

ANNUAL REPORT 2008

BNP Paribas Arbitrage Issuance B.V.

Herengracht 440
1017 BZ Amsterdam, the Netherlands
Chamber of Commerce Amsterdam No. 33215278

CONTENTS

Managing Director's Report	3
Annual accounts for the financial year ended December 31, 2008	
• Balance sheet	5
• Profit and loss account	6
• Cash flow statement	7
• Notes to the financial statements	8
Other information	
• Statutory arrangements concerning the appropriation of profits	15
• Audit committee	15
• Director's statement	15
• Auditor's report	16

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 increase in the number of issues and the related OTC contracts, which is reflected in the balance sheet. Due to the market conditions the number of issues decreased considerably in the months November and December. The net profit for the financial year 2008 was EUR 58,818 (2007: profit EUR 51,847).

Liquidity and shareholder's equity

No significant changes to liquidity resources occurred and equity increased with the result for the year. 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, foreign currency exchange rates and interest rates. However, all issued securities are hedged by OTC option and swap agreements 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.

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. As a consequence of the prevailing market conditions no statement can be given to the development of the Company in 2009.

Amsterdam, 16 March, 2009.

The Managing Director,

Signed by BNP Paribas Trust B.V.

BALANCE SHEET AT DECEMBER 31, 2008

(before appropriation of the net result)

	Notes	<u>31.12.2008</u>	<u>31.12.2007</u>
		EUR	EUR
ASSETS			
Financial fixed assets			
OTC contracts	*) 1	<u>22,799,884,215</u>	<u>28,114,102,897</u>
Current assets			
OTC contracts	*) 1	10,995,198,263	22,289,427,933
Accounts receivable	2	1,497,188	1,999,000
Cash at bank	3	298,857	392,240
		<u>10,996,994,308</u>	<u>22,291,819,173</u>
TOTAL ASSETS		<u>33,796,878,523</u>	<u>50,405,922,070</u>
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital issued and paid up	4	45,379	45,379
Retained earnings		175,963	124,115
Result for the year		58,818	51,847
		<u>280,160</u>	<u>221,341</u>
Long term liabilities			
Issued securities	*) 5	<u>22,799,884,215</u>	<u>28,114,102,897</u>
Current liabilities			
Issued securities	*) 5	10,995,198,263	22,289,427,933
Other liabilities	6	1,515,885	2,169,899
		<u>10,996,714,148</u>	<u>22,291,597,832</u>
TOTAL EQUITY AND LIABILITIES		<u>33,796,878,523</u>	<u>50,405,922,070</u>

*) See the paragraph "Change on accounting policies" on page 8. The comparative figures of 2007 have been restated according to the presentation of 2008.

PROFIT AND LOSS ACCOUNT 2008

	Notes	<u>2008</u> EUR	<u>2007</u> EUR
Net result financial instruments	7	0	0
Other income	8	740,585	643,654
Operating income		<u>740,585</u>	<u>643,654</u>
Operating expenses			
General and administrative expenses	9	(673,260)	(585,030)
Reimbursed issuing expenses	10	5,871,073	5,680,095
Issuing expenses	10	<u>(5,871,073)</u>	<u>(5,680,095)</u>
Operating result		67,325	58,624
Interest income		13,035	9,344
Interest expenses and similar charges		<u>(6,837)</u>	<u>(1,160)</u>
Profit before taxation		73,523	66,808
Corporate income tax	11	(14,705)	(14,961)
Profit after taxation		<u><u>58,818</u></u>	<u><u>51,847</u></u>

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
	EUR	EUR
Cash flow from operating activities		
Issuing of securities against OTC coverage	0	0
Received reimbursed issuing expenses	6,630,187	4,697,373
Received reimbursed general expenses	483,495	589,512
Received interest & paid similar expenses	6,763	6,673
Paid issuing expenses	(6,809,828)	(4,892,295)
Paid general expenses	(392,127)	(556,411)
Paid corporate income tax	(11,873)	(16,461)
Cash flow from operating activities	<u>(93,383)</u>	<u>(171,609)</u>
Decrease cash at bank	<u>(93,383)</u>	<u>(171,609)</u>
Movements in cash at bank		
Cash at bank at January 1	392,240	563,849
Decrease cash at bank	(93,383)	(171,609)
Cash at bank as at December 31	<u>298,857</u>	<u>392,240</u>

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 FINANCIAL STATEMENTS

GENERAL

BNP Paribas Arbitrage Issuance B.V. (the Company), having its registered address at Herengracht 440, 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 issue and acquire financial instruments of any nature and to enter into related OTC agreements.

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

Change in accounting policies

The Company has made changes in the accounting policies regarding the issued securities and acquired OTC contracts to be compliant with RJ290. Issued warrants, certificates, private placements and the related OTC contracts having the same characteristics are stated at market value instead of nominal value. Issued notes and the related OTC contracts having the same characteristics remain valued at nominal value. The comparative figures have been restated accordingly. The change in accounting principles does not have an impact on the equity as at December 31, 2008 or at December 31, 2007 or the result for the year 2007 or the year 2008.

The values of securities and OTC contracts according to the method used in the accounts 2007 give the following comparison:

	EUR	EUR
	2008	2007
Cost price or lower market value under financial fixed assets and under long term liabilities	21,372,799,488	21,676,816,448
Cost price or lower market value of under current assets and under current liabilities	8,939,791,211	17,041,215,540
	<u>30,312,590,699</u>	<u>38,718,031,988</u>

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 taking into consideration the accounting principle change regarding the issued securities and acquired OTC contracts as described above.

Accounting convention

The accounts are prepared under the historical cost convention modified by the translation of foreign currencies.

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

Issued warrants, certificates, private placements and the related OTC contracts having the same characteristics are stated at fair value. Notes and the related OTC contracts having the same characteristics are valued at nominal 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. A market for an instrument is regarded as active, and hence liquid, if there is regular trading in that market or instruments are traded that are very similar to the instrument being valued.

Three categories of financial instruments are distinguished based on the characteristics of the instrument and the measurement method used. This classification is used as the basis for the information provided in the financial statements in accordance with international accounting standards:

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

Issuing income and issuing expenses are taken in the year the invoices are forwarded and received. 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, except insofar as the exchange risk has been hedged. In those cases valuation occurs at the forward rates agreed upon. 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.

Cash flow report

The cash flow report is presented using the direct method.

Cash flow netting agreements between the Company and entities of the BNP Paribas group have been drawn up for all flows resulting from issued securities and related OTC contracts to facilitate administrative procedures and to avoid that payments have to be made for these flows.

The consequence of these netting agreements and resulting absence of cash flows from investment and financing activities is reflected in the cash flow report of the Company.

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 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 OTC derivative financial instruments.

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 the BNP Paribas group 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.

NOTES TO THE BALANCE SHEET

1. OTC contracts

For all issued securities OTC contracts are agreed with BNP Paribas group companies 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 5 for the details of the issued securities and hence the OTC contracts.

2. Accounts receivable

The accounts receivable can be detailed as follows:

	<u>31.12.2008</u>	<u>31.12.2007</u>
	EUR	EUR
Debtors	1,187,162	1,378,469
To be invoiced	308,487	618,583
Interest receivable bank	<u>1,539</u>	<u>1,948</u>
	<u>1,497,188</u>	<u>1,999,000</u>

Accounts receivable from Debtors do not exceed a remaining term of one year and concern only BNP Paribas group companies.

3. Cash at bank

This amount corresponds with the bank current account with BNP Paribas S.A., Amsterdam, which is freely at the disposal of the Company.

4. 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 in the retained earnings relates to the added result of the year 2007.

5. Issued securities

The Company establishes securities programmes and issues warrants 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.

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

	Market value	Nominal value	Underlying contract volume
	EUR	EUR	EUR
Warrants			
- Up to 1 year	3,575,564,700	5,019,555,698	76,646,103,317
- From 1- 5 years	2,474,459,019	3,589,486,167	3,848,207,883
- Exceeding 5 years	194,492,482	254,917,810	286,222,561
Certificates			
- Up to 1 year	7,187,262,196	9,758,083,743	13,908,352,322
- From 1- 5 years	15,809,418,736	20,791,875,944	28,330,500,700
- Exceeding 5 years	3,799,657,201	4,828,998,797	7,334,714,108
Notes			
- Up to 1 year	230,320,572	232,371,367	289,909,101
- From 1- 5 years	335,826,431	323,709,026	287,249,671
- Exceeding 5 years	197,080,881	198,147,751	330,210,653
Total as per December 31, 2008	<u>33,804,082,218</u>	<u>44,997,146,303</u>	<u>131,261,470,316</u>
Total as per December 31, 2007	50,404,950,667	43,312,581,545	199,704,115,127

Represented in the balance sheet as follows:

	EUR
- under financial fixed assets and long term liabilities	22,799,884,215
- under current assets and current liabilities	10,995,198,263
	<u>33,795,082,478</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 the regulated or non-regulated markets of the stock exchanges of NYSE Euronext Paris, Luxembourg, Barcelona, Bilbao, Madrid, Milan, Bern, Zurich Dublin, Frankfurt, Vienna, Warsaw, Hong Kong, Singapore, Tokyo and or Mexico. 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.

BNP Paribas Arbitrage Issuance B.V.

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 for the following reasons. 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 7. Furthermore accrued interest income and expenses of many warrants, certificates and related OTC contracts is not available as they are dependent and conditional to developments of underlying equities or other financial instruments. The net affect on the equity and result of the non-recorded accrued interest income and expenses is nil, as the interest risk is completely hedged.

6. Other liabilities

The other liabilities can be detailed as follows:

	<u>31.12.2008</u>	<u>31.12.2007</u>
	EUR	EUR
Provision corporate income tax for the period	14,705	14,961
Paid on provisional assessment for the period	(12,021)	(13,425)
Corporate income tax payable for the period	2,684	1,536
Current account BNP Paribas S.A.	37,369	19,606
Issuing expenses payable	1,323,550	1,839,768
Audit fee	5,295	11,200
Tax advisory fee	17,543	9,570
Bookkeeping fee	94,313	168,646
Management fee	34,363	119,573
Other fees	768	0
	<u>1,515,885</u>	<u>2,169,899</u>

The current account BNP Paribas S.A. bears no interest as in the previous year. The issuing expenses payable concern costs of third parties specified by entities of the BNP Paribas group as issuing expenses, not yet paid by the Company.

NOTES TO THE PROFIT & LOSS ACCOUNT

7. Net result financial instruments

The net result financial instruments includes capital gains and losses, currency results and interest income and expense 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.

8. Other income

Other income concerns operating costs 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.

9. General and administrative expenses

The general and administrative expenses can be detailed as follows:

	<u>2008</u>	<u>2007</u>
	EUR	EUR
Management fee	209,973	225,378
Bookkeeping fee	415,144	291,568
Audit fee	21,790	35,090
Tax advisory fee	17,850	21,173
Other advisory and service fees	4,641	7,140
Notary and legal advisory fees	668	840
Chamber of Commerce	257	167
Other	2,937	3,674
	<u>673,260</u>	<u>585,030</u>

10. Issuing expenses

Issuing expenses are all expenses related to the issuing of the securities for account of the Company and are reimbursed or to be reimbursed by BNP Paribas group companies.

11. Corporate income tax

The corporate income tax is the estimate charge for the period. The rates for the financial year are 20 to 25.5%. The effective rate for the period is 20%.

12. Employees

The Company employs no personnel.

Amsterdam, 16 March 2009

Signed by BNP Paribas Trust B.V.
Managing Director.

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 2007 AND 2008

The profit of the year 2007 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 2008 to the retained earnings.

SUBSEQUENT EVENTS

There are no significant subsequent events to report.

OFFICERS STATEMENT

To the best of our knowledge we declare that:

1. the annual accounts 2008 give a fair view of the assets, the financial position and the profit of the Company; and
2. the annual report 2008 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.

Amsterdam, 16 March 2009

Signed by

H.E. Sijssling

Director

BNP Paribas Trust B.V.

C. Toelaram

Administrator

To the Shareholders of BNP Paribas Arbitrage Issuance B.V.
Herengracht 440
1017 BZ AMSTERDAM

Date	From	Reference
March 16, 2009	R. Koppen	3100235483/OP9991/nv

Auditors' report

Report on the financial statements

We have audited the accompanying financial statements 2008 of BNP Paribas Arbitrage Issuance B.V., Amsterdam, which comprise the balance sheet as at December 31, 2008, 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 management board 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.

2

March 16, 2009

3100235483/OP9991/nv

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.

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 December 31, 2008, 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 management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

already signed: R. Koppen