

## **Annual report 2013**

### **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 26,749 (2012 profit EUR 22,531).

### **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 size and nature of the Company.

### **Risks and uncertainties**

#### **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 2014 on the same level as in 2013.

**Statement**

To the best of our knowledge we declare that:

1. the financial statements at December 31, 2013 give a fair view of the assets, the financial position and the profit of the Company; and
2. the financial report at December 31, 2013 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, 2013 and all material risks to which the Company is exposed.

Amsterdam, 25 April 2014

The Managing Director,

Signed by  
BNP Paribas Trust B.V.

**BALANCE SHEET AT DECEMBER 31, 2013**

(before appropriation of the net result)

	Notes	<b>31.12.2013</b> EUR	<b>31.12.2012</b> EUR
<b>ASSETS</b>			
<b>Financial fixed assets</b>			
OTC contracts	1	32,045,857,816	25,920,374,991
<b>Current assets</b>			
OTC contracts	1	16,915,774,051	11,220,954,221
Taxes receivable		45,114	60,413
Accounts receivable group		1,370,907	911,608
Cash at banks		28,948	322,102
		16,917,219,028	11,222,248,344
<b>TOTAL ASSETS</b>		<b>48,963,076,836</b>	<b>37,142,623,335</b>
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>			
<b>Shareholder's equity</b>			
Share capital issued and paid up	2	45,379	45,379
Retained earnings		344,035	321,504
Result for the period		26,749	22,531
		416,163	389,414
<b>Long term liabilities</b>			
Issued securities	3	32,045,857,816	25,920,374,991
<b>Current liabilities</b>			
Issued securities	3	16,915,774,051	11,220,954,221
Other liabilities – non group		742,866	338,777
– group		285,940	565,932
		16,916,802,857	11,221,858,930
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>48,963,076,836</b>	<b>37,142,623,335</b>

**PROFIT AND LOSS ACCOUNT FOR THE YEAR 2013**

		<b>2013</b>	<b>2012</b>
	Notes	EUR	EUR
Net result financial instruments	4	0	0
Fee income and other income	5	397,608	337,955
<b>Operating income</b>		<b>397,608</b>	<b>337,955</b>
<b>Operating expenses</b>			
General and administrative expenses		(361,462)	(307,232)
<b>Operating result</b>		<b>36,146</b>	<b>30,723</b>
Interest income		95	294
Interest expenses and similar charges		(2,769)	(2,926)
<b>Profit before taxation</b>		<b>33,472</b>	<b>28,091</b>
Corporate income tax	6	(6,723)	(5,560)
<b>Profit after taxation</b>		<b>26,749</b>	<b>22,531</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
	EUR	EUR
<b>Cash flow from operating activities</b>		
Issuing of securities against OTC coverage	0	0
Received reimbursed issuing expenses	4,354,091	4,571,897
Received reimbursed general expenses	430,092	181,745
Paid issuing expenses	(4,629,425)	(4,600,926)
Paid general expenses	(347,261)	(279,879)
Received taxes	149,349	100,878
<b>Cash flow from operating activities</b>	<u>(43,154)</u>	<u>(26,285)</u>
<b>Cash flow from financing activities</b>	(250,000)	0
<b>Cash flow from investing activities</b>	0	0
<b>Increase/ (decrease) cash at banks</b>	<u>(293,154)</u>	<u>(26,285)</u>
<b>Movements in cash at banks</b>		
Cash at banks at January 1	322,102	348,387
Decrease cash at banks	(293,154)	(26,285)
<b>Cash at banks</b>	<u>28,948</u>	<u>322,102</u>

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

**SHAREHOLDER'S EQUITY AT DECEMBER 31, 2013**

	<b>31.12.2013</b>	<b>31.12.2012</b>
	EUR	EUR
<b>Shareholder's equity</b>		
Share capital issued and paid up	45,379	45,379
Retained earnings	344,035	321,504
Result for the period	26,749	22,531
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>416,163</b>	<b>389,414</b>



## 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 annual reports of BNP Paribas S.A. can be found on the website [www.bnpparibas.com](http://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 defined as the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's length transaction. On initial recognition, the value of a derivative is generally the transaction price (i.e. the value of the consideration paid or received). 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. 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 S.A. 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
	2013	2012
Opening balance	321,504	300,271
Appropriation result previous year	22,531	21,233
Closing balance	<u>344,035</u>	<u>321,504</u>

**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:

BNP Paribas Arbitrage Issuance B.V.

Comparison market value to nominal value:

2013	<b>Fair value</b>	<b>Nominal value</b>
	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	<u>48,961,631,867</u>	<u>47,272,617,196</u>

2012	<b>Fair value</b>	<b>Nominal value</b>
	EUR	EUR
- Up to 1 year	11,220,954,221	11,804,216,403
- From 1- 5 years	20,934,848,357	22,737,098,491
- Exceeding 5 years	4,985,526,634	5,107,114,736
Total as per December 31, 2012	<u>37,141,329,212</u>	<u>39,648,429,630</u>

Specification (fair value) based on method of valuation

2013	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	EUR	EUR	EUR	EUR
<b>Warrants</b>				
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 futures	0	0	0	0
underlying credits	0	206,884	0	206,884
underlying interest rates	4,223,480	297,618	0	4,521,098
	<u>4,223,480</u>	<u>6,823,809,636</u>	<u>1,247,809,434</u>	<u>8,075,842,550</u>
<b>Certificates</b>				
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 futures	0	0	0	0
underlying credits	4,922,365	374,293,807	0	379,216,172
underlying interest rates	0	101,713,194	0	101,713,194
	<u>7,267,048</u>	<u>32,767,829,286</u>	<u>6,193,821,470</u>	<u>38,968,917,804</u>
<b>MTN's</b>				
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
	<u>0</u>	<u>1,794,258,499</u>	<u>122,613,014</u>	<u>1,916,871,513</u>
Total as per December 31, 2013	<u>11,490,528</u>	<u>41,385,897,421</u>	<u>7,564,243,918</u>	<u>48,961,631,867</u>

BNP Paribas Arbitrage Issuance B.V.

2012	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Warrants				
underlying shares	0	4,584,161,414	1,054,577,458	5,638,738,872
underlying indices	0	1,099,497,684	27,273,281	1,126,770,965
underlying currencies	0	13,821,020	0	13,821,020
underlying commodities	0	18,976,059	2,772,823	21,748,882
underlying funds	0	34,221,497	0	34,221,497
underlying futures	0	0	0	0
underlying credits	0	2,698,436	0	2,698,436
underlying interest rates	4,660,235	50,165	0	4,710,400
	4,660,235	5,753,426,275	1,084,623,562	6,842,710,072
Certificates				
underlying shares	0	5,507,125,696	272,415,125	5,779,540,821
underlying indices	0	18,073,776,050	2,374,598,498	20,448,374,548
underlying currencies	6,518,650	136,155,408	0	142,674,058
underlying commodities	0	1,359,334,304	155,509,266	1,514,843,570
underlying funds	0	450,284,856	389,002,960	839,287,816
underlying futures	0	65,660,005	26,346,030	92,006,035
underlying credits	36,947,766	327,045,475	0	363,993,241
underlying interest rates	0	110,657,654	0	110,657,654
	43,466,416	26,030,039,448	3,217,871,879	29,291,377,743
MTN's				
underlying shares	0	17,291,684	0	17,291,684
underlying indices	0	940,378,912	49,570,801	989,949,713
	0	957,670,596	49,570,801	1,007,241,397
Total per December 31, 2012	48,126,651	32,741,136,319	4,352,066,242	37,141,329,212

Fair value is determined:

- based on quoted prices in an active market (level 1); or
- using valuation techniques involving:
  - mathematical calculation methods based on accepted financial theories, and
  - parameters derived in some cases from the prices of instruments traded in active markets (level 2), and in others from statistical estimates or other quantitative methods resulting from the absence of an active market (level 3).

Whether or not a market is active is determined by a variety of factors. Characteristics of an inactive market include a significant decline in the volume and level of trading activity in identical or similar instruments reduced availability of prices from information providers, a significant variation in available prices between market participants or a lack of recent observed transaction prices are not current.

Level 1 Use of quoted prices in an active market

If quoted prices in an active market are available, they are used to determine fair value. These represent directly quoted prices for identical derivatives.

## Level 2

Valuations are determined using generally accepted models (discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlying financial instruments. These models use market parameters calibrated on the basis of observable data such as yield curves, implicit volatility layers of options, default rates and loss assumptions. The parameters are derived from median market prices of equities, indices, currencies, commodities, inter-bank interest rate curves and/or interest swap rates and are adjusted for liquidity and credit risk.

## Level 3

The securities are valued using internally developed techniques, which are entirely based on assumptions or on partially non-observable active markets. In the absence of observable inputs, these instruments are measured on initial recognition in a way that reflects the transaction price, regarded as the best indication of fair value. Valuations derived from these models are adjusted for liquidity risk if applicable.

The fair value of unlisted equity derivatives is measured in comparison with recent transactions in the equity of the company in question carried out with an independent third party on an arm's length basis. If no such points of reference are available, the valuation is determined either on the basis of generally accepted practices or of the group's share of net assets calculated using the most recent information available.

The majority of the issued securities are not traded actively in active markets. All given estimated fair values are related to the market conditions prevailing at year end; the future values may differ. The fair values using the valuation techniques described under Level 2 and Level 3 are for a certain extent subjective and are based on assumptions.

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.

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 a cost plus agreement 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 6,700 and a provision difference 2012 of EUR 23. The rates for the financial year 2013 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 sole director of the Company has charged a management fee of EUR 43,462 over 2013 (2012: EUR 36,036).

A fee of EUR 19,535 will be charged by Mazars Paardekooper Hoffman Accountants N.V. ("Mazars") to the Company for the financial year 2013 as audit fee (2012: 19,000 EUR ). An additional amount of EUR 15,900 has been charged by Mazars and EUR 2,500 by Deloitte Accountants B.V. to the Company during the reporting period for audit-related fees (2012: EUR 9,210 and EUR 7,350 by Deloitte Accountants B.V.). No other fees were paid to member firms and affiliates of Mazars or Deloitte Accountants B.V. in 2013 and 2012.

### **Commitments, contingencies and off-balance items**

The Company has issued securities with pledged collateral. The value of the pledged collateral amounts to EUR 339,131,175 (2012: EUR: 87,292,748).

### **Employees**

The Company employs no personnel.

Amsterdam, 25 April 2014  
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 2012 AND 2013**

The profit of the year 2012 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 2013 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.

CvO/AH4357A

## INDEPENDENT AUDITOR'S REPORT

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

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements 2013 of BNP Paribas Arbitrage Issuance B.V., Amsterdam, which comprise the balance sheet as at 31 December 2013, the profit and loss account for the year then ended and the notes, including a summary of the accounting policies and other explanatory information.

### *MANAGEMENT'S RESPONSIBILITY*

Management is responsible for the preparation and fair presentation of these 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 it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *AUDITOR'S RESPONSIBILITY*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

CvO/AH4357A

***OPINION WITH RESPECT TO THE FINANCIAL STATEMENTS***

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 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, 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.

Amsterdam, 25 April 2014

**MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.**

Signed by: drs. C.A. Harteveld RA