80,000 clients represent a broad cross-section of all economic sectors – retailing, manufacturing, public work, agriculture, transportation, independent professionals...

In 1997, new loans written by UFB Locabail amounted to FRF 13.7 billion, and total loans managed at year end amounted to FRF 31.1 billion.

Underscoring the soundness of the company's portfolio, its cost of risk represented just 0.3% of total loans outstanding.

From financial leases to factoring:

UFB Locabail's strategy is based on continuing expansion of its service offering, development of new partnerships, and growth outside of France.

The UFB Locabail product line encompasses traditional loans, leasing and financial leasing.

Increasingly popular with businesses, leasing represents a growing proportion of the company's new financing production.

Since 1984, UFB Locabail also serves the short-term financing needs of its corporate clients. Its factoring solutions provide for particularly flexible and efficient management of trade receivables. Its floor-planning programs — an expansion of this formula to the financing of inventories between manufacturers and dealers or retailers — are highly successful. In 1997, UFB Locabail reached agreements with additional durable goods manufacturers, notably Daewoo and Suzuki.

To distribute its services, UFB Locabail relies both on its network of 60 branches — working directly with over 10,000 equipment vendors — and on the manufacturers, distributors and banks with which it has established partnerships.

Active in five European countries outside of France, UFB Locabail signed a pan-European agreement with Case in 1997, building a joint financing company — Case Credit Europe — with one of the leading US-based makers of agricultural and construction equipment.

ARVAL

Arval, a subsidiary of UFB Locabail, provides long-term rental of vehicle fleets. Arval offers its clientele of medium-sized and large businesses flexible and adaptable fleet management formulas encompassing a broad range of ancillary services — maintenance, repairs, insurance and assistance, fuel management...

Arval manages a fleet of over 50,000 vehicles and is gradually expanding its European network through units in Belgium, Spain, Italy and Luxembourg. Arval's development is particularly promising in Spain and Italy, where it won the mandate to manage the fleet of Italy's largest power generation company.



Consumer finance

CETELEM

The European consumer finance leader, Cetelem and its subsidiaries offer durable goods, automobile and home-improvement loans through 102 branches, direct marketing, and the outlets of its retailing and financial partners, including But, Carrefour, Conforama, Darty, the French savings banks and Banques Populaires networks... New loan production totaled FRF 62.9 billion in 1997, with total loans managed amounting to FRF 89.4 billion at year end. The Carte Aurore credit card, the flagship product distributed by Cetelem and its subsidiaries, underpins their partnership strategy. Issued to over 9 million individuals, including 2.8 million

outside of France, and accepted by over 200,000 retailers, the Carte Aurore provides an easy payment method, revolving credit on demand, and access to a host of related services.

Cetelem is the leading consumer finance organization in France and Italy. Present in eight countries outside of France (Belgium, the Czech Republic, Hungary, Italy, Morocco, Portugal and Spain, as well as Turkey since 1997), Cetelem has signed a major agreement with Carrefour to expand the two companies' partnership to all countries in which the retailer is currently active or building its future presence.

A strong brand:

Cetelem's partners adapt the company's products — loans, credit cards — to their specific needs and distribute them through their networks, either directly or under private labels. Cetelem brings its partners its extensive experience in credit scoring and risk management, as well as efficient automated loan management systems using leading-edge communications and data processing capabilities.

COFICA

Subsidiary, specializing in automobile financing. Cofica implements a similar strategy through alliances with carmakers and dealers.



Housing and property finance

UCB

UCB finances the acquisition and renovation of real estate properties in all market segments, apart from subsidized loans and special savings-related housing loans. In 1997, despite lackluster market conditions, UCB's new loan production totaled FRF 13.9 billion, and total loans managed amounted to FRF 94.8 billion at 1997 year end. Thanks to its reorganization, cost-reduction efforts and focus on profitable activities, UCB returned to profitability last year.

Individual customer base:

Individual borrowers are UCB's core customer segment. To target these customers in France, UCB has developed partnerships with a nationwide network of real estate agents, legal officers, estate management specialists, legal and tax advisors, and banks. These partners act as intermediaries between borrowers and UCB's 25 branch offices or 135 independent authorized agents, primarily insurance brokers.

Close relationships have been established with two large banking networks — Crédit du Nord and Crédit Lyonnais —, whose clients benefit from preferred rates at UCB.

The success of floating-rate loans:

The bulk of the loans granted by UCB are floating-rate housing loans. Star'immo enables borrowers to combine up to six different loans and adapt their repayment schedules to their individual cash flow profiles. Since 1993, UCB has discontinued loans to real estate developers and, more recently, the company has reduced real estate loans to businesses to retain control over margins and risks in a depressed and intensely competitive market. In 1997, as previously announced, UCB discontinued real estate loan production in the UK market. In Spain and Italy, where it enjoys a solid positioning, UCB serves exclusively a clientele of individual borrowers.

Direct consumer banking services for individuals

BANQUE DIRECTE

The establishment of Banque Directe in 1994 was a strategic priority for Paribas, home banking is a key element of tomorrow's financial service offering. With 38,000 loyal clients, an increase of 25% in 1997 alone, Banque Directe clearly represents a winning strategy. Significant investments in information technology are made to strengthen Banque Directe's competitive edge. 24 hours a day, six days a week, Banque Directe is

accessible through a host of communications systems (phone and mail, but also fax, Minitel videotex service, and, since recently, an award-winning Internet site), enabling clients to conduct their banking business at the most convenient time, in absolute safety, and under competitive terms. Banque Directe offers a broad range of services (checking accounts, loans, savings products...), which is continuously expanded.



OTHER ACTIVITIES

Rental property management

Paribas specializes in rental of office and shopping center properties, with a portfolio worth FRF 7 billion. In 1995, real estate investment activities have been grouped under the Klécar holding company, majority owner of Klépierre, a listed property investment company. The eleven shopping centers in which the Group is an investor are combined within a specialized subsidiary, Klécentres.

KLÉCAR manages rental properties, offices and shopping centers occupied by third parties.

KLÉPIERRE owns commercial real estate, primarily offices and shopping centers, entirely occupied by outside tenants.

KLÉCENTRES groups the eleven shopping centers in which Paribas is an investor. Ségécé is active at all stages of shopping center management, from planning and design to operation and promotion. At 1997 year end, Ségécé managed 30 shopping centers.

Offices and shopping centers

SÉGÉCÉ, the French leader in its field, develops, markets, operates and promotes shopping centers. At 1997 year end, Ségécé managed 30 shopping centers with a combined retail area of 500,000 square meters. The company was recently selected to manage new malls, including the future Val d'Europe center near Disneyland Paris.

SINVIM is a real estate development company. Hard hit by the real estate crisis, Sinvim terminated new property development activities in 1993, concentrating on the completion and marketing of housing complexes currently underway. Sinvim is refocusing its activity on property development and marketing on behalf of third-party investors.



Real estate holdings

OGDI — COGEDIM

Paribas holding:

- 99.99%

Paribas holding in COGEDIM SA:

- 100% through OGDI

Consolidated net income after minority interests: FRF 27.4 million.

Having overcome the difficulties of the real estate crisis, and with the equity base required for its redeployment, in 1997 the OGDI-COGEDIM pursued the strategy initiated in the prior year.

OGDI

OGDI pursued its office rental strategy during the year. OGDI is also gradually discontinuing its involvement in rehabilitation projects. In addition to its role as the holding company for COGEDIM, OGDI continued its active search for tenants for its office properties and acted as real estate developer for rehabilitation

projects. OGDI's portfolio of offices and land held with a medium-term horizon was valued at FRF 1,375 million at 1997 year end, as compared to FRF 1,458 million one year earlier. Office occupancy rates rose to 98% at December 31, 1997, up from 89% one year earlier.

The valuation by outside experts of OGDI's portfolio of completed projects led to additional provisioning of FRF 46 million. Though COGEDIM was profitable in 1997, the OGDI-COGEDIM group posted a consolidated net loss of FRF 27.4 million.

COGEDIM SA

COGEDIM is now primarily active in upscale housing development, office and residential real estate services, and sale of housing units for own account and for third parties.

At 1997 year end, COGEDIM SA's real estate development risk exposure totaled FRF 959 million, net of taxes, based on

prevailing market rates, as compared to FRF 828 million one year earlier, reflecting the increase in the company's volume of activity.

In 1997, COGEDIM SA's total sales volume amounted to FRF 1.9 billion, representing 1,100 housing units, roughly unchanged from the prior year (FRF 1.8 billion and 1,055 units).

Retail sales totaled FRF 1,492 million, including FRF 805 million for own account and FRF 687 million for third parties. Revenues from real estate agency activities totaled FRF 100 million, while contracting services totaled FRF 307 million.

COMPAGNIE FONCIÈRE

Paribas holding:

- 61.6%, 55% through Banque Paribas

Consolidated net income after minority interests: FRF 22.4 million.

Compagnie Foncière holds a rental property portfolio comprising 56,000 square meters of offices, primarily in Paris, and interests in major shopping centers (over 20,000 square meters) in the Paris area.

Despite a particularly high occupancy rate (93% at 1997 year end), the Compagnie Foncière group posted a significant decline in consolidated net income last year, from FRF 41.8 million to FRF 22.4 million, reflecting a temporary drop in rental income due to the postponement of a lease on one of the company's assets. This short-term situation, reversed in early 1998, does not affect the company's overall outlook.



Equity holdings

ERBÉ

Banque Paribas holding:

- 37.3%.

Erbé, a Belgium holding company jointly held by the Frère-Bourgeois (55%) and Paribas (45%) groups, plays an instrumental role in the strategic alliance between the Frère and Power groups aimed at securing joint control over the Pargesa-GBL-Parfinance group. Erbé is the controlling shareholder of the Fibelpar group, with a 57% interest. Fibelpar in turn holds a 50% interest in Compagnie Nationale à Portefeuille. As a result, Erbé holds, directly or indirectly, control or joint control over Petrofina, Royale Belge, CLT, Imétal, BBL, Bernheim-Comofi and Orior, as well as significant interests in major European groups, including Suez-Lyonnaise, Société

Générale de Belgique, Cobepa, Elf Aquitaine, Compagnie Générale des Eaux, Paribas and Axa-UAP.

Four major developments occurred in Erbé's portfolio in 1997: the 25% interest in BBL was disposed of; the merger of CLT and UFA was completed; Electrafina exchanged with Havas a 17.7% interest in Audiofina against a 40% interest in CLMM, the controlling holding company of Audiofina; and an additional 5% interest in Compagnie de Suez was acquired. In addition to its share in the assets in CNP, Erbé also directly holds interests in the wine sector (Château Rieussec, Palais du Vin) and indirectly — through Fibelpar — in Belgian Sky Shops, the company operating the duty-free shops at the Brussels Airport. No significant events occurred in these diversified interests in 1997.

FINAXA

Banque Paribas holding:

- 23,3%.

Consolidated net income after minority interests: FRF 1,252 million.

Finaxa is the controlling holding company of the AXA group, itself controlled by the AXA mutual companies. Consolidated net income takes into account AXA's public exchange offer for UAP and the subsequent merger of the two companies during the year. Consequently, the comparison with 1996 is not significant.

- Life insurance activities contributed FRF 826 million

to net income after minority interests, reflecting strong performance in the UK, France, Belgium and the US.

- Property and casualty insurance contributed FRF 496 million.
 - Reinsurance contributed FRF 171 million.
 - Financial services contributed FRF 511 million.
- Consolidated shareholders' equity after minority interests totaled FRF 14.8 billion at 1997 year end. In September 1997, Finaxa issued FRF 2.9 billion in convertible bonds (2.75% — 2005) to strengthen its financial structure.

CONTENTS

FINANCIAL REVIEW	53
CONSOLIDATED FINANCIAL STATEMENTS	68
REPORT OF THE STATUTORY AUDITORS	117
GENERAL INFORMATION	118

FINANCIAL REVIEW

1 1997, A MILESTONE YEAR FOR PARIBAS

In many respects, 1997 was a milestone year for Paribas. During the year, Paribas completed its disposals of traditional network banking activities:

- March 1997: sale of Crédit du Nord,
- August 1997: sale of Paribas Belgium,
- November 1997: preliminary agreement for the sale of Paribas Pacifique et Polynésie, which should be finalized in the first half of 1998,
- December 1997: sale of Paribas Netherlands.

The second key development of the year was the buy-out of minority interests in certain Paribas Group units:

- late June 1997: announcement of Compagnie Bancaire's tender offers for Cardif and UFB Locabail,
- November 26, 1997: announcement of Paribas' three exchange offers for Cetelem, Compagnie Bancaire and Banque Paribas (investment certificates), which took place in December.

Following the July 1997 tender offers, Compagnie Bancaire owned 99.62% of Cardif (versus 60.6% prior to the offer) and 99.36% of UFB Locabail (72.5%).

Cardif was merged within Compagnie Bancaire in December 1997, and its activity was simultaneously transferred to a wholly owned subsidiary, which took the Cardif name. Following the December 1997 exchange offers, Compagnie Financière de Paribas holds 98.19% of Compagnie Bancaire, 99.32% of Cetelem and 99.94% of Banque Paribas.

Before the exchange offers, Compagnie Financière de Paribas held 98.9% of Banque Paribas and 50.3% of Compagnie Bancaire who held 66.7% of Cetelem. This series of transactions will be followed, in May 1998 after approval by the Shareholder Meetings of the various companies involved, by the merger of Compagnie Financière de Paribas, Compagnie Bancaire, Banque Paribas, Compagnie de Navigation Mixte, as well as the portfolio companies holding treasury shares, which will be canceled.

The new entity created by this merger, to be renamed Paribas, will be organized into three core businesses: Investment Banking, Asset Management, and Retail Financial Services, combining Paribas' fifteen operating units. In addition, the real estate division (excluding properties used by the Group) will be included in the "Other" sector, which will also encompass head office / holding company functions, Paribas' financial portfolio, and equity holdings previously owned by Compagnie de Navigation Mixte.

The organization chart of the new Group is as follows:



The analysis of the Group's 1997 results is based on its former structure, while comments on its activities primarily follow the new organization model.

2 CONSOLIDATED RESULTS

In 1997, Paribas achieved net income after minority interests of FRF 6,573 million, up 51% over the prior year.

Income from discontinued activities and capital gains on disposal of these activities totaled FRF 1,365 million, as compared to FRF 1,259 million in the prior year.

Excluding discontinued activities, net income after minority interests totaled FRF 5,208 million, an increase of 68% over the prior year. Return on equity amounted to 13%.

Two significant items contributed to these results:

- a FRF 1,297 million tax credit, corresponding to tax loss carryforwards which are likely to be used, as permitted by the extension of the tax-filing entity to include Compagnie Bancaire group companies, now over 95% owned, with effect at 1997 year end;

- a FRF 1,900 million provision, written to cover potential risks in Asia.

The average number of shares outstanding during the year amounted to 110.7 million, as compared to 109.5 million in 1996.

Earnings per share amounted to FRF 59.40. Excluding discontinued activities, earnings per share totaled FRF 47.10.

CONTRIBUTION OF THE GROUP'S SECTORS TO NET INCOME (FORMER STRUCTURE)

The following table analyzes the contribution of the Group's sectors to net income excluding discontinued activities, based on the Group's former structure:

in FRF millions	1997	1996	1997/1996
Banque Paribas	1,034	802	+29%
Paribas Principal Investments	3,504	3,197	+10%
Compagnie Bancaire	667	(583)	
Structure	3	(325)	
Net income after minority interests, excl. activities disposed of	5,208	3,091	+68%

All of Paribas' sectors improved their profit contribution in 1998.

The contribution of Banque Paribas rose by 29% to FRF 1,034 million. The sharp increase in client-related revenues provides the resources to fund the Bank's significant internal and external growth: implementation of a three-year investment program, resulting in a 1,550 people increase in total workforce, and ongoing selective acquisition strategy (Asia Equity).

The performance of Paribas Principal Investments (Paribas Affaires Industrielles-PAI) underscores the increasingly recurring nature of its profit, with a 10% increase in net income contribution to FRF 3,504 million in 1997.

The contribution of Compagnie Bancaire, amounting to approximately 50% of the Compagnie Bancaire group's

consolidated net income after minority interests, improved from a loss of FRF 583 million in 1996 to a profit of FRF 667 million in 1997.

Compagnie Bancaire's consolidated net income including minority interests amounted to FRF 2,036 million in 1997, as against a loss of FRF 468 million in 1996, due to significant provisions (FRF 2,480 million) on real estate activities. Compagnie Bancaire's consolidated net income after minority interests amounted to FRF 1,357 million in 1997.

With net return on equity of 11%, Compagnie Bancaire exceeded its 1997 target by 10%, despite higher income tax rates which increased its total tax charge by FRF 230 million.

Among the contributions of its various units to Compagnie Bancaire's consolidated net income including minority interests, it is important to note:

- the positive contribution of real estate activities (UCB and Sinvim),
- the negative contribution (FRF 158 million) of Banque Directe, which incurred significant data processing investments during the year, expensed as incurred,
- the continuing growth in profit contribution of Cetelem and Cardif.

PARIBAS FINANCIAL STATEMENTS (NEW STRUCTURE)

The results analyzed above take into account only 50% of Compagnie Bancaire, itself holding only 67% of Cetelem, corresponding to the percentage of ownership in these units prior to the exchange offers, which became effective at year end.

On the basis of the Group's new scope of consolidation, 100% of the results of Compagnie Bancaire and Cetelem, without minority interests, would be taken into account, leading to a consolidated net income of FRF 6,532 million in 1997 (excluding financial expenses related to these transactions, amortization of goodwill, and synergistic effects).

Taking into account these items, the consolidated financial statements of Paribas, in its simplified structure and excluding discontinued activities, would be as follows:

in FRF millions	1997	1996	1997/1996
Revenues (1)	33,211	28,310	+17%
Operating expenses	(20,617)	(17,654)	+17%
Provisions	(2,013)	(4,763)	-58%
Income before taxes, excl. Asia and goodwill amortization	10,581	5,893	+80%
Asia provision	(1,900)	-	
Amortization of goodwill	(343)	(392)	-
Income before taxes	8,338	5,501	+52%
Tax loss carryforwards	1,297	-	-
Income taxes and other (1)	(2,333)	(1,804)	+29%
Minority interests, excl. CB and Cetelem	(770)	(538)	-
Pro forma net income, after exchange offers	6,532	3,159	-
Minority interests, CB and Cetelem	(1,324)	(68)	-
Net income after minority interests, excl. activities disposed of	5,208	3,091	+68%

(1) To compare the above statements with reported consolidated income statement, it is important to note two significant differences in accounting methods between Compagnie Bancaire and Paribas:

- treatment of deferred taxes: Compagnie Bancaire recognizes only 50% of deferred taxes on financial reserves related to UFB Locabail's financial leasing operations, as permitted by French banking regulation. Paribas recognizes the full amount of deferred taxes on these reserves, pursuant to international accounting standards. Until now, these deferred taxes could not be offset by Compagnie Bancaire's tax loss carryforwards – representing potential tax savings of approximately FRF 1 billion – related to real estate provisions previously written by UCB and Sinvim, as UFB Locabail was less than 95% owned and thereby could not be integrated within the Compagnie Bancaire tax-filing entity. Following the successful tender offers for UFB Locabail and Cardif, full tax integration is now possible. Consequently, Paribas has decided to reverse the previously recorded tax charges related to the financial reserve on financial leasing operations for the amount of the tax loss carryforwards. This results in a FRF 1 billion profit deducted from the "Income tax" line of Paribas' reported income statement.

- treatment of rental real estate assets: Compagnie Bancaire owns a real estate portfolio with a book value of FRF 7 billion, comparable to the portfolio's estimated value as a result of mutually offsetting unrealized capital gains and losses of approximately FRF 1 billion. Compagnie Bancaire has notified the French Banking Commission (Commission Bancaire) of its intention to restructure its real estate portfolio, excluding properties used by Group companies. In November 1997, the Commission Bancaire has authorized Compagnie Bancaire, pursuant to banking regulation (Instruction 86-05) in force, to post to shareholders' equity the net impact of its asset valuation adjustments. In 1997, Compagnie Bancaire thereby applied the same accounting methods used in prior years. Compagnie Financière de Paribas, pursuant to the accounting methods used in the valuation of its own portfolio, has established a valuation of this portfolio on a line-by-line basis, thereby writing a FRF 1 billion provision, deducted from Total Revenue from Operations.

Income before taxes, Asia provision and goodwill amortization, represents the operating income of the new Paribas.

3 CONTRIBUTION OF PARIBAS' SECTORS TO INCOME (NEW STRUCTURE)

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

3.1 EQUITY ALLOCATION METHODS

Statutory equity allocated to each sector of activity is henceforth presented. Income from equity investment is part of the revenues of each sector.

Equity allocation is based on regulatory requirements, to which are added prudential margins corresponding to an internal assessment of the risks incurred in each sector of activity.

3.2 REVENUES AND INCOME BY SECTOR

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

in FRF millions	Investment Banking			Asset Management	Retail Financial Services	Other	Total
	Investment Banking excl. PAI	PAI	Total				
Revenues (1)	12,488	3,615	16,103	5,268	9,104	2,736	33,211
97/96 % change	+15 %	+25%	+17%	+26%	+6%	+47%	+17%
Income before taxes (2)	2,853	3,448	6,301	988	2,277	1,016	10,581
97/96 % change	-5%	+26%	+10%	+86%	n.s.	+96%	+80%
Average equity (3) (in FRF billions)	19.7	11.7	31.4	3.3	9.2	11.3	55.2
Pre-tax return on equity	14%	30%	20%	30%	25%	n.s.	19%

(1) Including return on statutory equity invested.

(2) Income before income taxes, general provision on Asian risks, and amortization of goodwill.

(3) The total (FRF 55.2 billion) represents average equity in the beginning, middle and end of the year, at book value, including minority interests (FRF 61.0 billion), minus equity used for discontinued activities (FRF 5.8 billion), as Group results are presented excluding discontinued activities.

3.3 ANALYSIS OF OPERATING INCOME BY SECTOR

Revenues of all sectors totaled FRF 33,211 million in 1997, an increase of 17% over 1996.

Income before income taxes, general provision on Asian risks, and amortization of goodwill totaled FRF 10,581 million, representing a return of 19% over FRF 55.2 billion in average equity during the year.

Equity is allocated as follows:

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

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

INVESTMENT BANKING, EXCLUDING PAI

Revenues

Revenues from Investment Banking activities excluding PAI rose by FRF 1,657 million to FRF 12,488 million, accounting for 38% of total Paribas revenues.

Despite the increase in client-related revenues, the growth of revenues from Investment banking activities was affected by financial market volatility in the latter part of the year.

Excluding investment income on statutory equity, growth in revenues breaks down as follows:

Corporate Banking:

Revenues from Corporate Banking activities rose by 10% from FRF 4,051 million in 1996 to FRF 4,457 million in 1997. Revenues grew in all activity segments, with the strongest performances in merchant banking, structured credit and media financing.

Several years ago, these specialized activities were primarily concentrated in the US. In 1997, revenues from outside of the US accounted for nearly 47% of the total.

Securities Services:

Revenues from Securities Services rose by 22% in 1997 to FRF 924 million. This sharp growth reflects the 40% increase in assets held in custody.

Capital Market Activities:

Revenues from Capital Market activities rose by 12% to FRF 5,990 million, reflecting a mixed performance, with equity derivatives, secondary bond market activities (excluding government bonds) and emerging market activities most affected by the capital market crisis in the fourth quarter of the year, resulting from turmoil in Asia.

Revenues from other activities rose significantly, chiefly equity-related products, fixed-income and forex derivatives, forex, and primary bond market activities.

Advisory Services:

Revenues from Advisory Services rose 30% to FRF 410 million.

Expenses

General and administrative expenses of the Investment Banking sector rise by 28% to FRF 9,435 million. Excluding the significant currency impact resulting from

the higher British pound exchange rate against the French franc, as well as the impact of variable remuneration, the increase in general and administrative expenses primarily results from implementation of the Bank's three-year investment program: total headcount rose by 1,450 in the sector, including 220 from the acquisition of Asia Equity, while the sector did not fully benefit from the revenues from these investments.

Provisions

Specific banking provisions declined in 1997. Net new provisions totaled FRF 200 million. The cost of risk, amounting to 0.1% of loans outstanding, remained under control.

New provisions included FRF 307 million, related to specific transactions in Asia. Outside of Asia, no significant risks were recorded in 1997.

In addition, a general provision on Asian risks, totaling FRF 1,900 million, was written during the year.

The general provision amounts to 11% of Paribas' total loans outstanding in the region's five most exposed countries (Indonesia, Thailand, Malaysia, South Korea and the Philippines), excluding country risks, risks related to raw material financing, the portion of export credits guaranteed by outside institutions (Coface) and loans backed by cash collateral.

Paribas' total exposure in these countries amounts to approximately FRF 16 billion, not including an additional FRF 1.5 billion in trading portfolio.

The general provision written in 1997 is based on an extremely cautious assessment of the potential loss Paribas could incur in the current situation.

Total risk portfolio in the five most exposed Asian countries

in USD millions	Indonesia	Thailand	Malaysia	Korea	Philippines	Total
Total loans outstanding	431	383	317	1,518	63	2,712
Corporate	391	342	278	815	63	1,889
Banks	40	41	39	703	0	823
Excluding country risks, trade financing, Coface guarantees and cash collateralized loans.						
Trading portfolio, marked to market at Dec. 31, 1997						258

Operating income

Operating income of Corporate Banking activities excluding PAI declined by 5% to FRF 2,853 million, representing a return on equity (FRF 19.7 billion) of 14%. Operating income of Corporate Banking activities excluding PAI accounted for 27% of total Paribas operating income.

In addition to higher general and administrative expenses, the drop in operating income is due to unfavorable financial market conditions in the latter part of the year, whose negative impact on trading activities is estimated at FRF 800 million.

INVESTMENT BANKING: PARIBAS AFFAIRES INDUSTRIELLES (PAI)

Revenues

In 1997, PAI generated revenues of FRF 3,615 million, an increase of 25% over FRF 2,883 million in 1996.

PAI revenues accounted for 11% of total Paribas revenues.

Capital gains realized during the year totaled FRF 2,654 million, down from FRF 3,105 million in 1996. The most significant capital gains were realized on the sale of PAI's holdings in Poliet (FRF 924 million), Elf Aquitaine (FRF 359 million) and Havas (FRF 288 million).

Cobepa's contribution amounted to FRF 916 million, as compared to FRF 704 million in 1996. This contribution takes into account the restructuring of the Gevaert holding company, for FRF 367 million.

Operating income

Operating income rose by 26% to FRF 3,448 million, representing a return on equity (FRF 11.7 billion) of 30%. PAI accounted for 33% of total Paribas operating income.

PAI's performance and operating income reflect the key developments of the year, notably:

- PAI's ability to generate recurring results, confirmed each year since 1994, though 1997 appears to be an exceptionally good year,
- unrealized capital gains (excluding minority interests) rose by FRF 4.2 billion to FRF 14.9 billion despite significant disposals during the year,

- the strategy defined in prior years was actively pursued during the year—growth of investments outside of France, focus on medium-sized businesses with strong growth potential, strengthened positioning on the LBO market.

ASSET MANAGEMENT

The Asset Management sector encompasses Cardif (life insurance and annuities), Cortal (direct marketing of savings products) and Banque Paribas' Institutional and Private Asset Management activities.

Revenues

Revenues from Asset Management activities rose by 26% to FRF 5,268 million, representing 16% of total Paribas revenues.

Banque Paribas' Institutional and Private Asset Management activities recorded a sharp 69% increase in inflows. Assets under management rose by 22% during the year, with revenues progressing apace to FRF 2,315 million, up 28%.

Cardif's revenues rose 25% to FRF 2,513 million, fueled by a 24% increase in inflows and a 16% rise in assets under management.

Cortal revenues increased by 25% to FR 440 million. New funds collected totaled FRF 11 billion, an increase of 93% over the 1996 level. Assets under management rose 15% to FRF 22.8 billion.

Expenses

General and administrative expenses of the Asset Management sector rose by 18% to FRF 4,204 million, reflecting:

- a 100 person increase in the workforce of Banque Paribas' Institutional and Private Asset Management activities,
- a sharp increase in commissions paid by Cardif to intermediaries, notably in the UK,
- 45% growth in personnel at Cardif's international units

Operating income

Operating income from Asset Management activities rose by 86% to FRF 988 million, representing return on equity (FRF 3.3 billion) of 30%. Asset Management accounted for 9% of total Paribas operating income.

RETAIL FINANCIAL SERVICES

The Retail Financial Services sector encompasses Compagnie Bancaire group units Arval, Banque Directe, Cetelem, UCB and UFB Locabail.

Revenues

The Retail Financial Services sector generated revenues of FRF 9,104 million, up 6% over the 1996 level, and accounting for 27% of total Paribas revenues.

Revenue growth was fueled by an 8% increase in production volume in 1997, with marked differences among activities.

Revenues of UFB Locabail, which offers businesses a range of financial services (factoring, leasing), dropped by 1% in 1997, from FRF 1,210 million to FRF 1,199 million, primarily reflecting intense competition in its markets.

This decline reflects intense competition in UFB Locabail's market. Average medium-term loans outstanding declined by 4%, and margins on new loans were lower than on existing loans.

Arval specializes in long-term vehicle fleet rental.

In 1997, the company's revenues rose from FRF 147 million to FRF 194 million, fueled by a 48% increase in average loans outstanding and the expansion of its vehicle fleet.

Cetelem, specializing in consumer finance, generated 1997 revenues of FRF 5,712 million, up 16% over the prior year level.

The increase reflects a 12% increase in average loans outstanding – and a 41% jump in average loans outside of France – as well as the strong performance of companies accounted for by the equity method (Cofinoga, S2P, Facet).

UCB specializes in real estate financing for individuals and businesses.

UCB's revenues declined by 12% to FRF 1,981 million last year, primarily reflecting lower margins.

Finally, revenues of Banque Directe totaled FRF 18 million in 1997. Its client base rose from 30,000 at 1996 year end to 38,000 at the end of last year.

Expenses

General and administrative expenses of the Retail Financial Services sector rose by 7% to FRF 5,550 million in 1997.

Expenses were stable or down in companies experiencing a slowdown (UFB Locabail and UCB).

The increase in general and administrative expenses at Cetelem reflects the international expansion of this company's activity, and remains lower than the increase in average loans outstanding.

Banque Directe's expenses rose by FRF 80 million, reflecting significant data processing investments expensed during the year.

Provisions

Excluding exceptional provisions, the sector's overall cost of risk declined by 12% to FRF 1,972 million, or 1% of total loans outstanding. Exceptional provisions written in 1996 were utilized as planned (FRF 635 million at UCB in 1997).

Operating income

Operating income of the Retail Financial Services sector totaled FRF 2,277 million, as against an operating loss of FRF 901 million in 1996. Retail Financial Services accounted for 22% of total Paribas operating income.

Return on equity (FRF 9.2 billion) amounted to 25%.

Key developments in the Retail Financial Services sector were: UCB's real estate activities resumed positive profit contribution, risks remained under control, sector units pursued their international expansion, and major partnership agreements were reached (retailer Carrefour, in particular, granted Cetelem exclusive worldwide rights to develop the new financing products distributed throughout its network).

“OTHER” SECTOR

Activities included under “Other” generated pre-tax income of FRF 1,016 million.

They primarily encompass:

- the portfolio of real estate assets not used by Group entities (Sinvim, Klécar, Klépierre), which returned to profit contribution last year;
- the financial portfolio;
- equity holdings of Compagnie de Navigation Mixte (capital gains on the sale of Allianz Via Holding).

4 ANALYSIS OF RISK

COUNTRY RISKS

Other than in the five Asian countries analyzed in section 3.3, the Group continued to sell country risks in the market, for a total nominal value of over FRF 800 million, in 1997.

These sales, coupled with risk improvements related to countries previously provided for, led to a profit of over FRF 300 million last year.

At December 31, 1997, residual provisions and discounts (difference between nominal value and acquisition cost) totaled FRF 772.3 million, representing a country risk provisioning rate of nearly 40%.

RISKS ON CAPITAL MARKET OPERATIONS

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

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

Risk assessment

Assessing potential losses resulting from unfavorable changes in market conditions is a fundamental component of risk management. Paribas relies on an in-house value at risk model to assess its potential losses.

The GEaR (Gross Earnings at Risk) risk valuation model takes into account a number of parameters likely to affect portfolio valuation, including interest rates, currency rates, securities prices and volatility, and the correlation across these parameters.

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

Risk limits

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

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

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

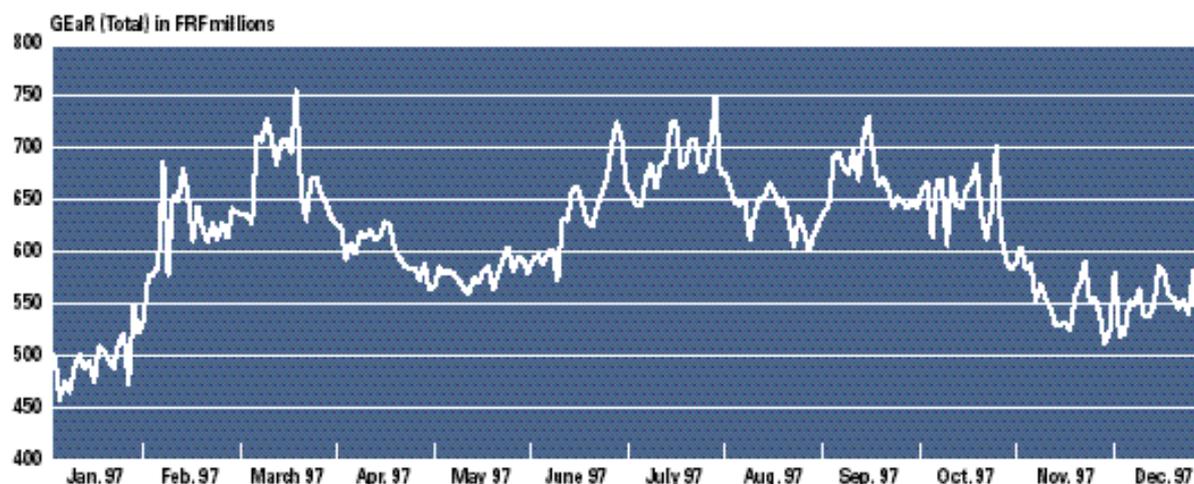
Value at risk in Fixed income, forex and derivative and equity activities

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

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

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

Value at Risk (10 days - 99% confidence interval): 1997 changes



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

in FRF millions	Average	1997 Minimum	Maximum
Interest rate	206	105	345
Equities	111	57	206
Emerging markets	275	161	357
Foreign exchange	18	9	41
Total*	614	*	*

* GEaR minima and maxima for each risk factor have been set at different points in time. Consequently, adding the values provided in the table is not relevant. Cumulative minimum and maximum values for all risk factors were FRF 459 million and FRF 755 million, respectively, in 1997.

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

in FRF millions	Average	1997 Minimum	Maximum
Bonds	378	249	469
Derivative products	266	180	376
Foreign exchange	21	7	44
Equities	113	49	218
Swaps	148	68	274

For comparison purposes, the average overall value at risk recorded in the fourth quarter of 1996 amounted to FRF 415 million, with a minimum of FRF 389 million and a maximum of FRF 471 million. The sharp increase in value at risk primarily reflects the growth of capital market activities.

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

Value at risk of asset/liability management activities

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

Two risk measurement approaches are used:

- for positions that are marked to market, the GEaR model is used (99% confidence interval, changes over a period of ten trading days). It measured an average risk exposure of FRF 21 million in 1997,
- for positions subject to accounting under the accrual method and the lower of cost or market valuation, two measures are taken on the assumption that all interest rates drop by one percentage point: the level of resulting provisioning requirements and the decline in carrying revenues. During 1997, these two measures averaged FRF 56 million and FRF 525 million, respectively.

LIQUIDITY RISKS

Paribas faces two categories of liquidity risks. First, it runs the risk of not being able to finance assets with matching maturities and rates; second, it runs the risk of not being able to sell a position rapidly at a reasonable price.

To address the first category of risk, liquidity profiles are monitored on a daily basis and managed conservatively so that, even under unfavorable conditions, Paribas would have access to sufficient funds to finance its activities. The makeup and origin of the financing sources are reviewed on a monthly basis by the Asset/Liability and Liquidity Management Committee.

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

For certain products it markets, Paribas writes statutory provisions at the time of the transaction. This is the case for exotic contracts valued using complex mathematical models or based on underlying products which are relatively illiquid.

COUNTERPARTY RISK IN CAPITAL MARKET ACTIVITIES

In 1997, the Risk department pursued and reinforced the program of capital market counterparty risk management initiated in 1996.

The success of this initiative was underpinned by the in-house development of an automated monitoring system (Credit Risk Management, or CRM), designed to calculate, in cases of maximum exposure, the counterparty risk equivalent to the market exposure system based on value at risk concepts.

CRM has developed into the key management system enabling Paribas' Credit Administration team to:

- centralize and standardize the monitoring of credit limits and their utilization;
- tighten control procedures;
- ensure better coordination of collateral with Paribas' various services.

The Credit Risk function in capital market activities is now adequately staffed in all major units (London, Paris, New York, Singapore, Hong Kong, Tokyo), with overall management conducted from London.

At 1997 year end, counterparty risks totaled FRF 62,227 million, not including the value of collateral received. After deduction of collateral, they amounted to FRF 55,143 million.

Banque Paribas' counterparty risk, by rating

at December 31, 1997 in FRF millions	Positive liquidation value	Collateral received	Net positive liquidation value
AAA	7,261	229	7,032
AA	18,555	411	18,144
A	15,145	748	14,397
Unrated	21,266	5,696	15,570
Total	62,227	7,084	55,143

Banque Paribas' counterparty risk, by country

at December 31, 1997 in FRF millions	Positive liquidation value	Collateral received	Net positive liquidation value
Japan	5,699	124	5,575
France	9,569	759	8,810
USA	12,538	3,631	8,907
Europe, excl. France	27,433	1,481	25,952
Rest of the world	6,988	1,089	5,899
Total	62,227	7,084	55,143

Banque Paribas' counterparty risk, by type of counterparty

at December 31, 1997 in FRF millions	Positive liquidation value	Collateral received	Net positive liquidation value
Financial institutions	46,322	6,699	39,623
Industrial companies	6,029	377	5,652
Governments	9,409	0	9,409
Others	467	8	459
Total	62,227	7,084	55,143

The amounts indicated represent the net liquidation value (if positive) of the portfolios.

5 SOLVENCY RATIO

The following information regarding the Group's solvency ratio has not been audited by its Statutory Auditors.

At 1997 year end, Compagnie Financière de Paribas' total solvency ratio amounted to 8.7%, unchanged from the 1996 level.

Cooke Ratio

in percentage	1997	1996
Total	8.7	8.7
Tier one	8.6	7.9
Tier two	0.1	0.8

Tier one Cooke ratio amounted to 8.6%, versus 7.9% in 1996, underscoring the Group's strengthened financial structure. Tier two Cooke ratio amounted to 0.1%, versus 0.8% in 1996.

Weighted loans outstanding dropped by 16% to FRF 592 billion in 1997, primarily reflecting the disposal of retail banking activities.

Tier one capital stood at FRF 51 billion, while Tier two capital dropped to FRF 0.6 billion, a FRF 4.8 billion decline from 1996 year end.

This drop reflects the FRF 0.9 billion decline in borrowing and the FRF 3.9 billion increase in items to be deducted from Tier two capital, primarily subordinated notes.

6 ESTIMATED NET ASSET VALUE OF EQUITY HOLDING PORTFOLIOS

The following estimates, which take into account all Group equity holdings, are not audited.

Securities portfolio (excluding minority interests)

in FRF billions at December 31,	Estimated value	Unrealized capital gains	
	1997	1997	1996
Paribas Principal Investments	39.3	14.9	10.7
Financial portfolio and miscellaneous	18.0	3.0	1.9
Total	57.3	17.9	12.6

The combined estimated value of the two portfolios amounted to FRF 57.3 billion (excluding minority interests), including FRF 17.9 billion in unrealized capital gains, versus FRF 12.6 billion at 1996 year end.

Group equity holdings comprise all equity interests held by fully consolidated companies in unconsolidated companies – including long-term shareholdings and investment securities – and in companies accounted for by the equity method.

Unrealized capital gains on equity holdings comprise:

- unrealized capital gains on non-consolidated listed securities, on the basis of their market value;
- unrealized capital gains on listed companies accounted for by the equity method, on the basis of their market value or the Group's proportionate share in their net worth, whichever is higher;
- estimated unrealized capital gains on unlisted securities, on the basis of in-house estimates. In the case of recent acquisitions, these securities are valued at cost; other unlisted securities are valued on the basis of the market value of comparable listed companies or of prices used in recent acquisitions of comparable companies.

The estimated value of PAI's portfolio excluding minority interests was FRF 39.3 billion at 1997 year end, up 5.1% from the prior year level, primarily reflecting a FRF 4.2 billion increase in unrealized capital gains to FRF 14.9 billion. Proceeds from disposals carried out during the year exceeded the estimated values of the corresponding assets at 1996 year end. Despite the considerable volume of asset disposals carried out in 1997, unrealized capital gains continued to increase.

The estimated value of Paribas' financial portfolio excluding minority interests totaled FRF 18.0 billion, reflecting an increase in unrealized capital gains from FRF 1.9 billion at 1996 year end to FRF 3.0 billion at 1997 year end.

Including minority interests, the estimated value of Paribas' financial portfolio and PAI's portfolio amounted to FRF 19.1 billion and FRF 45.8 billion, respectively.

7 SHARE INFORMATION

A net 1997 dividend of FRF 14 per share will be distributed in 1998. The gross 1997 dividend (i.e. including "Avoir fiscal" tax credit) will amount to FRF 21.00 per share.

8 LITIGATION

No litigation nor exceptional items to which the Group is party could have a material impact on its financial position, activity, or results.

9 SUBSEQUENT DEVELOPMENTS AND OUTLOOK

1997 was a milestone year for Paribas. The integration of all its activities within a single structure will create value and result in a rapid improvement in the quality of its earnings.

This quality – steady growth and recurring nature – of earnings will enable Paribas to meet its target of 15% net return on equity on a recurring basis starting in 2000.

Major initiatives have already been launched to capitalize on the integration of the Group's activities, including:

- development of marketing synergies,
- cost-reductions,
- acceleration of growth and improved management of equity resources.

The implementation of these initiatives will bear its fruits in 1999 and beyond.

Main holdings of Paribas Principal Investments

	Country	% of share capital	Fully consolidated	Number of shares held by the Group (1)	Net income (in FRF millions) (2)	Net dividend per share (in FRF millions) (3)
at December 31, 1997						
Agribusiness						
Cosmos	Philippines	3.48		60,000,000	ND	-
Doux	France	20.20		11,090	243.7(5)	-
GNA (4)	France	66.75	*	1,692,489	44.98	6.31
LDC	France	5.11		185,475	7.06	7.06
Mestrezat et Domaines (4)	France	86.51	*	2,489,975	20.5	3.00
Navidul	Spain	10.50		69,126	50.5	23.87
Sagal (4)	France	100.00	*	4,372,841	318.3	7.50
Société Bretonne de Salaisons	France	36.00		215,998	55.9(5)	-
Seda	Spain	82.48		1,649,600	ND	NA
Panzalim (Somaref)	France	50.01		2,200,625	ND	NA
Automotive						
Groupe Cartier Industrie	France	22.18		276,357	28(6)	6.00
D'Ieteren (Cobepa)	Belgium	7.68		425,000	264.6(5)	8.16
MGI Coutier Poullain	France	19.75		528,128	76.8	14.00
Montupet	France	10.60		97,677	65(6)	6.20
Construction and public works						
Financière SAE-Fougerolle (4)	France	49.82	*	3,193,152	235(6)	-

	Country	% of share capital	Fully consolidated	Number of shares held by the Group (1)	Net income (in FRF millions) (2)	Net dividend per share (in FRF millions) (3)
at December 31, 1997						
Building materials						
Ciments Français (4)	France	23.55	*	8,933,588	615	5
Collins & Aikman	US	39.20		2,180,000	8.4(6)	-
Concorde	Italy	15.00		12,000,000	24.2(5)	0.05
Poliet (4)	France	34.52	*	9,192,026	1,158(6)	-
Mechanical engineering						
BWI Plc	UK	10.05		4,800,000	38(10)	0.52
Fives Lille (4)	France	29.29	*	794,865	37	-
Telecommunications						
Bouygues Télécom	France	3.00		810,000	(1,247)	-
Mobistar (Cobepa)	Belgium	12.93		1,680,800	(703.9)	-
STH (via Santa Helena Inv.)	Netherlands	12.70		10,000,000	NA	ND
Tourism - Hotels & leisure - Transportation						
Bercy Management	France	6.71		8,299	NS	-
Far Eastern Air Transport	Taiwan	4.75		19,929,042	1.2	0.4
Sogeres	France	40.00		46,000	23.9	84
Paper and packaging						
Bormioli Rocco	Italy	11.90		11,900,000	27.9 (5)	-
Jarvis Porter	UK	10.27		4,820,000	92(6)	0.80
La Rochette (4)	France	26.89	*	6,802,910	0.9	-
Nord Est (4)	France	43.04	*	6,060,237	(57.8)	5.5
Distribution						
GIB (Cobepa)	Belgium	19.34		6,538,799	473.5	6.85
President Chain Store	Taiwan	2.54		8,975,908	201	ND
Electrical equipment						
Carbone Lorraine (4)	France	23.80	*	469,752	218	25
Chatam	US	12.00		120,000	23.4(11)	-
Sait - Radio Holland (Cobepa) (4)	Belgium	64.46	*	1,378,569	16.6 (5)	3.43
Schneider	France	3.16		4,633,854	2,198	5
Energy						
Cofathec	France	19.35		924,115	14.4	8
Coparex International (4)	France	95.31	*	1,548,751	50.6	15
Total	France	0.51		1,226,329	7,600	13
Chemicals - Drugs - Biotech						
Alphamed	France	12.37		246,621	63	11.54
CEPA	Spain	58.20		278,160	16	-
Jouan	France	25.58		61,000	15(5)	-
Cortecs Plc	UK	10.58		15,594,834	111	-

at December 31, 1997	Country	% of share capital	Fully consolidated	Number of shares held by the Group (1)	Net income (in FRF millions) (2)	Net dividend per share (in FRF millions) (3)
Services						
Atos (ex-Axime)	France	13.09		1,365,194	176	-
Cipe	France	12.91		1,380,069	57.5(5)	2.5
Prokom	Poland	3.94		500,000	ND	-
Sema Group (4)	UK	18.52	*	21,270,224	422.5	0.7
Sogeparc	France	3.89		274,386	90.3	15.26
TLC (8)	US	50.00		11,870	5.5	-
Swets et Zeitlinger (Cobepa)	Belgium	15.76		673,800	94.5(5)	11.45
Textile						
Dewavrin	France	6.93		8,257	69(5)	250
Uco Textile (Cobepa) (4)	Belgium	57.77	*	443,444	66.6	39.15
Media						
Audiofina	Luxemburg	8.77		5,398,494	539.1	3.6
Lark International	Hong Kong	9.88		2,110	4 (5)	-
Infogrames Entertainment	France	4.05		422,530	39.2(9)	-
Sté Rochefortaise Communication	France	13.09		407,276	32(5)	4
UGC SA	France	13.42		5,142,323	173.4(5)	0.24
Insurance						
AGF Assubel Holding (Cobepa)	Belgium	8.61		133,926	350.4(5)	167.69
Financière de l'Erdre	France	18.65		80,093	63 (6)	145 (6)
Groupe Josi (Cobepa) (4)	Belgium	23.61	*	21,490	196.1(5)	16.4
Winterthur Europe (Cobepa)	Belgium	4.82		89,458	218.6	18.76
Holding companies						
ACP/CDC	Hong Kong	16.10		1,000	ND	ND
Asphales (Cobepa)	Belgium	6.60		39,850	264.9	122.34
Electrafina (y compris Cobepa)	Belgium	3.10		1,149,648	1,718.4	23.2
Fremont Partners	US	5.21		8,633,619	NA	ND
Aegon (Cobepa) (4)	Belgium	2.74	*	7,896,388	6,600.8	9.43
Indeck North American Power Partners	US	21.00		2,000	31.0	20.866
Merone (Groupe GAN)	France	42.97		2,634	72 (5)	-
Pargesa Holding (Cobepa) (4) (a)	Switzerland	14.72	*	241,270	1,094.4(5)	242.8
Power Corp, (Cobepa)	Canada	2.06		2,638,996	1,229.1(5)	2.95

(1) Share of Groupe Paribas fully-consolidated companies.

(2) Consolidated net income, Group share (1997 average exchange rates used for international companies).

(3) 1997 dividend per share, unless otherwise noted.

(4) Companies accounted for by the equity method.

(5) 1996 figures (1996 average exchange rates used for international companies).

(6) 1997 estimated.

(7) Year ended September 30, 1997 - 15 months.

(8) Year ended August 30, 1997.

(9) Year ended June 30, 1997.

(10) Year ended July 30, 1997.

(11) Income before taxes.

(a) Groupe Paribas holds in total 18.6% of Pargesa Holding.

CONSOLIDATED INCOME STATEMENT

in millions, year ended December 31	Notes	1997 USD*	1997 FRF	1996 FRF**	1995 FRF**
Interest receivable and similar income	4	11,352	67,977	69,726	68,991
Interest payable and similar charges	5	(10,130)	(60,657)	(62,295)	(61,615)
Net commissions	6	838	5,018	3,607	2,900
Net income from securities transactions and other banking operations	7	1,659	9,933	8,625	7,341
Net income from insurance operations	9	415	2,486	2,036	1,557
Other net income		239	1,433	1,133	927
Net gains on sale of long-term shareholdings and properties	10	749	4,487	5,633	1,713
Net change in provisions on long-term shareholdings and properties		(207)	(1,241)	(1,525)	(709)
Share in net income of companies accounted for by the equity method	11	463	2,775	1,370	(2,257)
Total revenue from operations		5,379	32,211	28,310	18,848
General and administrative expenses	12	(3,271)	(19,588)	(16,653)	(14,487)
Depreciation of fixed assets		(177)	(1,059)	(892)	(713)
Goodwill amortization	13	(52)	(313)	(501)	(1,028)
Net income before provisions and tax		1,879	11,251	10,264	2,620
Net provisions for loan losses and other risks	14	(653)	(3,913)	(4,763)	(4,198)
Net income before tax		1,225	7,338	5,501	(1,578)
Income tax	15	(6)	(36)	(1,804)	(1,898)
Net income		1,219	7,302	3,697	(3,476)
Minority interests		(350)	(2,094)	(606)	(1,184)
Net income (loss) excluding minority interests and discontinued activities		870	5,208	3,091	(4,660)
Net income on discontinued activities excluding tax and minority interests	3	95	569	707	662
Capital gains excluding tax on discontinued activities	3	141	847	998	0
Minority interests on capital gains on discontinued activities	3	(9)	(51)	(446)	0
Net income of discontinued activities excluding minority interests		228	1,365	1,259	662
Net income (loss) excluding minority interests		1,098	6,573	4,350	(3,998)
Weighted average of shares outstanding during the period			110,670,396	109,512,409	117,832,745
Net income (loss) per share		9.92	59.39	39.72	(33.93)

* Dollar equivalents are based on the exchange rate at December 31, 1997: USD 1 = FRF 5.9881.

** Restated to account for changes in scope of consolidation (see note 3).

CONSOLIDATED BALANCE SHEET (1) AT DECEMBER 31

in millions	Notes	1997 USD*	1997 FRF	1996 FRF**	1995 FRF**
ASSETS					
Treasury operations and interbank transactions	16	20,905	125,179	140,373	181,114
Customer loans and credits	17	53,785	322,068	310,421	282,971
Credits under finance and operating leases	18	5,460	32,697	32,860	32,259
Investments of insurance companies	19	15,057	90,162	77,321	58,819
Securities received under resale agreements	21	55,547	332,618	288,409	169,761
Trading securities	22	48,657	291,360	286,072	203,023
Securities held for sale	23	12,763	76,425	65,022	61,826
Investment securities	24	3,905	23,386	25,955	37,571
Other accounts relating to securities	26	2,725	16,318	14,583	19,787
Long-term shareholdings and related receivables	27	3,278	19,631	18,268	15,410
Share in net equity of companies accounted for under the equity method	28	4,245	25,417	27,414	28,955
Share in net equity of discontinued activities		198	1,186	6,128	6,491
Fixed assets	29	3,285	19,670	20,056	16,631
Goodwill	30	1,382	8,273	2,352	3,174
Other assets	31	13,998	83,821	58,388	51,004
Total assets		245,188	1,468,211	1,373,622	1,168,796

in millions	Notes	1997 USD*	1997 FRF	1996 FRF**	1995 FRF**
LIABILITIES					
Treasury operations and interbank transactions	32	52,121	312,106	329,164	322,773
Customer deposits	33	21,712	130,013	106,645	105,707
Technical provisions of insurance companies	34	14,591	87,373	72,090	60,790
Securities delivered under repurchase agreements	35	60,225	360,631	339,801	227,662
Trading securities	36	36,777	220,223	195,209	113,520
Bonds and other negotiable debt securities	37	29,590	177,185	175,049	183,575
Other accounts relating to securities	38	4,753	28,461	19,394	20,264
Accruals, provisions and other liabilities	39	13,249	79,335	66,667	66,578
Subordinated debt	40	1,846	11,052	10,198	10,495
Net worth		8,870	53,114	54,003	60,246
• Shareholders' equity		7,864	47,089	35,979	44,164
• Minority interests		1,006	6,025	18,024	16,082
Total net income (loss) for the year		1,456	8,718	5,402	(2,814)
• Shareholders' equity		1,098	6,573	4,350	(3,998)
• Minority interests		358	2,145	1,052	1,184
Total liabilities and net worth		245,188	1,468,211	1,373,622	1,168,796
Commitments and contingent liabilities	45				

(1) Before appropriation.

* Dollar equivalents are based on the exchange rate at December 31, 1997: USD 1 = FRF 5.9881.

** Restated to account for changes in scope of consolidation (cf. note 3).

STATEMENT OF CHANGES IN CONSOLIDATED NET WORTH

in millions	French Francs							US Dollars*	
	Share capital	Capital paid-in surplus	Retained earnings and reserves	Treasury stock	Total shareholders' equity	Minority interests	Net worth	Total shareholders' equity	Net worth
Balance at December 31, 1994	5,796	25,673	12,750	(673)	43,546	16,965	60,511	7,272	10,105
Net income for 1994			1,715		1,715	1,412	3,127	286	522
Dividends (except to treasury stock)			(1,367)		(1,367)	(572)	(1,939)	(228)	(324)
Discontinued activities					0	(1,586)	(1,586)		(265)
Balance at January 1, 1995	5,796	25,673	13,098	(673)	43,894	16,219**	60,113**	7,330	10,039
Increase in share capital of Compagnie Financière de Paribas:									
• Exercise of options	1	3			4		4	1	1
• Stock dividend	214	962		(23)	1,153		1,153	193	193
• Legal reserve		(94)	94						
• Net purchases of treasury stock			(2)	(330)	(332)		(332)	(55)	(55)
Provisions for durable depreciation and retirement benefit deducted from reserves by insurance companies (note 1D)			(148)		(148)	(72)	(220)	(25)	(37)
Change in translation adjustment			(407)		(407)	(134)	(541)	(68)	(90)
Net change in minority interests						69	69		12
Balance at December 31, 1995	6,011	26,544	12,635	(1,026)	44,164	16,082**	60,246**	7,375	10,061
Net income for 1995			(3,998)		(3,998)	1,184	(2,814)	(668)	(470)
Dividends (except to treasury stock)			(1,278)		(1,278)	(508)	(1,786)	(213)	(298)
Balance at January 1, 1996	6,011	26,544	7,359	(1,026)	38,888	16,758	55,646	6,494	9,293
Increase in share capital of Compagnie Financière de Paribas:									
• Exercise of options	9	45			54		54	9	9
• Stock dividend	188	826		(126)	888		888	148	148
• Legal reserve		(19)	19						
• Net purchases of treasury stock			7	(3,737)	(3,730)		(3,730)	(623)	(623)
• Parelec - Pareli merger		72	(72)						
Change in translation adjustment			(121)		(121)	145	24	(20)	4
Net change in minority interests (2)						1,121	1,121		187
Balance at December 31, 1996	6,208	27,468	7,192	(4,889)	35,979	18,024**	54,003**	6,008	9,018
Net income for 1996			4,350		4,350	1,052	5,402	726	902
Dividends (except to treasury stock)			(1,425)		(1,425)	(783)	(2,208)	(238)	(369)
Balance at January 1, 1997	6,208	27,468	10,117	(4,889)	38,904	18,293	57,197	6,497	9,552
Increase in share capital of Compagnie Financière de Paribas:									
• Exercise of options	54	299			353		353	59	59
• Conversion of bonds	11	96			107		107	18	18
• Public exchange offer for Cie Bancaire, Cetelem and Banque Paribas investment certificates:									
– Increase in share capital	2,028	14,979			17,007	(12,544)	4,463	2,840	745
– Goodwill deducted from equity (3)			(9,833)		(9,833)		(9,833)	(1,642)	(1,642)
• Net purchases of treasury stock			69	62	131	0	131	12	22
• Paribas Europe merger		408	(408)		0		0		
Change in translation adjustment			420		420	16	436	70	73
Net change in minority interests						260	260		43
Balance at December 31, 1997	8,301	43,250	365	(4,827)	47,089	6,025	53,114	7,853	8,870

* Dollar equivalents are based on the exchange rate at December 31, 1997: USD 1 = FRF 5.9881.

** Restated to account for changes in scope of consolidation (cf. note 3).

(1) FRF 3,590 million related to cancellation of 10,513,238 Compagnie Financière de Paribas shares, owned by Compagnie de Navigation Mixte as of January 1, 1996.

(2) The FRF 1,121 million increase in minority interests is mainly due to the integration of Compagnie de Navigation Mixte and its subsidiaries in the scope of consolidation.

(3) Had goodwill not been deducted from shareholders' equity, it would have been amortized over 20 years, beginning in 1998.

1 PRINCIPLES OF CONSOLIDATION

Reflecting full control over Compagnie Bancaire and its subsidiaries, starting in 1997 Paribas consolidated financial statements include not only the banking subsidiaries but also insurance companies, in order to provide the best representation of the activities of the Group. The impact of consolidating insurance companies, for 1995 and 1996, is shown in note 3.

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

Excluding this difference of method, the consolidated financial statements of Compagnie Financière de Paribas, a bank holding company, are prepared in accordance with the provisions of the November 27, 1985 regulation modified by January 16, 1991 regulation 91.02, issued by the French Banking Regulatory Committee, applicable to credit institutions' consolidated financial statements. The particularities of presentation other than those related to the consolidation of insurance companies are indicated in Note 2.A.

A) SCOPE OF CONSOLIDATION

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

a) Fully consolidated companies

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

b) Companies accounted for under the equity method

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

Committee, industrial, commercial and real estate companies in which the group holds an interest of at least 20% are also accounted for under the equity method.

c) Main changes in the scope of consolidation

Sale of retail banking activities:

The main change in the scope of consolidation is the sale of the Group's retail banking activities, which was initiated in 1996 and completed in 1997:

- Crédit du Nord and its subsidiaries, which were 100% held and fully consolidated, were accounted for under the equity method at 34% from January 1, 1997 through the end of September 1997, date of their sale,

- Banque Paribas Belgique and its subsidiaries, which were controlled at 77.4% are excluded from consolidation as of June 30, 1997, with the sale of 57.5 % of this interest. In addition to this transaction, the interest in Paribas Nederland not held by Banque Paribas Belgique was also sold, its income being also fully consolidated until June 30, 1997,

- In 1996, Osmanli Bankasi, which was accounted for under the equity method, was sold in the first half of the year. Banque Continentale du Luxembourg, which was fully consolidated, was sold in the second half of the year.

- Banque Paribas Pacifique and Banque Paribas Polynésie are consolidated until December 31, 1997; the preliminary sale agreement was signed in November 1997 and will be completed in the first half of 1998.

Reflecting the significance of the sale of its retail banking activities, financial statements are presented excluding these discontinued activities, as detailed in note 2.A, in order to provide the best representation of the Group.

Purchase of minority interests in Compagnie Bancaire, Cetelem and Banque Paribas:

Compagnie Financière de Paribas purchased, through public exchange offer closed on December 24, 1997, minority interests in Compagnie Bancaire, Cetelem and Banque Paribas, raising its interests in these units to 98.2%, 99.3% and 99.9%, respectively. In the first half of 1997, Compagnie Financière de Paribas' interest in Compagnie Bancaire was raised to 50.3%, with the purchase of a 3.9% interest in the company. In addition, Compagnie Bancaire successfully purchased through tender offers, in July 1997, the bulk of Cardif and UFB Locabail minority interests.

Other changes:

In 1997, other changes included: the purchase of Paribas Asia Equity, fully consolidated from July 1, Paribas Indonesia from April 1, the gradual sale of Poliet (17% of shares have been sold in 1997, the remaining 34% may be sold in 1998 and 1999), and the deconsolidation of Axime, in which Paribas' interest has been strongly diluted following the Axime-Sligos merger. Union Bancaire du Nord, which was previously fully consolidated was sold in the second half of the year.

Finally, Gevaert, accounted for under the equity method at 35.5% was partly merged within Cobepa, reducing Compagnie Financière de Paribas' interest in Cobepa from 64.3% to 58.2%.

In 1996, the new fully consolidated companies primarily included Compagnie de Navigation Mixte, controlled by Compagnie Financière de Paribas since the February 26, 1996 tender offer, and Omnium de Gestion et de Développement Immobilier, which took over the real estate rental activities of Cogedim. Cogedim has retained its real estate development activities and remains accounted for under the equity method.

As regards companies accounted for under the equity method, Audiofina, in which a 14% interest had been sold, was deconsolidated in 1996, Osmanli Bankasi had been sold in the first half of 1996, and the Compagnie de Navigation Mixte and its banking subsidiaries are now fully consolidated, its industrial subsidiaries remaining accounted for under the equity method.

There had been no significant change in the scope of consolidation in 1995.

B) DATE OF CONSOLIDATION

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

C) GOODWILL

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

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

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

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

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

D) RESTATEMENTS AND INTERCOMPANY TRANSACTIONS

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

In 1995, insurance companies of Groupe Paribas have provided, by deduction from their consolidated reserves, for durable depreciation of their buildings and portfolio of equity and fixed income securities, and for residual commitments resulting from the modification of the supplementary pension plans for insurance companies. In 1995, the total impact on consolidated reserves was FRF 148 million, Group share.

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

2 ACCOUNTING PRINCIPLES

A) PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

As indicated in note 1A.c), in 1997, Paribas sold its retail banking activities. Reflecting the significance of this disposal and to provide a fair representation of the Group's current structure, consolidated financial statements presented herein exclude activities disposed of during the year.

Pursuant to article 11 of the French Commercial Code, the impact of changes in accounting presentation are detailed in note 3 below.

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

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

In the balance sheet, securities, treasury bills and similar instruments are classified according to the management's intentions at the time of their purchase. Securities received (delivered) under resale (repurchase) agreements appear as a separately identified category of the securities portfolio. Since 1997, rental properties of the Compagnie Bancaire group, previously included in operating leases, appear under fixed assets. Previous years accounts have been restated accordingly.

B) FOREIGN CURRENCY TRANSLATION

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

C) FIXED ASSETS

a) Trademarks and market shares

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

b) Other intangible assets

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

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

The costs of capital increases of subsidiaries are expensed. The costs of Compagnie Financière de Paribas capital increases are deducted from the share-issue premiums, net of the related tax saving.

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

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

c) Premises and equipment

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

D) CREDITS UNDER FINANCE AND OPERATING LEASES

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

E) INVESTMENTS OF INSURANCE COMPANIES

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

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

Investments that do not comply with these categories are accounted for in the balance sheet at cost, minus provisions for impairment (as described in note 1. D). When the combined market value of all these investments falls short of book value, a provision for risk is written.

F) SECURITIES, TREASURY BILLS AND SIMILAR INSTRUMENTS

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

They are classified as:

- trading securities when the intention is to resell or repurchase them or to place them with customers after a short holding period not exceeding 6 months and if they are negotiable on a liquid market providing an objective basis of valuation. This category includes bonds and notes acquired to hedge interest rate exposure related to swaps and other forward financial instruments;

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

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

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

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

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

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

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

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

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

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

H) LONG-TERM SHAREHOLDINGS

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

These securities are accounted for at purchase price except for those held by French companies that were revalued in 1978 as authorized by law. When significant and exceptional costs are incurred, these are included in the purchase price. At year end, in order to determine potential decrease in value, equity securities are valued taking into account either the companies' net equity corrected for unrealized gains and losses and potential future earnings or the market value. They are shown in the balance sheet at the lower of cost or this valuation.

I) TECHNICAL PROVISIONS OF INSURANCE COMPANIES

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

J) LOAN LOSS PROVISIONS

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

deducted from assets. Provisions on contingent liabilities and for country risks are included in liabilities, as well as other provisions that correspond mainly to risks resulting from the adverse economic conditions of certain sectors, which are not necessarily allocated to individual credits.

K)) PROVISIONS ASSIMILATED TO RESERVES

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

L) TREASURY STOCK

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

M) EARNINGS PER SHARE

Earnings per share are calculated on the basis of the average number of shares outstanding during the period. In determining the average number of shares, new shares are considered as created on the date of the availability of funds for shares issued for cash, and on the value date of the transaction for mergers and contributions in kind. Shares created through stock dividends are considered as issued on January 1. In the case of bonus shares, prior years earnings per share are restated, taking into account the ratio of attribution and presented along with previously published figures. Treasury shares are canceled at the date of purchase.

N) REVENUE FROM OPERATIONS

a) Treasury operations and interbank and customer transactions

Interest is taken to income on an accrual basis. Interest on doubtful loans is included in Interest receivable. The related increase in provisions is recorded under net provisions for loan losses and other risks. Commissions are usually recorded on a cash basis, except for certain commissions on medium and long-term export lending and commercial paper discounting which are treated as interest. Underwriting commissions on domestic and international bond issues are recorded in income at the close of the issue.

b) Revenues from bonds and other fixed income securities

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

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

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

d) Revenues from insurance company operations

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

e) Other net income

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

O) FOREIGN EXCHANGE CONTRACTS

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

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

Realized and unrealized gains and losses are recorded as income.

P) NET INCOME FROM FORWARD FINANCIAL INSTRUMENTS

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

- trading activities, the objective of which is to arbitrage between sellers and buyers, either customers or market counterparties. This involves high transaction turnover and limited residual positions;
- management of interest rate and currency exposure, arising from the Groups' assets, liabilities and off-balance sheet commitments.

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

Financial instruments used in **trading activities**, either firm (e.g. future rate agreements) or conditional (e.g. caps and floors), are valued at market price, in French Francs or foreign currency. Changes in value are reflected in income. For instruments traded on over-the-counter markets, the market value takes into account adjustments for counterparty and liquidity risks and for future administrative charges related to the contracts.

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

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

Q) INCOME TAX

Income tax expense includes:

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

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

At December 31, 1997, deferred taxes of French subsidiaries have been computed by applying the contribution of 10% in the tax rate established by the tax law for 1995 and the temporary supplement of 15% in the tax rate established by the tax law of November 10, 1997 on the whole stock of deferred taxes since it is considered that the differences will reverse into two years. In 1996, the supplement of 10% in the tax rate, established by the tax law for 1995, had been taken into accounts.

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

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

R) RETIREMENT BENEFIT COMMITMENTS**a) Mandatory retirement plans**

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

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

b) Other commitments

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

3 IMPACT OF THE EXCLUSION OF DISCONTINUED ACTIVITIES AND INTEGRATION OF INSURANCE COMPANIES

In 1995 and 1996, the "Discontinued activities" columns correspond to assets, liabilities and revenue accounts of Crédit du Nord and its subsidiaries, Banque Paribas Belgique and its subsidiaries, Banque Paribas Nederland, Banque Paribas Pacifique, Banque Paribas Polynésie, Banque Continentale du Luxembourg and Osmanli Bankasi. Banque Continentale du Luxembourg and Osmanli Bankasi were sold in 1996.

In 1997, revenues from discontinued activities correspond to six months of operations for Banque Paribas Belgique and its subsidiaries and Banque Paribas Nederland, and to twelve months of operations for Banque Paribas Pacifique and Banque Paribas Polynésie.

Capital gains on sales are realized on full sales of Crédit du Nord, Paribas Nederland and on a 57.5% sale of Paribas Belgique (compared to 77.4% owned).

COMPARISON BETWEEN PREVIOUSLY REPORTED AND RESTATED FIGURES FOR 1995 AND 1996:

in FRF millions	31.12.1996				31.12.1995			
	As previously reported	Integration of insurance companies	Discontinued activities	As restated	As previously reported	Integration of insurance companies	Discontinued activities	As restated
ASSETS								
Treasury operations and interbank transactions	169,650	491	(29,768)	140,373	224,436	(312)	(43,010)	181,114
Customer loans and credits	408,761	(1)	(98,339)	310,421	376,140	0	(93,169)	282,971
Credits under finance and operating leases	35,257*	0	(2,397)	32,860	34,450*	0	(2,191)	32,259
Investments of insurance companies	0	77,321	0	77,321	0	58,819	0	58,819
Securities received under resale agreement and trading securities	582,832	(99)	(8,252)	574,481	370,938	0	1,846	372,784
Securities held for sale	123,243	(183)	(58,038)	65,022	119,168	(129)	(57,213)	61,826
Investment securities	43,831	0	(17,876)	25,955	55,778	0	(18,207)	37,571
Other accounts relating to securities	16,741	0	(2,158)	14,583	22,404	0	(2,617)	19,787
Long-term shareholdings and related receivables	18,633	0	(365)	18,268	15,876	0	(466)	15,410
Share in net equity of companies accounted for under the equity method	29,353	(1,812)	(127)	27,414	30,775	(1,378)	(442)	28,955
Share in net equity of discontinued activities	0	0	6,128	6,128	0	0	6,491	6,491
Fixed assets	21,715*	68	(1,727)	20,056	18,411*	11	(1,791)	16,631
Goodwill	2,656	0	(304)	2,352	3,355	0	(181)	3,174
Other assets	69,828	1,134	(12,574)	58,388	62,115	784	(11,895)	51,004
Total assets	1,522,500	76,919	(225,797)	1,373,622	1,333,846	57,795	(222,845)	1,168,796
LIABILITIES								
Treasury operations and interbank transactions	386,958	372	(58,166)	329,164	390,583	25	(67,835)	322,773
Customer deposits	218,374	(2,406)	(109,323)	106,645	213,572	(2,615)	(105,250)	105,707
Technical provisions of insurance companies	0	72,090	0	72,090	0	60,790	0	60,790
Securities delivered under purchase agreement and trading securities	534,090	9,947	(9,027)	535,010	335,085	2,225	3,872	341,182
Bonds and other negotiable debt securities	198,395	(4,167)	(19,179)	175,049	211,787	(3,518)	(24,694)	183,575
Other accounts relating to securities	109,550	1,043	(24,532)	86,061	109,721	876	(23,755)	86,842
Subordinated debt	13,986	20	(3,808)	10,198	13,866	0	(3,371)	10,495
Net worth	55,545	20	(1,562)	54,003	61,781	12	(1,547)	60,246
• Shareholders' equity	35,979	0	0	35,979	44,164	0	0	44,164
• Minority interests	19,566	20	(1,562)	18,024	17,617	12	(1,547)	16,082
Total net income for the year	5,602	0	(200)	5,402	(2,549)	0	(265)	(2,814)
• Shareholders' equity	4,350	0	0	4,350	(3,998)	0	0	(3,998)
• Minority interests	1,252	0	(200)	1,052	1,449	0	(265)	1,184
Total liabilities	1,522,500	76,919	(225,797)	1,373,622	1,333,846	57,795	(222,845)	1,168,796

* After reallocation of rental properties of Compagnie Bancaire under fixed assets.

in FRF millions	31.12.1996				31.12.1995			
	As previously reported	Integration of insurance companies	Discontinued activities	As restated	As previously reported	Integration of insurance companies	Discontinued activities	As restated
CONSOLIDATED INCOME STATEMENT								
Interest receivable and similar income	84,332 *	(18)	(14,588)	69,726	85,503 *	(17)	(16,495)	68,991
Interest payable and similar charges	(72,014)*	304	9,415	(62,295)	(73,389)*	357	11,417	(61,615)
Net commissions	5,928	(35)	(2,286)	3,607	4,931	(20)	(2,011)	2,900
Net income from securities transactions and other banking operations	10,131	(1,072)	(434)	8,625	8,751	(809)	(601)	7,341
Net income from insurance operations	0	2,036	0	2,036	0	1,557	0	1,557
Other net income	1,236 *	49	(152)	1,133	1,041 *	33	(147)	927
Net gains on sale of long-term shareholdings and properties	6,661	0	(1,028)	5,633	1,717	0	(4)	1,713
Net change in provisions on long-term shareholdings and properties	(1,525)	0	0	(1,525)	(726)	0	17	(709)
Share in net income of companies accounted for by the equity method	1,693	(264)	(59)	1,370	(1,932)	(229)	(96)	(2,257)
Total revenue from operations	36,442	1,000	(9,132)	28,310	25,896	872	(7,920)	18,848
General and administrative expenses	(21,504)	(857)	5,708	(16,653)	(19,217)	(735)	5,465	(14,487)
Depreciation of fixed assets and goodwill	(1,719)	(8)	334	(1,393)	(2,096)	(4)	359	(1,741)
Net income before provisions and tax	13,219	135	(3,090)	10,264	4,583	133	(2,096)	2,620
Net provisions for loan losses and other risks	(5,581)	(7)	825	(4,763)	(4,981)	(24)	807	(4,198)
Net income before tax	7,638	128	(2,265)	5,501	(398)	109	(1,289)	(1,578)
Income tax	(2,036)	(128)	360	(1,804)	(2,151)	(109)	362	(1,898)
Net income	5,602	0	(1,905)	3,697	(2,549)	0	(927)	(3,476)
Minority interests	(1,252)	0	646	(606)	(1,449)	0	265	(1,184)
Net income excluding minority interests and discontinued activities	4,350	0	(1,259)	3,091	(3,998)	0	(662)	(4,660)
Net income excluding tax and minority interests on discontinued activities	0	0	707	707	0	0	662	662
Capital gains excluding tax on discontinued activities	0	0	998	998	0	0	0	0
Minority interests on capital gains on discontinued activities	0	0	(446)	(446)	0	0	0	0
Net income from discontinued activities excluding minority interests	0	0	1,259	1,259	0	0	662	662
Net income excluding minority interests	4,350	0	0	4,350	(3,998)	0	0	(3,998)

* After reallocation of net income of Compagnie Bancaire rental properties under other net income.

Analysis of discontinued activities on the consolidated income statement for 1997:

	Total including discontinued activities	Discontinued activities	Total excluding discontinued activities
Interest receivable and similar income	71,493	(3,516)	67,977
Interest payable and similar charges	(63,043)	2,386	(60,657)
Net commissions	5,187	(169)	5,018
Net income from securities transactions and other banking operations	9,919	14	9,933
Net income from insurance operations	2,486	0	2,486
Other net income	1,455	(22)	1,433
Net gains on sale of long-term shareholdings and properties	5,711	(1,224)	4,487
Net change in provisions on long-term shareholdings and properties	(1,246)	5	(1,241)
Share in net income of companies accounted for by the equity method	3,010	(235)	2,775
Total revenue from operations	34,972	(2,761)	32,211
General and administrative expenses	(20,186)	598	(19,588)
Depreciation of fixed assets	(1,094)	35	(1,059)
Goodwill depreciation	(314)	1	(313)
Net income before provisions and tax	13,378	(2,127)	11,251
Net provisions for loan losses and other risks	(3,952)	39	(3,913)
Net income before tax	9,426	(2,088)	7,338
Income tax	(594)	558	(36)
Net income	8,832	(1,530)	7,302
Minority interests	(2,259)	165	(2,094)
Net income excluding minority interests and discontinued activities	6,573	(1,365)	5,208
Net income excluding tax and minority interests on discontinued activities	0	569	569
Capital gains excluding tax on discontinued activities	0	847	847
Minority interests on capital gains on discontinued activities	0	(51)	(51)
Net income from discontinued activities excluding minority interests	0	1,365	1,365
Net income excluding minority interests	6,573	0	6,573

The impact of discontinued activities on 1997 balance sheet items is not significant.

4 INTEREST RECEIVABLE AND SIMILAR INCOME

in FRF millions	Note	1997	1996	1995
Transactions with credit institutions		20,731	19,887	19,879
Customer transactions		26,471	26,379	28,029
Bonds and other fixed income securities		6,241	8,317	6,564
Variable income securities:		999	1 002	812
• Securities held for sale		232	157	245
• Long-term shareholdings and related receivables		767	845	567
Lease financing transactions		13,532	14,051	13,546
Other interest receivable and similar income		3	90	161
Total	43 b	67,977	69,726	68,991

5 INTEREST PAYABLE AND SIMILAR CHARGES

in FRF millions	1997	1996	1995
Transactions with credit institutions	(29,818)	(31,055)	(28,221)
Customer transactions	(6,280)	(5,232)	(6,687)
Bonds and other fixed income securities	(13,171)	(14,414)	(15,967)
Subordinated loans	(605)	(633)	(684)
Lease financing transactions	(10,772)	(10,952)	(10,056)
Other interest and similar charges	(11)	(9)	-
Total	(60,657)	(62,295)	(61,615)

6 COMMISSIONS

in FRF millions	Note	1997	1996	1995
Commissions (income)				
Transactions with credit institutions		0	19	13
Customer transactions		2,116	1,933	1,757
Securities transactions		1,206	724	788
Currency transactions		28	30	26
Commitments on securities		866	390	337
Forward financial instruments transactions		101	107	148
Financial services income		3,204	2,245	1,615
Sub-total		7,521	5,448	4,684
Commissions (charges)				
Transactions with credit institutions		(183)	(230)	(63)
Customer transactions		(44)	(79)	(50)
Securities transactions		(846)	(605)	(583)
Currency transactions		(110)	(98)	(52)
Commitments on securities		(271)	(249)	(448)
Forward financial instruments transactions		(685)	(514)	(315)
Financial services expenses		(364)	(66)	(273)
Sub-total		(2,503)	(1,841)	(1,784)
Total	43 b	5,018	3,607	2,900

7 NET INCOME FROM SECURITIES TRANSACTIONS AND OTHER BANKING OPERATIONS

in FRF millions	Notes	1997	1996	1995
Net income from securities transactions and other financial operations				
Net income from trading securities		3,235	4,657	8,597
Net income (charge) from securities held for sale:		531	398	161
• Net provisions released on securities held for sale		(3)	(54)	162
• Net gains on sales of securities held for sale		534	452	(1)
Net income from currency operations		1,181	(145)	697
Net income (charge) from forward financial instruments	8	4,825	3,512	(2,482)
Sub-total		9,772	8,422	6,973
Other charges from banking operations		(1,631)	(1,855)	(1,397)
Other income from banking operations		1,792	2,058	1,765
Total	43 b	9,933	8,625	7,341

8 NET INCOME FROM FORWARD FINANCIAL INSTRUMENTS

in FRF millions	Note	1997	1996	1995
Net income from hedging financial instruments included in interest receivable/payable and similar income/charges		(951)	(1,202)	(199)
Net income from other forward financial instruments included in income from securities transactions and other operations	7	4,825	3,512	(2,482)
Total		3,874	2,310	(2,681)

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

in FRF millions	Trading Activity	Management of interest rate and currency exposure	1997	1996	1995
Firm transactions					
Organized markets:					
• Future contracts (interest rate, currency and other financial futures)	215	195	410	(231)	2,443
Over-the-counter:					
• Future rate agreements	68	28	96	41	(145)
• Swaps	(320)	1,006	686	1,441	(3,297)
• Others	351	1,390	1,741	840	259
Conditional transactions					
Organized markets:					
• Interest rate options	311	10	321	(472)	(455)
• Currency options	(2)		(2)	(22)	(299)
• Others	(140)	27	(113)	49	(231)
Over-the-counter:					
• Caps, floors and collars	819	(91)	728	340	118
• Swaptions, options (interest rate, currency and other)	259	(252)	7	324	(1,074)
Total	1,561	2,313	3,874	2,310	(2,681)

9 NET INCOME FROM INSURANCE OPERATIONS

in FRF millions	1997	1996	1995
Technical balance	1,472	1,035	1,010
Financial balance	920	793	562
Other net technical expenses	(127)	(113)	(96)
Acquisition expenses and administration of policies	(1,821)	(1,364)	(1,140)
Sub-total	444	351	336
Restatement of general expenses and internal elements	2,042	1,685	1,221
Revenue from insurance operations	2,486	2,036	1,557

Revenue from insurance operations as presented above is given before general expenses, presented in other items of the income statement, and particularly commissions to intermediaries.

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

in FRF millions	1997	1996	1995
Gains on disposal of long-term shareholdings	3,310	990	974
Gains on disposal consolidated subsidiaries	1,121	4,586	737
Gains on disposal of properties	56	57	2
Total	4,487	5,633	1,713

In 1997, gains on disposal of long-term shareholdings result principally from the sales of Elf, Havas, Accor, Allianz, Total, on the partial merger of Gevaert within Cobepa and on the gradual sale of Poliet, for a total amount of FRF 3,441 million.

In 1996, the most significant sales concerned UGC-Droits Audiovisuels, Compagnie Française de Sucrerie, Power Corp., a mortgage loan portfolio in the United Kingdom, and the partial disposals of Cetelem, Audiofina, Axime and Poliet, for a total amount of FRF 4,427 million.

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

The main contributions of companies accounted for under the equity method correspond to the share in net income, applying the equity method percentage to the income of the entity after consolidation restatements.

in FRF millions	1997	1996	1995
Banks and financial institutions			
Finaxa	279	264	227
Compagnie de Navigation Mixte	-	-	(1,320)
Cofinoga	181	163	139
Gevaert	265	238	167
Pargesa	394	268	124
Other	304	197	122
Sub-total	1,423	1,130	(541)
Industrial and commercial companies			
Audiofina	-	159	-
Cogédim	24	2	(1,891)
Coparex	51	46	34
Eiffage	211	(232)	37
Poliet	504	431	425
SCOA	-	-	(301)
Sinvim et Cie	11	(658)	(565)
Other	551	492	545
Sub-total	1,352	240	(1,716)
Total	2,775	1,370	(2,257)

In 1997, the contribution of industrial and commercial companies rose sharply, reflecting the return to profitability of Sinvim and the significant contributions of Eiffage and Poliet.

In 1996, the contribution became positive thanks to the return to profitability of Cogedim, whose activities have been limited to housing unit development, and the sale of SCOA.

In 1997, the positive contribution of banks and financial institutions remained high, reflecting the contributions of Pargesa, Finaxa, Gevaert and Cofinoga.

In 1995, the contribution was negative, due to the share in the losses of Compagnie de Navigation Mixte, increased by complementary provisions on Allianz Via Holding and Paribas shares. Since the tender offer for Compagnie de Navigation Mixte in early 1996, the company and its financial subsidiaries are fully consolidated.

12 GENERAL AND ADMINISTRATIVE EXPENSES

in FRF millions	1997	1996	1995
Salaries and employee benefits			
• Charges and salaries	(8,024)	(6,503)	(5,552)
• Social security charges	(2,272)	(2,105)	(1,912)
• Pension costs	(576)	(546)	(505)
• Incentives and legal employee profit sharing	(108)	(129)	(13)
Sub-total	(10,980)	(9,283)	(7,982)
Taxes other than income tax	(338)	(331)	(294)
Commissions to business	(1,157)	(857)	(735)
Other operating expenses	(7,113)	(6,182)	(5,476)
Total	(19,588)	(16,653)	(14,487)

In 1996, other operating expenses included a FRF 225 million provision to cover data processing costs related to the transition to the euro (personnel, consultants), in excess of regular budgets. The provision stemmed from Banque Paribas for FRF 175 million, and Compagnie Bancaire for FRF 50 million. In 1997, an additional provision of FRF 152 million was written. This provision stems for Banque Paribas for FRF 111 million, and Compagnie Bancaire for FRF 41 million.

13 GOODWILL AMORTIZATION

in FRF millions	Note	1997	1996	1995
Positive goodwill	30	(365)	(579)	(1,044)
Negative goodwill		52	78	16
Total		(313)	(501)	(1,028)

In 1996, the increase in negative goodwill amortization was mainly due to the depreciation of goodwill on UFB Locabail for FRF 56 million.

Positive goodwill amortization included the depreciation of residual goodwill on Pargesa and Cetelem for FRF 164 million. The increase in positive goodwill amortization in 1995 was due to the exceptional depreciation of residual goodwill on Compagnie de Navigation Mixte for FRF 699 million.

14 NET PROVISION FOR LOAN LOSSES AND OTHER RISKS

in FRF millions	Note	1997	1996	1995
Increase in provisions:				
• Customers and credit institutions		(4,079)	(4,425)	(5,458)
• Off-balance sheet items		(214)	(248)	(107)
• Country risks and other provisions		(3,108)	(3,111)	(1,120)
Total increases		(7,401)	(7,784)	(6,685)
Release in provisions:				
• Customers and credit institutions		2,022	1,722	1,938
• Off-balance sheet items		48	100	34
• Country risks and other provisions		1,573	1,418	540
Total releases		3,643	3,240	2,512
Net increase in provisions	20	(3,758)	(4,544)	(4,172)
Receivables written-off and not covered by provisions		(363)	(375)	(281)
Recoveries of receivables previously written-off		209	156	255
Total		(3,913)	(4,763)	(4,198)

In 1997, other provisions include FRF 1,900 million to cover risks in Asia.

In 1996, the increase in other provisions includes FRF 2,250 million in provisions by Compagnie Bancaire for risks on loan to real estate developers and on real estate financing in Italy and France, along with operating expenses related to the management of these risks.

15 INCOME TAX

Income tax can be reconciled as follows to pre-tax income from fully consolidated companies:

in FRF millions	1997	1996	1995
Net income before tax, amortization of goodwill and share in net income of companies accounted for by the equity method	4,876	4,632	1,707
<i>Income tax rate applicable to French companies</i>	33.33%	33.33%	33.33%
Theoretical income tax expense	1,625	1,544	569
Deductible dividends from non-consolidated companies	(50)	(102)	(94)
Difference between French tax rate and foreign tax rate on foreign subsidiaries	98	35	14
Difference on items taxed at lower rates	(80)	111	(117)
Net impact of unutilized current tax losses and of use of prior period tax losses	(1,837)	268	1,094
Impact on current and deferred taxes of the supplement in the tax rate for French companies (25% in 1997 and 10% in 1996 and 1995)	259	18	225
Others	21	(70)	207
Actual income tax expense for the Group	36	1,804	1,898
Effective tax rate	0.7%	38.9%	111.2%

For 1996 and 1995, the income tax charge corresponding to unutilized tax losses of the year results from non-recognition of deferred tax credits on the majority of losses during the period by certain Group companies. This was partly offset by tax savings at other Group entities resulting from tax losses carried forward.

In 1997, tax savings related to the use of tax losses carried forward includes an amount of FRF 2,284 million (FRF 987 million for Compagnie Bancaire and FRF 1,297 million for Banque Paribas, i.e FRF 1,793 million for Paribas, excluding minority interests) based on the deferrable losses and temporary differences of the new tax entity. As a result of the constitution of the new tax entity, the probability of using these losses and temporary differences in the next years has become high. Extension of the tax group results from integration of Cardif and UFB Locabail, following the tender offer by Compagnie Bancaire in July 1997, as well as from integration of Compagnie Bancaire and Cetelem, following the exchange offers by Compagnie Financière de Paribas ended on December 24, 1997. Deferred tax asset has been recognized in the limit of deferred tax liabilities existing on the financial reserve of the lease financing operations and of profit forecast for the tax group in the next two years.

16 TREASURY OPERATIONS AND INTERBANK TRANSACTIONS

in FRF millions	Note	12.31.1997	12.31.1996	12.31.1995
Demand and overnight deposits		39,607	33,744	31,491
Time deposits		80,842	92,204	142,211
Bills and other items purchased under overnight resale agreements		493	1,755	547
Bills and other items purchased under forward resale agreements		3,184	11,066	4,295
Interest receivable		774	1,078	1,470
Doubtful debts		313	575	1,269
Provisions for doubtful debts	20	(34)	(49)	(169)
Total		125,179	140,373	181,114

Schedule of maturities for loans made to credit institutions (time deposits and items purchased under forward resale agreements) as of December 31, 1997:

in FRF millions	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany Eliminations	Total 12.31.1997
Maturity	167,315	40,930	8,791	7,145	(140,155)	84,026

17 CUSTOMER LOANS AND CREDITS

in FRF millions	Note	12.31.1997	12.31.1996	12.31.1995
Commercial bills		3,869	3,536	2,131
Other customer loans		294,743	277,757	254,755
Overdrawn accounts		11,309	14,731	10,216
Interests receivable		2,450	2,241	2,272
Doubtful debts		26,903	33,913	35,241
Provisions for doubtful debts	20	(17,206)	(21,757)	(21,644)
Total		322,068	310,421	282,971

In 1997, the increase of customer loans and credits is due to Banque Paribas for FRF 24 billion, offset by a decrease of customer loans and credits of Compagnie Bancaire.

In 1996, the increase of customer loans and credits was due, for FRF 9.2 billion, to the full consolidation of Compagnie de Navigation Mixte at January 1, 1996, partly offset by the sale of a mortgage loan portfolio in the United Kingdom for FRF 2.4 billion.

Schedule of maturities for loans made to customers (commercial loans and term loans) as of December 31, 1997:

in FRF millions	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany Eliminations	Total 12.31.1997
Maturity	64,468	46,296	127,462	71,732	(11,346)	298,612

18 CREDITS UNDER FINANCE AND OPERATING LEASES

in FRF millions	Note	12.31.1997	12.31.1996	12.31.1995
Finance leases and operating leases (gross)		50,930	50,607	48,332
Financial leases and operating leases (amortization and special provisions)		(20,056)	(19,809)	(18,915)
Doubtful debt		3,292	3,749	4,683
Provisions for doubtful debt		(1,469)	(1,687)	(1,841)
Total		32,697	32,860	32,259

Schedule of maturities for finance and operating leases as of December 31, 1997:

in FRF millions	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany Eliminations	Total 12.31.1997
Maturity	2,688	6,841	17,193	4,152	0	30,874

19 INVESTMENTS OF INSURANCE COMPANIES

in FRF millions	Net value in balance sheet on December, 31			Expected capital gains or losses
	Investments allocated to contracts in units of account	Other investments	Total	Other investments
Real estate investments	2,133	1,589	3,722	-
Bonds and other fixed income securities	3,944	43,754	47,698	2,960
Mutual Fund Securities owning fixed income securities only	13,370	3,618	16,988	166
Other Mutual Fund Securities	16,912	941	17,853	114
Other investments and receivables related to investments	2,270	1,631	3,901	-
1997 total	38,629	51,533	90,162	3,240
1996 total	28,389	48,932	77,321	2,775
1995 total	23,810	35,009	58,819	1,396

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

20 PROVISIONS FOR LOAN LOSSES AND OTHER RISKS

in FRF millions	Notes	12.31.1997	12.31.1996	12.31.1995
Balance as of January 1,		31,800	28,567	29,463
Net increase in provisions	14	3,758	4,544	4,172
Doubtful debts written off		(6,604)	(4,436)	(3,670)
Exchange differences		516	447	(627)
Changes in the consolidation scope and others		(1,589)	2,678	(771)
Balance as of December 31,		27,881	31,800	28,567
Analysis of balances as of December 31:				
• Credit Institutions	16	34	49	169
• Customers	17	17,206	21,757	21,644
• Leases		1,796	1,896	1,993
• Other provisions		175	125	78
Total provisions deducted from assets		19,211	23,827	23,884
• Provisions on off-balance sheet commitments		364	582	402
• Country risks	39	772	1,424	2,369
• Other provisions		7,534	5,967	1,912
Total provisions within liabilities		8,670	7,973	4,683
Total		27,881	31,800	28,567

Country risks essentially concern Banque Paribas and its subsidiaries. Outstanding country risks amount to FRF 2 billion in 1997 compared to FRF 2.8 billion in 1996, due to sales in the market during the period. At the end of 1997, the FRF 772 million provision represents a 39% rate of cover, compared to 52% in 1996. This change is due to the adjustment of certain provisioning rate and to the increase in country risks with issuers requiring moderate provisioning levels.

The increase in other provisions is mainly due to the FRF 1.9 billion provision, written in 1997 to face potential country risks in certain Asian countries (Indonesia, Thailand, Malaysia, Korea, Philippines). Total loans outstanding in these five Asian countries amount to FRF 16,240 million.

21 SECURITIES RECEIVED UNDER RESALE AGREEMENTS

in FRF millions	Notes	12.31.1997	12.31.1996	12.31.1995
Overnight resale agreements with credit institutions		47,769	15,966	9,839
Forward resale agreements with credit institutions		276,592	260,717	150,988
Forward resale agreements with customers		8,257	11,726	8,934
Total		332,618	288,409	169,761

Schedule of maturities of securities received under forward resale agreements as of December 31, 1997:

in FRF millions	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany Eliminations	Total 12.31.1997
Maturity	545,406	23,686	4,900	4,160	(293,303)	284,849

22 TRADING SECURITIES

in FRF millions	Listed securities	Non-listed securities	Total 12.31.1997	Total 12.31.1996	Total 12.31.1995
Government securities and equivalent	27,872	0	27,872	38,851	28,605
Bonds and other fixed income securities	150,820	10,962	161,782	176,444	118,178
Shares and other variable income securities	35,061	1,529	36,590	32,342	35,780
Sub-total	213,753	12,491	226,244	247,637	182,563
Conditional instruments			65,116	38,435	20,460
Total			291,360	286,072	203,023

Mutual Fund Securities included in Other variable income securities amount to FRF 1,886 million as of December 31, 1997, compared to FRF 1,465 million as of December 31, 1996 and FRF 1,501 million as of December 31, 1995.

The amount of trading securities on loan is FRF 18,378 million at December 31, 1997 compared to FRF 39,077 million at December 31, 1996 and FRF 20,886 million at December 31, 1995.

23 SECURITIES HELD FOR SALE

in FRF millions	Listed securities	Non-listed securities	Total 12.31.1997	Total 12.31.1996	Total 12.31.1995
Government securities and equivalent	28,923	2,539	31,462	28,385	32,971
Bonds and other fixed income securities	37,018	4,726	41,744	33,723	26,083
Shares and other variable income securities	1,094	2,125	3,219	2,914	2,772
Total	67,035	9,390	76,425	65,022	61,826

Mutual Fund Securities included in Other variable income securities amount to FRF 2,264 million at December 31, 1997, compared to FRF 2,031 million at December 31, 1996 and FRF 1,834 million at December 31, 1995.

There were no securities on loan at December 31, 1997 and December 31, 1996. They amounted to FRF 235 million at December 31, 1995.

Unrealized gains and losses on securities held for sale at December 31, 1997 amount to:

in FRF millions	Shares	Fixed income	Total securities held for sale
Gross book value of securities	3,408	73,644	77,052
Provision for unrealized losses	(389)	(238)	(627)
Sub-total: Net book value	3,019	73,406	76,425
Unrealized gains (losses)	186	3,669	3,855
Total: estimated value at December 31, 1997	3,205	77,075	80,280

Schedule of maturities of securities held for sale (Government securities and bonds) at December 31, 1997:

in FRF millions	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany Eliminations	Total 12.31.1997
Maturity	28,721	24,389	15,101	12,533	(7,338)	73,406

24 INVESTMENT SECURITIES

in FRF millions	Listed securities	Non-listed securities	Total 12.31.1997	Total 12.31.1996	Total 12.31.1995
Government securities and equivalent	1,489	12	1,501	1,507	4,252
Bonds and other fixed income securities	13,863	8,022	21,885	24,448	33,319
Total	15,352	8,034	23,386	25,955	37,571

Investment securities on loan amounted to FRF 521 million at December 31, 1997, compared to FRF 521 million at December 31, 1996, and FRF 809 million at December 31, 1995.

In 1997, FRF 1,770 million in investment securities were transferred to the portfolio of securities held for sale. In 1996, FRF 14,557 million were transferred.

Schedule of maturities of investment securities at December 31, 1997:

in FRF millions	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany Eliminations	Total 12.31.1997
Maturity	5,505	5,756	11,457	1,869	(1,201)	23,386

25 REDEMPTION VALUE

as at December 31, 1997 in FRF millions	Gross book value	Redemption value	Discount to amortize
Fixed income securities held for sale	73,644	73,410	(234)
Investment securities	23,387	23,548	161

26 OTHER ACCOUNTS RELATING TO SECURITIES

in FRF millions	12.31.1997	12.31.1996	12.31.1995
Interests receivable on:			
• Securities received under resale agreement	1,897	2,266	2,046
• Fixed income securities held for sale	1,302	1,393	1,273
• Variable income securities held for sale	153	113	195
• Investment securities	635	750	1,061
Sub-total: interest receivable	3,987	4,522	4,575
Settlement accounts relating to securities	12,330	10,054	15,205
Net doubtful debts	1	7	7
Total	16,318	14,583	19,787

27 LONG-TERM SHAREHOLDINGS AND RELATED RECEIVABLES

in FRF millions	12.31.1997			12.31.1996	12.31.1995
	Gross value	Provisions	Net	Net	Net
Long-term shareholdings	21,742	(2,731)	19,011	17,653	14,739
Subordinated loans and advances, and other receivables related to long-term shareholdings	1,049	(429)	620	615	671
Total	22,791	(3,160)	19,631	18,268	15,410

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

in FRF millions	1997	1996	1995
Net balance as of January 1,	17,653	14,739	15,011
Purchases	7,982	4,082	3,119
Sales:			
• Sale price	(11,107)	(6,055)	(3,812)
• Net capital gains	1,007	611	326
• Gross value of shares sold	(10,100)	(5,444)	(3,486)
• Release of provision on shares sold	2,303	379	648
• Net change related to sales	(7,797)	(5,065)	(2,838)
Change in provisions	501	(1,068)	(408)
Change in the scope of consolidation	520	4,211	(118)
Other changes	152	754	(27)
Net balance as of December 31,	19,011	17,653	14,739

At December 31, 1997, long-term shareholdings with book value exceeding FRF 700 million include Aegon, Banca Commerciale Italiana, AGF, Schneider and GIB.

The estimated value of long-term shareholdings as of December 31, 1997 compares with the net book value as follows:

in FRF millions	Net book value	Estimated value
Portion valued:		
• At net book value	3,520	3,520
• Market to market	10,070	19,239
• By other methods (net asset revaluation, sale value, etc.)	5,421	7,894
Total	19,011	30,653

28 SHARE IN NET EQUITY OF COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

in FRF millions	12.31.1997	12.31.1996	12.31.1995
Banks, financial and investment holding companies	10,538	11,017	14,372
Industrial and commercial companies	14,879	16,397	14,583
Total	25,417	27,414	28,955

In 1997, the decrease of share in net equity of industrial and commercial companies was mainly due to the partial sale of Poliet and the exchange of Gevaert securities held for sale, owned by Cobepa, against part of its assets.

In 1996, the increase was mainly due to the equity method accounting of the industrial subsidiaries of Compagnie de Navigation Mixte and by the increase in share capital of Cogedim, partially offset by the sale of UGC-Droits Audiovisuels and the partial sales of Poliet, Axime, GNA and the deconsolidation of Audiofina.

In 1997, the decrease in the Group share in net equity of banks, financial and investment holding companies was mainly due to the full consolidation of Nouvelle Holding Guyomarc'h. In 1996, the decrease was due to the full consolidation of Compagnie de Navigation Mixte, as a consequence of the tender offer for this company.

29 FIXED ASSETS

in FRF millions	Gross value	12.31.1997 Accumulated depreciation	Net	12.31.1996 Net	12.31.1995 Net
Land and building	6,752	(792)	5,960	5,987	5,534
Rented buildings	10,246	(2,833)	7,413	8,433	7,213
Other tangible asset	10,719	(4,422)	6,297	5,636	3,884
Total	27,717	(8,047)	19,670	20,056	16,631

Depreciation and provisions on rental properties increased by FRF 1 billion in 1997 to cover, as a prudent approach, expected losses on the Compagnie Bancaire rental property portfolio.

Other tangible assets include the real estate development portfolio and assets received in satisfaction of debt for respectively FRF 2,067 million and FRF 129 million.

30 GOODWILL

in FRF millions	Note	12.31.1997	12.31.1996	12.31.1995
Net balance as of January 1		2,352	3,174	4,316
Increase/decrease in the year		6,269	(274)	(67)
Amortization charged to income statement	13	(365)	(579)	(1,044)
Exchange difference		17	31	(31)
Net balance as of December 31		8,273	2,352	3,174

The 1997 acquisition of 47.8% and 33% interests in Compagnie Bancaire and Cetelem, respectively, resulted in goodwill of FRF 14,048 million. Of this total, FRF 9,833 million was deducted from shareholders' equity, corresponding to the portion of the acquisition funded through a capital increase. Residual goodwill totals FRF 4,214 million.

Goodwill of FRF 1,169 million was generated by the acquisition of 39.5% and 27.9% interests in Cardif and UFB Locabail, respectively.

Analysis of goodwill by activity, at December 31:

in FRF millions	12.31.1997	12.31.1996	12.31.1995
Banks, financial and investment holding companies	8,090	2,003	2,511
Industrial and commercial companies	183	349	663
Total	8,273	2,352	3,174

31 OTHER ASSETS

in FRF millions	12.31.1997	12.31.1996	12.31.1995
Checks and acceptances for collection	9,310	7,820	9,857
Asset deferred tax	2,360	0	0
Accrued income, prepaid expenses and other accounts	72,151	50,568	41,147
Total	83,821	58,388	51,004

32 TREASURY OPERATIONS AND INTERBANK TRANSACTIONS

in FRF millions	12.31.1997	12.31.1996	12.31.1995
Demand and overnight deposits	67,490	69,452	51,189
Time deposits	228,499	225,674	232,669
Bills and other items sold under overnight repurchase agreements	5,120	13,144	14,317
Bills and other items sold under forward repurchase agreements	7,694	17,321	20,867
Interest payable	3,303	3,573	3,731
Total	312,106	329,164	322,773

At December 31, 1997 items sold under repurchase agreements relate to FRF 9,195 million in commercial bills (FRF 24,543 at December 31, 1996), FRF 3,619 million in bonds and other fixed-income securities (FRF 5,135 million at December 31, 1996) and did not include any treasury bills (FRF 786 million at December 31, 1996).

Schedule of maturities of term borrowings with credit institutions (time deposits and items sold under forward repurchase agreements) at December 31, 1997:

in FRF millions	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany Eliminations	Total 12.31.1997
Maturity	263,144	99,129	15,875	6,265	(148,220)	236,193

33 CUSTOMER DEPOSITS

in FRF millions	12.31.1997	12.31.1996	12.31.1995
Demand and overnight deposits	34,858	28,204	22,072
Time deposits	92,753	76,515	81,158
Demand savings accounts	543	367	99
Time savings accounts	1,127	997	1,484
Interest payable	732	562	894
Total	130,013	106,645	105,707

At December 31, 1997, securities sold under repurchase agreements included in Demand and overnight deposits and Time deposits relate to FRF 256 million in commercial bills (FRF 1,059 million at December 31, 1996). They do not relate to treasury bills.

Schedule of maturities of customer deposits (time deposits and savings accounts) at December 31, 1997:

in FRF millions	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany Eliminations	Total 12.31.1997
Maturity	80,124	5,585	5,448	5,045	(2,322)	93,880

34 TECHNICAL PROVISIONS OF INSURANCE COMPANIES

in FRF millions	12.31.1997	12.31.1996	12.31.1995
Technical provisions Life	83,491	69,133	58,546
Technical provisions non Life	3,882	2,957	2,244
Total	87,373	72,090	60,790

This item includes capitalization reserve, funded through sale of stocks and shares, in order to retain part of net realized capital gains to maintain actuarial yield on securities. At December 31, 1997, it amounted to FRF 804 million (December 31, 1996: FRF 718 million, December 31, 1995: FRF 568 million).

35 SECURITIES DELIVERED UNDER REPURCHASE AGREEMENTS

in FRF millions	12.31.1997	12.31.1996	12.31.1995
Overnight repurchase agreements with credit institutions	46,368	38,812	26,162
Forward repurchase agreements with credit institutions	288,337	282,821	191,995
Overnight repurchase agreements with customers	3,169	299	1,378
Forward repurchase agreements with customers	22,757	17,869	8,127
Total excluding discontinued activities	360,631	339,801	227,662

At December 31, 1997, securities delivered under repurchase agreements with lending institutions includes FRF 304,182 million in treasury bills (FRF 281,329 million at December 31, 1996), FRF 30,517 million in bonds and other fixed income securities (FRF 40,298 million at December 31, 1996) and FRF 6 million in variable income securities in 1997 and 1996.

Securities delivered under repurchase agreements with clients includes FRF 13,470 million in treasury bills (FRF 2,377 million at December 31, 1996) and FRF 12,456 million of bonds and other fixed income securities (FRF 15,791 million at December 31, 1996).

Schedule of maturities of securities delivered under forward repurchase agreements as of December 31, 1997:

in FRF millions	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany Eliminations	Total 12.31.1997
Maturity	545,807	27,614	8,185	2,117	(272,629)	311,094

36 TRADING SECURITIES (LIABILITIES)

in FRF millions	12.31.1997	12.31.1996	12.31.1995
Conditional financial instruments sold	65,250	40,880	20,732
Securities sold short and debts related to borrowings of securities and claims	154,973	154,329	92,788
Total	220,223	195,209	113,520

37 BONDS AND OTHER NEGOTIABLE DEBT SECURITIES

in FRF millions	12.31.1997	12.31.1996	12.31.1995
Bonds	108,095	85,978	79,800
Interbank debt instruments, transferable debt securities and other negotiable debt securities	69,090	89,071	103,775
Total	177,185	175,049	183,575

At December 31, 1997, the maturities of bonds by currency and type of interest rate, as stated in the terms of issue, were as follows:

Foreign currencies in FRF millions	Average rate	Amount outstanding	1998	1999	2000	2001	2002	2003 2007	After 2007
French Franc	Variable	8,781	3,225	400	155	–	–	1,340	3,661
	7.55%	55,911	13,788	2,935	7,866	1,972	5,100	18,250	6,000
US dollar	Variable	19,283	5,720	–	–	3,084	8,084	2,395	–
	5.85%	1,790	1,371	299	–	–	120	–	–
Deutschmark	Variable	5,550	97	183	1,088	–	2,509	1,673	–
	5.56%	1,204	167	33	1,004	–	–	–	–
British pound	Variable	3,996	30	–	–	1,983	–	1,983	–
	5.29%	1,488	–	1,488	–	–	–	–	–
Japanese yen	Variable	506	46	–	–	460	–	–	–
	7.33%	1,381	368	783	–	230	–	–	–
European Unit	Variable	1,349	26	–	–	–	–	1,323	–
	7.25%	4,178	986	1,323	198	661	18	992	–
Canadian dollar	Variable	0	–	–	–	–	–	–	–
	9.05%	168	–	84	–	84	–	–	–
Other	Variable	400	153	247	–	–	–	–	–
	7.40%	2,912	447	360	243	135	65	1,413	249
Sub-total		108,897	26,424	8,135	10,554	8,609	15,896	29,369	9,910
Held by consolidated companies		(802)							
Net		108,095							

Schedule of maturities of interbank debt instruments and transferable debt securities as of December 31, 1997:

in FRF millions	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany Eliminations	Total 12.31.1997
Maturity	30,882	15,688	19,404	9,637	(6,521)	69,090

38 OTHER ACCOUNTS RELATING TO SECURITIES

in FRF millions	12.31.1997	12.31.1996	12.31.1995
Interest payable on:			
• Interbank debt instruments and transferable debt securities	2,125	1,862	1,977
• Bonds	3,357	3,168	3,298
• Securities delivered under repurchase agreements	2,680	2,843	962
Sub-total	8,162	7,873	6,237
Treasury notes and savings certificates	433	428	728
Settlement accounts relating to securities	19,866	11,093	13,299
Total	28,461	19,394	20,264

Schedule of maturities of treasury notes and savings certificates as of December 31, 1997:

in FRF millions	Less than 3 months	3 months to 12 months	12 months to 5 years	More than 5 years	Intercompany Eliminations	Total 12.31.1997
Maturity	78	68	253	34	0	433

39 ACCRUALS, PROVISIONS AND OTHER LIABILITIES

in FRF millions	Note	12.31.1997	12.31.1996	12.31.1995
Accrued expenses and others		65,245	54,548	58,240
Deferred taxes		2,234	1,796	1,265
Negative goodwill		272	316	481
Provisions for off-balance sheet commitments and risks on banking operations and long-term shareholdings		9,710	7,368	3,046
Provisions for sovereign risks	20	772	1,424	2,369
Provisions for pension costs and similar commitments		1,102	1,215	1,177
Total		79,335	66,667	66,578

Provisions for retirement costs and similar commitments cover all residual commitments resulting from the affiliation of French Banks to the ARRCO and AGIRC organizations, other advantages based on the employees' years of service, commitments for supplementary retirement schemes and for anticipated retirement. These provisions do not include changes in actuarial value spread over 15 years, which amounted to FRF 161 million at December 31, 1997.

In 1997, the increase in provisions for off-balance sheet commitments and risks on banking operations and long-term shareholdings is mainly due to provisions by Banque Paribas for country risks, to cover the Asian risk, for FRF 1.9 billion.

In 1996, the increase was mainly due to provisions by Compagnie Bancaire on credit risk and operating expenses on discontinued activities for FRF 2,250 million, and to the full consolidation of OGD I (which took over the real estate activity of Cogedim) for FRF 0,6 billion and Compagnie de Navigation Mixte and its banking subsidiaries for FRF 1.1 billion. The Compagnie Bancaire provision have been released for FRF 729 million in 1997: FRF 562 million utilized against loan losses, FRF 95 million reducing charges from banking operations and FRF 72 million reducing personnel expenses.

40 SUBORDINATED AND UNDATED TERM BORROWINGS

The maturities of borrowings by currency, as stated in terms of issues, as of December 31, 1997, were as follows:

issuing currency in FRF millions	Outstanding	1998	1999	2000	2001	2002	2003 2007	After 2007	Undated
Subordinated borrowings:									
• French franc	2,300	-	-	2,000	-	-	300	-	-
• US dollar	4,862	-	-	-	-	-	323	3,293	1,246
• Luxembourg franc	2,084	422	-	324	-	365	-	973	-
• Other	333	15	-	268	-	-	-	50	-
Sub-total	9,579	437	0	2,592	0	365	623	4,316	1,246
Undated term borrowing and subordinated securities:									
• French franc	2	-	2	-	-	-	-	-	-
• US dollar	1,198	-	-	-	-	-	-	1,198	-
Sub-total	1,200								
Interest payable	273								
Total	11,052								

At December 31, 1997, two of the Group's issues accounted for more than 10% of the total of subordinated and undated term borrowings: USD 250 million (FRF 1,497 million) issued in June 1992 with a coupon of 8.35% and maturity date June 2007 and USD 300 million (FRF 1,796 million) issued in January 1994 with a coupon of 6.87% and maturity date March 2009.

41 SHARE CAPITAL OF COMPAGNIE FINANCIÈRE DE PARIBAS

a) Composition of share capital

In number of shares	Issued shares	Treasury stock	Outstanding shares
At December 31, 1994	115,906,308	1,940,331	113,965,977
Exercise of options	13,877	-	13,877
Reinvestment of dividends	4,277,924	84,673	4,193,251
Purchase of Treasury stocks	-	1,246,591	(1,246,591)
At December 31, 1995	120,198,109	3,271,595	116,926,514
Exercise of options	179,095	-	179,095
Reinvestment of dividends	3,770,674	468,291	3,302,383
Purchase of Treasury stock	-	10,959,738	(10,959,738)
At December 31, 1996	124,147,878	14,699,624	109,448,254
Exercise of options	1,079,989	-	1,079,989
Repayment of bonds in common shares	220,188	-	220,188
Issue of shares	40,558,235	-	40,558,235
Sale of Treasury stock	-	(410,261)	410,261
At December 31, 1997	166,006,290	14,289,363	151,716,927

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

The General Meetings on April 29, 1987 and on March 27, 1992 authorized the Board of Directors to grant to members of Group management and personnel options to purchase or to subscribe share capital. At December 31, 1997, 8,112,596 share options were outstanding.

42 TRANSACTIONS WITH RELATED COMPANIES

As of December 31, 1997 in FRF millions	Controlled companies	Associated companies
Assets		
Treasury operations and interbank transactions	-	968
Customer loans and credits	1,263	1,632
Trading securities	-	-
Investment securities	-	40
Securities held for sale	14	-
Shareholders' advances	-	-
Liabilities		
Treasury operations and interbank transactions	-	15
Customer deposits	2,429	225
Commitments and contingent liabilities		
Commitments given, credit institutions		
• Guarantees given	-	24
Commitments given, customers		
• Confirmed lines of credit	5,828	3,267
• Guarantees given	7,425	1,648

At December 31, 1997, assets relating to controlled or associated companies include FRF 27 million of subordinated element.

43 SEGMENT ANALYSIS**a) Contributions by sub-group and geographic area**

at December 31, 1997 in FRF millions	Geographic Area	Banque Paribas	Compagnie Bancaire	Holding companies and others	Total
Revenue from operations	France	5,358	9,928	4,372	19,658
	Outside France	8,313	2,256	1,984	12,553
Total		13,671	12,184	6,356	32,211
Customer loans and credits	France	54,984	117,085	5,927	177,996
	Outside France	121,922	21,960	190	144,072
Total		176,906	139,045	6,117	322,068
Customer deposits	France	30,825	7,930	778	39,533
	Outside France	88,882	1,487	111	90,480
Total		119,707	9,417	889	130,013
Total assets	France	364,419	262,426	33,058	659,903
	Outside France	745,272	49,218	13,818	808,308
Total		1,109,691	311,644	46,876	1,468,211
Total staff of fully consolidated companies	France	3,864	7,059	276	11,199
	Outside France	5,554	1,876	87	7,517
Total		9,418	8,935	363	18,716

b) Net banking revenue by geographic area

in 1997 in FRF millions	Note	Interest receivable and similar income	Note	Net commissions	Note	Net income from securities transactions and other banking operations
France		34,272		2,926		5,473
Belgium		368		64		2
Spain		1,929		130		23
Italy		3,733		316		717
Luxemburg		2,266		124		264
The Netherlands		15		0		0
United Kingdom		9,825		513		1,950
Switzerland		1,092		424		370
Other western European countries		1,090		130		60
North America		9,680		343		773
Asia		2,888		12		252
Others		819		36		49
Total	4	67,977	6	5,018	7	9,933

c) Geographical analysis of loans and credits outstanding

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

in percentage	12.31.1997				Total	12.31.1996	12.31.1995
	Treasury operations and interbank transactions	Customers	Finance leases	Securities received under resale agreement		Total	Total
France	26.7	51.1	83.0	14.7	43.8	41.3	42.2
Germany	6.1	1.2	0.9	1.9	1.9	0.9	2.0
Belgium	7.7	0.6	0.8	3.9	3.3	1.6	2.0
Spain	2.0	3.6	0.7	0.7	1.8	2.6	2.6
Italy	3.6	3.2	5.2	0.5	3.1	2.9	3.0
United Kingdom	8.7	5.3	9.4	8.1	8.6	15.7	15.9
Other western European countries	12.9	4.7	–	7.6	6.3	2.0	2.4
North America	14.6	14.4	–	45.3	18.5	22.1	18.8
Central and Latin America	1.2	2.5	–	–	0.9	1.1	0.8
Asia	14.3	7.4	–	17.0	9.6	6.4	7.0
Others	2.2	6.0	–	0.3	2.2	3.4	3.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

44 ANALYSIS OF ASSETS AND LIABILITIES BY CURRENCY

At December 31, 1997 in FRF millions	French franc	German mark	British pound	ECU	US dollar	Swiss franc	Belgian & Luxemb. franc	Japanese Yen	Other Currencies	Total
Assets	546,693	99,943	48,221	17,467	358,637	16,662	39,066	168,738	172,785	1,468,211
Liabilities and net worth	(512,910)	(115,112)	(51,005)	(19,574)	(401,332)	(16,261)	(36,002)	(160,721)	(155,293)	(1,468,211)
Off balance sheet commitments	(42,132)	17,484	6,993	737	44,398	2,336	2,544	(9,521)	(12,630)	10,209
Net position	(8,348)	2,314	4,210	(1,369)	1,704	2,736	5,607	(1,505)	4,862	10,209
Conditional positions	(5,790)	(1,946)	(74)	301	2,615	2,850	(7)	1,584	556	89
Customer loans	152,059	5,137	14,560	4,460	106,069	3,757	1,411	5,775	28,840	322,068
Customer deposits	(26,426)	(8,949)	(6,268)	(1,321)	(53,381)	(4,421)	(5,685)	(5,600)	(17,962)	(130,013)

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

45 COMMITMENTS AND CONTINGENT LIABILITIES

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

in FRF millions	12.31.1997	12.31.1996	12.31.1995
Commitments given			
Confirmed lines of credit:			
• Commitments towards credit institutions	34,071	30,312	10,102
• Commitments towards customers	199,448	179,583	134,172
Guarantees given:			
• Guarantees granted on behalf of credit institutions	43,942	28,762	13,467
• Guarantees granted on behalf of customers	82,524	76,917	66,549
Securities commitments:			
• Securities acquired with a right to resell/repurchase	-	-	-
• Other securities to be delivered	29,711	32,442	35,321
Commitments received			
Confirmed lines of credit:			
• Commitments from credit institutions	75,078	68,642	41,494
Guarantees received:			
• Guarantees from credit institutions	15,975	22,513	16,128
Securities commitments:			
• Securities sold with a right to resell/repurchase	-	-	-
• Other securities to be received	30,244	36,206	28,613
Firm currency transactions:			
• Currencies to be received	1,186,550	835,580	772,331
• Currencies to be delivered	1,182,865	838,546	781,385

b) Forward financial instruments

in FRF millions	Trading activities	Management of interest rate and currency exposure	Total 12.31.1997	Total 12.31.1996	Total 12.31.1995
Firm transactions					
Organized markets:					
• Future contracts (interest rate, currency and other financial futures)	1,841,966	197,662	2,039,628	1,676,684	545,998
Over-the-counter:					
• Future rate agreements	270,445	36,563	307,008	175,794	387,372
• Interest rate swaps	5,832,677	604,967	6,437,644	4,625,151	3,869,110
• Currency swaps	503,324	42,490	545,814	466,099	417,883
• Others	52,066	536	52,602	19,011	13,905
Conditional transactions					
Organized markets:					
• Purchase of interest rate options	211,406	–	211,406	257,784	481,499
• Sale of interest rate options	368,685	–	368,685	109,971	102,768
• Purchase of currency options	116	–	116	962	–
• Sale of currency options	–	–	0	1,365	–
• Purchase of other options	19,021	–	19,021	13,197	13,343
• Sale of other options	19,773	–	19,773	14,583	16,308
Over-the-counter:					
• Purchase of caps, floors and collars	497,181	16,105	513,286	380,778	307,241
• Sale of caps, floors and collars	638,168	860	639,028	530,467	448,497
• Purchase of interest rate swaptions	484,390	836	485,226	279,755	214,790
• Sale of interest rate swaptions	556,053	–	556,053	357,445	220,314
• Purchase of currency swaptions	794	–	794	1,630	3,713
• Sale of currency swaptions	–	–	0	268	1,378
• Purchase of interest rate options	38,684	775	39,459	48,109	24,050
• Sale of interest rate options	63,445	833	64,278	45,557	24,274
• Purchase of currency options	519,952	6,485	526,437	191,301	145,552
• Sale of currency options	543,866	6,706	550,572	201,268	163,366
• Purchase of other instruments	149,603	39	149,642	101,464	58,768
• Sales of other instruments	124,192	–	124,192	99,134	64,200

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

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

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

c) Tax litigation

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

46 DIRECTORS' REMUNERATION

Total fees received in 1997 by the members of the Supervisory Board of the Group amount to FRF 10.8 million. Those received by the Board of Management of the Group amount to FRF 42.4 million and include FRF 3.1 million in Directors' fees.

47 SUBSEQUENT EVENTS

On February 19, 1998, the Board of Management approved the mergers of Compagnie Financière de Paribas and Compagnie Bancaire within Banque Paribas. These mergers are the consequence of the exchange offers launched by Compagnie Financière de Paribas, in order to simplify the structure of the Paribas Group. The Board of Management has also decided to merge Compagnie de Navigation Mixte, CNM-Finance, Kleber Portefeuille and Klecinq within Banque Paribas, in order to cancel treasury stock.

These mergers will decrease minority interests in equity by FRF 554 million; the group share will be increased by the same amount.

On March 2, 1998, Paribas' 23.5% interest in Ciments Français was sold.

48 FULLY CONSOLIDATED COMPANIES

Fully consolidated companies Company	Country	Activity	1997		1996	1995
			% effective ownership	% interest	% effective ownership	% effective ownership
Compagnie Financière de Paribas	France	1	100.0	100.0	100.0	100.0
Banque Paribas						
Antin Bail	France	2	99.9	100.0	98.8	98.7
Antin Contrepartie	France	1			98.8	98.7
Antin Gérance	France	2	95.0	95.1	98.9	98.7
Asia Equity Holdings Ltd	Bermuda	2	99.9	100.0		
Asia Equity Limited	Hong Kong	2	99.9	100.0		
Bank Paribas BBD Indonesia	Indonesia	1	76.0	76.0		
Banque Continentale du Luxembourg	Luxembourg	1				89.1
Banque Paribas	France	1	99.9	99.9	98.8	98.7
Banque Paribas Belgique SA	Belgium	1			71.7	71.5
Banque Paribas Canada	Canada	1	99.9	100.0	98.8	98.7
Banque Paribas Côte d'Ivoire	Ivory Coast	1	84.3	84.4	83.4	83.3
Banque Paribas Curacao NV	Dutch West Indies	1			71.7	71.5
Banque Paribas Luxembourg	Luxembourg	1	99.9	100.0	89.3	89.1
Banque Paribas Nederland NV	Netherlands	1			90.7	90.5
Banque Paribas Pacifique	Polynesia	1	66.0	85.0	65.3	65.2
Banque Paribas Polynésie	Polynesia	1	48.7	70.0	45.4	45.3
Banque Paribas succursale de Francfort AM Main	Germany	1			98.8	98.6
Banque Paribas Suisse	Switzerland	1	99.9	99.9	97.8	98.0
Banque Parisienne Internationale	France	1	100.0	100.0	99.3	99.2
Bracehold Ltd	United Kingdom	1				98.7
Bureau d'Études & de Transactions Immobilières "BETI"	France	2	99.9	100.0	98.8	98.7
Bureau Immobilier de Négociations Commerciales et Financières	France	2	99.9	100.0	98.9	98.7
Capefi SA	France	2	99.9	100.0	98.8	98.7
Compagnie Financière Ottomane	Luxembourg	1				47.1
Compagnie Foncière	France	2	61.5	61.6	60.9	60.8
Conseil Investissement	France	1	99.9	100.0	98.8	98.7
Courcoux-Bouvet SA	France	1	99.9	100.0	98.8	98.7
Eural Unispar	Belgium	1			70.2	70.0
Financière Gabonaise de développement immobilier "Figadim"	Gabon	1				46.2
Finecofi	France	2	99.9	100.0	98.8	98.7
Fipalux SA	Luxembourg	2	99.9	100.0	89.3	89.1
Gamba Azzoni	Italy	1			98.8	98.7
Great Central Railway Land SA	France	2	99.4	99.5	98.6	98.4
Harewood Properties Ltd	United Kingdom	1	99.9	100.0	98.8	
Immo-Paribas	Belgium	2			71.7	71.5
Kanghwa Investment Limited	Hong Kong	2	99.9	100.0	98.8	98.7
Luxpar Re	Luxembourg	2	99.9	100.0	89.3	89.1
Martello Land Ltd	United Kingdom	1	99.9	100.0	98.8	
Marylebonne Gate Ltd	United Kingdom	1	99.9	100.0	98.8	

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

Fully consolidated companies Company	Country	Activity	1997		1996 % effective ownership	1995 % effective ownership
			% effective ownership	% interest		
Novolease NV	Belgium	1			71.6	71.5
Parbel Finance NV	Netherlands	2			71.7	71.5
Parbelux Finance	Luxembourg	2			71.7	71.5
Parfibank	Luxembourg	1			71.7	
Parfipar	Luxembourg	2			71.7	71.5
Paribas Asia Ltd	Hong Kong	2	99.9	100.0	98.8	98.7
Paribas Asset Management Asia Ltd	Singapore	1	99.9	100.0	98.8	98.7
Paribas Asset Management Inc.	USA	1	99.9	100.0	98.8	98.7
Paribas Asset Management SNC	France	2	99.9	100.0	98.8	98.7
Paribas Asset Management (Japan)	Japan	2	99.9	100.0	98.8	98.7
Paribas Asset Management (Luxembourg)	Luxembourg	2	99.9	100.0	94.1	93.9
Paribas Asset Management Ltd (Bahamas)	Bahamas	2	99.9	100.0	98.8	98.7
Paribas Asset Management UK Ltd	United Kingdom	2	99.9	100.0	98.8	98.7
Paribas Banque Privée Monaco SAM	France	1	99.9	100.0	97.8	98.7
Paribas Capital Investments Ltd	United Kingdom	2	99.9	100.0	98.8	98.7
Paribas Capital Markets Ltd	Hong Kong	1	95.5	95.5	83.0	82.9
Paribas Capital Markets Group Limited	United Kingdom	1	99.9	100.0	98.8	98.7
Paribas Corporation	USA	1	99.9	100.0	98.8	98.7
Paribas Deutschland BV	Netherlands	2	99.9	100.0	98.8	98.7
Paribas European Leveraged Investment	France	2				100.0
Paribas Finance Inc.	USA	1	99.9	100.0	98.8	98.7
Paribas Finanziaria	Italy	1	99.9	100.0	98.8	95.3
Paribas Futures Incorporated	USA	1	99.9	100.0	98.8	98.7
Paribas Futures Ltd	United Kingdom	1	99.9	100.0	98.6	98.5
Paribas Gold Mortgages Ltd	United Kingdom	1				98.7
Paribas Group Australia Limited	Australia	1	99.9	100.0	98.8	98.7
Paribas Home Funding Ltd	United Kingdom	1				98.7
Paribas Home Loans Ltd	United Kingdom	1				98.7
Paribas International	France	2	99.9	100.0	98.8	98.7
Paribas International BV	Netherlands	2	99.9	100.0	98.8	98.7
Paribas Investissement	France	2	99.9	100.0	98.8	98.7
Paribas Investment Asia	Hong Kong	2	99.9	100.0	98.8	98.7
Paribas Investment Management GmbH	Germany	2	99.9	100.0	98.8	98.7
Paribas Japan Limited	Japan	1	99.9	100.0	98.8	98.7
Paribas Limited	United Kingdom	1	99.9	100.0	98.8	98.7
Paribas Lombard Mortgages Ltd	United Kingdom	1				98.7
Paribas Management Services Limited	United Kingdom	1	99.9	100.0	98.8	98.7
Paribas Merchant Banking Asia	Singapore	1	99.9	100.0	98.8	98.7
Paribas Mortgages Ltd	United Kingdom	1				98.7
Paribas Mortgages Loans Ltd	United Kingdom	1				98.7
Paribas Mortgages Services Ltd	United Kingdom	1				98.7
Paribas Net	United Kingdom	1	99.9	100.0	98.8	98.7
Paribas North America	USA	1	99.9	100.0	98.8	98.7
Paribas Participation BV	Netherlands	2			98.8	98.7

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

Fully consolidated companies Company	Country	Activity	1997		1996	1995
			% effective ownership	% interest	% effective ownership	% effective ownership
Paribas Platinum Mortgages Ltd	United Kingdom	1				98.7
Paribas Principal Inc.	USA	2	99.9	100.0	98.8	98.7
Paribas Properties Incorporated	USA	1	99.9	100.0	98.8	88.7
Paribas Sphf Ltd	United Kingdom	1				98.7
Paribas Spt Ltd	United Kingdom	1	99.9	100.0	98.8	98.7
Paribas Trust	Luxembourg	2	99.9	100.0	89.3	89.1
Paribas UK Holding Ltd	United Kingdom	2	99.9	100.0	98.8	98.7
Paribas (Suisse) Bahamas Ltd	Bahamas	1	99.9	100.0	97.8	98.0
Paribas (Suisse) Guernesey	Guernesey	1	99.9	100.0	97.8	98.0
Paricomi	France	2	99.9	100.0	98.8	98.7
Parifergie	France	2	99.9	100.0	98.8	98.7
Parilease	France	1	99.9	100.0	98.8	98.7
Pasta Investment Ltd	Hong Kong	2	99.9	100.0	98.8	98.7
Philippine Asia Equity Sec In.	The Philippines	2	99.9	100.0		
Polynésie Développement	France	2	71.0	71.0	64.6	64.5
Prominco Holding	Switzerland	2			97.8	98.0
Pt Asia Equity Jasereh	Indonesia	2	85.0	85.0		
SAS Cerenicim	France	2	88.4	100.0	87.5	60.8
Smurfit Paribas Bank Ltd	Republic of Eire	1	50.0	50.0	49.4	49.3
Société Anonyme de Gestion d'Investissements et de Participations	Belgium	2	99.9	100.0	98.6	98.5
Société d'Études Immobilières & de Constructions	France	2	99.9	100.0	98.9	98.7
Société Financière Paribas Suisse BV	Netherlands	2			98.8	98.7
Société Foncière Mulhouse-Nord	France	2	61.5	100.0	60.9	60.8
Société Gabonaise de Participations	Gabon	2				63.3
Société Néo-Calédonienne de Développement et de Participations	Polynesia	2	71.9	71.9	71.1	71.0
Société 36 avenue de l'Opéra	France	2	70.0	70.0	69.2	69.1
SNC Marché Saint-Honoré	France	2	99.9	100.0	98.8	98.7
Wigmore Loan Finance Limited	United Kingdom	1	99.9	100.0	98.8	98.7
Compagnie Bancaire						
Accea Finances	France	1	64.8	100.0	30.6	34.0
Antee	France	1	64.8	100.0	30.6	34.0
Arval	France	1	64.8	100.0	30.6	33.5
Arval Belgium	Belgium	1	63.1	61.0	36.7	37.2
Arval España	Spain	1	97.2	99.9		
Arval Italie	Italy	1	53.0	55.0	10.7	23.3
Arval Service	France	1	97.2	100.0	33.0	33.5
Arval Service España	Spain	1	64.8	99.9		
Arval Service Italie	Italy	1	35.4	55.0		
Banca UCB (ex-Credicasa)	Italy	1	97.2	100.0	46.0	46.1
Banque Directe	France	1	98.2	100.0	46.4	46.5
Banque Financière Cardif	France	1	98.2	100.0	27.9	27.9
Cardif Asset Management	France	1	98.2	100.0		
Cardif Bancaire Transaction	France	1	98.2	100.0	39.9	40.0

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

Fully consolidated companies Company	Country	Activity	1997		1996	1995
			% effective ownership	% interest	% effective ownership	% effective ownership
Cardif Gestion	France	1	97.2	100.0	27.9	27.9
Cardif SA	France	1	98.2	100.0	27.9	27.9
Carnegie & Cie	France	1	97.2	100.0	46.0	46.1
Crédit d'Équipement des Ménages "Cetelem"	France	1	97.8	99.3	30.6	34.0
Cetelem Belgium	Belgium	1	38.3	60.0	18.1	
Cetelem Benelux BV	Netherlands	1	64.5	100.0	30.5	33.9
Cetelem Cr	Czechia	1	32.4	50.0		
Cetelem Expansao	Portugal	1	64.8	100.0	30.6	34.0
Cetelem Expansion	France	1	64.8	100.0	30.6	34.0
Cetelem Immobilier	France	1	65.8	100.0	31.1	34.0
Cetelem Sfac	Portugal	1	64.8	100.0	30.6	34.0
Clariance	France	1	64.8	100.0	30.6	34.0
Cofica	France	1	64.8	99.9	30.7	34.0
Cofica Bail	France	1	64.8	100.0	30.6	34.0
Cofiparc SNC	France	1	72.7	100.0	30.6	34.0
Cofiplan	France	1	80.5	100.0		
Cofiplus	France	1	64.8	100.0	30.6	34.0
Coger SARL	France	1	98.2	100.0	46.4	46.1
Compagnie Bancaire	France	1	98.2	98.2	46.4	46.5
Compagnie Bancaire Pierre	France	1	97.2	99.0	46.0	46.1
Compagnie Bancaire UK (A)	United Kingdom	1	97.2	100.0	35.3	35.8
Compagnie Bancaire UK (B)	United Kingdom	1	97.2	100.0	46.0	46.1
Compagnie Bancaire UK (C)	United Kingdom	1	98.2	100.0	27.9	27.9
Compagnie de Placement & de Prévoyance	France	1			46.4	46.5
Compagnie Financière Kléber	France	1	98.2	100.0	46.4	46.5
Compagnie Générale de Location Industrielle	France	1	97.2	100.0	21.8	30.6
Compagnie Médicale de Financement de Voitures	France	1	64.8	99.9	30.6	34.0
Cortal Bank Luxembourg	France	1	57.9	100.0	27.4	27.5
Cortal SA	France	1	97.2	100.0	46.0	46.1
Crédial	France	1	64.8	100.0	30.6	
Diamond Finance	United Kingdom	1	57.9	60.0		
Effico SARL	France	1	64.8	100.0	30.6	34.0
Ejenorte	Spain	1	98.2	100.0		
Elan Europe	France	1	98.2	100.0	46.4	46.1
Eurocredito	Spain	1	52.0	80.0	24.1	27.0
Fac Location SNC	France	1	97.2	100.0	33.0	
Fidem	France	1	57.9	90.0	29.3	32.1
Fimestic	Spain	1	64.8	100.0	30.6	34.0
Fimestic Expansion	Spain	1	64.8	100.0	30.6	34.0
Fimestic Gestion AIE	Spain	1	63.8	100.0	30.2	
Fimestic Servicios Informaticos AIE	Spain	1	44.2	69.0	20.4	
Finer	Italy	1	57.9	60.0		
Firem	France	1	98.2	100.0	28.8	28.8
Foncière de Cetelem	France	1	64.8	100.0	30.6	34.0
Foncière de la Compagnie Bancaire	France	1	98.2	100.0	46.0	46.1

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

Fully consolidated companies Company	Country	Activity	1997		1996	1995
			% effective ownership	% interest	% effective ownership	% effective ownership
Gerfonds	France	1	97.2	100.0	45.5	45.6
GAM - CB	France	1	78.6	98.9	33.9	35.8
GEP - CB	France	1	84.4	96.5	36.7	37.7
Inchcape Finance	France	1	32.4	51.0	15.3	17.2
Institut de Télémarketing	France	1	97.2	99.9	46.0	46.1
Klé 31	France	1	50.1	99.9		
Klébail SA	France	1	64.8	100.0	30.6	34.0
Kléber Finance Conseil	France	1	97.2	100.0	27.9	27.9
Kléber Portefeuille	France	1	97.2	100.0	46.0	46.1
Klécar	France	1	98.2	100.0	46.4	46.5
Klécinq	France	1	97.2	100.0	46.0	46.1
Kléline SA	France	1	59.9	92.0	27.4	
Klépierre	France	1	50.1	51.0	22.8	22.8
Klérim & Cie	France	1	97.2	100.0	46.0	46.1
Klétrois	France	1	98.2	100.0	46.4	46.5
Loca SNC	France	1	97.2	100.0	33.0	33.5
Locabail International Finance	Bermuda	1			34.4	34.9
Locabail UK	United Kingdom	1	97.2	100.0	33.0	33.5
Massilia Bail	France	1	97.2	100.0	33.0	33.5
Matradelme	France	1				33.5
Neuilly Contentieux	France	1	60.9	94.6	29.1	32.1
Neuilly Gestion	France	1	63.8	100.0	31.1	34.0
Norbail Location SNC	France	1	97.2	100.0	33.0	33.5
Norbail SA	France	1	97.2	100.0	33.0	33.5
Pinnacle Holding	United Kingdom	1	86.4	88.7	24.6	24.7
Prêts & Services	France	1	97.2	100.0		
SA Combs la Ville	France	1	98.2	100.0	46.0	46.1
SA Cordim	France	1			46.4	
SA de Flers	France	1	98.2	100.0	46.0	46.1
SA Finance et Gestion	France	1	67.8	70.0	23.2	23.3
SA Leval 3	France	1	64.8	100.0	30.2	
SA Tours Nationale	France	1	50.1	100.0	23.2	24.7
SA Vacquerie	France	1	98.2	100.0	46.0	46.1
SA 5 Kléber	France	1	98.2	100.0	46.0	46.1
SA 11 rue Louis-Philippe	France	1	98.2	100.0	46.0	46.1
SA 18 La Pérouse	France	1	98.2	100.0	46.4	46.1
SA 22 La Pérouse	France	1				46.1
SA 25 Kléber	France	1	98.2	100.0	46.4	46.1
SA 37 La Pérouse	France	1	98.2	100.0	46.0	46.1
SA 43 Grenelle	France	1	98.2	100.0	46.4	46.1
SAS Amboise Boulogne	France	1	98.2	100.0	42.7	42.8
SAS Baudin Levallois	France	1	98.2	100.0	42.7	42.8
SAS Baudot Massy	France	1	98.2	100.0		
SAS Bègles Arcins	France	1	37.3	75.0	17.2	
SAS Centre Villepinte	France	1	50.1	100.0	23.2	24.7

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

Fully consolidated companies Company	Country	Activity	1997		1996 % effective ownership	1995 % effective ownership
			% effective ownership	% interest		
SAS Centre Jaude-Clermont	France	1	50.1	100.0	23.2	24.7
SAS Charenton Bercy	France	1	98.2	100.0	46.4	46.1
SAS Chartely Coubertin	France	1	98.2	100.0	46.4	46.1
SAS Colombier Carrières	France	1	98.2	100.0	46.4	46.1
SAS Concorde Puteaux	France	1	98.2	100.0	42.7	42.8
SAS Daumesnil Reuilly	France	1	98.2	100.0	46.4	46.1
SAS Doumer Caen	France	1	50.1	100.0	23.2	24.7
SAS Étoile Résidence	France	1	98.2	100.0	42.7	42.8
SAS Kléber Levallois	France	1	98.2	100.0	42.7	42.8
SAS Klécentres	France	1	50.1	87.5	23.2	24.7
SAS Kléfinances	France	1	98.2	100.0	42.7	42.8
SAS Klégestion	France	1	98.2	100.0		
SAS Langevin Herblay	France	1	50.1	100.0	23.2	23.3
SAS Leblanc Paris 15	France	1	98.2	100.0	42.7	42.8
SAS Melun Saint-Pères	France	1	50.1	100.0	23.2	24.7
SAS Oise Cergy	France	1	73.6	100.0	23.2	23.3
SAS Paul Doumer Rueil	France	1	50.1	100.0	23.2	
SAS Saint André Pey Berland	France	1	50.1	100.0	23.2	23.3
SAS Sinkle	France	1	97.2	100.0	42.7	
SAS Sommer Antony	France	1	50.1	100.0		
SAS Strasbourg la Vigie	France	1	50.1	100.0	23.2	24.7
SAS Suffren Paris 15	France	1	98.2	100.0	42.7	42.8
SAS Taitbout Paris 9	France	1	98.2	100.0	42.7	42.8
SAS Vanne Montrouge	France	1	52.0	100.0	24.1	24.2
SAS Varennes Ormes	France	1	50.1	100.0	24.1	24.2
SAS 5 rue de Turin	France	1	50.1	100.0	22.8	22.8
SAS 21 Kléber	France	1	98.2	100.0		
SAS 21 La Pérouse	France	1	98.2	100.0	46.4	46.1
SAS 43 rue Kléber	France	1	50.1	100.0	22.8	
SAS 52 rue d'Iéna	France	1	52.0	100.0	24.1	
SAS 70 rue Cortambert	France	1	50.1	100.0	22.8	
Savelme Socappa et Cie	France	1	97.2	100.0	33.0	33.5
SC Centre Bourse	France	1	49.1	85.0	16.3	13.5
SCI Le Chêne Pierre	France	1	97.2	100.0	42.7	42.8
SCI 50 rue de Bourgogne	France	1	97.2	99.9	42.7	42.8
Secmarne	France	1	33.6	61.7	24.6	25.1
Services & Finances	France	1	49.1	51.0	16.7	17.2
Sifro	France	1	98.2	100.0		
SNC Cortal Gestion	France	1	97.2	100.0	46.0	46.1
SNC Cortal Pierre Gestion	France	1	97.2	100.0	46.0	46.1
SI 89 Neuilly	France	1	97.2	100.0	46.0	46.1
Socappa	France	1	97.2	99.9	33.0	33.5
Sofracem	France	1	64.8	100.0	30.6	
Solorec	France	1	50.1	100.0	16.3	17.7
Soservi	France	1	64.8	100.0	30.6	34.0

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

Fully consolidated companies Company	Country	Activity	1997		1996	1995
			% effective ownership	% interest	% effective ownership	% effective ownership
Société de Gestion	France	1	82.5	97.7	36.7	38.1
Société du 23 avenue Marignan	France	1	50.1	100.0	18.6	18.6
Société du 25 avenue Marignan	France	1				18.6
Société du 38 rue Marbeuf	France	1				18.6
Société du 46 rue Notre-Dame-des-Victoires	France	1	50.1	100.0	22.8	22.8
Société du 192 avenue Charles-de-Gaulle	France	1	50.1	100.0	22.8	22.8
Société Foncière Sinvim	France	1	97.2	99.9	46.0	
Union Crédit pour le Bâtiment "UCB"	France	1	97.2	99.9	46.0	46.1
United European Credit	France	1	64.8	100.0	30.6	34.0
UCB Bail	France	1	97.2	100.0	46.0	46.1
UCB Group Plc	United Kingdom	1	97.2	100.0	46.0	46.1
UCB Locabail Immobilier	France	1	97.2	100.0	46.0	46.1
UCB Socabail Immobiliare	Italy	1	97.2	100.0	46.0	46.1
UCI Grupo	Spain	1	48.1	50.0	22.8	22.8
UFB Factoring Italia	Italy	1	97.2	100.0	35.8	36.3
UFB Finfactor	Spain	1	97.2	100.0	35.8	36.3
UFB Gestion Espana	Spain	1				36.3
UFB Kredit Bank	Germany	1	97.2	100.0	33.9	34.4
UFB Leasing Italia	Italy	1	97.2	100.0	35.8	36.3
UFB Locabail	France	1	97.2	99.1	33.0	33.5
UFBb Locabail Deutschland	Germany	1	97.2	100.0	33.9	34.4
UFB-Group	United Kingdom	1	97.2	100.0	35.3	35.8
UFB Systema Leasing	Germany	1	97.2	100.0	33.9	34.4
Unifactors Belgium	Belgium	1	97.2	100.0	35.8	36.3
Crédit Du Nord						
Antarius	France	1			73.2	
Banque Courtois	France	1			98.7	98.7
Banque Kolb	France	1			50.9	51.0
Banque Laydernier	France	1			100.0	
Banque Lenoir & Bernard	France	1			99.9	99.9
Banque Nuger	France	1			59.6	
Banque Rhône-Alpes	France	1			100.0	99.7
Banque Tarneaud	France	1			77.5	78.1
Chauchat Expansion	France	2			98.1	98.0
Crédit du Nord	France	1			100.0	100.0
Fimmogest	France	2			98.7	98.7
Midi Courtage Assurance	France	2			99.8	98.3
Norbail Immobilier	France	1			100.0	99.4
Norbail Sofergie	France	1			100.0	100.0
Norfinance	France	1			100.0	100.0
Norimmo	France	2			99.8	99.8
Remusat	France	2			98.6	98.6
Sedel	France	2			98.0	98.0
Société de Bourse Gilbert Dupont	France	1			100.0	100.0
Société de Participations Techniques et Financières	France	2			98.1	98.0

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

Fully consolidated companies Company	Country	Activity	1997		1996	1995
			% effective ownership	% interest	% effective ownership	% effective ownership
SCI Couronna	France	2			98.7	98.7
Turgot Gestion	France	1			77.5	78.1
Cobepa						
Agemar SAH	Luxembourg	2			32.1	32.2
Belgian Broadcasting Company	Belgium	2				64.5
Belvuco (ex-Invest. Beleg. Maatschap. Lacourt "Ibel")	Belgium	2	42.5	75.0	52.1	49.0
Belvuco	Belgium	2			32.8	
Cippar	Belgium	2	46.0	79.5	48.8	47.7
Cobecan	Canada	2				64.5
Cobema	Belgium	2	58.2	100.0		
Cobepa Finance	Luxembourg	2	58.2	100.0	64.3	64.5
Cobepa Technology	Belgium	2	58.2	100.0	64.3	64.5
Compagnie Belge de Participations Paribas "Cobepa"	Belgium	2	58.2	60.2	64.3	64.5
Compagnie de Développement International	Luxembourg	2			64.3	64.5
Compagnie de Gestion et de Développement Informatique	Belgium	2	58.2	100.0	64.3	64.5
Compagnie de Participations Internationales BV	Netherlands	2	58.2	100.0	52.7	50.3
Compagnie de Participations Internationales NA NV	Dutch West Indies	2				50.3
Compagnie de Participations Internationales SA	Luxembourg	2	55.9	96.4	52.7	50.3
Compagnie Financière & Mobilière "Cofim"	Belgium	2	58.2	100.0	64.3	64.5
Compagnie Forestière "Cosylva"	Belgium	2	46.0	79.5	48.8	47.7
Copabel SA	Belgium	2	55.9	96.4	52.7	50.3
Coparin	Luxembourg	2	55.9	96.4	52.7	50.3
Espace rue Wiertz SA	Belgium	2				63.8
Financial Control International	Netherlands	2	58.2	100.0	64.3	64.5
Financière Cristal SA	Luxembourg	2	46.0	79.5	48.8	47.7
Groupe Financier Liegeois	Belgium	2	46.0	79.5	48.8	47.7
Group T SA	Belgium	2	46.0	79.5	48.8	47.7
Holnor	Netherlands	2	55.9	96.4	64.3	64.5
Immobilière rue de Namur SA	Belgium	2				63.8
International Financing Partners SA	Luxembourg	2	46.0	79.5	48.8	47.7
IIM	Netherlands	2	58.2	100.0	64.3	64.5
Leader In Finance	Belgium	2				64.5
Libecan	Canada	2				63.8
Libeco	Canada	2				64.5
Libelux	Luxembourg	2	57.6	100.0	63.6	63.8
Libenel	Netherlands	2	58.2	100.0	64.3	64.5
Paribas Deelnemingen NV	Netherlands	2	54.1	100.0	61.1	60.6
Paribas Participation Limitée	Canada	2	55.9	96.4	52.7	50.3
Ramlux	Luxembourg	2	42.6	75.0	52.2	49.0
Regema	Belgium	2	42.5	75.0	52.1	47.7
Regio Invest. Ontwik. Maats.	Belgium	2	42.5	75.0	52.1	47.7
SA Mosane	Belgium	2	46.0	79.5	48.8	47.7
Société d'Investissements Internationaux (NLLE)	Belgium	2			64.3	64.5
Société Financière de Développement et de Participations "Fidepa"	Belgium	2	29.1	50.0	32.1	32.2

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

Fully consolidated companies Company	Country	Activity	1997		1996	1995
			% effective ownership	% interest	% effective ownership	% effective ownership
Société Financière de Réalisation "Sofiréal"	Belgium	2	58.2	100.0	64.3	64.5
Socorem SA	Belgium	2				64.5
Texaf	Belgium	2	47.7	82.1	52.7	52.9
Tradexco SA	Belgium	2	58.2	100.0	64.3	64.5
Vobis Finance	Belgium	2	29.1	50.0	32.1	32.2
Compagnie de Navigation Mixte						
Compagnie de Navigation Mixte	France	2	99.2	99.2	97.5	
Compagnie de Navigation Mixte Finance SNC	France	2	99.2	100.0	97.5	
SFEI	France	2	97.5	100.0	97.5	
Sobac	France	2			97.5	
Société Anonyme LB	France	2	57.7	97.0	64.6	
Via Banque	France	1	59.5	60.0	58.8	
Via Bourse	France	1			31.3	
Via Crédit Banque (Groupe)	France	1	59.5	100.0	77.8	
Other fully consolidated companies						
Compagnie Auxiliaire d'Entreprises & de Chemin de Fer	France	2	100.0	100.0	99.8	99.7
Compagnie Financière Ottomane "Nouvelle"	France	1	95.2	95.3	97.1	
Compagnie Franco Marocaine	France	2	99.7	99.7	99.7	99.5
Financière Sema	France	2			45.9	45.9
Omnium de Gestion et de Développement Immobilier	France	2	100.0	100.0	99.7	
Opatra	France	2	100.0	100.0	100.0	100.0
Ottofrance International	France	2	100.0	100.0		
Parfici	France	2	100.0	100.0	100.0	100.0
Pargelux Holding SA	Luxembourg	2			100.0	100.0
Paribas Capital Développement	France	2			100.0	100.0
Paribas Dérivés Garanties Snc	France	1	100.0	100.0	100.0	100.0
Paribas Électronique	France	2				99.8
Paribas Environnement & Services	France	2				100.0
Paribas Europe	France	2			100.0	100.0
Paribas Investissement Développement	France	2	100.0	100.0	100.0	99.9
Paribas Participations	France	2	100.0	100.0	100.0	100.0
Paribas Santé	France	2	100.0	100.0	100.0	99.9
Paribas Santé International BV	Netherlands	2	100.0	100.0	100.0	99.9
Safadeco - SA	France	2	100.0	100.0	100.0	100.0
Safadeco - Sp	France	2	100.0	100.0	100.0	100.0
Segefico - SA	France	2	100.0	100.0	100.0	100.0
Société Européenne d'Étude et de Gestion Industrielle et Financière "Sedicecom"	France	2	75.8	60.8	75.8	75.8
Société Financière de Gaz & Énergie SA	Luxembourg	2			100.0	100.0
Société Générale Commerciale & Financière "SGCF"	France	2	100.0	100.0	100.0	100.0
Sogimo	France	2	100.0	100.0	99.8	99.7
Union Bancaire du Nord	France	1			100.0	100.0
Valeurs et Rendements SA	Luxembourg	2			100.0	100.0

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

49 COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

Companies accounted for under the equity method Company	Country	Activity	1997		1996	1995
			% effective ownership	% equity method	% effective ownership	% effective ownership
Banque Paribas						
Axa Re Finance	France	1	21.0	21.0	20.8	
Banque Gabonaise et Française Internationale	Gabon	1	43.4	43.4	42.9	40.1
Banque Gabonaise et Française Internationale bail	Gabon	1	33.8	33.8	33.4	
Banque Gabonaise et Française Internationale Participations	Gabon	1	43.4	43.4		
Compagnie de Navigation Mixte (Groupe)	France	2				30.4
Finaxa (Groupe)	France	2	23.3	23.3	23.4	25.2
Osmanli Bankasi AS	Turkey	1				47.1
Régie Immobilière de la Ville de Paris "RIVP"	France	3	30.8	30.8	30.4	30.4
Compagnie Bancaire						
ACFI Études Actuarielles	France	1	53.1	55.0	14.9	27.9
AGF Financement 1	France	1				13.5
AGF Financement 2	France	1	25.5	40.0	12.1	13.5
Antarius	France	1	49.1	50.0		
Attijari Cetelem	Morocco	1	32.4	50.0		
Banca del Salento	Italy	1	2.9	3.3	0.9	
Cardif Compania de Seguros de Vida	Argentina	1	98.2	100.0		
Cardif Leven (ex-Cardif Vie Belgique)	Belgium	1	98.2	100.0	27.9	27.9
Cardif Polska	Poland	1	98.2	100.0	27.9	
Cardif Provita	Czechia	1	98.2	100.0	27.9	
Cardif RD	France	1	98.2	100.0	27.9	27.9
Cardif Retraite	France	1	97.2	99.8		
Cardif Services BV	Netherlands	1	98.2	100.0	27.9	
Cardif Vie	France	1	98.2	100.0	27.9	27.9
Cardif Assicurazioni (ex-Cardif Vie Italie)	Italy	1	98.2	100.0	27.9	27.9
Cardivida	Spain	1	98.2	100.0	27.9	27.9
Case Credit Europe	France	1	48.1	50.0		
Case Credit UK Ltd	United Kingdom	1	49.1	100.0		
Cavinam	France	1	98.2	100.0	27.9	
Centro Vita Assicurazioni	Italy	1	48.1	49.0	13.5	
CLF Banque	France	1	19.6	20.0		
Cofidis	France	1	8.8	15.0	4.2	4.7
Cofidis Belgium	Belgium	1	8.8	15.0		
Cofidis UK	United Kingdom	1	8.8	15.0		
Cofinoga	France	1	28.5	44.0	14.9	16.3
Compania de Seguros de Vida	Chile	1	98.2	100.0		
Compania de Seguros Generales	Chile	1	98.2	100.0		
Cortal Belgique	Belgium	1	38.3	100.0	18.1	18.1
Cortal Direct	South Africa	1	48.1	50.0		

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

% effective ownership: effective percentage held by group companies.

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

% equity method: percentage applied to determine the share in net equity and net income of companies accounted for under the equity method.

Companies accounted for under the equity method Company	Country	Activity	1997		1996	1995
			% effective ownership	% equity method	% effective ownership	% effective ownership
Covefi	France	1	21.6	34.0	10.2	11.2
CPA Vie	France	1	34.4	35.0		
Crédit Moderne - Antilles	France	1	31.4	49.0	14.9	
Crédit Moderne - Guyanne	France	1	25.5	40.0	12.1	
Crédit Moderne - Océan Indien	France	1	25.5	40.0	12.1	
Cybele Re	Luxembourg	3	98.2	100.0	27.9	27.9
Deutsche Leasing France	France	1	38.3	40.0	13.0	13.5
Ejesur	Spain	1	49.1	50.0		
Eolia	Italy	1	98.2	100.0	27.9	
European Re	Guernesey	1	86.4	100.0	24.6	24.7
Facet	France	1	24.5	38.9	11.6	13.0
Fédébaill	France	1				11.2
Fimagroup	Belgium	1	25.5	40.0	12.1	13.5
Finadis	Spain	1	8.8	15.0	4.2	4.7
Finalion	France	1	31.4	49.0	14.9	
Finama	France	1	31.4	49.0	14.9	16.3
Financial Telemarketing Services Limited	United Kingdom	1	86.4	100.0	24.6	24.7
Finarep RD	France	1	39.3	40.0	11.1	11.2
Finaref Vie	France	1	39.3	40.0	11.1	11.2
Findomestic	Italy	1	28.5	42.7	13.5	14.9
Fipryca	Spain	1	21.6	34.0	10.2	11.2
Fortis Crédit	Belgium	1	16.7	45.0		
Assurances Banque Populaire (ex-Fructivie)	France	1	14.7	15.0	5.1	7.4
Gestion Croissance	France	1	82.5	97.5	45.2	24.7
Hélios Société Vie	France	1	98.2	100.0	27.9	27.9
Investlife Luxembourg SA	Luxembourg	1	78.6	100.0	22.3	22.3
Kléber Promotion	France	1	97.2	100.0	46.0	46.1
Magyar Cetelem	Hungary	1	32.5	50.0		
Novacrédit	France	1	22.6	35.0	10.7	12.6
Pinnacle Insurance	United Kingdom	1	86.4	100.0	24.6	24.7
Pinnacle Insurance Management Services	United Kingdom	1	86.4	100.0	24.6	24.7
Pinnacle Insurance property Services	United Kingdom	1	84.4	100.0	24.6	
Pinnafrica Holding Ltd	South Africa	1	84.4	100.0		
Presbourg Étoile & Cie	France	1	98.2	100.0	46.0	46.1
SA Cordim	France	1	98.2	100.0		46.1
Saint-Éloi	France	1	47.1	49.0	16.3	
Ségece	France	3	64.8	89.4	30.6	31.6
Ségece Promotion	France	3			30.6	31.6
Sinvim et Compagnie	France	3	97.2	100.0	46.0	46.1
Sofevente SNC (ex-Sinvim Ile-de-France SNC)	France	3	98.2	100.0	46.0	46.1
Sinvim SA	France	3	98.2	100.0	46.0	46.1
Société de Paiement Pass	France	1	25.5	40.0	12.1	13.5
Société Foncière Sinvim	France	3				46.1

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

% effective ownership: effective percentage held by group companies.

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

% equity method: percentage applied to determine the share in net equity and net income of companies accounted for under the equity method.

Companies accounted for under the equity method Company	Country	Activity	1997		1996	1995
			% effective ownership	% equity method	% effective ownership	% effective ownership
SIS	France	3	98.2	100.0	46.4	46.1
UFB Ace Leasing	Belgium	1	47.1	49.0	17.2	
Union Européenne d'Assurances	France	1			13.9	14.0
Vecofin	Italy	1	8.8	15.0		
Crédit du Nord						
Banque Clément	France	1			32.8	
Banque de Marchés et d'Arbitrage	France	1			38.6	38.6
Banque Nuger	France	1				41.5
Banque Pouyanne	France	1			35.0	35.0
CLF Banque	France	1			29.3	
Verveine	France	1			34.0	
Cobepa						
Ancorabel	Belgium	3	8.7	21.3		
Assurance Groupe Josi	Belgium	3				30.3
Berginvest	Belgium	3	20.4	44.2	19.3	14.2
Cable and Wire Assemblies "CWA"	Belgium	3	14.0	33.3	10.3	9.0
Codefi	Belgium	3	47.7	82.1	52.7	
Fountainbrand International NV	Dutch West Indies	3			12.2	11.6
Fountain Nederland Holding	Netherlands	3			12.2	11.6
Gevaert SA (Group)	Belgium	2			19.9	19.3
Granada Canada Holding	Canada	3				17.4
Groupe Josi	Belgium	3	12.2	21.5	13.5	13.5
Holding Josi 1909	Belgium	3	19.8	34.0		
La Floridienne	Belgium	3	12.8	28.1	13.5	12.9
Sait Radio Holland	Belgium	3	37.3	64.5	41.1	41.3
Sococlabeq	Belgium	3				9.0
Sopex	Luxembourg	3	21.0	49.9	25.7	24.5
Spaas	Belgium	3	18.6	44.0		
Uco Engineering	Belgium	3	42.5	74.0	32.8	30.6
Uco Textile	Belgium	3	23.9	57.8	32.8	30.6
Vlaamse Uitgevers Maatschappij "VUM"	Belgium	3	10.5	25.2	12.9	11.6
Compagnie de Navigation Mixte						
Générale de Transport et d'Industrie	France	3	69.8	70.6	66.0	
Hurel Dubois	France	3	53.6	55.7	52.1	
Fichet Bauche	France	3	89.2	95.9	85.8	
Saupiquet	France	3	34.4	37.1	33.8	
Société de Fabrication d'Instruments de Mesure	France	3	30.0	33.2	29.6	
Pochet Société Anonyme	France	3	33.8	34.2	33.3	
Via North America	USA	3	99.2	100.0	97.5	
Poliet						
Industrielle de Tuiles (Group)	France	3	34.2	34.5	51.0	56.1
Menuiseries Lapeyre (Group)	France	3	25.5	25.8	38.1	42.0
Point P SA (Group)	France	3	34.5	34.5	51.5	56.7

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

% effective ownership: effective percentage held by group companies.

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

% equity method: percentage applied to determine the share in net equity and net income of companies accounted for under the equity method.

Companies accounted for under the equity method Company	Country	Activity	1997		1996	1995
			% effective ownership	% equity method	% effective ownership	% effective ownership
Poliet	France	3	34.5	34.5	51.5	56.7
Stradal SA (Group)	France	3	34.5	34.5	51.5	56.7
Tuilerie Briqueterie Française (Group)	France	3	34.5	34.5	51.0	56.1
Tuilleries Briqueteries du Lauragais (Group)	France	3				56.1
Vachette (Group)	France	3			51.0	56.1
Weber & Broutin (Group)	France	3	34.2	34.5	51.0	56.1
Autres sociétés mises en équivalence						
Audiofina	Luxembourg	3				23.4
Axime (Group)	France	3			26.0	52.5
Banque de Marchés et d'Arbitrage	France	1	38.6	38.6		
Banque Pétrofigaz	France	1	44.8	44.8	44.8	44.7
Caisse Nationale à Portefeuille (Group)	Belgium	2	14.3	16.2	14.6	12.2
Carbonne Lorraine	France	3	23.8	23.8	20.2	21.3
Cetap	France	3	33.3	33.3	33.3	33.3
Ciments Français (Group)	France	3	23.5	23.5	27.0	27.5
Compagnie de Fives-Lille (Group)	France	3	29.3	29.3	29.3	29.3
Compagnie Générale de Développement Immobilier Cogédim (Group)	France	3	100.0	100.0	99.7	99.7
Coparex International (Group)	France	3	95.3	95.3	95.3	95.3
Eiffage (Group)	France	3	33.5	33.5	33.5	24.9
Erbe (Group)	Belgium	2	42.1	45.5	41.5	41.0
Financière Fougerolle	France	2	49.8	49.8	49.8	49.6
La Rochette (Group)	France	3	26.9	26.9	27.6	27.4
Mestrezat et Domaines	France	3	86.5	86.5	86.5	74.2
Nouvelle Holding Guyomarc'h (Group)	France	3	97.9	100.0	98.2	100.0
Nord-Est (Group)	France	2	38.2	43.0	38.2	38.2
Pargesa Holding (Group)	Switzerland	2	11.6	18.6	10.9	11.2
Sema Group	United Kingdom	3	18.4	18.5	19.0	19.1
SCOA (Group)	France	3				88.6
UGC - Droits Audiovisuels	France	3				21.0

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

% effective ownership: effective percentage held by group companies.

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

% equity method: percentage applied to determine the share in net equity and net income of companies accounted for under the equity method.

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 1997

In accordance with our appointment as auditors by your Annual General Meeting, we hereby report to you for the year ended 31 December 1997 on the audit of the accompanying consolidated financial statements of Compagnie Financière de Paribas.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements, based on our audit.

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

In our opinion, the financial statements give a true and fair view of the financial position, the assets and liabilities and the results of operations of companies within the scope of consolidation.

Without qualifying the opinion expressed above, we would draw your attention to:

- Note 2A to the financial statements, relating to a change in presentation thereof to separately identify the impact of discontinued activities;
- Note 1 to the financial statements, which discusses the change in consolidation method for insurance companies (such entities are now fully consolidated).

We have also performed the procedures required by law on the Group financial information given in the report of the Board of Directors. We have no comment to make as to the fair presentation of this information, nor its consistency with the consolidated financial statements.

Paris and Neuilly, March 19, 1998

The Auditors

Ernst & Young Audit

Antoine Bracchi

Deloitte Touche Tohmatsu-Audit

Jacques Manardo

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

GENERAL INFORMATION

CHANGES IN SHARE CAPITAL AND FULLY DILUTED CAPITAL

	1997	1996	1995	1994	1993	1992
Common shares "A"	166,006,290	124,147,878	120,198,109	115,906,308	93,040,490	88,496,730
Non-voting preferred shares "B" (1)	-	-	-	-	-	339,971
Total number of shares outstanding	166,006,290	124,147,878	120,198,109	115,906,308	93,040,490	88,836,701
Share capital (in FRF)	8,300,314,500	6,207,393,900	6,009,905,450	5,795,315,400	4,652,024,500	4,441,835,050
Maximum number of shares to be created (2)	3,027,446	4,841,386	5,027,519	5,045,556	3,482,631	4,008,014
Fully-diluted number of shares	169,033,736	128,989,264	125,225,628	120,951,864	96,523,121	92,844,715
Fully diluted capital (in FRF)	8,451,686,800	6,449,463,200	6,261,281,400	6,047,593,196	4,826,156,050	4,642,235,750

(1) At the Shareholder Meeting of May 28, 1993, the non-voting preferred shares "B" were converted into common shares "A" on the basis of one common share for each non-voting preferred share.

(2) Through conversion or redemption of bonds and exercise of stock options.

PARIBAS' SHAREHOLDER BASE IN THE PAST THREE YEARS

	Jan. 23, 1998 (*)		Dec. 31, 1996		Dec. 31, 1995	
	in % of share capital	in % of voting rights	in % of share capital	in % of voting rights	in % of share capital	in % of voting rights
Shareholders holding more than 5% of voting rights	12.5	20.8	26.8	39.0	33.6	45.4
Groupe AXA	7.8	12.4	11.8	14.6	-	-
AXA	-	-	-	-	7.9	9.8
Groupe AGF	4.7	8.4	6.0	10.8	6.8	9.8
CIPAF	less than 5%	-	4.9	7.0	4.9	6.2
Groupe Parfinance-Frère	less than 5%	-	4.1	6.6	5.4	7.3
Groupe Compagnie de Navigation Mixte	Treasury shares	-	Treasury shares	-	8.6	12.3
Other significant shareholders	28.8	32.8	17.9	20.2	17.9	18.5
Public	50.1	46.4	43.5	40.8	45.7	36.1
Treasury shares	8.6	-	11.8	-	2.7	-

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

Percentage of share capital and voting rights owned by members of the Management and Supervisory Boards: not material (below 0.1%).

Percentage of share capital and voting rights owned by employees through pooled investment vehicles: not material (below 0.25%).

STOCK OPTIONS

The following table summarizes the stock option programs granted prior to the merger by Compagnie Financière de Paribas, Compagnie Bancaire and Compagnie de Navigation Mixte, as of April 1, 1998.

Company	Date	Number of stock options (1)	Of which, Board of management members (1)**	Nature (2)	Price (1) (FRF)	Discount (3) (in %)	Beneficiary holders (of which, Board of Management members)*	Number of options exercised at March 16, 1998	Beneficiary holders having totally or partly exercised their options (of which, Board of Management members)*	Options still outstanding (1) (of which, Board of Management members)
CFP	1990	970,388	101,417	S	386.01	10	402	685,219	261	285,169
CB (4)		268,842	-	S	279.40	-	109	(73,611) 258,378	(2) 101	(39,075) 10,464
CFP	1991	669,415	73,246	S	291.06	10	220	477,467	144	191,948
CB		211,353	5,500	S	360.49	-	(3) 81	(84,246) 197,141	(5) 66	(13,792) 14,212
CFP	1992	822,094	89,023	S	267.11	10	(1) 220	(5,500) 411,065	(1) 126	- 411,029
CB		261,082	11,290	S	278.11	-	(3) 69	(27,523) 240,703	(2) 57	(81,785) 20,379
CFP	1993	28,175	28,175	S	314.11	10	(1) 1	- -	- -	28,175 (28,175)
CB		286,240	13,548	S	433.18	-	109 (1)	40,100 -	- -	246,140 (13,548)
CFP	1994	16,920	-	S	404.65	5	1	-	-	16,920
CFP		1,273,500	150,000	S	341.00	5	- 97	- 22,645	- 2	- 1,350,855
CFP		125,000	-	S	350.00	5	(4) 7	- 125,000	- 7	(150,000) 0
CB		268,113	11,290	S	415.40	-	- 105	- 43,302	- 2	- 224,811
CNM (5)		32,000	-	S	986.53	-	(1) 11	- 4,618	- -	(11,290) 27,382
CNM		68,400	-	S	790.08	-	49	48,057	-	20,343
BP (6)		599,841	32,000	S	406.00	-	73	-	-	599,841
BP		286,626	-	S	406.00	-	(4) 186	- -	- -	- 286,626
CFP	1995	117,000	25,000	S	271.00	-	(0) 29	- -	- -	117,000 (25,000)
CFP		161,000	-	A	272.00	-	12	14,000	1	147,000
CFP		42,000	-	A	272.00	-	- 5	0 -	0 -	(28,000) 42,000
CFP		1,050,700	129,000	A	274.00	-	- 341	- 18,700	- 9	- 1,032,000
CB		136,733	-	S	449.15	-	(4) 104	0 6,491	0 1	(129,000) 130,242
CB	1996	148,195	15,396	S	505.66	-	- 100	- 6,173	- 1	- 142,022
CFP	1997	1,678,500	240,000	A	350.00	-	(1) 526	- 29,400	- 22	(15,396) 1,649,100
CFP		101,000	-	A	374.00	-	(4) 13	0 -	0 -	(240,000) 101,000
CFP		25,000	-	A	394.00	-	- 4	- -	- -	- 25,000
CFP		5,000	-	A	445	-	- 1	- -	- -	- 5,000
CFP		2,065,000	410,000	A	475	-	- 319	- -	- -	- 2,065,000
CB		110,850	-	A	718.00	-	(7) 149	- -	- -	(410,000) 110,850

(1) Adjusted to reflect bonus share distribution and 1994 capital increase, if applicable.

(2)) S: subscription, P: purchase.

(3) Discount to average share price. (4) Weighted average price of unexercised options.

(*) Board of Management members at the time of the mergers.

FULLY CONSOLIDATED SUBSIDIARIES

Stock option plans issued in 1997

	Number of options issued	Of which CFP Board of Management members (1)	Beneficiary Holders	Price (FRF)	Discount (3) (%)	Duration period	Holding Period
Cetelem	60,250	–	117	623.00	–	8 ans	5 ans

(1) Options granted to Board of Management members exercising effective managerial functions in the subsidiaries.

(2) Discount to average share price.

Cumulative stock options issued and outstanding at December 31, 1997

	Number of options (1) issued since 1990	Numbers of Beneficiaries	Of which Board of Management of CFP (2)	Options still outstanding	Of which Board Potential of management of CFP (2)	Price (3)	Dilution (in %)
UFB-Locabail	315,550	254	–	158,600	–	374.89	2.71
Cetelem	773,981	509	–	314,182	–	917.13	0.73
Safadeco	163,998	40	–	163,998	–	200.66	11.90

(1) Adjusted.

(2) Options granted to Board of Management members exercising effective managerial functions in the subsidiaries.

(3) Weighted average price of unexercised options.

Members of the Board of Management of Compagnie Financière de Paribas do not hold any option in the industrial subsidiaries of the Group.

REMUNERATION

Total remuneration paid during the year to members of the Supervisory Board as compensation for work performed on behalf of Group companies: FRF 10.8 million. Total remuneration paid during the year to members of the Board of Management: FRF 42.4 million, including FRF 3.1 million in "Directors' fees".

LOANS AND GUARANTEES GRANTED TO MEMBERS OF EXECUTIVE MANAGEMENT

None.

PROFIT-SHARING PLANS

None.

PERSON IN CHARGE OF INFORMATION

Véronique Guillot-Pelpel.

Director of Communications, Banque Paribas.

Tel.: 33-(0) 1-42-98-65-50.

Design and Publishing: ALTEDIA SYNELOG Paris

Photos: Magnum Photos, Luc Hauteœur

Compagnie Financière de Paribas
5, rue d'Antin - 75078 Paris Cedex 02 - France
Tel.: 33 (0)1 42 98 12 34 - Telex: PARB 210041
<http://www.paribas.com>