



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.

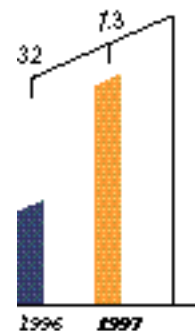
Transactions around the world

- 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

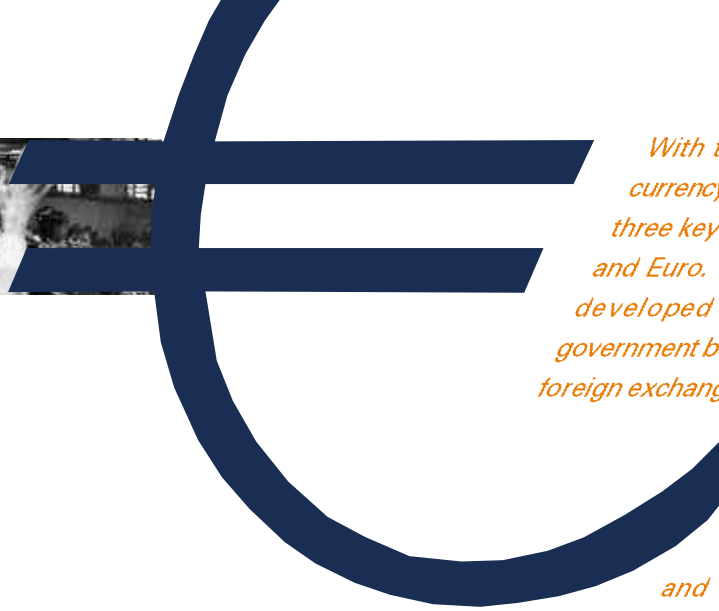
behalf of French insurer Axa. Paribas ranks number 1 in France, number 5 in Europe and number 10 worldwide in terms of Eurobond issuance (source: IFR), with an unchallenged lead in ecu and Euro-denominated issues. The Eurobond business, which performed particularly well, won the Eurobond of the year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

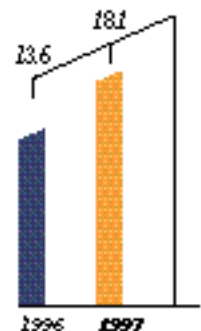
In fixed income derivatives, highly satisfactory results were achieved in swaps and structured

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.

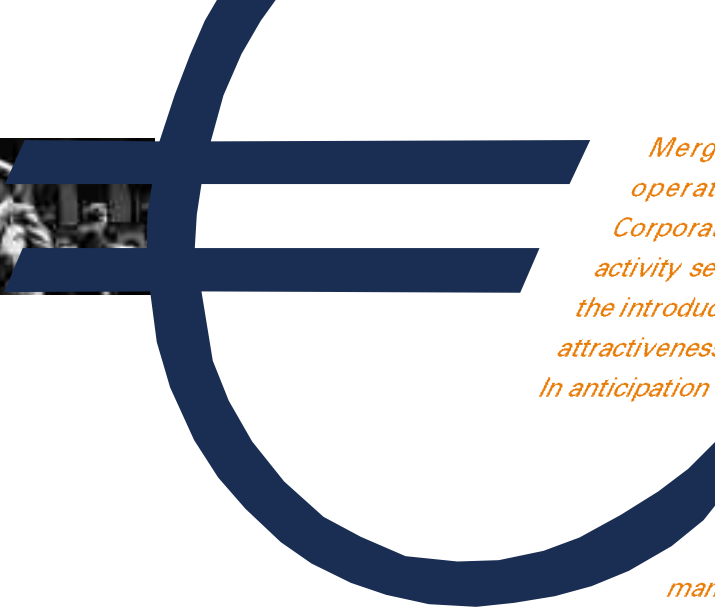
Media-telecom financing:

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.

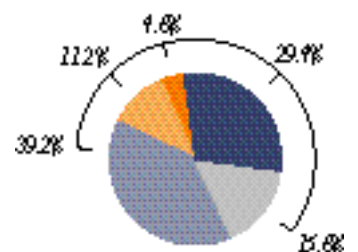
Aerospace financing:

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

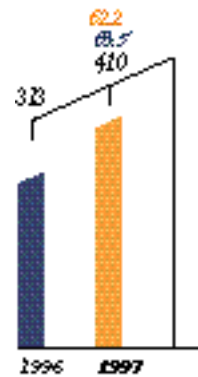
Paribas strengthened its presence in Europe:

- 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

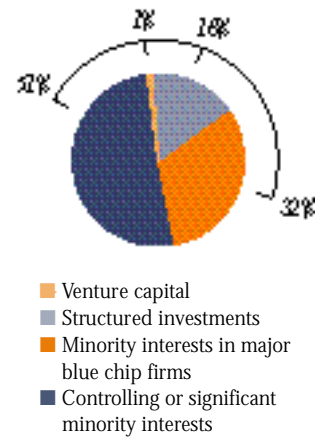
- second stage in the gradual sale of Poliet to Saint-Gobain (16.9% of capital).
- sale by Sagal of a 18.7% interest in Royal Canin on the occasion of the pet food company's IPO, reducing PAI's interest to 80.5%.
- sale in the open market of PAI's 1% interest in oil company Elf.
- sale in the open market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

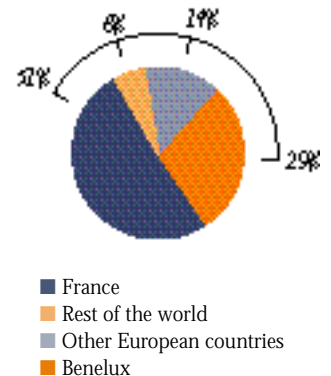
- in-depth restructuring of the Cobepa holding company, including a two-way split of Gevaert, followed by a partial merger. This transaction, eliminating an intermediary holding company, reduced the company's discount to net asset value, enhanced the value of the portfolio, and enabled Cobepa to gain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

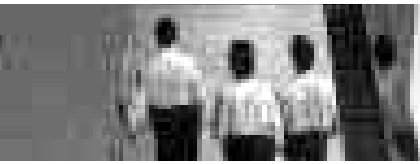
SEMA GROUP

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 Belvucio. 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

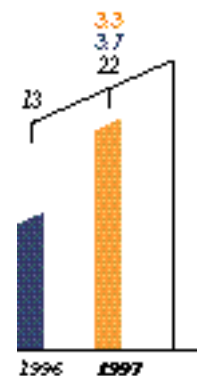
Capitalize

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

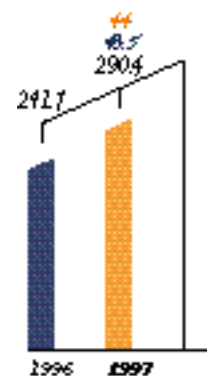


For Paribas' Institutional and Private Asset Management, the success of the European single currency is a key priority. Paribas aims to rank among the leading firms in a unifying Europe, set to become the world's second largest financial market. Paribas is well prepared for this challenge, having been 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.

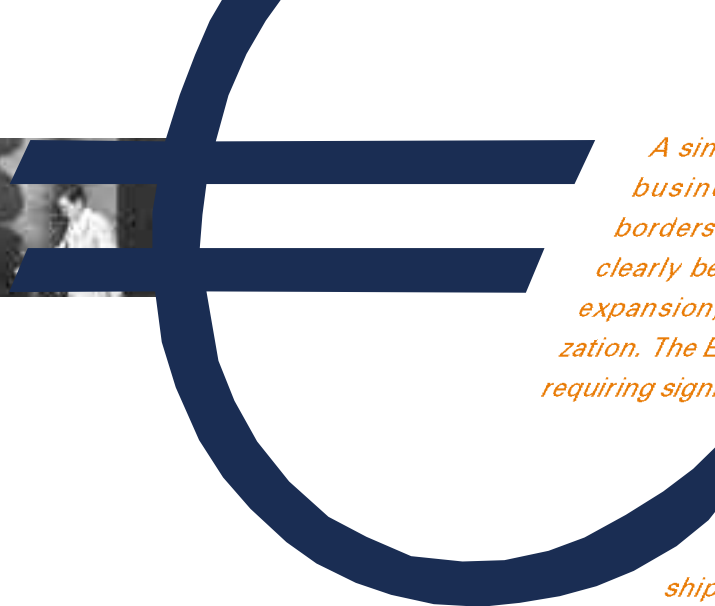
1997 — growth outside of France

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.