Annual report 2014

BNP Paribas Arbitrage Issuance B.V.

Herengracht 537
1017 BV Amsterdam
The Netherlands
Chamber of Commerce Amsterdam No. 33215278

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MANAGING DIRECTOR'S REPORT

Description and principal activity of the Company

BNP Paribas Arbitrage Issuance B.V. (the Company) was incorporated on November 10, 1989 under the law of the Netherlands.

The principal objectives of the Company are to issue securities, such as warrants, certificates, private placements, notes, to enter into related OTC agreements and to issue and acquire financial instruments of any nature for account of various entities of the BNP Paribas group.

Audit committee

The Company qualifies as an organisation of public interest pursuant Dutch and EU law. By making use of the exemption for groups the Company did not install an audit committee. The Company belongs to the BNP Paribas group which has an audit committee that complies with international corporate governance rules.

Operating result

The net profit for the financial year was EUR 29,043 (2013 profit EUR 26,749).

Liquidity and shareholder's equity

No significant changes to liquidity resources occurred. Equity increased with the result for the period. Liquidity and capital resources are considered sufficient given the objective and activities of the Company.

Financial risk management

Market risk

The Company takes on exposure to market risks arising from positions in interest rates, currency exchange rates, commodities and equity products, all of which are exposed to general and specific market movements. However, all issued securities are hedged by OTC option and swap agreements with BNP Paribas group entities and therefore these risks are completely mitigated.

Credit risk

The Company has significant concentration of credit risks as all OTC contracts are acquired from its parent companies. Taking into consideration the objective and activities of the Company and the fact that the BNP Paribas group is under supervision of the French central bank management considers these risks as acceptable. The long term senior debt of BNP Paribas is rated (A+) by Standard & Poor's and (A1) by Moody's.

Liquidity risk

The Company has significant liquidity risk exposure. To mitigate this exposure, the Company entered into netting agreements with its parent company and other group companies.

Employees
The Company employs no personnel.

Future outlook
It is expected that the activities of the Company will remain in 2015 on the same level as in 2014.

Statement
To the best of our knowledge we declare that:
1. the financial statements at December 31, 2014 give a fair view of the assets, the financial position and the profit of the Company; and
2. the financial report at December 31, 2014 gives a fair view of the Company's condition on balance sheet date, the development of the Company during the financial year ended December 31, 2014 and all material risks to which the Company is exposed.

Amsterdam, 28 April 2015
The Managing Director,

Signed by
BNP Paribas Trust B.V.

BALANCE SHEET AT DECEMBER 31, 2014
(before appropriation of the net result)

	Notes	31.12.2014 EUR	31.12.2013 EUR
ASSETS			
Financial fixed assets			
OTC contracts	1	48,545,871,603	32,045,857,816
Current assets			
OTC contracts	1	16,257,556,445	16,915,774,051
Taxes receivable		13,342	45,114
Accounts receivable group		739,622	1,370,907
Cash at banks		652,453	28,948
		16,258,961,862	16,917,219,020
TOTAL ASSETS		**64,804,833,465**	**48,963,076,836**
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity	2		
Share capital issued and paid up		45,379	45,379
Retained earnings		370,784	344,035
Result for the period		29,043	26,749
		445,206	416,163
Long term liabilities			
Issued securities	3	48,545,871,603	32,045,857,816
Current liabilities			
Issued securities	3	16,257,556,445	16,915,774,051
Other liabilities – non group		725,737	742,866
– group		234,474	285,940
		16,258,516,656	16,916,802,857
TOTAL EQUITY AND LIABILITIES		**64,804,833,465**	**48,963,076,836**

PROFIT AND LOSS ACCOUNT FOR THE YEAR 2014

	Notes	2014 EUR	2013 EUR
Net result financial instruments	4	0	0
Fee income and other income	5	432,263	397,608
Operating income		432,263	397,608
Operating expenses			
General and administrative expenses		(392,967)	(361,462)
Operating result		39,296	36,146
Interest income		60	95
Interest expenses and similar charges		(3,088)	(2,769)
Profit before taxation		36,268	33,472
Corporate income tax	6	(7,225)	(6,723)
Profit after taxation		**29,043**	**26,749**

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	**2013**
	EUR	EUR
Cash flow from operating activities		
Issuing of securities against OTC coverage	0	0
Received reimbursed issuing expenses	8,110,723	4,354,091
Received reimbursed general expenses	560,723	430,092
Paid issuing expenses	(7,668,158)	(4,629,425)
Paid general expenses	(444,467)	(347,261)
Received taxes	64,684	149,349
Cash flow from operating activities	623,505	(43,154)
Cash flow from financing activities	0	(250,000)
Cash flow from investing activities	0	0
Increase/ (decrease) cash at banks	623,505	(293,154)
Movements in cash at banks		
Cash at banks at January 1	28,948	322,102
Increase / (decrease) cash at banks	623,505	(293,154)
Cash at banks	652,453	28,948

Refer to page 11 for the principles for preparation of the cash flow statement.

SHAREHOLDER'S EQUITY AT DECEMBER 31, 2013

	31.12.2014	31.12.2013
	EUR	EUR
Shareholder's equity		
Share capital issued and paid up	45,379	45,379
Retained earnings	370,784	344,035
Result for the period	29,043	26,749
TOTAL SHAREHOLDER'S EQUITY	**445,206**	**416,163**

NOTES TO THE FINANCIAL STATEMENTS

GENERAL

BNP Paribas Arbitrage Issuance B.V. (the Company), having its registered address at Amsterdam, was incorporated under the law of the Netherlands on November 10, 1989 as a private limited liability company.

The principal objectives of the Company are to issue securities, such as warrants, certificates, private placements, notes, to enter into related OTC agreements and to issue and acquire financial instruments of any nature for account of various entities of the BNP Paribas group.

All outstanding shares of the Company are owned by BNP Paribas S.A., Paris, France, which company consolidates the figures of the Company. The financial statements of BNP Paribas S.A. can be found on the website www.bnpparibas.com.

SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
The annual accounts of the Company are prepared in accordance with accounting principles generally accepted in the Netherlands. All amounts are stated in euros, the reporting currency, unless stated otherwise.

The accounting principles of the Company are summarised below. These accounting principles have all been applied consistently throughout the financial year and the preceding year unless indicated otherwise.

Accounting convention
The accounts are prepared under the historical cost convention, except for derivatives that are measured at fair value with changes through profit and loss.

Going concern basis of accounting
The financial statements have been prepared on a going concern basis. The Company has a master hedging agreement with BNP Paribas group entities under which all issued securities are hedged by OTC option and swap agreements. In addition, the Company has an agreement with BNP Paribas group entities to recharge its operating expenses, with a margin of 10%.

Use of estimates and judgements
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 3.

Recognition of income and expenses
The net result financial instruments includes capital gains and losses, currency results, interest income and expense and changes in fair value on the issued securities and related OTC contracts. As the Company enters into an OTC option or swap agreement with a BNP Paribas group company at each issue of securities at exactly the same terms and conditions of the issued security, there is a complete hedge of the economic risk of the Company. Therefore, the net result on the derivatives equals zero and is recorded on a net basis.

Fee income, other income and general and administrative expenses are taken in the year to which they relate. Profits are recognised in the year they are realised; losses are taken as soon as they are foreseeable.

If securities are exercised against the Company, the Company fulfils its obligation by exercising the related OTC contracts with entities of the BNP Paribas group as the case may be. Issued securities and related OTC contracts are released simultaneously. Issued securities not exercised at maturity and the related OTC contracts are released without any further future obligation for the Company.

Valuation of assets and liabilities - general
Unless indicated otherwise, assets and liabilities are stated at amortised cost.

Financial instruments
Financial instruments include accounts receivable and accounts payable, cash at banks and cash equivalents, issued securities and acquired OTC contracts.

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when those contractual provisions are expired or transferred.

Non-derivative financial instruments are measured and accounted for at fair value upon initial recognition and subsequently at amortised cost.

Derivatives (Issued securities and OTC's)
Derivatives are measured and accounted for at fair value upon initial recognition and at subsequent dates. Gains and losses are directly recognised in profit and loss. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or most advantageous market, at the measurement date. Reference is made to note 3 for details about the determination of fair values.

The fair values of OTC contracts are calculated in the same way as their related issued securities.

The Company does not apply hedge accounting.

Currencies
The functional currency of the Company is the euro.

Balance sheet items (not being derivatives) denominated in currencies other than the euro are translated at the rate of exchange prevailing on balance sheet date. Transactions in foreign currencies during the reporting period have been incorporated at the rate of settlement.

The premiums of the issued securities and the cost of the related OTC contracts are denominated in different currencies. Moreover, the underlying contracts of the securities have their own currency denominations, which are often based on a basket of currencies. The net effect of the currency risk is nil though, as this risk is completely hedged. The currency risk is not specified, as this information is not readily available and can only be obtained at unreasonable high cost.

Corporate income tax
Tax on result is calculated by applying the rates for the financial year to the result in the profit and loss account.

PRINCIPLES FOR PREPARATION OF THE CASH FLOW STATEMENT

The cash flow statement is prepared according to the direct method and consists of cash only; paid interest is taken into account under paid general expenses.

Netting agreements between the Company and entities of the BNP Paribas group have been drawn up for all flows resulting from securities and OTC contracts to avoid that payments have to be made for these flows. The outcome of this procedure is reflected in the cash flow report under the heading “Issuing of securities against OTC coverage”.

FINANCIAL RISK MANAGEMENT

Market risk
The Company takes on exposure to market risks arising from positions in interest rates, currency exchange rates, commodities and equity products, all of which are exposed to general and specific market movements. However, all issued securities are hedged by OTC option and swap agreements with BNP Paribas group entities and therefore these risks are completely mitigated.

Credit risk
The Company has a significant concentration of credit risks as all OTC contracts are acquired from its parent company and other group companies. Taking into consideration the objective and activities of the Company and the fact that BNP Paribas group is under supervision of the French central bank management considers these risks as acceptable. The long term senior debt of BNP Paribas is rated (A+) by Standard & Poor’s and (A1) by Moody’s.

Liquidity risk
The Company has significant liquidity risk exposure. To mitigate this exposure, the Company entered into netting agreements with its parent company and other group companies.

RELATED PARTY TRANSACTIONS

The Company has entered into various agreements with its parent company and other group companies relating to the issuing of securities, the hedging of the related exposures and the reimbursement of costs. Taking into account the position of the Company within the group these agreements are at arms-length and have as objective to limit cash flow, credit and market risks.

NOTES TO THE BALANCE SHEET

1. OTC contracts
For all issued securities OTC contracts with BNP Paribas group companies are agreed having the same characteristics as the issued securities. This means that the underlying quantity, issue price, strike, parity, maturity and quoted price for exercise are identical.
Refer to note 3 for the details of the issued securities and hence the OTC contracts.

2. Shareholder’s equity
Share capital:
The Company’s authorised share capital amounts to EUR 225,000 (225,000 common shares of EUR 1 each), of which 45,379 shares are issued and fully paid-up.

During the financial year under review, there have been no changes in the authorised, issued or paid up capital.

Retained earnings:
The movement is as follows:

	EUR	EUR
	2014	2013
Opening balance	344,035	321,504
Appropriation result previous year	26,749	22,531
Closing balance	370,784	344,035

3. Issued securities
The Company establishes securities programmes and issues securities such as warrants, notes and certificates exercisable pursuant to the terms and conditions of such securities programmes. Entities of the BNP Paribas group have agreed to purchase the securities at the same time. The entities of the BNP Paribas group distribute the securities to third parties. BNP Paribas S.A. acts as guarantor for the securities programmes towards the third parties.

The issued securities and related OTC contracts can be specified as follows:

Comparison market value to nominal value:

2014	Fair value	Nominal value
	EUR	EUR
- Up to 1 year	16,257,556,445	16,210,411,274
- From 1- 5 years	28,197,222,325	28,401,297,638
- Exceeding 5 years	20,348,649,278	18,767,166,253
Total as per December 31, 2014	64,803,428,048	63,378,875,165

2013	Fair value	Nominal value
	EUR	EUR
- Up to 1 year	16,915,774,051	16,205,832,312
- From 1- 5 years	22,176,360,531	22,736,562,719
- Exceeding 5 years	9,869,497,285	8,330,222,165
Total as per December 31, 2013	48,961,631,867	47,272,617,196

Specification (fair value) based on method of valuation

2014	Level 1	Level 2	Level 3	Total
	EUR	EUR	EUR	EUR
Warrants				
underlying shares	0	1,218,379,422	6,318,137,520	7,536,516,942
underlying indices	0	941,471,974	201,391,499	1,142,863,473
underlying currencies	0	4,025,593	18,664,819	22,690,412
underlying commodities	0	29,622,114	47	29,622,161
underlying funds	0	0	9,238,132	9,238,132
underlying futures	0	0	0	0
underlying credits	0	503,193	0	503,193
underlying interest rates	0	3,106,647	0	3,106,647
	0	2,197,108,943	6,547,432,017	8,744,540,960
Certificates				
underlying shares	0	8,675,852,835	2,142,102,145	10,817,954,980
underlying indices	0	29,216,133,947	8,934,896,929	38,151,030,876
underlying currencies	0	328,608,634	378,709,528	707,318,162
underlying commodities	0	1,283,580,833	423,547,191	1,707,128,024
underlying funds	0	70,240,640	645,378,569	715,619,209
underlying futures	0	0	0	0
underlying credits	0	667,363,354	0	667,363,354
underlying interest rates	0	90,401,628	0	90,401,628
	0	40,332,181,871	12,524,634,362	52,856,816,233
MTN’s				
underlying shares	0	29,295,544	748,313	30,043,857
underlying indices	0	2,359,041,510	812,985,488	3,172,026,998
	0	2,388,337,054	813,733,801	3,202,070,855
Total as per December 31, 2014	0	44,917,627,868	19,885,800,180	64,803,428,048

2013	**Level 1** EUR	**Level 2** EUR	**Level 3** EUR	**Total** EUR
Warrants				
underlying shares	0	4,841,161,528	1,178,165,521	6,019,327,049
underlying indices	0	1,819,860,218	69,175,617	1,889,035,835
underlying currencies	0	16,716,289	0	16,716,289
underlying commodities	0	19,172,583	468,296	19,640,879
underlying funds	0	126,394,516	0	126,394,516
underlying credits	0	206,884	0	206,884
underlying interest rates	4,223,480	297,618	0	4,521,098
	4,223,480	6,823,809,636	1,247,809,434	8,075,842,550
Certificates				
underlying shares	0	7,286,876,245	562,546,065	7,849,422,310
underlying indices	0	23,672,296,835	5,201,411,565	28,873,708,400
underlying currencies	2,344,683	174,811,828	0	177,156,511
underlying commodities	0	818,546,151	131,505,745	950,051,896
underlying funds	0	339,291,226	298,358,095	637,649,321
underlying credits	4,922,365	374,293,807	0	379,216,172
underlying interest rates	0	101,713,194	0	101,713,194
	7,267,048	32,767,829,286	6,193,821,470	38,968,917,804
MTN’s				
underlying shares	0	30,457,536	33,450,138	63,907,674
underlying indices	0	1,763,800,963	89,162,876	1,852,963,839
	0	1,794,258,499	122,613,014	1,916,871,513
Total per December 31, 2013	11,490,528	41,385,897,421	7,564,243,918	48,961,631,867

BNP Paribas group including the Company determines the fair value of financial instruments either by using prices obtained directly from external data or by using valuation techniques. These valuation techniques are primarily market and income approaches encompassing generally accepted models (e.g. discounted cash flows, Black-Scholes model and interpolation techniques). They maximize the use of observable inputs and minimize the use of unobservable inputs. They are calibrated to reflect current market conditions and valuation adjustments are applied as appropriate, when some factors such as model, liquidity and credit risks are not captured by the models or their underlying inputs but are nevertheless considered by market participants when setting the exit price.

The unit of measurement is generally the individual financial asset or financial liability but a portfolio-based measurement can be elected subject to certain conditions. Accordingly, the Group retains this portfolio based measurement exception to determine the fair value when some group of financial assets and financial liabilities with substantially similar and offsetting market risks or credit risks are managed on the basis of a net exposure, in accordance with the documented risk management strategy.

Assets and liabilities measured or disclosed at fair value are categorised into the three following levels of the fair value hierarchy:

Level 1: fair values are determined using directly quoted prices in active markets for identical assets and liabilities. Characteristics of an active market include the existence of a sufficient frequency and volume of activity and of readily available prices.

Level 2: fair values are determined based on valuation techniques for which significant inputs are observable market data, either directly or indirectly. These techniques are regularly calibrated and the inputs are corroborated with information from active markets.

Level 3: fair values are determined using valuation techniques for which significant inputs are unobservable or cannot be corroborated by market-based observations, due for instance to illiquidity of the instrument and significant model risk. An unobservable input is a parameter for which there are no market data available and that is therefore derived from proprietary assumptions about what other market participants would consider when assessing fair value. The assessment of whether a product is illiquid or subject to significant model risks is a matter of judgment.

The level in the fair value hierarchy within which the asset or liability is categorised in its entirety is based upon the lowest level input that is significant to the entire fair value. All given estimated fair values are related to the market conditions prevailing at year end; the future values may differ.

When issued, securities are publicly offered or privately placed. Sometimes privately placed securities are listed for the secondary market. Listed securities are listed on stock exchanges in- and outside of the European Union; the related OTC contracts are not listed. The majority of the issued securities are not traded actively in active markets.

No accrued interest is presented in the balance sheet because the accrued interest is part of the market value of the derivatives as disclosed in the balance sheet. The net result on the derivatives equals zero and is recorded on a net basis in the profit and loss account, see note 4.

Conditions that can influence the future cash flow

In general it is assumed that the securities and the related OTC contracts are exercised at the exercise dates mentioned in the final terms of the securities against the fair value as determined. Based on these two assumptions the above specification based on maturity has been prepared. Netting agreements between the Company and entities of the BNP Paribas group have been drawn up for all flows resulting from securities and OTC contracts to avoid that payments have to be made for these flows. Conditions that could influence future cash flows will have therefore no impact on the cash flow of the Company.

NOTES TO THE PROFIT & LOSS ACCOUNT

4. Net result financial instruments
The net result derivatives includes capital gains and losses, currency results, interest income and expense and changes in fair value on the issued securities and related OTC contracts. As the Company enters into an OTC option or swap agreement with a BNP Paribas group company at each issue of securities at exactly the same terms and conditions of the issued security, there is a complete hedge of the economic risk of the Company. Therefore, the net result on the derivatives equals zero and is recorded on a net basis.

5. Fee income and other income
Other income concerns general and administrative expenses of the Company increased with an up-count of 10%, based on cost plus agreements concluded for an indefinite period of time. These costs have been or will be invoiced to BNP Paribas group companies.

6. Corporate income tax
The corporate income tax is the estimated charge for the period amounting to EUR 7,254 and a provision difference 2013 of EUR 29. The rates for the financial year 2014 are 20% and 25%. The effective rate for the period is 20%.

Issuing expenses and remunerations
Issuing expenses are expenses related to the issuing of the securities for account of the Company and are reimbursed by BNP Paribas group companies, if charged to the Company.

The director of the Company has charged a management fee of EUR 86,174 over 2014
(2013: EUR 43,462).

A fee of EUR 20,000 will be charged by Mazars Paardekooper Hoffman Accountants N.V. (“Mazars”) to the Company for the financial year 2014 as audit fee (2013: 19,535 EUR). An additional amount of EUR 20,850 has been charged by Mazars and EUR 4,500 by Deloitte Accountants B.V. and EUR 2,400 by Deloitte & Associés to the Company during the reporting period for audit-related fees (2013: EUR 15,900 and EUR 2,500 by Deloitte Accountants B.V.). No other fees were paid to member firms and affiliates of Mazars or Deloitte Accountants B.V. in 2014 and 2013.

Commitments, contingencies and off-balance items
The Company has issued securities with pledged collateral. The value of the pledged collateral amounts to EUR 534,546,906 (2013: EUR: 339,131,175).

Employees
The Company employs no personnel.

Amsterdam, 28 April 2015
The Managing Director,

Signed by
BNP Paribas Trust B.V.

OTHER INFORMATION

STATUTORY ARRANGEMENTS CONCERNING THE APPROPRIATION OF PROFITS

In accordance with article 20 of the articles of association of the Company, profits are at the disposal of the general meeting of shareholders.

APPROPRIATION OF THE RESULTS FOR THE YEARS 2013 AND 2014

The profit of the year 2013 has been added to the retained earnings.

The Managing Director proposes to the general meeting of shareholders to add the profit made by the Company during the year 2014 to the retained earnings. The financial statements do not reflect this proposal.

SUBSEQUENT EVENTS

No subsequent events have occurred.

AUDIT

The auditor’s report is included on the next page.

MAZARS

CvO/KH/DS7418A

INDEPENDENT AUDITOR'S REPORT

To the Director and the Shareholder of
BNP Paribas Arbitrage Issuance B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2014

OUR OPINION

We have audited the financial statements 2014 of BNP Paribas Arbitrage Issuance B.V. (the company), based in Amsterdam.

In our opinion the financial statements give a true and fair view of the financial position of BNP Paribas Arbitrage Issuance B.V. as at 31 December 2014 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the balance sheet as at 31 December 2014;
2. the income statement for the year then ended; and
3. the notes, comprising a summary of the accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of the company in accordance with the "Dutch Independence Standard regarding assurance engagements (ViO)" and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Dutch Code of Ethics (VGBA)".

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OUR AUDIT APPROACH

OVERVIEW

The principal activity of the company is to issue securities, such as warrants, certificates and notes, for account of and guaranteed by BNP Paribas S.A. All issued securities are hedged by OTC swap agreements with BNP Paribas group entities as disclosed in note 1 of the financial statements.

MATERIALITY

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
We established certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements at EUR 320 million. The materiality is based on 0.5% of total assets given the company's main activity is asset driven. We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We determined that we would report to the director of the company misstatements identified during our audit above EUR 10 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed with the director of the company. We described the key audit matter and included a summary of the audit procedures we performed on this matter.

The key audit matter is addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on this matter.

FAIR VALUE OF FINANCIAL INSTRUMENTS (ISSUED SECURITIES AND OTC CONTRACTS)

Issued securities and OTC contracts, both amounting to EUR 64.8 billion, are measured at fair value and a substantial part is measured using 'level 2' and 'level 3' valuations. Fair value measurement of these financial instruments is significant to our audit as the fair value is subject to estimation uncertainty. Due to the nature of the company, the fair values are mainly provided by BNP Paribas group entities, that are considered as service organisations in our audit.

CvO/KH/DS7418A

As part of our audit, we have assessed the quality of information provided by the BNP Paribas group entities, also by relying on information provided by these service organisation's auditors. We have received a specific report from the service organisation's auditors and we performed a file review on their audit files, including their involvement of valuation specialists. We furthermore focused on the adequacy of the fair value disclosures in note 3 of the financial statements.

RESPONSIBILITIES OF MANAGEMENT

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the managing director's report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high but not absolute level of assurance, which makes it possible that we did not detect all errors and frauds.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

MAZARS

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Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an the company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the director of the company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the director of the company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the director of the company, we determine matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matter(s). We describe these matter(s) in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

MAZARS

CvO/KH/DS7418A

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OUR REPORT ON THE MANAGING DIRECTOR'S REPORT AND THE OTHER INFORMATION

Pursuant to legal requirements under Section 2:393 sub 5 at e and f of the Dutch Civil Code (concerning our obligation to report about the managing director's report and other data), we declare that:

- we have no deficiencies to report as a result of our examination whether the managing director's report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed;
- further we report that the managing director's report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

ENGAGEMENT

We were engaged as auditor of BNP Paribas Arbitrage Issuance B.V. as of the audit for the year 2012 and have operated as statutory auditor ever since that year.

Amsterdam, 28 April 2015

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

Originally signed by: drs. C.A. Harteveld RA