

Annual Report 2009
BNP Paribas Arbitrage Issuance B.V.

Reguliersdwarstraat 90
1017 BN 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 laws of the Netherlands.

The principal objectives of the Company are to issue and acquire financial instruments of any nature and to enter into related agreements 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. BNP Paribas S.A. has an audit committee that complies with international corporate governance rules.

Operating result

During the financial year under review there was a substantial decrease of issues in number and size. The net profit for the financial year 2009 was EUR 36,953 (2008: profit EUR 58,818).

Liquidity and shareholder's equity

No significant changes to liquidity resources occurred and 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

Due to its activities the Company is exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, currency exchange rates and interest rates. However, all issued securities are hedged by OTC option and swap agreements with BNP Paribas entities and therefore these risks are completely mitigated.

Market risk

The Company takes on exposure to market risks arising from positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. However, the risks are mitigated by the above mentioned OTC contracts.

Credit risk

The Company has 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 the BNP Paribas group is a high credit quality financial institution under supervision of the French central bank, management considers these risks as acceptable.

BNP Paribas Arbitrage Issuance B.V.

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.

Future outlook

There are no significant subsequent events to report.

It is not expected that the activities of the Company will increase in 2010.

Amsterdam, March 26, 2010.

The Managing Director,

Signed by

BNP Paribas Trust B.V.

BALANCE SHEET AT DECEMBER 31, 2009

(before appropriation of the net result)

	Notes	<u>31.12.2009</u>	<u>31.12.2008</u>
		EUR	EUR
ASSETS			
Financial fixed assets			
OTC contracts	*) 1	<u>21,208,098,597</u> *)	<u>22,810,934,750</u>
Current assets			
Group			
OTC contracts	*) 1	10,172,402,984 *)	10,993,147,468
Accounts receivable - group		1,172,364	1,497,188
Cash at bank		144,917	298,857
		<u>10,173,720,265</u>	<u>10,994,943,513</u>
TOTAL ASSETS		<u>31,381,818,862</u>	<u>33,805,878,263</u>
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity			
	2		
Share capital issued and paid up		45,379	45,379
Retained earnings		234,781	175,963
Result for the period		36,953	58,818
		<u>317,113</u>	<u>280,160</u>
Long term liabilities			
Issued securities	*) 3	<u>21,208,098,597</u> *)	<u>22,810,934,750</u>
Current liabilities			
Issued securities	*) 3	10,172,402,984 *)	10,993,147,468
Other liabilities – non group		496,559	1,083,031
– group		503,609	432,854
		<u>10,173,403,152</u>	<u>10,994,663,353</u>
TOTAL EQUITY AND LIABILITIES		<u>31,381,818,862</u>	<u>33,805,878,263</u>

*) See the paragraph "Change in accounting policies" on page 8. The comparative figures of 2008 have been restated according to the presentation of 2009.

PROFIT AND LOSS ACCOUNT FOR THE YEAR 2009

	Notes	2009	2008
		EUR	EUR
Net result financial instruments	4	0	0
Other income	5	523,919	740,585
Operating income		523,919	740,585
Operating expenses			
General and administrative expenses		(476,290)	(673,260)
Operating result		47,629	67,325
Interest income		227	13,035
Interest expenses and similar charges		(1,665)	(6,837)
Profit before taxation		46,191	73,523
Corporate income tax	6	(9,238)	(14,705)
Profit after taxation		36,953	58,818

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
	EUR	EUR
Cash flow from operating activities		
Issuing of securities against OTC coverage	0	0
Received reimbursed issuing expenses	3,120,406	6,630,187
Received reimbursed general expenses	730,055	483,495
Paid issuing expenses	(3,776,435)	(6,809,828)
Paid general expenses	(462,991)	(392,127)
Paid corporate income tax	(14,975)	(11,873)
Cash flow from operating activities	<u>(403,940)</u>	<u>(100,146)</u>
Cash flow from financing activities	250,000	6,763
Increase/ (decrease) cash at bank	<u>(153,940)</u>	<u>(93,383)</u>
Movements in cash at bank		
Cash at bank at January 1	298,857	392,240
Decrease cash at bank	(153,940)	(93,383)
Cash at bank	<u>144,917</u>	<u>298,857</u>

NOTES TO THE FINANCIAL STATEMENTS

GENERAL

BNP Paribas Arbitrage Issuance B.V. (the Company), having its registered address at Reguliersdwarstraat 90, 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.

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.

SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The annual accounts of the Company are prepared in accordance with accounting principles generally accepted in the Netherlands and in conformity with Title 9, Book 2 of the Netherlands Civil Code. 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 modified by the translation of foreign currencies.

Change in accounting policies

The distinctive features of the issued securities are disappearing more and more. Therefore Management has opted not to make a distinction between the issued securities anymore and to value all securities and OTC contracts at fair value from 31 December 2009. The comparative figures over 2008 have been adapted to this new accounting policy. The securities previously earmarked as notes will now be accounted for at fair value rather than amortised cost. The amortised costs of these securities amounted to EUR 1,071,867,671 at year end 2009 (2008: EUR 754,228,144). The fair value of these securities amounted to EUR 1,066,746,824 at year-end 2009 (2008: EUR 763,227,884). This change in accounting principle does not have an impact on equity or on the result for the year.

Financial instruments

Financial instruments include accounts receivable and accounts payable, cash at bank 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.

Valuation of assets and liabilities

The issued securities such as warrants, certificates and notes and the related OTC contracts having the same characteristics are stated at fair value.
Other assets and liabilities are stated at nominal value.

Method of determining fair value of issued securities and related OTC contracts

Fair value is determined on the basis of quoted prices in an active market; 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, and in others from statistical estimates or other quantitative methods. The distinction between the two valuation methods is made according to whether or not the instrument is traded in an active market. Whether or not a market is active is determined on the basis of 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, the available prices vary significantly over time or among market participants or observed transaction prices are not current.

At determining fair values the three categories of financial instruments are distinguished based on the characteristics of the instrument and the measurement method used:

Category 1: financial instruments quoted on an active market;

Category 2: financial instruments measured using valuation models based on observable parameters;

Category 3: financial instruments measured using valuation models based wholly or partly on non-observable parameters. A non-observable parameter is defined as a parameter whose value results from assumptions or correlations which are not based on observable current market transactions in the same instrument at the valuation date, or on observable market data at that date.

The OTC contracts have the same values as their related securities.

Recognition of income and expenses

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.

Foreign currencies

Balance sheet items relating to assets and liabilities denominated in currencies other than the euro are translated at the rate of exchange prevailing on balance sheet date in principle as given by the European Central Bank. The resulting exchange rate differences are credited or charged to the profit and loss account. Transactions in foreign currencies during the reporting period have been incorporated at the rate of settlement.

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.

FINANCIAL RISK MANAGEMENT

Due to its activities the Company is exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, currency exchange rates and interest rates. However, all issued securities are hedged by OTC option and swap agreements with BNP Paribas entities and therefore these risks are completely mitigated.

Market risk

The Company takes on exposure to market risks arising from positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. However, the risks are mitigated by the above mentioned OTC contracts.

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 a high credit quality financial institution under supervision of the French central bank, management considers these risks as acceptable.

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 financial instruments, the hedging of the related exposures and the reimbursement of costs. These agreements are at arms-length and have as objective to limit cash flow, credit and market risks.

PRINCIPLES FOR PREPARATION OF THE CASH FLOW STATEMENT

The cash flow statement is prepared according to the direct method and consists of cash only. Corporate income tax is presented under operating expenses and interest is taken into account under financing activities.

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”.

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 in capital.

Retained earnings:

The movement is as follows:

	EUR	EUR
	2009	2008
Opening balance	175,963	124,116
Appropriation result previous year	58,818	51,847
Closing balance	<u>234,781</u>	<u>175,963</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.

BNP Paribas Arbitrage Issuance B.V.

Specification of the outstanding issued securities and related OTC contracts at balance sheet date:

	<u>Market value</u>	<u>Nominal value</u>	<u>Underlying contract volume</u>
	EUR	EUR	EUR
- Up to 1 year	10,172,402,984	12,242,827,508	71,327,822,447
- From 1- 5 years	16,610,563,814	18,500,329,475	24,640,120,262
- Exceeding 5 years	4,597,534,783	4,854,975,716	7,825,442,446
Total as per December 31, 2009	<u>31,380,501,581</u>	<u>35,598,132,699</u>	<u>103,793,385,155</u>
Total as per December 31, 2008	33,804,082,218	44,997,146,303	131,261,470,316

Represented in the balance sheet as per December 31, 2009 as follows:

	<u>EUR</u>
- under financial fixed assets and long term liabilities	21,208,098,597
- under current assets and current liabilities	<u>10,172,402,984</u>
	<u>31,380,501,581</u>

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 the European Union; the related OTC contracts are not listed.

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.

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

NOTES TO THE PROFIT & LOSS ACCOUNT

4. Net result financial instruments

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 financial instruments equals zero and is recorded on a net basis.

5. 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. The rates for the financial year 2009 are 20 and 25.5%. The effective rate for the period is 20%.

Issuing expenses and remunerations

Issuing expenses are all 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 38,924 over 2009 (2008: EUR 36,234).

The fee for the audit of the financial statements charged by Deloitte Accountants B.V. amounts to EUR 23,000 (2008: EUR 23,000).

Employees

The Company employs no personnel.

Amsterdam, March 26, 2010

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.

No dividends can be declared if the shareholder's equity is less than the total of the paid in capital and the legal reserves.

APPROPRIATION OF THE RESULTS FOR THE YEARS 2008 AND 2009

The profit of the year 2008 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 2009 to the retained earnings. The financial statements do not reflect this proposal.

SUBSEQUENT EVENTS

There are no significant subsequent events to report.

AUDIT

The auditor's report is recorded on the next pages.

OFFICERS' STATEMENT

Amsterdam, March 26, 2010

To the best of our knowledge we declare that:

1. the annual accounts 2009 give a fair view of the assets, the financial position and the profit of the Company; and
2. the annual report 2009 gives a fair view of the Company's condition on the balance sheet date, the development of the Company during the financial year and all material risks to which the Company is exposed.

Signed by
H.E. Sijssling R. Duvail
Director Administrator
BNP Paribas Trust B.V.

To the Shareholders of
BNP Paribas Arbitrage Issuance B.V.
Amsterdam

Date	From	Reference
March 26, 2010	R. Koppen	3100235483/OP9986/pr

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2009 of BNP Paribas Arbitrage Issuance B.V., Amsterdam, which comprise the balance sheet as at 31 December 2009, the profit and loss account for the year then ended and the notes.

Management's responsibility

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 Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 company'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 company'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.

Opinion

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 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the managing director's report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

R. Koppen