Interim financial statements for the six months period ended 30 June 2017

BNP Paribas Issuance B.V.

Herengracht 595
1017 CE Amsterdam
The Netherlands
Chamber of Commerce Amsterdam No. 33215278

CONTENTS

MANAGEMENT BOARD REPORT

Description and principal activity of the Company
BNP Paribas Issuance B.V. (the Company) was incorporated on 10 November 1989 under the law of the Netherlands. On 24 May 2017 the articles of association have been updated and the name of the Company has changed from BNP Paribas Arbitrage Issuance B.V. to BNP Paribas Issuance B.V.

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 to 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 period was EUR 11,053 (the six months' period ended 30 June 2016 profit EUR 12,506).

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, these risks are hedged by swap agreements with BNP Paribas group entities and OTC option agreements or collateral arrangements and therefore these risks are mitigated in principle.

Credit risk
The Company has significant concentration of credit risks as all OTC contracts are acquired from its parent companies and other group companies. Taking into consideration the objective and activities of the Company and the fact that the BNP Paribas group is under supervision of the European Central Bank and the *Autorité de controle prudentiel et de résolution*, Paris, 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 in the second half of 2017 will remain on the same level as in the first half of 2017.

Statement
To the best of our knowledge we declare that:
1. The interim financial statements at 30 June 2017 give a fair view of the assets, the financial position and the profit of the Company; and
2. The interim financial report at 30 June 2017 gives a fair view of the Company's condition on balance sheet date, the development of the Company during the financial period ended 30 June 2017 and all material risks to which the Company is exposed.

Amsterdam, 25 August 2017
The Management Board,

Signed by
BNP Paribas Finance B.V.

BALANCE SHEET AT 30 JUNE 2017
(before appropriation of the net result)

	Notes	30.06.2017 EUR	31.12.2016 EUR
ASSETS			
Financial fixed assets	1		
Repurchase agreements		269,830,000	286,204,491
OTC contracts		38,900,160,007	34,684,127,289
		39,169,990,007	34,970,331,780
Current assets			
OTC contracts	1	11,125,193,288	13,348,097,212
Taxes receivable		2,309	62,256
Accounts receivable group		3,067,807	1,430,598
Cash at banks		42,041	352,062
		11,128,305,445	13,349,942,128
TOTAL ASSETS		**50,298,295,452**	**48,320,273,908**
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity	2		
Share capital issued and paid up		45,379	45,379
Retained earnings		442,920	419,613
Result for the period		11,053	23,307
		499,352	488,299
Long term liabilities			
Issued securities	3	39,169,990,007	34,970,331,780
Current liabilities			
Issued securities	3	11,125,193,288	13,348,097,212
Other liabilities – non group		1,724,678	685,142
– group		888,127	671,475
		11,127,806,093	13,349,453,829
TOTAL EQUITY AND LIABILITIES		**50,298,295,452**	**48,320,273,908**

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 2017

	Notes	Period 1.1 to 30.6.2017 EUR	Period 1.1 to 30.6.2016 EUR
Net result financial instruments	4	0	0
Fee income and other income	5	180,264	183,330
Operating income		180,264	183,330
Operating expenses			
General and administrative expenses		(163,877)	(166,663)
		16,387	16,667
Operating result			
Interest income		0	11
Bank costs and similar charges		(1,650)	(1,045)
Profit before taxation		14,737	15,633
Corporate income tax	6	(3,684)	(3,127)
Profit after taxation		**11,053**	**12,506**

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2017

	Period 1.1 to 30.6.2017	**Period 1.1 to 30.6.2016**
	EUR	EUR
Cash flow from operating activities		
Issuing of securities against OTC coverage	0	0
Received reimbursed issuing expenses	2,272,157	2,778,027
Received reimbursed general expenses	100,691	215,526
Paid issuing expenses	(2,757,506)	(2,945,146)
Paid general expenses	(42,291)	(142,368)
Received taxes	116,928	89,142
Cash flow from operating activities	(310,021)	(4,819)
Cash flow from financing activities	0	0
Cash flow from investing activities	0	0
Increase/ (decrease) cash at banks	(310,021)	(4,819)
Movements in cash at banks		
Cash at banks at January 1	352,062	76,012
Increase / (decrease)	(310,021)	(4,819)
Cash at banks	42,041	71,193

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

SHAREHOLDER'S EQUITY AT 30 JUNE 2017

	30.06.2017	31.12.2016
	EUR	EUR
Shareholder's equity		
Share capital issued and paid up	45,379	45,379
Retained earnings	442,920	419,613
Result for the period	11,053	23,307
TOTAL SHAREHOLDER'S EQUITY	**499,352**	**488,299**

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 10 November 1989 as a private limited liability company. On 24 May 2017 the name of the Company changed from BNP Paribas Arbitrage Issuance B.V. to BNP Paribas Issuance B.V.

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 group.bnpparibas.com.

SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
The interim financial statements of the Company are prepared in accordance with accounting principles generally accepted in the Netherlands and in conformity with the Dutch Guideline for Annual Reporting 394 on Interim Reports. 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 interim financial statements 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 interim 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 swap agreements and OTC option agreements or collateral arrangements. 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 interim 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 interim 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 a swap agreement with a BNP Paribas group company and an OTC option at exactly the same terms and conditions of the issued security or a collateral arrangement at each issue of securities, 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 swap agreements or OTC contracts with entities of the BNP Paribas group as the case may be. Issued securities and related swap agreements and OTC contracts are released simultaneously. Issued securities not exercised at maturity and the related swap agreements and 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 denominated in currencies other than the euro are translated at the rate of exchange prevailing on balance sheet date. Transactions in foreign currencies (not concerning derivatives) 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.

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 swap agreements with BNP Paribas group entities and OTC option agreements or collateral arrangements and therefore these risks are mitigated in principle.

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 European Central Bank and the *Autorité de controle prudentiel et de résolution*, Paris, 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. Financial fixed assets
For all most 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. Concerning one issued security the Company entered into repurchase agreements with BNP Paribas.
During 2017 the Company entered into a repack-transaction; the Company is issuing securitized notes, backed by Bonds
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 issued share capital amounts to 45,379 shares with a nominal value of EUR 1 each, which are fully paid-up.

During the financial year under review, there have been no changes in the issued or paid up capital. The authorised capital has been annulled pursuant to a change of the articles of association.

Retained earnings:
The movement is as follows:

	EUR 30.06.2017	EUR 31.12.2016
Opening balance	419,613	399,827
Appropriation result previous year	23,307	19,786
Closing balance	442,920	419,613

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:

	Fair value 30.06.2017	**Fair value 31.12.2016**
	EUR	EUR
- Up to 1 year	11,125,193,288	13,348,097,212
- From 1- 5 years	24,959,551,156	21,277,018,059
- Exceeding 5 years	14,210,438,851	13,693,313,721
Financial fixed assets	39,169,990,007	34,790,331,780
Total	50,295,183,295	48,318,428,992

Specification (fair value) based on method of valuation

30.06.2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	EUR	EUR	EUR	EUR
Warrants				
underlying shares	0	859,643,028	1,270,391,865	2,130,034,893
underlying indices	0	882,609,550	994,199,033	1,876,808,583
underlying currencies	0	11,173,529	11,865,678	23,039,207
underlying commodities	0	9,844,577	296,171	10,140,748
underlying funds	0	179,013,738	139,292,734	318,306,472
underlying credits	0	7,158,208	0	7,158,208
underlying interest rates	0	1,721,765	0	1,721,765
	0	1,951,164,395	2,416,045,481	4,367,209,876
Certificates				
underlying shares	0	5,540,034,001	1,118,335,679	6,658,369,680
underlying indices	0	18,279,170,576	7,484,411,157	25,763,581,733
underlying currencies	0	180,500,097	11,149,513	191,649,610
underlying commodities	0	528,148,890	30,221,340	558,370,230
underlying funds	0	32,979,854	345,746,923	378,726,777
underlying credits	0	3,848,476,296	0	3,848,476,296
underlying interest rates	0	720,704,143	0	720,704,143
	0	29,130,013,857	8,989,864,612	38,119,878,469
MTN’s				
underlying shares	0	592,732,343	80,019,195	672,751,538
underlying indices	0	4,389,123,247	1,926,194,412	6,315,317,659
underlying currencies	0	71,205,094	0	71,205,094
underlying credits	0	447,334,736	0	447,334,736
underlying interest rates	0	301,485,923	0	301,485,923
	0	5,801,881,343	2,006,213,607	7,808,094,950
Total per 30 June 2017	0	36,883,059,595	13,412,123,700	50,295,183,295

2016	**Level 1** EUR	**Level 2** EUR	**Level 3** EUR	**Total** EUR
Warrants				
underlying shares	-	851,687,516	1,032,308,650	1,883,996,166
underlying indices	-	787,173,788	960,550,430	1,747,724,218
underlying currencies	-	17,355,452	7,582,531	24,937,983
underlying commodities	-	18,108,633	-	18,108,633
underlying funds	-	14,090	344,259	358,349
underlying credits	-	437,961	-	437,961
underlying interest rates	-	3,226,985	-	3,226,985
	-	1,678,004,425	2,000,785,870	3,678,790,295
Certificates				
underlying shares	-	5,940,386,599	951,584,558	6,891,971,157
underlying indices	-	18,709,266,316	7,151,675,520	25,860,941,836
underlying currencies	-	227,442,451	3,717,046	231,159,497
underlying commodities	-	700,464,579	52,784,109	753,248,688
underlying funds	-	23,085,143	277,810,102	300,895,245
underlying credits	-	3,978,780,504	-	3,978,780,504
underlying interest rates	-	446,237,588	-	446,237,588
	-	30,025,663,180	8,437,571,335	38,463,234,515
MTN’s				
underlying shares	-	352,584,332	27,674,062	380,258,394
underlying indices	-	3,950,079,673	1,448,175,718	5,398,255,391
underlying currencies	-	44,554,148	-	44,554,148
underlying credits	-	69,775,690	-	69,775,690
underlying interest rates	-	283,560,559	-	283,560,559
	-	4,700,554,402	1,475,849,780	6,176,404,182
Total per 31 December 2016	-	36,404,222,007	11,914,206,985	48,318,428,992

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 the end of the reporting period; 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 swap agreements and 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 recharged 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 3,684. The rate for the financial year 2017 and the effective rate for the period are 25%.
BNP Paribas Issuance B.V. has entered into a consolidated tax group (fiscale eenheid) for Dutch corporate income tax purposes with other BNP Paribas Group entities domiciled in the Netherlands effective as of 1 January 2015. As from 1st January 2017 BNP Paribas SA-Netherlands Branch acts as parent of this consolidated tax group. As a consequence the Company can be held liable for the corporate income tax due by the consolidated tax group.

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 sole member of the Management Board will charge a management fee of EUR 29,563 over the reporting period (over the first six months of 2016: EUR 30,000).

Mazars Paardekooper Hoffman Accountants N.V. will charge a fee of EUR 20,000 for the financial half-year 2017 as audit fee (2016: EUR 20,000). No additional amount has been charged to the Company during the reporting period for audit-related fees.

Commitments, contingencies and off-balance items
The Company has issued securities with pledged collateral. The value of the pledged collateral amounts to EUR 1,231,727,767 (31.12.2016: EUR 1,081,624,562).

Employees
The Company employs no personnel.

Subsequent events
No subsequent events have occurred.

Amsterdam, 25 August 2017
The Management Board,

Signed by
BNP Paribas Finance B.V.

OTHER INFORMATION

STATUTORY ARRANGEMENTS CONCERNING THE APPROPRIATION OF PROFITS

Paragraphs 1 and 2 of article 19 of the articles of association:
19.1 The allocation of profits accrued in a financial year shall be determined by the Shareholders' Body. If the Shareholders' Body does not adopt a resolution regarding the allocation of the profits prior to or at latest immediately after the adoption of the annual accounts, the profits will be reserved.
19.2 Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts.
The Shareholders' Body is defined as the body of the Company consisting of shareholders entitled to vote.

REVIEW

The review report is included on the next page.

REVIEW REPORT

To the managing director of BNP Paribas Issuance B.V.

Introduction

We have reviewed the accompanying interim financial statements of BNP Paribas Issuance B.V., Amsterdam, which comprise the balance sheet as at 30 June 2017, the profit and loss account for the six month period ended at 30 June 2017 then ended and the notes, comprising a summary of the accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this interim financial information in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports. Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE

We conducted our review in accordance with Dutch law including Dutch Standard 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2017 , is not prepared, in all material respects, in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports.

Amsterdam, 25 August 2017

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

J.C. van Oldenbeek MSc RA