

ETCs – SIMPLE INVESTMENT IN COMMODITIES



COLLATERALISED
AND LIQUID

SIMPLE TRADING. SIMPLY COLLATERALISED. SIMPLY LIQUID.



BNP PARIBAS

The bank
for a changing
world

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WHY ETCs?

ETCs (exchange-traded commodities) are financial instruments for any institutional and private investors who wish to invest in the price performance of a commodity or would like to use commodities as an asset allocation component.

Commodities such as crude oil are usually traded as futures contracts at specialised futures exchanges and are thus accessible to only a few investors. Moreover, the fees charged for commodity trading often far exceed normal order commissions for shares or bonds. Investors must additionally deposit a margin in form of cash or securities for futures positions. Anyone wishing to invest in futures for longer periods must regularly replace their position with a future with a longer-dated maturity.

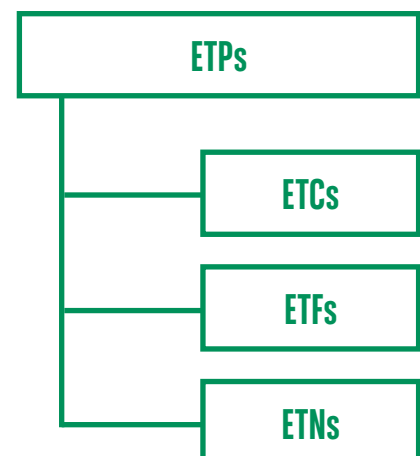
Through ETCs, investors are able to invest in commodities without these typical barriers imposed by futures markets.

SIMPLE TRADING

ETCs are directly linked to the performance of the underlying commodity, commodity future or commodity index, i.e. at a ratio of one-to-one (without considering costs and charges) and are tradeable on Xetra® (regulated market) – thus, just as easily and under similar conditions as shares or ETFs with a minimum size of just one ETC.

SIMPLE CLASSIFICATION

ETCs are members of the range of exchange-traded products (ETPs). Therefore, they can be classified at the same level as the better known exchange-traded funds (ETFs) and exchange-traded notes (ETNs) – see diagram below.





SIMPLY COLLATERALISED

We intend to increase the level of investor protection, which is why we have collateralised our exchange-traded commodities (ETCs): for this purpose, we provided a trustee with collateral securities to be sold and distributed to ETC investors in the event of the issuer's insolvency. This trustee is Clearstream Frankfurt AG, a wholly-owned subsidiary of Deutsche Börse AG. Please note that credit standing risks relating to the issuer cannot be entirely excluded even if they have provided collateral securities.

BNP Paribas Issuance B.V. is the issuer of the ETCs, the guarantor is BNP Paribas S.A.

SIMPLE DIVERSIFICATION

Since the performance of commodities often does not follow the performance of classic stock or bond markets (low correlation) or only does so to a limited extent, commodities might, in principle, be of interest as a way to supplement these classic financial instruments or to efficiently diversify the risk of any portfolio.

SIMPLY LIQUID

Investors are able to trade their ETCs daily on Xetra, the regulated market of the Frankfurt Stock Exchange. During trading hours, designated market makers constantly quote buy and sell prices (bid/ask prices), just like for ETFs, to ensure liquid trading in ETCs.

SIMPLY ONE FEE FOR ALL COSTS

BNP Paribas charges one annual management fee for ETCs, which covers all costs, such as collateralisation fees or the like. There are no additional agios or other costs.

FUNCTIONING OF ETCs

Each ETC is based on one certain, precisely defined commodity, commodity future or commodity index, the performance of which is tracked as precisely as possible by the ETC (without consideration of costs and charges): if, for instance, the price of the relevant Brent oil future rises by 2 percent, the price of the Brent oil ETCs will rise by 2 percent as well. If the price of the same future falls by 3 percent, the price of the ETCs will also go down by 3 percent – without consideration of exchange rate effects.

The reason for this precise tracking of the price performance is that BNP Paribas invests simultaneously in the underlying commodity, commodity future or commodity index in order to represent each ETC it sells. This approach prevents any conflicts of interest with ETC investors and BNP Paribas, since it is now able, at any time, to pay any profits to the investors, while any losses suffered by the investor are reproduced in the same manner.

As with all ETPs, there are no managers responsible for the investment decisions; instead, this is a passive, rule-based mechanism in an underlying financial instrument. This approach enables BNP Paribas to directly pass on to the investor a proportion of the cost advantages in the form of lower annual management fees.

DAILY DETERMINATION OF THE NET ASSET VALUE, NAV

It is, in particular, institutional investors who require an official market value for measuring their securities on a daily basis. Following the example of exchange-traded Funds (ETFs), BNP Paribas publishes this type of pricing daily for all of its ETCs, referring to it as NAV.

DAILY COLLATERALISATION – MADE IN GERMANY

BNP Paribas constantly provides collateral in the form of securities to secure the entire value of its outstanding ETCs. This collateral is kept strictly separate from other securities portfolios of BNP Paribas and is held in a separate trust deposit in Germany, according to German law. The ownership of the collateral is provided to the trustee by way of transfer of title.

Clearstream Frankfurt AG, a wholly owned subsidiary of Deutsche Börse AG, acts as trustee. It calculates the collateral to be provided on a daily basis and monitors, safeguards and manages it. Clearstream Frankfurt has the sole right to access the deposited portfolios and makes requests to BNP Paribas to provide further collateral on each trading day, whenever the outstanding value of the portfolios or ETCs changes.

This collateralisation structure is exclusively used to protect the ETC holders against the insolvency of the issuer or guarantor. Hence, if the issuer or guarantor becomes insolvent (according to the applicable law), all ETCs will expire and Clearstream Frankfurt AG will sell the provided collateral to make payments to the ETC investors out of the generated sales proceeds (after deduction of costs); any other use is excluded.

But investors should note that the issuer risk relating to the issuer and guarantor cannot be fully eliminated through the collateral.

To ensure that the value of the collateral will at least be identical to the value of the outstanding ETCs, even in volatile market phases, the daily adapted securities are not valued at their current market prices when they are included in the pool of collateral, but are valued at a lower price (hair-cut). This discount ensures that the average collateral available accounts for approx. 105 percent of the outstanding ETC volume.



Functioning

A photograph of an oil pumpjack in the background, slightly out of focus. In the foreground, the back of a person wearing a yellow hard hat and a grey jacket is visible. The person is looking towards the pumpjack. The sky is blue with some clouds.

ETC
PRODUCT
VERSIONS

YOU BELIEVE THAT THE PRICE FOR CERTAIN COMMODITIES WILL RISE AND WISH TO PARTICIPATE IN THIS INCREASE BY INVESTING IN AN ETC?

Then you can choose from three different product versions.

TOTAL RETURN

The “classic version” among the ETC alternatives always reflects the price changes of the relevant Future; plus an interest yield on the capital invested.

Since this future – like almost all commodity futures – is denominated in US dollars, whereas the ETC is traded in euros, the exchange rate movement has a direct impact on the price performance. Any appreciation of the US dollar or depreciation of the euro will increase the price of the ETC. Conversely, any devaluation of the US dollar (which means an appreciation of the euro) will reduce the value of the ETC.

CURRENCY HEDGING

Investors wishing to hedge the exchange rate risk of their commodity investment do not need time-consuming manual hedging transactions: the hedging is carried out automatically by the euro-hedged version of the ETCs.

This instrument determines the US dollar volume of the ETC on a monthly valuation date and sells the outstanding currency amount through a classic forward transaction with a term of one month. The exchange rate is then fixed for the determined US dollar amount and any increase in value of this transaction compensates for any exchange rate losses of the ETC after one month, while any loss in value resulting from the forward transaction is compensated for by exchange rate gains by the ETCs.

Investors should note that this static procedure will not fully eliminate the exchange rate risk of any ETCs, since fluctuations of the copper price could result in an over- or underhedging against exchange rate changes. The costs for this hedging mechanism against exchange rate risks are lower than those charged for conventional exchange rate hedging strategies, such as Quanto. All costs arising here are covered by the annual management charge for the ETC.

ROLL-OPTIMISED

The performance of any long-term investment strategy that is based on the future, or any other future, can be influenced (significantly, in some cases) by periodic “rolling” – i.e. the replacement of the current future with a future with a longer-dated maturity, even if the relevant future contracts experience only marginal price changes. It depends on the structure of the futures curve whether these price effects are positive or negative.

Should the futures prices rise over the term of the contracts (rising futures curve or contango), the rolling takes place from a less expensive to a more expensive contract. The difference between two futures prices is a loss to investors if the price does not rise at least by this difference by the next maturity date. Should futures prices fall over the term of the contract (falling futures curve or backwardation), the rolling takes place from an expensive to a relatively less expensive contract. Investors will gain the difference between the two futures prices if their price remains stable until the next maturity date.

For classic ETCs, the positive or negative roll effects are set off through entitlement: roll losses reduce the participation of the investors, roll profits increase it.

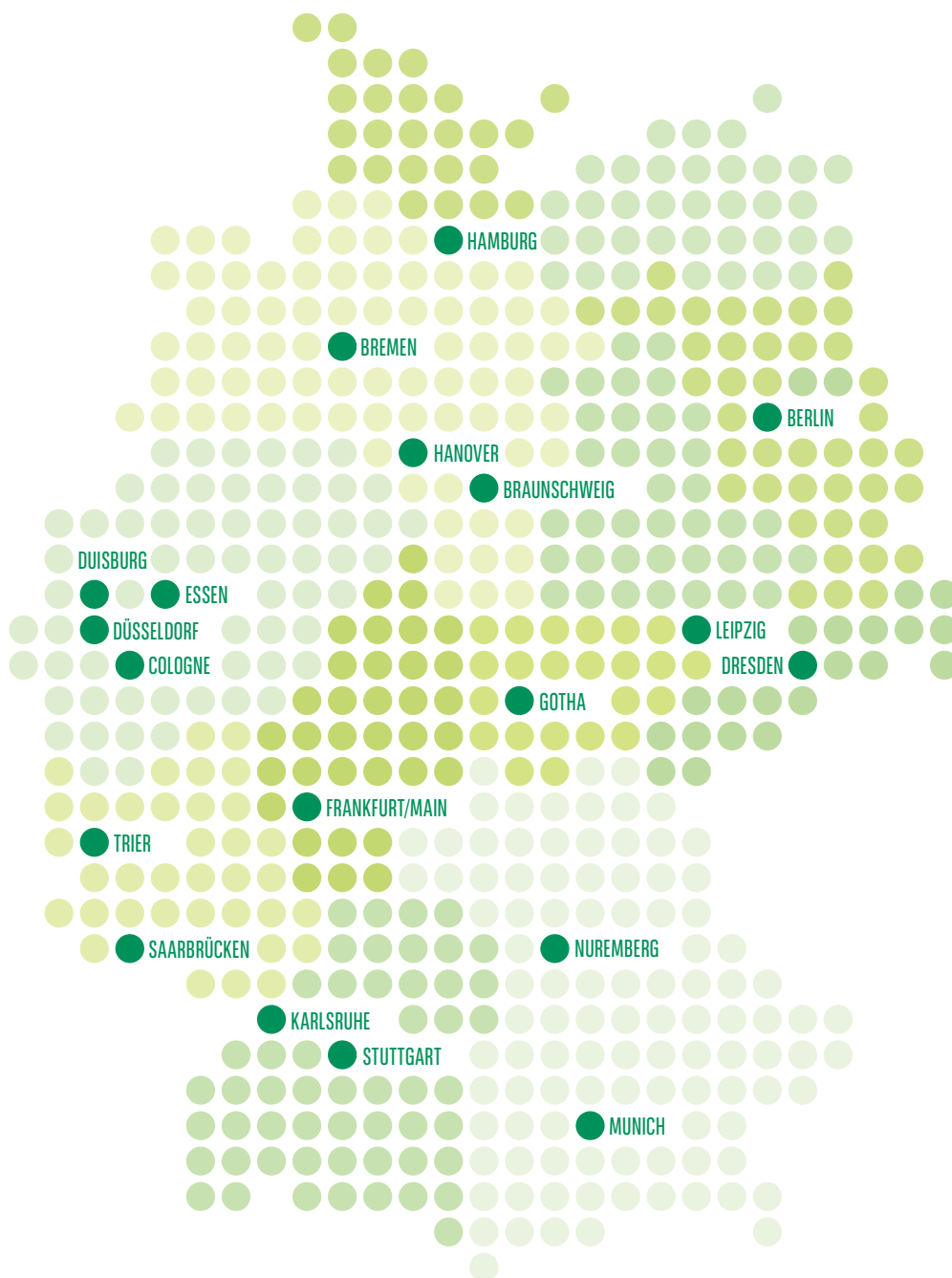
Therefore, BNP Paribas' roll-optimised ETCs not only invest in the next futures contract, which would need to be rolled permanently. It is replaced by the RICI Enhanced TR Index, which invests in futures with different maturities that meet certain liquidity criteria. The investment is regularly diversified to the most liquid and least expensive futures contracts and the number of roll transactions is significantly reduced each year.

Investors should note that the RICI Enhanced TR Index ETCs are quoted in US dollars and thus involve an exchange rate risk which is comparable to classic ETCs. And the optimised roll mechanism does not constitute a guarantee of cost reductions or profits.



BNP PARIBAS GERMANY

OUR LOCATIONS



BNP PARIBAS IN GERMANY

BNP Paribas is a global bank with four domestic markets in Europe: Belgium, France, Italy and Luxembourg. It is represented by 185,000 employees in 75 countries worldwide. The BNP Paribas Group has been active in Germany since 1947 and has successfully positioned itself on the market with 13 companies. Private customers, companies and institutions are looked after by roughly 5,000 employees at 19 locations all over the country. The wide-ranging products and services offered by BNP Paribas are almost identical to those of a universal bank. Germany is a core market for the BNP Paribas Group, as the targeted growth here is geared towards continuity and is one of the cornerstones of BNP Paribas' strategy for Europe. Its two main business activities, Retail Banking & Services and Corporate & Institutional Banking, ensure a balanced comprehensive income. BNP Paribas is a market leader in many areas and occupies key positions on the market.

The group is one of the best-capitalised banks in the world and already meets the Basel III accord's requirements with its core capital ratio today.

www.bnpparibas.de

For current credit rating information on BNP Paribas S.A. as published by S&P and Moody's please visit our website:

www.etc.bnpparibas.com

SERVICE & CONTACT

ETC ONLINE



Please visit our website

ETC.BNPPARIBAS.COM

to see all real-time buying and selling prices of our ETCs and the NAV determined on a daily basis. All legally relevant documents, such as the base prospectus, our final terms and conditions and the factsheets are available for download.

ETC HOTLINE



Our ETC product experts are available from 8 a.m. to 7 p.m.

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to answer all of your questions and to provide price information and other information.

TRADING ETCs



All of BNP Paribas' ETCs are tradeable and quoted on XETRA, the regulated market of Deutsche Börse.

ETC INFORMATION VIA EMAIL



If you have any questions, please send us an email

ETC@BNPPARIBAS.COM.

Furthermore, we would be happy to keep you updated on the latest news about our ETCs – free of charge.

BNP PARIBAS S. A. EXCHANGE TRADED PRODUCTS

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RATING

S&P: A | MOODY'S: A1

The rating relates to BNP Paribas S.A.

The issuer of the exchange-traded products is BNP Paribas Issuance B.V., the guarantor is BNP Paribas S.A.

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