INTERIM REPORT TO JUNE 30, 2016

BMW FINANCE N.V.

BMW GROUP

THE NEXT 100 YEARS

Rolls-Royce
Motor Cars Limited

Contents

Dear Ladies and Gentlemen,

The directors present their interim management report and interim financial statements for the half year ended June 30, 2016. This half-yearly financial information has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) have been drawn up using, in all material respects, the same accounting methods as those utilised in the Annual Report 2015. The interim financial statements for the six months ended 30 June 2016 and the comparative period have neither been audited nor reviewed.

The interim financial information has been included within the audited interim Group Financial Statements of BMW AG, for the half year ended 30 June 2016.

This interim report may contain forward-looking statements based on current expectations of the management. Various known and unknown risks, uncertainties and other factors could lead to considerable differences between the actual future results, financial situation development and/or performance and the historical results presented. Undue reliance should not be placed on forward-looking statements which speak only as of the date of this interim report.

BMW Finance N.V. (the "Company") was incorporated in the Netherlands and is a wholly owned subsidiary of BMW Holding B.V. who in turn is a wholly owned subsidiary of BMW Intec Beteiligungs GmbH, a wholly owned subsidiary of BMW AG. Since 1 January 2005 BMW Finance N.V. is part of the fiscal unity for corporate income tax together with the BMW Group companies located in the Netherlands. The purpose of the Company is to assist the financing of business activities conducted by companies of the BMW Group and its affiliates and to provide financial services in connection therewith. The core business of the Company comprises mainly financing BMW Group companies that are priced in accordance with the "at arm's length" principle.

The Company's activities mainly consist of providing long-term liquidity and intercompany funding for BMW Group companies. The Company's aim is to minimize the connected market risk, especially interest rate risk and liquidity risk associated with financial instruments. Firstly, protection against such risks is provided by so-called natural hedges that arise when the values of non-derivative financial assets and liabilities have matching maturities, amounts (netting), and other properties. Derivative financial instruments are used, such as interest rate swaps, foreign exchange swaps and forward rate agreements to reduce the risk remaining after taking into account the effects of natural hedges. With regard to interest rate risk, the entity implemented successfully the financial strategy of the BMW Group. To improve its forward looking liquidity risk management even further, an encompassing analysis of the economic and capital markets environment of the euro area was developed and implemented.

The Company has aligned its internal control and risk management system aimed at the financial reporting process in accordance with BMW Group policy. Risk reporting is based on an integrated risk management approach. The risk management process comprises the early identification of risks and opportunities, their measurement and the use of suitable instruments to manage and monitor risks. The risk management system comprises a wide range of organisational and methodological components that are all finely tuned to each other. The Company has established an encompassing reporting system that provides decision makers with comprehensive, up-to-date information and insights into developments with regard to the capital markets. Risk management is viewed as a continuous process, given the fact that changes in the legal, economic or regulatory environment or those within the Company itself could lead to new risks or to recognised risks being differently assessed. Standardised rules and procedures consistently applied throughout the BMW Group form the basis for an organisation that is permanently learning. By regularly sharing experiences with other companies, we ensure that innovative ideas and approaches flow into the risk management system and that risk management is subjected to continual improvement. Regular basic and further training as well as information events are invaluable ways of preparing employees for new or additional requirements with regard to the processes in which they are involved.

Overall risk management within the BMW Group is managed centrally and reviewed for appropriateness and effectiveness by the BMW Group's internal audit department. The integration and optimisation of processes have reduced operational risk. At present, no risks have been identified which could threaten the going concern status of the Company or which could have a materially adverse impact on the net assets financial position or results of operations of the Company. The main categories of risk for the other operating segments are credit and counterparty default risk, currency risk, interest rate risk, liquidity risk and operational risk. In order to evaluate and manage these risks, a variety of internal methods have been developed based on regulatory environment requirements (such as Basel II) and which comply with national and international standards. Please refer to the BMW Group's financial statements for more detailed information.

Given the objectives of the Company, the Company is economically interrelated with the ultimate holding company, BMW AG, Germany. In assessing the solvency and general risk profile of the Company, the solvency of the BMW Group as a whole, headed by BMW AG, needs to be considered. Solvency is assured at all times by managing and monitoring the liquidity situation on the basis of a rolling cash flow forecast. The resulting funding requirements are secured by a variety of instruments placed on the world's financial markets. The objective is to minimize risk by matching maturities for the BMW Group's financing requirements within the framework of the target debt ratio. The BMW Group has good access to capital markets as a result of its solid financial position and a diversified refinancing strategy. This is underpinned by the longstanding long- and short-term ratings issued by Moody's and S&P. The debt securities are guaranteed by BMW AG.

The financial position of the Company shows for the first half of 2016 a net profit of euro 1.9 million (30.06.2015: euro 16.0 million profit). The main drivers of the result are the decrease of the other financial income and expenses to nil (30.06.2015: euro 14.4 million), the decrease of the interest margin to euro 10.8 million (30.06.2015: euro 11.9 million) and the decrease of the result from financial transactions to a loss of euro 7.5 million (30.06.2015: loss of euro 4.2 million).

The interest margin decreased to euro 10.8 million (30.06.2015: euro 11.9 million) due to declining interest rates. The cost of liquidity, due to structural overfunding, and the maturity mismatch on the total portfolio both negatively impact the net interest margin. Therefore the Company received from BMW AG a liquidity fee of euro 22.9 million (30.06.2015: euro 1.2 million). The liquidity fee increased significantly in comparison to 30.06.2015 due to a received early termination fee in the first half of 2015 of euro 25.0 million.

The decrease of the result from financial transactions to a loss of euro 7.5 million (30.06.2015: loss of euro 4.2 million) refers to the fair value measurement of financial instruments and was partially caused by interest rate swaps to hedge the portfolio.

In the first half year of 2016, the Company's balance sheet total has increased to euro 36.7 billion compared to prior year-end euro 35.5 billion. The main factor behind the increase on the assets side of the balance sheet are the receivables from BMW Group companies (to euro 34.5 million, 2.0%). On the liability side of the balance sheet, the increase was mainly driven by the increase in the debt securities (to euro 28.3 million, 0.5%) and the increase of the liabilities of BMW Group companies (to euro 5.7 million, 29.9%).

The Euro Medium Term Note ("EMTN") Program of euro 35.0 billion has been increased in October 2015 to euro 50.0 billion and has been together with the euro 5.0 billion Multi-Currency Commercial Paper Program successfully used during 2016 to refinance BMW Group companies. During the first half of 2016 the Company issued 24 new debt securities with a nominal amount of euro 5.3 billion and applied fair value hedge-accounting for 9 new EMTN's. The net proceeds have been used for general BMW Group financing purposes. During the first half year of 2016 the Company redeemed 23 EMTN's with a nominal amount of euro 3.2 billion. The funding volume will according to our most recently updated financial planning increase in 2016 in comparison to 2015. The funding requirements are caused by maturing debt and growth in financial assets by BMW Group entities.

The world's major economies still face many structural flaws and policy constraints that hinder more investment and faster productivity growth, making the medium-term outlook for a significantly faster path of global growth more uncertain. Economic growth is generally expected from approximately 2.5% in 2015 to around 2.4% in 2016. The British referendum to leave the European Union will have an impact on the euro area and economic development. In Europe the countries are expected to see their economic output slightly grow to 1.8% (2015: 1.9%). In the light of the environment discussed above, the Company believes that overall it will have comparable performance in the financial year 2016.

According to the regulations of the Dutch Civil Law (Wet Toezicht Bestuur effective as of 1 January 2013) the Company's Board of Directors and Supervisory Board are unbalanced since less than 30% of the members is female. The Board members have been appointed based on qualifications and availability, irrespective of gender. In order to create more balance the Boards will take these regulations into account to the extent possible with respect to future appointments of Board members.

The Hague, 11 August 2016

F. Altmann **Director**	**A. Rost** **Managing Director**	**G. Ramcharan** **Financial Director**

BMW Finance N.V.
Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles of International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, the Interim Report gives a true and fair view of the assets, liabilities, financial position and profit or loss of BMW Finance N.V., and the BMW Finance N.V. Directors' Report includes a fair review of the development and performance of the business and the position of BMW Finance N.V., together with a description of the principal opportunities and risks associated with the expected development of BMW Finance N.V.

BMW Finance N.V.

The Hague, 11 August 2016

F. Altmann
Director

A. Rost
Managing Director

G. Ramcharan
Financial Director

BMW Finance N.V.
Statement of Comprehensive Income

in euro thousand	Note	1 January to 30 June 2016	1 January to 30 June 2015
Interest income BMW Group companies		221,959	244,155
Interest income Third parties		129,981	146,970
Interest income	[2]	**351,940**	**391,125**
Interest expense BMW Group companies		(35,520)	(43,545)
Interest expense Third parties		(305,590)	(335,689)
Interest expense	[2]	**(341,110)**	**(379,234)**
Interest margin		**10,830**	**11,891**
Other financial income and expenses		(31)	14,418
Result from financial transactions	[3]	(7,510)	(4,199)
Financial result		**3,289**	**22,110**
Miscellaneous income and expenses		(757)	(717)
Income before taxation		**2,532**	**21,393**
Taxes	[4]	(601)	(5,349)
Net income / (loss)		**1,931**	**16,044**
Earnings per share of common stock in euro from profit for the year		**552**	**4,584**

Statement of Comprehensive Income

in euro thousand	1 January to 30 June 2016	1 January to 30 June 2015
Net income	1,931	16,044
Other comprehensive income:		
Will be reclassified subsequenty to profit and loss		
Effective portion of changes in fair value of cash flow hedges	–	27
Deferred tax on other comprehensive income	–	(7)
Other comprehensive income for the period after tax	**–**	**20**
Total comprehensive income for the period	**1,931**	**16,064**

BMW Finance N.V.
Balance Sheet

Assets in euro thousand	Notes	30.06.2016	31.12.2015
Receivables from BMW Group companies	[5]	10,942,330	10,682,869
Marketable securities		142,546	219,764
Derivative assets		1,329,544	1,114,106
Non-current assets		**12,414,420**	**12,016,739**
Receivables from BMW Group companies	[5]	23,540,459	23,136,866
Derivative assets		675,714	334,270
Interest receivables and other receivables		877	1,549
Cash and cash equivalents		26,890	12,214
Current assets		**24,243,940**	**23,484,899**
Total assets		**36,658,360**	**35,501,638**

Equity and liabilities in euro thousand	Notes	30.06.2016	31.12.2015
Issued capital		1,750	1,750
Share premium reserve		55,488	55,488
Retained earnings		64,928	40,101
Undistributed income		1,931	24,827
Equity		**124,097**	**122,166**
Debt securities	[6]	21,512,636	19,797,254
Loans due to banks		1,755,288	1,301,141
Derivative liabilities		317,020	400,406
Non-current liabilities		**23,584,944**	**21,498,801**
Debt securities	[6]	6,756,981	8,335,887
Loans due to banks		99,930	599,996
Liabilities due to BMW Group companies		5,666,899	4,361,041
Derivative liabilities		177,286	300,295
Income tax liabilities		2,457	–
Interest payables and other liabilities		245,766	283,452
Current liabilities		**12,949,319**	**13,880,671**
Total equity and liabilities		**36,658,360**	**35,501,638**

BMW Finance N.V.
Cash Flow Statement

in euro thousand	1 January to 30 June 2016	1 January to 30 June 2015
Net income for the year	1,931	16,044
Adjustments for non-cash items		
Hedging reserve	–	20
Fair value measurement losses/(gains)	2,915	7,258
Amortisation financial instruments	2,242	(36,542)
Taxes	2,457	3,691
Changes in operating assets and liabilities		
Receivables from BMW Group companies	(663,057)	(2,213,273)
Receivables and other assets	672	13,573
Derivatives	(559,531)	271,425
Debt securities	(72,425)	922,096
Loans due to banks	(45,919)	(173,487)
Liabilities to BMW Group companies	1,305,859	1,260,773
Other liabilities	(37,686)	(51,766)
Cash flow from operating activities	**(62,542)**	**19,812**
Marketable securities	77,218	(20,430)
Cash flow from investing activities	**77,218**	**(20,430)**
Cash flow from financing activities	**–**	**–**
Net increase/(decrease) in cash and cash equivalents	14,676	(618)
Cash and cash equivalents at January 1	12,214	1,275
Cash and cash equivalents at June 30	**26,890**	**657**

BMW Finance N.V.
Statement of Changes in Equity

in euro thousand	Issued Capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income	**Total**
1 January 2015	**1,750**	**55,488**	**(1,151)**	**20,980**	**19,121**	**96,188**
Total result 2015 recognised in the profit and loss account	–	–	–	–	24,827	**24,827**
Other comprehensive income for 2015	–	–	1,151	–	–	**1,151**
Total comprehensive income in the period	**–**	**–**	**1,151**	**–**	**24,827**	**25,978**
Appropriation of results 2014	–	–	–	19,121	(19,121)	**–**
31 December 2015	**1,750**	**55,488**	**–**	**40,101**	**24,827**	**122,166**
1 January 2016	**1,750**	**55,488**	**–**	**40,101**	**24,827**	**122,166**
Total result 2016 recognised in the profit and loss account	–	–	–	–	1,931	**1,931**
Other comprehensive income for 2016	–	–	–	–	–	**–**
Total comprehensive income in the period	**–**	**–**	**–**	**–**	**1,931**	**1,931**
Appropriation of results 2015	–	–	–	24,827	(24,827)	**–**
30 June 2016	**1,750**	**55,488**	**–**	**64,928**	**1,931**	**124,097**

Reporting entity

BMW Finance N.V. (the "Company") was incorporated in the Netherlands and is a wholly owned subsidiary of BMW Holding B.V. who in turn is a wholly owned subsidiary of BMW Intec Beteiligungs GmbH, a wholly owned subsidiary of BMW AG. The statutory seat of the Company is The Hague in the Netherlands. The Company has its registered office and principle place of business in Rijswijk in the Netherlands. The Company was registered in the Commercial Register at 14 June 1983, number 27.106.340. The Company purpose is to assist the financing of business activities conducted by companies of the BMW Group and its affiliates and to provide financial services in connection therewith. The core business of the Company comprises mainly financing BMW Group companies that are priced in accordance with the "at arm's length" principle.

During the first half year 2016 the Company employed 10 persons (2015: 10). The Company has a Supervisory Board, which was installed in December 2014 and exists of 3 persons.

Statement of compliance

This half-yearly financial information has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) have been drawn up using, in all material respects, the same accounting methods as those utilised in the Annual Report 2015. The interim financial statements for the six months ended 30 June 2016 and the comparative period have neither been audited nor reviewed.

The June 2016 Interim Report of BMW Finance N.V. is prepared and authorised for issue by the Board of Directors on 11 August 2016.

Solvency

Given the objectives of the Company, the Company is economically interrelated with the ultimate holding company, BMW AG, Germany. In assessing the solvency and general risk profile of the Company, the solvency of the BMW Group as a whole, headed by BMW AG, needs to be considered.

Basis of preparation

Functional and presentation currency

The financial year contains the period from 1 January to 31 December. The financial statements are presented in euro which is the Company's functional currency. Items included in the financial statements are measured using the currency of the primary economic environment in which BMW Finance N.V. operates. All financial information presented in euro has been rounded to the nearest thousand, unless otherwise stated in the notes.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the financial statement of financial position:

Financial assets and liabilities are measured at their fair value:
- derivative financial instruments, and
- recognised financial assets and liabilities that are part of fair value hedge relationships are measured at fair value in respect of the risk that is hedged.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make certain assumptions and judgements and to use estimations that can affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The assumptions used are continuously checked for their validity. Actual amounts could differ from the assumptions and estimations used if business conditions develop differently to the company expectations.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods affected. Due to the current financial market conditions, the estimates contained in these financial statements concerning the operations, economic performance and financial condition of the Company are subject to known and unknown risks, uncertainties and contingencies, many of which are beyond the control of the management of the Company, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Also, the estimates are based upon management's estimates of fair values and of future costs, using currently available information. Factors that could cause differences include, but are not limited to:
- risks of economic slowdown, downturn or recession, especially in the countries of subsidiaries invested in;
- risks inherent in changes in market interest rates and quality spreads, especially in an environment

of unpredictable financial market conditions;
- lending conditions to companies turning to the worse, thereby increasing the cost of borrowing;
- changes in funding markets, including commercial paper and term debt;
- uncertainties associated with risk management, including credit, prepayment, asset/liability, interest rate and currency risks;
- changes in laws or regulations governing our business and operations, and
- changes in competitive factors.

For the valuation of financial instruments the most significant assumptions and estimates relate to the interest rates and expected cash flows used in the valuation models.

Changes in accounting policies

(a) Financial reporting rules applied for the first time in the first half of 2016

The following Standards, Revised Standards, Amendments and Interpretations were applied for the first time in the first half of 2016:

Standard	Interpretation	Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU	Impact on BMW Finance N.V.
IFRS 11	Acquisition of an Interest in a Joint Operation (Amendments to IFRS 11)	6.5.2014	1.1.2016	1.1.2016	Insignificant
IAS 1	Presentation of Financial Statements (Initiative to Improve Disclosure Requirements – Amendments to IAS 1)	18.12.2014	1.1.2016	No	Significant in principle
IAS 16/ IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	12.5.2014	1.1.2016	1.1.2016	Insignificant
IAS 16/ IAS 41	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	30.6.2014	1.1.2016	1.1.2016	None
IAS 27	Equity Method in Separate Financial Statements (Amendments to IAS 27)	12.8.2014	1.1.2016	1.1.2016	None
	Annual Improvements to IFRS 2012–2014	25.9.2014	1.1.2016	1.2.2016	Insignificant

(b) Financial reporting pronouncements issued by the IASB, but not yet applied:

During the first half of the year, there have been no significant changes in the assessments of the impact of financial reporting rules that have not yet been applied. For further details, please see the comments in the Annual Report of the Company for the year ended 31 December 2015. The Amendment "Classification and Measurement of Share-based Remuneration" published in June 2016 (Amendment to IFRS 2) does not have a significant impact on the Company's Financial Statements.

[1] Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Foreign currency

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the individual transactions. At the end of the accounting period the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the year-end. Exchange rate differences arising on translation are recognised in the income statement. Quotations of market rates are obtained from Reuters Ltd.

Real time rates are frozen on daily basis.

Financial result

The financial result comprises the Interest margin, Other financial income and expenses and the Result from financial transactions. The Interest margin is the difference between Interest income and Interest expenses. The Interest income comprises interest income on funds invested. Interest expenses include interest expense on borrowings. Interest income and expense is recognised as it accrues in profit or loss, using the effective interest method. Other financial income and expenses cover the exchange rate differences of the assets and liabilities in foreign currency. Foreign currency gains and losses are reported on a net basis. The Result from financial transactions include changes in the fair value of financial assets at fair value through profit or loss and gains and losses on hedging instruments that are recognised in profit or loss.

Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until the Annual General Meeting of Shareholders has approved the proposal. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends (i.e. withholding taxes).

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Employee benefits

According to IAS 19.34 obligations for contributions to the defined benefit pension plan ("Group plan") sponsored by BMW Nederland B.V. are accounted for as if they are a defined contribution plan and are recognised as an expense in the income statement when they are due. New hires as from 1 January 2014 participate in a defined contribution plan.

Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Financial instruments

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value for 'financial assets at fair value through profit or loss' are recognised in profit or loss within Result from financial transactions.

Interest income from financial assets at fair value through profit or loss and interest on loans and receivables are included in the Interest income and expense (note 2).

Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise receivables from BMW group companies, trade and other receivables (see note 5). Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest and relevant credit spreads at the reporting date.

Marketable securities

The marketable securities in the portfolio of the Company are not quoted in an active market, the Company has the intention to hold the securities to maturity. The marketable securities are classified as loans and receivables. Given the risk profile of the investment, the credit enhancements and the expectation that the investment will be fully reimbursed included the interest payments, the investment is shown in the balance sheet at amortised costs.

Cash and cash equivalents (including Euro cash pool)

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. The Company is holder of the Euro cash pool. The form of the Euro cash pool is zero-balancing where all account balances are automatically transferred to one control account held by the Company. Funds moving into this account create intercompany loans between the Company and the Euro cash pool participants.

Non-derivative financial liabilities

The Company initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: debt securities, loans due to banks, loans due to BMW Group companies, trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The determination of the fair value of the non-derivative financial instruments which are allocated to level 1 are based on quoted prices in an active market. The fair value of non-derivative financial instruments classified at level 2 are determined using a measurement model, which takes the Group's own default risk and that of counterparties into account in the form of credit default swap (CDS) contracts which have matching terms and which can be observed on the market.

Derivative financial instruments and hedging activities

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

The Company discontinues hedge accounting prospectively when the hedge no longer meets the criteria for hedge accounting.

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Interest rate and currency swaps are valued by using discounted cash flow models. This method implements the discounting of future cash flows using yield curves of the cash flows currency and relevant credit spreads. The changes in the fair values of these contracts are reported in the income statement. Fair value changes arising on cash flow hedges, to the extent that they are effective, are recognised directly in equity.

Forward foreign exchange contracts are valued by using discounted cash flow models. Changes in fair value are calculated by comparing this with the original amount calculated by using the contract forward rate prevailing at the beginning of the contract.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

When the Company holds derivative financial instruments due to risk management policies, but no hedge accounting can be applied in line with IAS 39, then all changes in its fair value are recognised immediately in profit or loss.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in the other comprehensive income is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified in profit or loss.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item.

The Company discontinues hedge accounting prospectively when the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from a discontinued hedge is amortised to profit or loss. Amortisation begins as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. The adjustment is based on a recalculated effective interest rate at the date the amortisation begins.

Impairment

Financial assets

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), assessments are made regularly as to whether there is any objective evidence that a financial asset or group of assets may be impaired.

Impairment losses identified after carrying out an impairment test are recognised as an expense. With the exception of derivative financial instruments, all receivables and other current assets relate to loans and receivables which are not held for trading. All such items are measured at amortised cost. Receivables with maturities of over one year which bear no or a lower than market interest rate are discounted. Appropriate impairment losses are recognised to take account of all identifiable risks.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Share capital

Ordinary shares are classified as equity. There are no preference share capital or compound financial instruments issued by the Company.

Statement of cash flows

The cash flow statements show how the cash and cash equivalents of the Company have changed in the course of the year as a result of cash inflows and cash outflows. In accordance with IAS 7 (Statement of Cash Flows), cash flows are classified into cash flows from operating, investing and financing activities.

Cash and cash equivalents included in the cash flow statement comprise cash in hand, cheques, and cash at bank, to the extent that they are available within three months from the end of the reporting period and are subject to an insignificant risk of changes in value.

The cash flows from investing and financing activities are based on actual payments and receipts. By contrast, the cash flow from operating activities is derived indirectly from the net profit for the year. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects and changes in the composition of the Company. The changes in balance sheet positions shown in the cash flow statement do not therefore agree directly with the amounts shown in the Company and segment balance sheets.

The Company's purpose is to assist the financing of the activities conducted by companies of the BMW Group. This assistance is considered to be an operating activity for the Company. Movements related to debt securities, loans due to banks and liabilities to BMW Group companies are considered to be operating activities. The cash flow from operating activities is computed using the indirect method, starting from the net income of the Company. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects.

Segment reporting

Per IFRS 8 the Company is required to disclose segmental information of its performance. All interest income are derived through trading with entities that are owned and controlled by BMW AG which, in accordance with IFRS 8, due to the activities of the Company, only one operating segment could be identified.

[2] Interest income and expense

Total interest income and expense for financial assets and liabilities comprise the following:

in euro thousand	1 January to 30 June 2016	1 January to 30 June 2015
Interest income on financial assets at amortised cost	195,597	240,984
Interest income on financial assets included in a fair value hedge relationship	153,662	145,956
Interest income on derivatives fair value not included in a hedge relationship	2,681	4,185
Interest income	**351,940**	**391,125**
Interest expense on financial liabilities at amortised cost	(49,906)	(85,433)
Interest expense on financial liabilities included in a fair value hedge relationship	(210,011)	(212,828)
Interest expense on derivatives at fair value not included in a hedge relationship	(81,193)	(80,973)
Interest expense	**(341,110)**	**(379,234)**
Interest margin	**10,830**	**11,891**

Interest income and expense (paid and accrued interest) are recognised in the income statement using the effective interest method. Assets and liabilities at fair value stem from financial derivative instruments. Non-derivative financial instruments are measured at amortised cost. The carrying amount is adjusted for the changes in the value of the hedged risks when the instrument is included in a fair value hedge relationship. Fair value movements are not presented under interest income and expense, but under result from financial transactions (see note 3).

The cost of liquidity, due to structural overfunding, and the maturity mismatch on the total portfolio both negatively impact the net interest margin. The Company received from BMW AG a liquidity fee of euro 22.9 million (30.06.2015: euro 1.2 million) to incorporate the maturity mismatch on the portfolio. The liquidity fee increased significantly due to a received early termination fee in the first half of 2015 from early redeemed loans of UK Capital plc. of euro 25.0 million. The liquidity fee is presented as interest income on financial assets at amortised cost.

[3] Result from financial transactions

in euro thousand	1 January to 30 June 2016	1 January to 30 June 2015
Ineffective portion of instruments included in a hedge relationship	15,013	(14,028)
Revaluation of derivatives not included in a hedge relationship	(22,523)	9,829
Total	**(7,510)**	**(4,199)**

The revaluation of derivatives not included in a hedge relationship is mainly related to interest rates swaps to hedge the portfolio of fixed rate receivables from BMW Group companies (see note 7).

The result from financial transactions decreased due to decreased interest rates and changed market circumstances.

[4] **Taxes**

Income taxes comprise the following:

in euro thousand	1 January to 30 June 2016	1 January to 30 June 2015
Current tax income/(expense)	(601)	(5,349)
Total tax income/(expense) in income statement	**(601)**	**(5,349)**

Reconciliation of the effective tax rate:

in euro thousand		1 January to 30 June 2016		1 January to 30 June 2015
Income before tax		2,532		21,393
Income tax using the domestic corporate tax rate	25%	(633)	25%	(5,349)
Tax benefit relating to other periods		32		
Total tax income/(expense) in income statement		**(601)**		**(5,349)**
Effective tax rate		**23.7%**		**25.0%**

BMW Finance N.V., a member of the fiscal unity headed by BMW Holding B.V., is jointly and severally liable for the payment of any corporate tax liability of the fiscal unity. The following companies are part of the fiscal unity per 30 June 2016:

- BMW Holding B.V. (head of the fiscal unity)
- BMW Finance N.V.
- BMW Retail Nederland B.V.
- BMW Amsterdam B.V.
- BMW Den Haag B.V.
- BMW Nederland B.V.
- BMW Financial Services B.V.
- BMW International Investment B.V.
- BMW i Ventures B.V.
- BMW International Holding B.V.
- Alphabet Nederland B.V.

[5] Receivables from BMW Group companies

in euro thousand	30.06.2016	31.12.2015
Non-current from BMW Group companies	10,942,330	10,682,869
Current receivables from BMW Group companies	23,540,459	23,136,866
Total receivables from BMW Group companies	**34,482,789**	**33,819,735**

From the total receivables from BMW Group Companies per 30 June 2016 has 70% a fixed interest rate. The weighted average maturity period and the weighted average effective interest rate of the receivables from BMW Group companies during the first half of the financial year 2016 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	–	–	–
Receivables from affiliated companies	34,231,521	1.02	0.65
Inhousebank BMW AG	152,505	Daily	EONIA*
Trade receivables from BMW group companies	98,763	30 days	None
Total	**34,482,789**		

*EONIA = Euro Overnight Index Average (per 30.06.2016: 0.293 negative).

From the total receivables from BMW Group Companies per 31 December 2015 has 67% a fixed interest rate. The weighted average maturity period and the weighted average effective interest rate of the receivables from BMW Group companies during the financial year 2015 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	–	–	–
Receivables from affiliated companies	33,498,621	1.04	0.58
Inhousebank BMW AG	203,943	Daily	EONIA
Trade receivables from BMW group companies	117,171	30 days	None
Total	**33,819,735**		

The following table shows the maturity structure of the receivables from BMW Group companies:

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
30.06.2016	23,540,459	10,385,585	556,745	**34,482,789**
31.12.2015	23,136,866	10,116,677	566,192	**33,819,735**

All receivables from BMW Group companies are guaranteed by BMW AG when the aggregated losses on these receivables exceed euro 2 million.

[6] Debt securities

Debt securities include both hedged and unhedged debt securities, as well as commercial paper.

in euro thousand	30.06.2016	31.12.2015
Debt securities part of a fair value hedge relationship	19,763,285	19,458,627
Debt securities at amortised cost	8,506,332	6,875,086
Commercial paper	–	1,799,428
Total	**28,269,617**	**28,133,141**

The Bonds under the EMTN Program and other securities issued by the Company comprise per 30 June 2016:

Interest	Currency	Issue volume in millions	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
Variable	EUR	7,896	2.2	0.0
Variable	GBP	50	1.0	0.0
Variable	SEK	4,700	2.5	0.0
Variable	USD	440	1.3	0.0
Fixed	AUD	640	5.3	4.3
Fixed	CHF	300	6.0	1.7
Fixed	EUR	17,304	7.0	2.0
Fixed	GBP	2,100	5.0	2.9
Fixed	HKD	1,093	4.1	1.9
Fixed	JPY	70,100	3.4	0.4
Fixed	NOK	750	5.0	2.8
Fixed	SEK	1,750	5.0	1.9

The Euro Medium Term Note ("EMTN") Program of euro 35.0 billion has been increased in October 2015 to euro 50.0 billion. The EMTN Programme has been used in several currencies by the Company. Further issuers are BMW AG, BMW US Capital LLC, BMW International Investment B.V., BMW Australia Finance Limited and BMW Japan Finance Corp. Furthermore the Company participates in the euro 5.0 billion Multi-Currency Commercial Paper Programme established by BMW AG, BMW Finance N.V., BMW International Investment B.V., BMW Coordination Center V.O.F. and BMW Malta Finance Ltd. The Multi-Currency Commercial Paper Programme support flexible and broad access to capital markets. Since May 2006, the Company acts as an issuer under the euro 2.0 billion French Commercial Paper (Billets de Trésorerie) Programme established by the Company. Debt issuances under these programmes have unconditional and irrevocable guarantees from BMW AG.

The outstanding balances with respect to the commercial paper programs are fully related to the euro 5.0 billion Multi-Currency Commercial Paper Program. The average maturity and interest rates are presented in the table below:

Euro 5.0 billion Multi-Currency Commercial Paper Program outstanding balance:

in euro thousand	Outstanding		Weighted average maturity period (in years)		Weighted average effective interest rates (in %)	
	2016	2015	2016	2015	2016	2015
Total	**–**	**1,799,428**	**–**	**0.34**	**–**	**0.13**

[7] Financial instruments

Derivative financial instruments are measured at their fair value. The fair values of derivatives financial instruments are determined using measurement models, as a consequence of which there is a risk that the amounts calculated could differ from realisable market prices on disposal. Observable financial market prices are taken into account in the measurement of derivative financial instruments. The valuation takes into account, the Company's own default risk and that of counterparties in the form of credit default swap (CDS) spreads which have appropriate terms and which can be observed on the market.

Financial instruments measured at fair value are allocated to different levels:

1. level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
2. level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
3. level 3 inputs are unobservable inputs for the asset or liability.

The following table shows the amounts allocated to each level at 30 June 2016:

	Level hierarchy in accordance with IFRS 13		
In euro thousand	Level 1	Level 2	Level 3
Derivative instruments (assets)			
Fair value hedges	–	1,023,182	–
Other derivative instruments	–	982,076	–
Derivative instruments (liabilities)			
Fair value hedges	–	169,737	–
Other derivative instruments	–	324,569	–

The following table shows the amounts allocated to each level at 31 December 2015:

	Level hierarchy in accordance with IFRS 13		
In euro thousand	Level 1	Level 2	Level 3
Derivative instruments (assets)			
Fair value hedges	–	992,888	–
Other derivative instruments	–	455,488	–
Derivative instruments (liabilities)			
Fair value hedges	–	70,970	–
Other derivative instruments	–	629,731	–

There were no significant reclassifications within the level hierarchy during the first half year of 2016.

The fair values in the financial asset and liability categories approximate their carrying values, except for the BMW Group receivables with a fixed interest rate, non-current debt securities and other (intercompany) payables with a fixed interest rate.

BMW Group receivables are valued at amortised cost. The underlying changes to the fair value of these assets are therefore not recognised in the balance sheet. The Company does not apply hedge accounting to loans in the intercompany receivables with a fixed interest rate. At 30 June 2016, the indicative fair value of these loans was euro 36,277 million, euro 1,794 million above their carrying value (31.12.2015: euro 513 million above). The change of fair value of the BMW Group receivables are valued according to level 2 methodologies.

The fair value of the non-current debt securities at 30 June 2016, was euro 22,045 million, euro 536 million above their carrying value (31.12.2015: euro 99 million). The fair value of the non-current debt securities at 30 June 2016 which are valued according to level 1 was euro 17,810 million (31.12.2015: euro 17,713 million). The fair value of the non-current debt securities valued according to level 2 was euro 4,235 million (31.12.2015: euro 2,183 million). For the current debt securities the fair value approximate the carrying value.

At 30 June 2016, the indicative fair value of the loans due to banks was euro 1,958 million, euro 103 million above their carrying value (31.12.2015: euro 57 million). The change of fair value of the loans due to banks are valued according to level 2 methodologies.

[8] Risk management

The exposure of the Company can be broken down into two main categories: financial and non-financial risks.

Financial Risks

The formal procedures and policies operated by the Company to cover banking, foreign exchange and other treasury matters are consistent with objectives and policies for financial risk management within the BMW Group. The Company's policy is not to take positions in derivative financial instruments with the aim of profit realisation.

The Company has exposure to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk;
- market risk, and
- operational risk.

This note presents information about the BMW Group's exposure to each of the above risks, the BMW Group's objectives, policies and processes for measuring and managing risk, and the BMW Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

Credit Risk

Credit risk result from the risk of default of internal or external counterparties. Given the activities of the Company, the credit risk is mainly related to the Treasury and the intergroup financing activities.

The amount recognised in the balance sheet of the Company for financial assets is, ignoring any collateral received, the maximum credit risk in the case that counterparties are unable to fulfil their contractual obligations. In the case of derivative financial instruments, the Company is also exposed to credit risk, which results from the non-performance of contractual agreement on the part of the counterparty. This credit risk, for Treasury activities is mitigated by entering into such contracts only with parties of first-class credit standing. Furthermore, the Company participates in a BMW Group wide limit system that continually assesses and limits the credit exposure to any single external counterparty.

All receivables from BMW Group companies are guaranteed by BMW AG when the aggregated losses on these receivables exceed euro 2 million. As a result credit risk of intergroup receivables is substantially mitigated.

The BMW Group policy is to provide financial guarantees only to wholly-owned subsidiaries.

The Company has various financial receivables, mainly from group companies, of which some are considered significant. A concentration of credit risk with particular borrowers has not been identified in conjunction with financial instruments, however all receivables from BMW Group companies are guaranteed by BMW AG when the aggregated losses on these receivables exceed euro 2 million. Therefore the credit risk is primarily related to BMW AG.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial liabilities when they come due, at reasonable costs and in a timely manner. As a result, the Company's borrowing capacity may be influenced and its financing costs may fluctuate. The cash and short-term deposits as well as the Multi Currency Revolving Credit Facility of the BMW Group mitigate the liquidity risk for the Company. Furthermore, the Company uses uncommitted credit lines with banks and bank loans to cover liquidity needs. The diversification of debt instruments for debt financing reflects the successful financial strategy of the BMW Group. BMW AG unconditionally and irrevocably guarantees all debt securities issued under the EMTN Programmes.

The Company has various possibilities for liquidity facilities. A concentration of liquidity risk has not been identified.

Market risk

The Company is exposed to market risk, which comprises interest rate risk and currency risk.

Interest rate risk

Interest rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in interest rates. The Company holds a substantial volume of interest rate sensitive financial assets, liabilities and derivatives for operational, financial and investment activities. Changes in interest rates can have adverse effects on the financial position and operating result of the Company. In order to mitigate the impact of interest rate risk the Company aims in general to change fixed to floating interest rates. Furthermore, the Company continually assesses its exposure to this risk by using gap analysis, value at risk analysis, and duration analysis. Interest rate risk is managed through natural hedges and hedged through the use of derivative financial instruments, such as interest rate swaps. To manage the maturity gaps appropriate interest rate derivatives are used.

The Company applies a value at risk-approach for internal reporting purposes and to control the frequency, extent, and size of possible losses in such a way as to provide the minimum surprise. The approach to value at risk is based on a modern historical simulation, in which the potential future fair value losses of the interest rate portfolios are compared across the BMW Group with probable amounts measured on the basis of a holding period of 250 days and a confidence level of 99.98%. Due to the aggregation of these results, a risk reduction effect due to correlations between the various portfolios is accomplished.

The entity implemented the Financial Strategy of the BMW Group. The objective of interest rate risk neutrality is accomplished when interest rate gaps are managed in manner that the economic value of the portfolio of financial instruments is immunised to a considerable degree against changes in interest rates. The Company monitors its interest rate risk exposure continuously and prepares a monthly report submitted to the BMW Group treasury department. A primary risk measure when judging the interest rate exposure of the entity is the present value of a basis point of the portfolio. This concept indicates the impact on profit and loss, representing the sum of discounted cash flows of the financial instruments, by assuming a parallel shift of the interest rate curve of a basis point.

Currency risk

Currency risk or exchange rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in exchange rates. Changes in exchange rates can have adverse effects on the financial position and operating result of the Company. In order to mitigate the impact of currency risk arising from operational, financial and investment activities, the Company continually assesses its exposure to this risk. Currency risk is managed and hedged through natural hedges and with the use of derivative instruments, such as forward contracts and cross currency swaps. The Company has minor unhedged foreign currency debt positions.

Non-Financial Risks

Operating Risks

Non-financial risks could arise from operating risks. Risks mainly result from the use of computer systems and information technology. The Company uses computer systems to monitor financial positions and daily cash flows and to process payments to internal and external counterparties. System failures can, therefore, lead to delays in payment processes. Further operating risks can arise in connection with the settlement of financial transactions. The management of daily cash flows at the Company depends on the timely receipt of funds from external institutions who act as counterparties to financial transactions, such as bonds, swaps or other derivative financial instruments. To avoid negative impacts of system failures, all key systems are set up in parallel and/or backup facilities or available within the BMW Group.

[9] Capital management

In accordance with BMW Group's target debt structure, the Company maintains a solid target debt policy. Furthermore the Company has no prescribed dividend policy. The increase in the credit spreads has negatively affected the cost of capital and, therefore, the operating result of the Company. Further changes in credit spreads could arise from changes in demand for term debt instruments on capital markets, the removal of the unconditional and irrevocable guarantees of BMW AG form the above-mentioned debt-issuance programs in which the Company participates, credit standards for loans to enterprises turning for the worse and impacting also the lending conditions for the BMW Group negatively and a decreasing willingness of banks to provide credit lines and loans.

[10] Related parties

BMW Finance N.V. has three directors in the board of management. Two directors receive compensation from BMW Finance N.V. The other one is paid by other BMW Group companies outside the scope of BMW Finance N.V. The Company doesn't have other key management personnel than the board of directors.

BMW Nederland B.V. is the sponsoring employer for the defined benefit plan. A comprehensive exchange of internal services in between the affiliates of a multinational corporation as the BMW Group is common practice.

In its responsibility to assist the financing of business activities conducted by companies of the BMW Group and its affiliates, BMW Finance N.V. applies transfer prices for financial instruments in conformity with market levels and in accordance with national and international tax requirements (arm's length principle, principle of economic allegiance, separate entity approach, Art 9 OECD-MA Rz 126).

In principle, the transfer prices for financial instruments are determined on the basis of two components: the price for BMW Credit Default Swaps and a transfer pricing margin.

The price for BMW Credit Default Swaps is applied for maturities >6 months, taken from Bloomberg. For uneven maturities and maturities between Overnight and six months the method of linear inter-/-extrapolation based on the available BMW Credit Default Swaps is used to calculate the appropriate credit risk with regard to market prices. To enhance efficiency and ensure consistency throughout the BMW Group, a transfer pricing sheet is provided monthly by the Mid Office, which is daily filled with actual data to calculate the credit and term spread for every transaction. Finally, a transfer pricing margin is applied to account for the running costs of BMW Finance N.V.

The interest rate result was positively affected by a liquidity fee of BMW AG of euro 22.9 million (30.06.2015: euro 1.2 million) for maintaining a liquidity buffer for BMW Group strategic purposes and the maturity mismatch on the portfolio. This fee is based on negatively impacted net interest margin due to the cost of liquidity, due to structural over-funding, and the maturity mismatch on the total portfolio.

The Company has purchased in May 2013 all Class B notes amounting to CHF 57.9 million and all Class Z notes amounting to CHF 21.6 million of the CHF 300 million Asset Backed Security issued by Bavarian Sky S.A., which is a Luxembourg limited liability company (Société Anonyme) incorporated on 26 April 2007. Bavarian Sky is recognised as a Special Purpose Entity in the consolidated accounts of BMW AG. The Special Purpose Entity is structured as a bankruptcy-remote entity, thus insulating the transaction from the credit risk of the originator/seller (BMW Schweiz AG), and is owned to 100% by Stichting Andesien, a foundation duly incorporated and validly existing under the laws of The Netherlands, having its registered office at Amsteldijk 166, 1079 LH Amsterdam, and registered with the trade register of the Chamber of Commerce in Amsterdam under number 34.272.266.

The portfolio consists of German car lease receivables of BMW Schweiz AG (100% subsidiary of BMW AG) excluding residual value and its development is monitored monthly on the basis of the asset value report received monthly from Bavarian Sky S.A.

In the first half of 2016 the Class B amounting to CHF 57.9 million and all Class Z notes amounting to CHF 21.6 million of the CHF 300 million Asset Backed Security are redeemed.

The Company has purchased in May 2015 all Class B notes amounting to euro 42.5 million of the euro 400 million Asset Backed Security issued by Bavarian Sky France. The portfolio consists French auto lease receivables and residual value receivables arising from auto lease contracts originated by BMW Finance S.N.C. in France (including Dealer Buy-Back Receivables and future receivables relating to the sale of the underlying vehicles to the Lessee or to a third party).

The Company has purchased in February 2014 all (2500) rated listed secured redeemable non-convertible debentures amounting to INR 2.5 million private placement issued by BMW India Financial Services Private Limited, which is a private limited company incorporated on 3 November 2009. BMW India Financial Services Private Limited is recognised as a 100% subsidiary in the consolidated accounts of BMW AG.

In September 2014 the Company has purchased another INR 5.0 million private placement issued by BMW India Financial Services Private Limited.

The fair value of the marketable securities is allocated to level 2 according to IFRS 13. The valuation technique used for the determination of the fair value is the discounted cash flow method, with use of the following parameters: prepayment rate, delinquency rate, default rate and credit spread. These parameters didn't change significantly since the date of the inception. Therefore the fair value of the marketable securities is assumed to be equal to the carrying amount.

The Hague, 11 August 2016

The Board of Management:

F. Altmann	**A. Rost**	**G. Ramcharan**
Director	**Managing Director**	**Financial Director**