ANNUAL REPORT 2014

BMW FINANCE N.V.

BMW GROUP

Rolls-Royce
Motor Cars Limited

BMW Finance N.V.
Directors' Report

Dear Ladies and Gentlemen,

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. formed a fiscal unity together with the BMW Group companies located in the Netherlands. The purpose of BMW Finance N.V. 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 BMW Finance N.V. comprises mainly financing BMW Group companies that are priced in accordance with the "at arm's length" principle. BMW Finance N.V. was the parent company of BMW España Finance S.L. BMW España Finance S.L. is the parent company of BMW Portugal, Lda. and BMW Renting (Portugal), Lda. BMW Finance N.V. has sold its shares in the company BMW España Finance S.L. to BMW International Investment B.V. for the price of 71.9 million euro being the cost price increased by the profit after tax of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. as of 30 November 2014. All assets and liabilities have been transferred as of the date of the 1 December 2014. Therefore the companies BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. are not consolidated anymore in the financial statements of the Company. The total result of the companies BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. until 30 November 2014 is presented as result out of discontinued operations in the consolidated statement of comprehensive income. Therefore for the year 2014 only the segment Intergroup Financing is presented.

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 known 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 optimization 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, residual value 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.

Due to the sale of the shares from BMW España Finance S.L., BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. are not consolidated anymore in the financial statements of the Company. Where necessary comparative figures of the prior year have been restated retrospectively. The Company's balance sheet total increased by euro 1,158 million (+3.8%) to stand at euro 31,964 million at 31 December 2014. The main factors behind the increase on the assets side of the balance sheet were current and non-current receivables from BMW Group companies (to euro 30,330 million, +2.44%). On the equity and liabilities side of the balance sheet, the increase was mainly driven by the rise in total debt securities (to euro 26,067 million, +6.94%) and a decrease in loans due to banks (to euro 1,554 million, -32.98%).

The financial position of the Company shows a net profit of euro 19.1 million (2013: net profit of euro 34.0 million). The main driver of the result are an interest profit of euro 23.2 million and a negative result of the financial instruments which resulted in a loss of euro 10.1 million (2013: profit euro 29.5 million). This refers to the fair value measurement of financial instruments and was partially caused by interest rate swaps to hedge the portfolio. For further details on the valuation of financial instruments reference is made to the financial statements note 27.

The interest margin increased to euro 23.2 million (2013: euro 17.6 million) due to declining interest rates and received liquidity fee. 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 60.2 million (2013: euro 75.8 million).

The Euro Medium Term Note ("EMTN") Programme has remained in 2014 at euro 35.0 billion and has been together with the euro 5.0 billion Multi Currency Commercial Paper Programme successfully used during 2014 to refinance BMW Group companies. Under the EMTN Programme, BMW Finance N.V. issued 41 new debt securities (2013: 35 new debt securities) with a nominal amount of euro 7.9 billion (2013: euro 5.9 billion). The net proceeds have been used for general BMW Group financing purposes. During the year the Company redeemed 37 EMTN's (2013: 31 EMTN's) with a nominal amount of euro 5.6 billion (2013: euro 4.5 billion). The funding volume will according to our most recently updated financial planning increase in 2015 in comparison to 2014. 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 to rebound from approximately 3.3% in 2014 to around 3.5% in 2015 and 3.7% in 2016. The euro area is turning the corner from recession to recovery. Most of the countries in Europe are expected to see their economic output grow: Netherlands to

1.4% (2014: 0.8%). In the light of the environment discussed above, the Company believes that overall it will have a moderately better performance in the financial year 2015.

In September 2014, Andreas Rost replaced Raoul van der Meeren as managing director of the Company. Further Fredrik Altmann and Glenn Ramcharan were appointed as new Board Members of BMW Finance N.V. in December 2014. They replaced Norbert Mayer and Neil Fiorentinos, who joined the new established Supervisory Board of BMW Finance N.V., together with Thomas Sieber. The Company has taken notice of the Dutch Act on Management/Supervisory Board. The members of the board will continue to be selected on the basis of their experience, knowledge and background. In the future the successor will be hired based upon qualifications for the job. During 2014 the Company employed 10 people (2013: 62 people). The reduction of the employees is due to the sale of the shares of BMW España Finance S.L. to BMW International Investment B.V.

The Hague, 2 April 2015

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

Dear Ladies and Gentlemen,

In December 2014 BMW Finance N.V. established a new Supervisory Board. The Supervisory Board is represented by three members: Norbert Mayer, Neil Fiorentinos and Thomas Sieber. The Company has taken notice of the Dutch Act on Management/Supervisory Board. The members of the board will continue to be selected on the basis of their experience, knowledge and background. In the future the successor will be hired based upon qualifications for the job.

The Company's balance sheet total increased to euro 31,964 million (euro +1,158 million) at 31 December 2014. The financial position of the Company shows a net profit of euro 19.1 million (2013: net profit of euro 34.0 million). The main driver of the result are a interest profit of euro 23.2 million and a negative result of the financial instruments which resulted in a loss of euro 10.1 million (2013: profit euro 29.5 million). The Financial Statements of BMW Finance N.V. for the financial year 2014 will be submitted for approval by the Supervisory Board on 2 July 2015.

The Hague, 2 April 2015

N. Mayer **N. Fiorentinos** **T. Sieber**

BMW Finance N.V.
Consolidated Statement of Comprehensive Income

Continuing operations

in euro thousand	Notes	2014	2013 restated
Interest income BMW Group companies		485,992	514,740
Interest income Third parties		303,070	386,516
Interest income	[2]	**789,062**	**901,256**
Interest expense BMW Group companies		(52,064)	(36,600)
Interest expense Third parties		(713,780)	(847,072)
Interest expense	[2]	**(765,844)**	**(883,672)**
Interest margin		**23,218**	**17,584**
Other financial income and expenses	[3]	1,039	807
Result from financial transactions	[4]	(10,055)	29,531
Financial result		**14,202**	**47,922**
Miscellaneous income & expenses	[5]	(1,041)	(1,246)
Income before taxation		**13,161**	**46,676**
Taxes	[6]	(3,290)	(11,669)
Net income / (loss) from continuing operations		**9,871**	**35,007**
Discontinued operations			
Result after taxes for the year from discontinued operations	[7]	9,250	(1,029)
Net income / (loss) for the year		**19,121**	**33,978**
Attributable non-controlling interest		–	(17)
Attributable to Shareholders of BMW Finance N.V.		19,121	33,995
Earnings per share of common stock in euro from continuing and discontinued operations			
Basic earnings per share			
From continuing operations		2,820	10,002
From discontinued operations		2,643	(289)
Profit for the year		**5,463**	**9,713**

Consolidated Statement of Comprehensive Income

in euro thousand	2014	2013 restated
Net income	19,121	33,978
Other comprehensive income:		
Will not be reclassified subsequently to profit and loss		
Effect of change in lease accounting	–	1,126
Will be reclassified subsequently to profit and loss		
Effective portion of changes in fair value of cash flow hedges	(126)	831
Deferred tax on other comprehensive income	32	(208)
Other comprehensive income for the period after tax	**(94)**	**1,749**
Total comprehensive income for the period	**19,027**	**35,727**
Attributable to:		
Attributable non-controlling interest	–	(18)
Attributable to Shareholders of BMW Finance N.V.	19,027	35,745
Total comprehensive income for the year	**19,027**	**35,727**
Total comprehensive income attributable to Shareholders of BMW Finance N.V. arises from:		
Continuing operations	9,777	36,756
Discontinued operations	9,250	(1,029)
	19,027	**35,727**

BMW Finance N.V.
Consolidated Balance Sheets
As at 31 December

Assets in euro thousand	Notes	31.12.2014*	31.12.2013
Property, plants and equipments	[9]	–	74,314
Equity investments		–	87,182
Receivables from BMW Group companies	[10]	11,354,015	8,780,202
Marketable securities	[12]	164,173	63,847
Derivative assets	[27]	1,193,143	492,002
Deferred tax	[16]	384	1,262
Non-current assets		**12,711,715**	**9,498,809**
Receivables from BMW Group companies	[10]	18,975,741	20,832,005
Receivables from sales financing	[11]	–	440
Inventories	[13]	–	39,811
Derivative assets	[27]	244,129	374,258
Interest receivables and other receivables	[14]	31,401	40,946
Cash and cash equivalents	[15]	1,275	19,671
Current assets		**19,252,546**	**21,307,131**
Total assets		**31,964,261**	**30,805,940**

* Not consolidated.

Equity and liabilities in euro thousand	Notes	31.12.2014*	31.12.2013
Issued capital	[17]	1,750	1,750
Share premium reserve	[18]	55,488	55,488
Hedging reserve	[19]	(1,151)	(1,057)
Retained earnings		20,980	170,703
Undistributed income		19,121	33,995
Non-controlling interest	[20]	–	80
Equity		**96,188**	**260,959**
Debt securities	[21]	19,265,692	15,091,473
Loans due to banks	[22]	1,082,445	1,543,013
Liabilities due to BMW Group companies	[23]	–	85,000
Derivative liabilities	[27]	304,527	250,406
Deferred tax	[16]	–	285
Income tax liabilities	[25]	–	7,700
Other liabilities	[26]	–	7,919
Non-current liabilities		**20,652,664**	**16,985,796**
Debt securities	[21]	6,801,414	9,284,200
Loans due to banks	[22]	471,741	773,110
Liabilities due to BMW Group companies	[23]	3,394,713	2,938,560
Derivative liabilities	[27]	240,501	125,463
Income tax liabilities	[25]	–	12,871
Interest payables and other liabilities	[26]	307,040	424,981
Current liabilities		**11,215,409**	**13,559,185**
Total equity and liabilities		**31,964,261**	**30,805,940**

* Not consolidated.

in euro thousand	2014	2013 restated
Net income for the year from continued operations	9,871	35,007
Adjustments for non-cash items		
Hedging Reserve	(93)	623
Fair value measurement losses/(gains)	(2,592)	(29,531)
Taxes	(32)	208
Amortisation financial instruments	(1,782)	872
Changes in operating assets and liabilities		
Receivables from BMW Group companies	(870,303)	(1,474,776)
Receivables and other assets	(1,951)	417,509
Derivatives	(85,127)	(249,545)
Debt securities	1,379,695	2,700,757
Loans due to banks	(755,789)	(1,137,401)
Liabilities to BMW Group companies	413,885	(70,773)
Other liabilities	(68,536)	(148,694)
Discontinued operations	11,425	(6,847)
Cash flow from operating activities	**28,671**	**37,409**
Marketable securities	(100,326)	(16,797)
Investments	62,646	(15,000)
Cash flow from investing activities	**(37,680)**	**(31,797)**
Discontinued operations	(2,175)	3,643
Cash flow from financing activities	**(2,175)**	**3,643**
Net increase/(decrease) in cash and cash equivalents	**(11,184)**	**9,255**
Cash and cash equivalents at January 1	12,459	10,416
Cash and cash equivalents at January 1	**12,459**	**10,416**
Cash and cash equivalents at December 31 continued operations	1,275	12,459
Cash and cash equivalents at December 31 discontinued operations	–	7,212
Cash and cash equivalents at December 31	**1,275**	**19,671**

The cash flow from interest received/paid in the respective year:

in euro thousand	2014	2013 restated
Interest received	825,053	1,314,679
Interest paid	846,406	1,031,345

Due to the sale of the shares from BMW España Finance S.L. the Cash Flow Statement of prior year has been restated.

BMW Finance N.V.
Consolidated Statement of Changes in Equity

	Attributable to owners of the parent						
in euro thousand	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income	Non-controlling interest	**Total**
1 January 2013	**1,750**	**55,488**	**(1,680)**	**214,827**	**(44,087)**	**97**	**226,395**
Total result 2013 recognised in the profit and loss account	–	–	–	–	33,995	(17)	**33,978**
Other comprehensive income for 2013	–	–	623	–	–	–	**623**
Total comprehensive income in the period	**–**	**–**	**623**	**–**	**33,995**	**(17)**	**34,601**
Appropriation of results 2012	–	–	–	(44,087)	44,087	–	**–**
Transactions with owners recorded directly in equity							
Dividend distribution in kind	–	–	–	(37)	–	–	**(37)**
31 December 2013	**1,750**	**55,488**	**(1,057)**	**170,703**	**33,995**	**80**	**260,959**
Total result 2014 recognised in the profit and loss account	–	–	–	–	19,121	–	**19,121**
Other comprehensive income for 2014	–	–	(94)	–	–	–	**(94)**
Total comprehensive income in the period	**–**	**–**	**(94)**	**–**	**19,121**	**–**	**19,027**
Appropriation of results 2013	–	–	–	33,995	(33,995)	–	**–**
Transactions with owners recorded directly in equity							
Dividend distribution in kind	–	–	–	–	–	–	**–**
Cumulated result of discontinued operations	–	–	–	(183,718)	–	(80)	**(183,798)**
31 December 2014	**1,750**	**55,488**	**(1,151)**	**20,980**	**19,121**	**–**	**96,188**

BMW Finance N.V. was the parent company of BMW España Finance S.L. BMW España Finance S.L. is the parent company of BMW Portugal, Lda. and BMW Renting (Portugal), Lda. The shares that BMW Finance N.V. had in the company BMW España Finance S.L. are sold to BMW International Investment B.V. for the price of 71.9 million euro being the cost price increased by the profit after tax of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. as of 30 November 2014. All assets and liabilities have been transferred as of the date of the 1 December 2014. Therefore the companies BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. are not consolidated anymore in the financial statements of the Company.

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 BMW Finance N.V. is The Hague. BMW Finance N.V. was registered in the Commercial Register at 14 June 1983, number 27.106.340. BMW Finance N.V. 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 BMW Finance N.V. comprises mainly financing BMW Group companies that are priced in accordance with the "at arm's length" principle. BMW Finance N.V. was the parent company of BMW España Finance S.L. BMW España Finance S.L. is the parent company of BMW Portugal, Lda. and BMW Renting (Portugal), Lda. The shares that BMW Finance N.V. had in the company BMW España Finance S.L. are sold to BMW International Investment B.V. for the price of 71.9 million euro being the cost price increased by the profit after tax of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. as of 30 November 2014. All assets and liabilities have been transferred as of the date of the 1 December 2014, which is also the date, where the power of control ceases. Therefore the companies BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. are not consolidated anymore in the financial statements of the Company.

During the year the Company employed 10 persons (2013: 62). The Company has a Supervisory Board, which is installed in December 2014 and exists of 3 persons.

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union and issued by the International Accounting Standards Board (IASB) and with Part 9 of Book 2 of the Netherlands Civil Code.

The 2014 Annual Report of BMW Finance N.V. is prepared and authorised for issue by the Board of Directors on 2 April 2015 and will be submitted for approval to the Annual General Meeting of Shareholders on 2 July 2015.

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 consolidated financial statements are presented in euro which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand, unless otherwise stated in the notes.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

BMW Finance N.V. was the parent company of BMW España Finance S.L. BMW España Finance S.L. is the parent company of BMW Portugal, Lda. and BMW Renting (Portugal), Lda. The shares that BMW Finance N.V. had in the company BMW España Finance S.L. are sold to BMW International Investment B.V. for the price of 71.9 million euro being the cost price increased by the profit after tax of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. as of 30 November 2014. All assets and liabilities have been transferred as of the date of the 1 December 2014. Therefore the companies BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. are not consolidated anymore in the financial statements of the Company. The total result of the companies BMW España Finance S.L. BMW Portugal, Lda. and BMW Renting (Portugal), Lda. until 30 November 2014 is presented as result out of discontinued operations in the consolidated statement of comprehensive income.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Basis of measurement

The consolidated 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 instrument, 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.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods affected.

Comparative figures

The changes in accounting policies have been applied in accordance with IAS 8. Where necessary comparative figures of the prior year in the Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statements and notes Interest income and expense (note 2), Other financial income and expenses (note 3), Result from financial transactions (note 4), Miscellaneous income & expenses (note 5), Taxes (note 6) and Risk management (note 28) have been restated retrospectively.

Changes in accounting policies

(a) Financial reporting rules applied for the first time in the financial year 2014.

The following Standards, Revised Standards, Amendments and Interpretations were applied for the first time in the financial year 2014:

Standard	Interpretation	Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU	Impact on BMW Finance N.V.
IFRS 10	Consolidated Financial Statements	12.5.2011	1.1.2013	1.1.2014	Insignificant
IFRS 11	Joint Arrangements	12.5.2011	1.1.2013	1.1.2014	Insignificant
IFRS 12	Disclosure of Interest in Other Entities	12.5.2011	1.1.2013	1.1.2014	Insignificant
	Changes in transitional regulations (IFRS 10, IFRS 11 and IFRS 12	28.6.2012	1.1.2013	1.1.2014	Insignificant
	Investment Entities (Amendments to IFRS 10, IFRS 11 and IAS 27)	31.10.2012	1.1.2014	1.1.2014	Insignificant
IAS 27	Separate Financial Statements	12.5.2011	1.1.2013	1.1.2014	None
IAS 28	Investments in Associates and Joint Ventures	12.5.2011	1.1.2013	1.1.2014	None
IAS 32	Presentation – Offsetting of Financial Assets and Financial Liabilities	16.12.2011	1.1.2014	1.1.2014	Insignificant
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	27.6.2013	1.1.2014	1.1.2014	Insignificant

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

Standard	Interpretation	Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU	Expected impact on BMW Finance N.V.
IFRS 9	Financial Instruments	12.11.2009/ 28.10.2010/ 16.12.2011/ 19.11.2013/ 24.7.2014	1.1.2018	No	Significant in principle
IFRS 10/ IAS 28	Sale or Contribution of Assets between an Investor and an Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	11.9.2014	1.1.2016	No	Insignificant
IFRS 10/ IFRS 12/ IAS 28	Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	18.12.2014	1.1.2016	No	Insignificant
IFRS 11	Acquisition of an Interest in a Joint Operation (Amendments to IFRS 11)	6.5.2014	1.1.2016	No	Insignificant
IFRS 14	Regulatory Deferral Accounts	30.1.2014	1.1.2016	No	None
IFRS 15	Revenue from Contracts with Customers	28.5.2014	1.1.2017	No	None
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	No	Insignificant
IAS 16/ IAS 41	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	30.6.2014	1.1.2016	No	None
IAS 19	Employment Benefits: Employee Contributions (Amendments to IAS 19)	21.11.2013	1.7.2014	1.2.2015[1]	Insignificant
IAS 27	Equity Method in Separate Financial Statements (Amendments to IAS 27)	12.8.2014	1.1.2016	No	None
IFRIC 21	Levies	20.5.2013	1.1.2014	17.6.2014[2]	Insignificant
	Annual Improvements to IFRS 2010-2012	12.12.2013	1.7.2014	1.2.2015[1]	Insignificant
	Annual Improvements to IFRS 2011-2013	12.12.2013	1.7.2014	1.2.2015	Insignificant
	Annual Improvements to IFRS 2012-2014	25.9.2014	1.1.2016	No	Insignificant

1 Mandatory application in annual periods years beginning on or after 1 February 2015.
2 Mandatory application in annual periods years beginning on or after 17 June 2014.

In November 2009 the IASB issued IFRS 9 (Financial Instruments) as part of a project to revise the accounting for financial instruments. This Standard marks the first of three phases of the IASB project to replace the existing IAS 39 (Financial Instruments: Recognition and Measurement). The first phase deals initially only with financial assets. IFRS 9 amends the recognition and measurement requirements for financial assets, including various hybrid contracts.

Financial assets are measured at either amortised cost or fair value. IFRS 9 harmonises the various rules contained in IAS 39 and reduces the number of valuation categories for financial instruments on the assets side of the balance sheet.

The new categorisation is based partly on the entity's business model and partly on the contractual cash flow characteristics. In October 2010, additional rules for financial liabilities were added to IFRS 9. The requirements for financial liabilities contrained in IAS 39 remain unchanged with the exception of new requirements relating to the measurement of an entity's own credit risk at fair value. A package of amendments to IFRS 9 was announced on 19 November 2013. On the one hand, the amendments overhaul the requirements for hedge accounting by introducing a new hedge accounting model. They also enable entities to change the accounting for liabilities they have elected to measure at fair value, before applying any other requirement in IFRS 9, such that fair value changes due to changes in "own credit risk" would not require to be recognised in profit or loss. The mandatory effective date of 1 January 2015 was removed and a new application date of 1 January 2018 set. The impact of adoption of the Standard on the Financial Statements is currently being assessed.

In December 2014, the IASB issued Amendments to IAS 1 as part of its disclosure initiative. The amendments relate primarily to clarifications relating to the presentation of financial reports.

The Standard is mandatory for the first time for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The potential impact of adoption of the new requirements on the Financial Statements is currently being assessed.

[1] Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Company's subsidiaries, except as explained in note which addresses changes in accounting policies.

Accounting for business combinations

The Company applies the acquisition method for the business combinations, other than those under common control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Company measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Company and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

The Company measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Transaction costs that the Company incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

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.

Revenues

Revenues from the sale of products are recognised when the risks and rewards of ownership of the goods are transferred to the customer, provided that the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and costs incurred or to be incurred in respect of the sale can be measured reliably. Revenues are stated net of settlement discount, bonuses and rebates. Revenues also include lease rentals and interest income earned in conjunction with financial services. Revenues from leasing instalments relate to operating leases and are recognised in the income statement on a straight line basis over the relevant term of the lease. If the sale of products includes a determinable amount for subsequent services (multiple-component contracts), the related revenues are deferred and recognised as income over the period of the contract. Amounts are normally recognised as income by reference to the pattern of related expenditure. Profits arising on the sale of vehicles for which the Company retains a repurchase commitment (buy-back contracts) are not recognised until such profits have been realised. The vehicles are included in inventories and stated at cost.

Cost of Sales

Cost of sales comprises the cost of products sold and the acquisition cost of purchased goods sold. In addition to directly attributable material and production costs, it also includes research costs and development costs not recognised as assets, the amortisation of capitalised development costs as well as overheads (including depreciation of property, plant and equipment and amortisation of other intangible assets relating to production) and write-downs on inventories. Cost of sales also includes freight and insurance costs relating to deliveries to dealers and agency fees on direct sales. Expenses which are directly attributable to financial services business and interest expense from refinancing the entire financial services business, including the expense of risk provisions and write-downs, are reported in cost of sales.

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

Obligations for contributions to the 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 income statement when they are due. The Group plan is presented in note 24.

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.

Property, plants and equipments

All items of property and equipment are considered to have finite useful lives. They are recognised at acquisition or manufacturing cost less scheduled depreciation based on the estimated useful lives of the assets. Depreciation on property and equipment reflects the pattern of their usage and is computed using the straight-line method. Components of items of property and equipment with different useful lives are depreciated separately.

Systematic depreciation is based on the following useful lives, applied throughout the BMW Group:

Office buildings	8 to 50 years
Other equipment	3 to 21 years
Leased assets	2 to 25 years

Property, plants and equipments also include assets relating to leases. The Company uses property, plant and equipment as lessee on the one hand and leases out vehicles produced by the BMW Group and other brands as lessor on the other. IAS 17 (Leases) contains rules for determining, on the basis of risks and rewards, the economic owner of the assets. In the case of finance leases, the assets are attributed to the lessee and in the case of operating leases the assets are attributed to the lessor.

In accordance with IAS 17, assets leased under finance leases are measured at their fair value at the inception of the lease or at the present value of the lease payments, if lower. The assets are depreciated using the straight-line method over their estimated useful lives or over the lease period, if shorter. The obligations for future lease installments are recognised as financial liabilities.

Where products are recognised by the Company as leased products under operating leases, they are measured at manufacturing cost. All other leased products are measured at acquisition cost. All leased products are depreciated over the period of the lease using the straight-line method down to their expected residual value. If the recoverable amount is lower than the carrying value, an impairment loss is recognised for the shortfall. A test is carried out at each balance sheet date to determine whether an impairment loss recognised for an asset in prior years no longer exists or has decreased. In these cases, the carrying amount of the asset is increased to the recoverable amount. The higher carrying amount resulting from the reversal may not, however, exceed the rolled-forward amortised cost of the asset.

Financial instruments

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

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.

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 10 and 14). 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. 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 amortized 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 inter-company 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.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases 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.

Receivables from sales financing

Receivables from sales financing comprise receivables from retail customer, dealer and lease financing. Impairment losses on receivables relating to financial services business are recognised using a uniform methodology that is applied throughout the Company and meets the requirements of IAS 39. This methodology results in the recognition of impairment losses both on individual assets and on groups of assets. If there is objective evidence of impairment, the Company recognises impairment losses on the basis of individual assets.

Within the customer retail business, the existence of overdue balances or the incidence of similar events in the past are examples of such objective evidence. In the event of overdue receivables, impairment losses are always recognised individually based on the length of period of the arrears. In the case of dealer financing receivables, the allocation of the dealer to a corresponding rating category is also deemed to represent objective evidence of impairment. If there is no objective evidence of impairment, impairment losses are recognised on financial assets using a portfolio approach based on similar groups of assets. Company-specific loss probabilities and loss ratios, derived from historical data, are used to measure impairment losses on similar groups of assets. The recognition of impairment losses on receivables relating to industrial business is also, as far as possible, based on the same procedures applied to financial services business. Impairment losses (write-downs and allowances) on receivables are always recorded on separate accounts and derecognised at the same time the corresponding receivables are derecognised. Items are presented as financial assets to the extent that they relate to financing transactions.

Share capital

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

Inventories

Inventories of supplies and goods for resale, primarily BMW and MINI vehicles, are stated at the lower of average acquisition cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. A provision for obsolete stock is accounted for the difference between acquisition cost and the net realisable value.

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. The cash flows from investing and financing activities are based on actual payments and receipts.

Segment reporting

Per IFRS 8 the Company is required to disclose segmental information of its performance. All revenues are derived through trading with entities that are owned and controlled by BMW AG Group which, in accordance with IFRS 8, are treated as a single entity for segmental reporting purposes and therefore no segmental disclosure has been included within the financial statements.

[2] Interest income and expense

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

in euro thousand	2014	2013 restated
Interest income on financial assets at amortised cost	484,693	514,361
Interest income on financial assets at fair value	304,369	386,895
Interest Income	**789,062**	**901,256**
Interest expense on financial liabilities at amortised cost	(266,514)	(272,647)
Interest expense on financial liabilities at fair value	(499,330)	(611,025)
Interest Expense	**(765,844)**	**(883,672)**
Interest margin	**23,218**	**17,584**

Assets and liabilities at fair value stem from financial derivative instruments. Non derivative financial instruments have not been measured at fair value unless included in a fair value hedging relationship with respect to changes in value due to the risk being hedged.

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 60.2 million (2013: euro 75.8 million) to incorporate the maturity mismatch on the portfolio. The liquidity fee is presented as interest income on financial assets at amortised cost.

For comparison reasons the Interest income and expense of prior year has been restated.

[3] Other financial income and expenses

The item comprises a gain of euro 1.0 million (2013: gain of euro 0.8 million) due to exchange rate differences related mainly to unhedged liabilities. All other positions in foreign currencies are fully hedged through natural hedges or hedged with the use of derivatives.

For comparison reasons the Other financial income and expenses of prior year has been restated.

[4] Result from financial transactions

in euro thousand	2014	2013 restated
Ineffective portion of instruments included in a hedge relationship	16,511	(8,863)
Revaluation of derivatives not included in a hedge relationship	(26,566)	38,394
Total	**(10,055)**	**29,531**

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 27). The result from financial transactions decreased significantly due to decreased interest rates in 2014.

For comparison reasons the Result from financial transactions of prior year has been restated.

[5] Miscellaneous income & expenses

in euro thousand	2014	2013 restated
Salaries & social security charges	(633)	(870)
Pension costs – defined contribution plan	(17)	–
Pension costs – defined benefit plan	(6)	(54)
Advisory	(272)	(200)
Other miscellaneous income & expenses	(113)	(122)
Total	**(1,041)**	**(1,246)**

For comparison reasons the Miscellaneous income & expenses of prior year has been restated.

[6] Taxes

Income taxes comprise the following:

in euro thousand	2014	2013 restated
Current tax income/(expense)	(3,290)	(11,669)
Deferred tax income/(expense)	–	–
Total tax income/(expense) in income statement	**(3,290)**	**(11,669)**

Reconciliation of the effective tax rate:

in euro thousand	2014	2013 restated
Income before tax	22,411	46,676
Income tax using the domestic corporate tax rate	25% (5,603)	25% (11,669)
Tax benefit arising from tax free income	2,313	–
Total tax income/(expense) in income statement	**(3,290)**	**(11,669)**
Effective tax rate	**14.7%**	**25.0%**

For comparison reasons the Taxes of prior year has been restated.

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 tax liability of the fiscal unity. The following companies are part of the fiscal unity per 31 December 2014:

- 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.

[7] Discontinued operations

BMW Finance N.V. was the parent company of BMW España Finance S.L. BMW España Finance S.L. is the parent company of BMW Portugal, Lda. and BMW Renting (Portugal), Lda. The shares that BMW Finance N.V. had in the company BMW España Finance S.L. are sold to BMW International Investment B.V. for the price of 71.9 million euro being the cost price increased by the profit after tax of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. as of 30 November 2014. All assets and liabilities have been transferred as of the date of the 1 December 2014. Therefore the companies BMW España Finance S.L. BMW Portugal, Lda. and BMW Renting (Portugal), Lda. are not consolidated anymore in the financial statements of the Company. The total result of the companies BMW España Finance S.L BMW Portugal, Lda. and BMW Renting (Portugal), Lda. until 30 November 2014 is presented as result out of discontinued operations in the consolidated statement of comprehensive income.

in euro thousand	2014	2013
Revenues	370,574	319,289
Cost of Sales	(340,567)	(289,108)
Gross profit	**30,007**	**30,181**
Interest income	7,441	6,164
Interest expense	(9,138)	(10,479)
Interest margin	**(1,697)**	**(4,315)**
Other financial income and expenses	403	2,592
Result from financial transactions	(477)	672
Financial result	**(1,771)**	**(1,051)**
Miscellaneous income & expenses	(19,261)	(21,131)
Income before taxation	**8,975**	**7,999**
Taxes	275	(9,028)
Net income / (loss) from discontinued operations	**9,250**	**(1,029)**

The cash flows of discontinued operations are presented below:

in euro thousand	2014	2013
Operating cash flows	11,425	(6,847)
Investing cash flows	–	–
Financing cash flows	(2,175)	3,643

The balance sheet total of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. was euro 1,442 million as of 30 November 2014.

Non-controlling interest

BMW España Finance S.L. holds 99.8% of BMW Portugal, Lda., which holds 99.8% of the shares of BMW Renting (Portugal), Lda. The remaining shares of BMW Portugal, Lda. and BMW Renting (Portugal), Lda. are held by BMW Group AG. Due to the sale of the shares from BMW España Finance S.L the value of non-controlling interest is at balance sheet date 31 December 2014 zero.

[8] Remuneration of Board of Directors

In 2014, the remuneration of the Board of Directors amounted euro 0.3 million (2013: euro 0.3 million). This remuneration consists periodic remuneration and bonuses plus other remuneration.

[9] Property, plants and equipments

Due to the sales of the assets of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. the property, plants and equipments are zero at balance sheet date 31 December 2014.

The property, plants and equipments consist of buildings and other structure, leased out products and office equipment.

in euro thousand	31.12.2014	31.12.2013
Buildings and other structures	–	323
Office equipments	–	267
Leased out products	–	73,724
Total	**–**	**74,314**

Changes in property, plants and equipments during financial year 2014

The movements in the property, plants and equipments during the financial year are as follows:

in euro thousand	Buildings and other structures	Office equipment	Leased out products	Total
Balance at 31 December 2013	323	267	73,724	**74,314**
Movement from discontinued operations	(323)	(267)	(73,724)	**(74,314)**
Balance at 31 December 2014	**–**	**–**	**–**	**–**

Changes in property, plants and equipments during financial year 2013

The movements in the property, plants and equipments during the financial year are as follows:

in euro thousand	Buildings and other structures	Office equipment	Leased out products	Total
Cost				
Balance at 31 December 2012	288	1,080	132,380	**133,748**
Additions	698	155	32,012	**32,865**
Disposals	(48)	(563)	(37,229)	**(37,840)**
Balance at 31 December 2013	**938**	**672**	**127,163**	**128,773**
Accumulated depreciation and provisions				
Balance at 31 December 2012	(211)	(747)	(60,121)	**(61,079)**
Depreciation	(404)	342	15,998	**15,936**
Leasing down payment	–	–	(9,316)	**(9,316)**
Balance at 31 December 2013	**(615)**	**(405)**	**(53,439)**	**(54,459)**
Carrying amount				
Balance at 31 December 2012	77	333	72,259	**72,669**
Balance at 31 December 2013	**323**	**267**	**73,724**	**74,314**

Leased out products

Due to the sales of the shares of BMW España Finance S.L., the maturity structure of leased out products is zero at balance sheet date 31 December 2014.

in euro thousand	31.12.2014	31.12.2013
Within one year	–	31,970
Between one and five years	–	84,357
Later than five years	–	–
Total leased products	**–**	**116,327**

[10] Receivables from BMW Group companies

in euro thousand	31.12.2014	31.12.2013
Non-current from BMW Group companies	11,354,015	8,780,202
Current receivables from BMW Group companies	18,975,741	20,832,005
Total receivables from BMW Group companies	**30,329,756**	**29,612,207**

From the total receivables from BMW Group Companies 71% has 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 2014 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	100,000	2.24	0.14
Receivables from equity investments	–	–	–
Receivables from affiliated companies	29,887,366	1.13	0.94
Inhouse Bank BMW AG	144,492	Daily	EONIA
Trade receivables from BMW group companies	197,898	30 days	None
Total	**30,329,756**		

The weighted average maturity period and the weighted average effective interest rate of the receivables from BMW Group companies during the financial year 2013 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	207,466	1.95	0.29
Receivables from equity investments	9,565	0.12	2.22
Receivables from affiliated companies	27,140,936	1.09	1.37
Inhouse Bank BMW AG	2,099,816	Daily	EONIA
Trade receivables from BMW group companies	154,424	30 days	None
Total	**29,612,207**		

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**
31.12.2014	18,975,741	10,995,010	359,005	**30,329,756**
31.12.2013	20,832,005	8,426,489	353,713	**29,612,207**

[11] Receivables from sales financing

The carrying amount of operational lease receivables comprises of:

in euro thousand	Carrying amount 31.12.2014	Fair value 31.12.2014	Carrying amount 31.12.2013	Fair value 31.12.2013
Due within one year	–	–	1,827	440
Due between one and five years	–	–	–	–
Due later than five years	–	–	–	–
Gross financial lease receivables	**–**	**–**	**1,827**	**440**
Specific item basis	–	–	(1,382)	–
Group basis	–	–	(5)	–
Net financial lease receivables	**–**	**–**	**440**	**–**

There are no guaranteed residual values that fall to the benefit of the lessor. Provisions were measured and recognised on the basis of specific credit risks. Early redemption of lease payments is possible under certain conditions. Due to the sale of assets the value at balance sheet date 31 December 2014 is zero.

[12] Marketable securities

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.

The Company has purchased in February 2014 a rated listed secured redeemable non-convertible debentures amounting to INR 2.5 billion 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 billion private placement issued by BMW India Financial Services Private Limited.

Overview marketable securities per 31 December 2014:

in euro thousand	Currency	Outstanding	Outstanding in in EUR	maturity period (in years)	interest rates (in %)
Class B notes	CHF	57,900	48,147	8.38	1.4
Class Z notes	CHF	21,600	17,962	8.38	1.5
Non-Convertible Debentures	INR	2,500,000	32,688	2.11	8.9
Non-Convertible Debentures	INR	5,000,000	65,376	3.26	9.1
Total			**164,173**		

Overview marketable securities per 31 December 2013:

in euro thousand	Outstanding in CHF	Outstanding in in EUR	maturity period (in years)	interest rates (in %)
Class B notes	57,900	46,500	9.38	1.4
Class Z notes	21,600	17,347	9.38	1.5
Total		**63,847**		

The marketable securities are recorded at amortised cost. The fair value of the marketable securities is assumed to be equal to the carrying amount and 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.

[13] Inventories

Inventories comprise the following:

in euro thousand	31.12.2014	31.12.2013
New vehicles	–	34,772
New motorcycles	–	1,176
Second hand vehicles and motorcycles	–	6,164
Vehicle and motorcycle parts	–	75
Total inventories	**–**	**42,187**
Provisions for obsolete vehicles, motorcycles and parts	–	(2,376)
Net realisable value	**–**	**39,811**

Due to the sale of assets the shares from BMW España Finance S.L. the inventories at balance sheet date 31 December 2014 are zero.

[14] Interest receivables and other receivables

in euro thousand	31.12.2014	31.12.2013
Interest receivables third parties	–	20,134
Other receivables	31,401	15,652
Leasing prepayments	–	5,160
Total	**31,401**	**40,946**

Other receivables comprise a trade settlement against third party. The payment was received beginning of January 2015. Other receivables have a maturity of less than one year.

[15] Cash and cash equivalents

Cash and cash equivalents include the items as stated below, all with maturity less than three months and are freely disposable to the Company.

in euro thousand	31.12.2014	31.12.2013
Bank balances	1,275	19,671
Total	**1,275**	**19,671**

In 2012 BMW Finance started participating in the Global Payment Platform from BMW AG. Therefore a part of the cash position with the external bank is reflected in the Inhouse Bank position with BMW AG. The balance is accounted for as intercompany receivable.

[16] Deferred taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows:

in euro thousand	31.12.2014	31.12.2013
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	384	–
Deferred tax asset to be recovered within 12 months	–	1,262
Total deferred tax assets	**384**	**1,262**
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	–	–
Deferred tax liabilities to be recovered within 12 months	–	(285)
Total deferred tax liabilities	–	(285)
Net asset/(liability)	**384**	**977**

Deferred tax assets and liabilities at 31 December are attributable to the following temporary differences:

in euro thousand	31.12.2014	31.12.2013
Investments	–	(285)
Derivatives	384	352
Other liabilities	–	910
Net asset/(liability)	**384**	**977**
Reconciliation to the deferred taxes recognised in the balance sheet:		
Deferred tax asset	384	1,262
Deferred tax liability	–	(285)
Total	**384**	**977**

Deferred tax recognized in the consolidated statement of comprehensive income 2014:

in euro thousand	Investments	Derivatives	Other liabilities	Net asset/(liability)
Balance at beginning of the year	(285)	352	910	**977**
Income statement	285	–	–	**285**
Other comprehensive income	–	32	–	**32**
Other liabilities	–	–	(910)	**(910)**
Balance at end of the year	**–**	**384**	**–**	**384**

A deferred tax asset has been recognised for the carry-forward of unused tax losses and unused tax credits of the companies in the silent partnership. The deferred tax asset with respect to other liabilities relate to temporary differences in other liabilities that are considered locally as non-deductable tax expenses. Deferred taxes for derivatives relate to the revaluation of derivative financial instruments included in a cash flow hedge relationship. The cash flow hedge derivatives (excluding deferred taxes) recognised directly against equity amount to euro 1.2 million (2013: euro 1.1 million).

[17] Issued capital

Authorised share capital consists of 5,000 ordinary shares of euro 500 each of which 3,500 shares have been called up and fully paid-in. The holders of ordinary shares are entitled to execute the rights under The Netherlands Civil Code without any restrictions. In comparison with the year-end 2013, there were no changes in these figures. The Company generated an earning per share of euro 5,463 (2013: euro 9,713).

[18] Share premium reserve

The share premium reserve comprises additional paid-in capital on the issue of the shares.

[19] Hedging reserve

At 31 December 2014, the amount of the fair value measurement of financial instruments recognised directly in equity amounted to euro 1.2 million negative (2013: euro 1.1 million negative) net of deferred taxes. The hedging reserve as at 31 December 2014 is related to cash flow hedges.

[20] Non-controlling interest

Due to the sale of the shares from BMW España Finance S.L. the value of non-controlling interest is at balance sheet date 31 December 2014 zero. In 2013 BMW España Finance S.L. held 99.8% of BMW (Portugal), Lda., which held 99.8% of the shares of BMW Renting (Portugal), Lda. The remaining shares of BMW (Portugal), Lda. and BMW Renting (Portugal), Lda. are held by BMW Group AG.

[21] Debt securities

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

in euro thousand	31.12.2014	31.12.2013
Debt securities part of a fair value hedge relationship	16,398,150	15,781,702
Debt securities part of a cash flow hedge relationship	193,224	360,107
Debt securities at amortised cost	6,813,005	5,621,774
Commercial paper	2,662,727	2,612,090
Total	**26,067,106**	**24,375,673**

The Bonds under the EMTN Program and other securities issued by BMW Finance during the financial year 2014 comprise:

Interest	Currency	Issue volume in millions	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
Variable	EUR	4,835	2.3	(0.01)
Variable	GBP	380	1.2	0.0
Variable	SEK	6,500	2.3	0.01
Variable	USD	540	1.8	(0.02)
Fixed	AUD	700	3.9	4.6
Fixed	CHF	300	6.0	1.7
Fixed	EUR	13,577	6.8	2.6
Fixed	GBP	1,050	6.1	2.9
Fixed	JPY	31,000	2.8	0.3
Fixed	NOK	3,500	3.7	3.2

The Bonds under the EMTN Program and other securities issued by BMW Finance during the financial year 2013 comprise:

Interest	Currency	Issue volume in millions	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
Variable	EUR	2,975	2.2	0.5
Variable	GBP	100	1.0	0.7
Variable	HKD	300	3.0	1.3
Variable	JPY	3,500	3.0	0.8
Variable	SEK	1,800	2.0	1.4
Variable	USD	605	1.7	0.6
Fixed	AUD	600	3.5	4.9
Fixed	CHF	300	6.0	1.7
Fixed	EUR	13,494	6.4	3.2
Fixed	GBP	1,050	6.0	3.0
Fixed	HKD	836	3.0	2.0
Fixed	JPY	15,000	3.0	0.4
Fixed	NOK	6,400	3.1	3.7
Fixed	NZD	100	3.0	4.8
Fixed	SEK	1,000	3.0	3.8

The EMTN Programme of a total of euro 35.0 billion has been used in several currencies by the Company. In 2014 the Company issued 41 notes (2013: 35 notes) with an equivalent of euro 7.9 billion (2013: euro 5.9 billion). Further issuers are BMW AG, BMW US Capital LLC, 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 UK Capital plc., 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 at year-end 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 interest rates (in %)	
	2014	2013	2014	2013	2014	2013
Total	**2,662,727**	**2,612,090**	**0.23**	**0.21**	**0.28**	**0.26**

[22] Loans due to banks

The average maturity and interest rates are presented in the table below:

	Outstanding		Weighted average maturity period (in years)		Weighted average interest rates (in %)	
in euro thousand	2014	2013	2014	2013	2014	2013
Total	**1,554,186**	**2,316,123**	**6.61**	**6.31**	**0.88**	**0.76**

[23] Liabilities due to BMW Group companies

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
31.12.2014	3,394,713	–	–	**3,394,713**
31.12.2013	2,938,560	85,000	–	**3,023,560**

From the total liabilities from BMW Group Companies 98% has a fixed interest rate. The weighted average maturity period and the weighted average effective interest rate for the liability due to BMW group companies are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Liability due to Parent (BMW Holding B.V.)	300,000	0.02	(0.09)
Liability due to subsidiaries	–	–	–
Liability due to affiliated companies	3,048,991	0.07	0.44
Inhousebank BMW AG	26,334	Daily	EONIA
Cash pool due to group companies	11,094	Daily	EONIA + spread
Trade payables due to BMW group companies	8,294	30 days	none
Total	**3,394,713**		

For the liabilities these figures were during the financial year 2013 as follows:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Liability due to Parent (BMW Holding B.V.)	55,500	1.69	2.17
Liability due to subsidiaries	50,000	1.81	4.57
Liability due to affiliated companies	2,884,956	0.07	0.37
Inhousebank BMW AG	3,786	Daily	EONIA
Cash pool due to group companies	5,342	Daily	EONIA + spread
Trade payables due to BMW group companies	23,976	30 days	none
Total	**3,023,560**		

[24] Employee benefits

The Company participates in a defined benefit plan (final salary pension plan) which is sponsored by BMW Nederland B.V., who in turn is a wholly owned subsidiary of BMW Holding B.V. This pension plan ("Group plan") provides pension benefits for employees upon retirement.

No stated policy is in place between the Company and BMW Nederland B.V. with respect to the allocation of and accounting for the Group plan's net pension costs. This is the reason that no provision has been considered for the Company according to IAS 19.34.

According to IAS 19, BMW Nederland B.V. recognises the remeasurements immediately in the Statement of Comprehensive Income. BMW Nederland B.V. (the sponsoring employer) charges pension costs for the defined benefit plan to the Company based on the Plan's Current and Past Service Costs for the year which are accounted for through the Statement of Comprehensive Income. Basis for the recharging to legal group entities is the salary level of the employees per legal entity (for the Company seven persons are included in the defined benefit plan, these are only active members). Increases in the pension benefit obligation of BMW Nederland B.V. are basically funded through these Service Cost recharges. No minimum funding and allocation or a deficit or surplus on wind-up the plan or the Company's withdrawal from the plan by the Company is agreed with the sponsoring employer.

The participating entities in the Group plan have a shared responsibility for the total defined benefit obligation. The total defined benefit obligation of the whole plan is euro 68,536 thousand. The Company has a share of euro 2,247 thousand (3.3 %) in this obligation. The total Assets are euro 63,152. The Company has a share of euro 2,289 thousand (3.6 %) in these assets. The expected net service cost for the Company for 2015 are euro 91 thousand.

Overview population of the Group plan:

in euro thousand	Group plan	BMW Finance N.V.	Share in percentage
Active plan members	147	7	4.8%
Deferred pensioners	368	5	1.4%
Pension in payment	76	–	0%
Total	**591**	**12**	

Costs for the defined contribution plan (applicable for employees hired as from 2014) are charged to the Company based on actual premium per employee, as charged to BMW Nederland B.V. by the pension insurance company.

The total actual pension costs as charged by BMW Nederland B.V. are recognised in the income statement in 2014 for euro 23 thousand (2013: euro 54 thousand).

Special Event

Per January 1, 2015 the pension plan will change:

- Changes in pension scheme: Final Pay to Average Pay
- Change in annual accrual: 1.9% to 1.875%
- Change in Offset: euro 23,510 to euro 12,552
- Change in maximum pensionable salary: euro 330,000 to euro 100,000

The change in pension plan has been taken into account as a prior service cost of euro 2,875 thousand (gain). Furthermore the employer will pay for two years euro 800 thousand annually (in total euro 1,6 million) in an indexation depot. Before payment of these amounts the indexation depot amounts to euro 216 thousand.

[25] Income tax liabilities

Income tax liabilities primarily comprise automotive taxes liabilities of BMW Portugal, Lda. and BMW Renting (Portugal), Lda in 2013.

[26] Interest payables and other liabilities

in euro thousand	31.12.2014	31.12.2013
Interest payables to third parties	296,118	375,411
Other liabilities	10,922	57,489
Total	**307,040**	**432,900**

Interest payables to third parties are related to debt securities. In 2013 the accrued interest on derivatives is reclassified to derivative liabilities.

[27] Financial Instruments

The carrying amounts of financial instruments are analysed below by IAS 39 category. The derivatives that are part of a hedge relationship are recorded in the respective hedge accounting category:

31 December 2014 in euro thousand	Loans and receivables	Assets at fair value trough profit and loss	Cash flow hedges	Fair Value hedges	Total
Assets					
Derivate instruments	–	399,037	–	1,038,235	**1,437,272**
Marketable securities	164,173	–	–	–	**164,173**
Interest and other receivables	31,401	–	–	–	**31,401**
Cash and Cash equivalents	1,275	–	–	–	**1,275**
Receivables from BMW group companies	30,329,756	–	–	–	**30,329,756**
Total of financial assets	**30,526,605**	**399,037**	**–**	**1,038,235**	**31,963,877**

31 December 2014 in euro thousand	Other financial liabilities at amortised cost	Liabilities at fair value trough profit and loss	Cash flow hedges	Fair Value hedges	Total
Liabilities					
Debt securities	26,067,106	–	–	–	**26,067,106**
Loans due to banks	1,554,186	–	–	–	**1,554,186**
Derivative instruments	–	444,601	34,109	66,318	**545,028**
Interest and other liabilities	307,040	–	–	–	**307,040**
Liabilities due to BMW group companies	3,394,713	–	–	–	**3,394,713**
Total of financial liabilities	**31,323,045**	**444,601**	**34,109**	**66,318**	**31,868,073**

31 December 2013 in euro thousand	Loans and receivables	Assets at fair value trough profit and loss	Cash flow hedges	Fair Value hedges	Total
Assets					
Derivate instruments	–	168,841	–	697,419	**866,260**
Marketable securities	63,847	–	–	–	**63,847**
Receivables from sales financing	440	–	–	–	**440**
Other receivables	40,946	–	–	–	**40,946**
Cash and Cash equivalents	19,671	–	–	–	**19,671**
Receivables from BMW group companies	29,612,207	–	–	–	**29,612,207**
Total of financial assets	**29,737,111**	**168,841**	**–**	**697,419**	**30,603,371**

31 December 2013 in euro thousand	Other financial liabilities at amortised cost	Liabilities at fair value trough profit and loss	Cash flow hedges	Fair Value hedges	Total
Liabilities					
Debt securities	24,375,673	–	–	–	**24,375,673**
Loans due to banks	2,316,123	–	–	–	**2,316,123**
Derivative instruments	–	229,633	27,421	118,815	**375,869**
Other liabilities	432,900	–	–	–	**432,900**
Liabilities due to BMW group companies	3,023,560	–	–	–	**3,023,560**
Total of financial liabilities	**30,148,256**	**229,633**	**27,421**	**118,815**	**30,524,125**

Fair value measurement of financial instruments
The fair values shown are computed using market information available at the balance sheet date using appropriate measurement methods, e.g. discounted cash flow models. In the latter case, amounts were discounted at 31 December 2014 on the basis of the following interest rates:

%	EUR	USD	JPY	CHF	GBP
Interest rate for 6 months	0.17	0.36	0.14	(0.03)	0.69
Interest rate for one year	0.16	0.44	0.14	(0.12)	0.74
Interest rate for five years	0.36	1.78	0.22	0.58	1.44
Interest rate for 10 years	0.81	2.29	0.53	0.51	1.84

The interest rates at 31 December 2013 were:

%	EUR	USD	JPY	CHF	GBP
Interest rate for 6 months	0.39	0.35	0.21	0.08	0.62
Interest rate for one year	0.40	0.31	0.21	0.09	0.71
Interest rate for five years	1.26	1.78	0.40	0.75	2.14
Interest rate for 10 years	2.16	3.07	0.93	1.64	2.99

Interest rates taken from interest rate curves were adjusted, where necessary, to take account of the credit quality and risk of the underlying financial instrument. Derivative financial instruments are measured at their fair value. The fair values of derivative 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 an 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 measurement level at 31 December 2014:

	Level hierarchy in accordance with IFRS 13		
In euro thousand	Level 1	Level 2	Level 3
Derivative instruments (assets)			
Cash flow hedges	–	–	–
Fair value hedges	–	1,038,235	–
Other derivative instruments	–	399,037	–
Derivative instruments (liabilities)			
Cash flow hedges	–	34,109	–
Fair value hedges	–	66,318	–
Other derivative instruments	–	444,601	–

The following table shows the amounts allocated to each measurement level at 31 December 2013:

	Level hierarchy in accordance with IFRS 13		
In euro thousand	Level 1	Level 2	Level 3
Derivative instruments (assets)			
Cash flow hedges	–	–	–
Fair value hedges	–	697,419	–
Other derivative instruments	–	168,841	–
Derivative instruments (liabilities)			
Cash flow hedges	–	27,421	–
Fair value hedges	–	118,815	–
Other derivative instruments	–	229,633	–

There were no significant reclassifications within the level hierarchy during 2014.

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 to the intercompany receivables with a fixed interest rate. At 31 December 2014, the indicative fair value of these loans was euro 30,669 million, euro 339 million above their carrying value (2013: euro 490.1 million). 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, was euro 19,633 million, euro 367 million above their carrying value (2013: euro 250.1 million). The change of fair value of the non-current debt securities which are valued according to level 1 was euro 12,024 million (2013: euro 8,701 million). The change of fair value of the non-current debt securities valued according to level 2 was euro 7,608 million (2013: euro 6,641 million). For the current debt securities the fair value approximate the carrying value.

At 31 December 2014, the indicative fair value of the loans due to banks was euro 1,596 million, euro 41 million above their carrying value. The change of fair value of the loans due to banks are valued according to level 2 methodologies.

The notional amounts and fair values of derivative financial instruments of the Company are shown in the following analysis. In accordance with internal guidelines, the nominal amounts of the derivative financial instruments correspond to the volume of the hedged items.

in euro thousand	Notional amount 31.12.2014	Fair value amount 31.12.2014	Notional amount 31.12.2013	Fair value amount 31.12.2013
Assets				
Foreign currency derivatives	14,054,916	539,688	11,642,835	190,205
Interest rate derivatives	13,010,490	897,584	12,126,525	676,055
Total	**27,065,406**	**1,437,272**	**23,769,360**	**866,260**
Liabilities				
Foreign currency derivatives	41,456,119	484,755	24,594,386	317,607
Interest rate derivatives	6,723,900	60,273	8,776,500	58,262
Total	**48,180,019**	**545,028**	**33,370,886**	**375,869**

Gains and losses of financial instruments

The following table shows the net gains and losses arising for each of the categories of financial instruments defined by IAS 39:

in euro thousand	2014	2013
Fair value trough profit and loss	(26,566)	39,351
Ineffective portion of cash flow hedges	239	269
Ineffective portion of fair value hedges	16,272	(9,132)
Result from financial transactions	**(10,055)**	**30,488**

Gains/losses from the use of derivatives relate primarily to fair value gains or losses arising on derivatives not being part to a hedge relationship but residual portfolio risk.

Fair value hedges

The following table shows gains and losses on hedging instruments and hedged items which are deemed to be part of fair value hedge relationship:

in euro thousand	2014	2013
Revaluation on hedging instruments	352,835	(424,729)
Profit/loss from hedged items	(336,563)	415,597
Ineffective portion of fair value hedges	**16,272**	**(9,132)**

The difference between the gains/losses on hedging instruments and the result recognised on hedged items represents the ineffective portion of fair value hedges and cash flow hedges. Fair value hedges are mainly used to hedge interest rate risk and foreign currency risk on bonds and other financial liabilities.

Cash flow hedges

The effect of cash flow hedges on equity was as follows:

in euro thousand	2014	2013
Balance at 1 January	1,057	1,680
Total changes during the year	126	(831)
of which recognised in the income statement during the period under report	239	269
Balance at 31 December	**1,183**	**849**
Deferred tax on cash flow hedge derivatives	(32)	208
Net unrealised fair value of cash flow hedge derivatives recognised in equity	**1,151**	**1,057**

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity within heding reserve. Any ineffective element of the fair value movement on the derivative should be recorded in the income statement. This gain or loss deferred in the hedging reserve is recycled to the income statement when the hedged item also affects income, therefore offsetting to the extent that the hedge is effective. At 31 December 2014, the Company held derivative instruments with terms of up to 7 months (2013: 19 months) to hedge currency risk and interest rate risk attached to future cash flows of bonds and other financial liabilities.

Offsetting of financial instruments

The offsetting of the financial assets and liabilities for derivatives with external parties of the Company is taken into account. Balance sheet netting does not occur due to non fulfilment of necessary conditions. Enforceable master netting agreement or similar agreement exist. However the assets and liabilities covered by the masternetting agreement have not been offset in the balance sheet. This would have an impact on the balance sheet values of the derivatives:

in euro thousand	31.12.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
Gross amounts as presented in the balance sheet	1,437,272	(545,028)	866,260	(375,869)
Possible netting in case of insolvency	(473,708)	473,708	(247,389)	247,389
Net value of derivatives	**963,564**	**(71,320)**	**618,871**	**(128,480)**

[28] **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 Groups' exposure to each of the above risks, the BMW Groups' objectives, policies and processes for measuring and managing risk, and the BMW Group's management of capital. Further quantitative disclosures are included throughout these consolidated 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 maximum exposure to credit risk at reporting date was:

in euro thousand	31.12.2014	31.12.2013
Loans and Receivables		
Receivables from BMW Group companies	30,329,756	29,612,207
Interest receivables and other receivables	31,400	40,946
Marketable securities	164,173	63,847
Receivables from sales financing	–	440
Cash and Cash equivalents	1,275	19,671
Derivative assets	1,437,272	866,260
Gross exposure	**31,963,876**	**30,603,371**
Guaranteed by BMW AG	30,327,756	28,077,948
ISDA Agreement (netting with liability derivative positions)	473,708	247,389
Residual maximum exposure	**1,162,412**	**2,278,034**

The residual maximum exposure is primarily related to derivative assets.

The Company has various financial receivables, mainly from BMW 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 following table shows the undiscounted maturity structure of the financial liabilities:

31 December 2014 in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**	**Carrying amount**
Debt securities	6,672,337	14,726,363	5,412,635	**26,811,335**	**26,067,106**
Loans due to banks and BMW Group companies	3,848,592	1,041,477	80,085	**4,970,154**	**4,948,899**
Derivative instruments – outflow	2,001,861	5,434,741	163,353	**7,599,955**	**545,028**
Derivative instruments – inflow	1,714,753	5,068,440	149,139	**6,932,332**	
Interest payables and other financial liabilities	307,040	–	–	**307,040**	**307,040**
Total	**11,115,077**	**16,134,141**	**5,506,934**	**32,756,153**	**28,473,360**

31 December 2013 in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**	**Carrying amount**
Debt securities	11,097,418	11,359,615	6,498,973	**28,956,006**	**24,375,673**
Loans due to banks and BMW Group companies	3,712,519	1,277,988	392,466	**5,382,973**	**5,339,683**
Derivative instruments – outflow	2,780,817	3,690,792	1,147,518	**7,619,127**	**375,869**
Derivative instruments – inflow	2,876,764	3,569,557	1,104,209	**7,550,530**	
Interest payables and other financial liabilities	432,900	–	–	**432,900**	**432,900**
Total	**15,146,890**	**12,758,838**	**6,934,748**	**34,840,476**	**30,524,125**

The prior year figures are restated since not all currencies were taken into account and cash flows related to derivative assets were included. Furthermore the cash in- and outflows related to derivatives were presented on a net basis.

The maturity analysis comprises undiscounted cash flows. Changes in maturity structure result from exploiting funding opportunities in a tense market.

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 fair values of the Company's derivative financial instruments portfolio to manage the interest rate risk of its fixed income financial instruments were as follows at the balance sheet date:

in euro thousand	Nominal amount 31.12.2014	Fair value 31.12.2014	Nominal amount 31.12.2013	Fair value 31.12.2013
EUR	19,734,390	837,311	20,903,025	734,317

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. Looking at this primary risk measure, the interest rate risk exposure on 31 December 2014 was euro 145,674 negative (2013: euro 68,617 negative).

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 the use of derivative instruments, such as forward contracts and cross currency swaps. The Company has minor unhedged foreign currency debt positions. These positions are causing the exchange rate result displayed in the profit and loss account as explained in Note 3.

in thousand (all local currency)	Non derivative financial assets	Non derivative financial liabilities	Derivative financial instruments	Net exposure
AUD	–	(700,000)	700,000	–
CHF	79,500	(300,120)	220,620	–
CZK	700,000	–	(699,428)	572
DKK	875,000	–	(875,000)	–
GBP	6,827,200	(4,518,718)	(2,292,000)	16,482
HUF	2,700,000	–	(2,708,968)	(8,968)
INR	7,500,000	–	(5,000,000)	2,500,000
JPY	100,000,000	(41,400,000)	(58,590,204)	9,796
NOK	3,776,000	(3,500,000)	(276,481)	(481)
PLN	–	–	(22,000)	(22,000)
RUB	31,850,000	–	(32,292,817)	(542,817)
SEK	5,352,000	(6,500,000)	1,144,915	(3,085)
USD	22,500	(1,265,000)	1,242,455	(45)

The sensitivity of the Company's results to changes in foreign currencies against the functional currency shows:

Currency	Net exposure in thousand euro equivalent	Effects on result of a 10% rise in the euro against the respective currency (in euro thousand)	Effects on result of a 10% decrease in the euro against the respective currency (in euro thousand)
CZK	21	(2)	2
GBP	21,157	(1,923)	2,351
HUF	(28)	3	(3)
INR	32,688	(2,972)	3,632
JPY	68	(6)	8
NOK	(53)	5	(6)
PLN	(5,127)	466	(570)
RUB	(7,647)	695	(850)
SEK	(327)	30	(36)
USD	(37)	3	(4)
Total	**40,715**	**(3,701)**	**4,524**

This sensitivity analysis assumes that all other variables, in particular interest rates remain the same.

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.

[29] 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 from 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.

[30] 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. Therefore the details regarding the compensation of key management personnel including the relevant categories of benefits is described in note 8 "Remuneration of the board of directors". This is the remuneration of the managing director.

BMW Nederland B.V. is the sponsoring employer for the defined benefit plan.

A comprehensive exchange of internal services 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 three components: The price for BMW Credit Default Swaps, the three months Commercial Paper Spread, and a transfer pricing margin.

The price for BMW Credit Default Swaps is applied for maturities >12 months, taken from Bloomberg. For uneven maturities the method of linear interpolation is used to calculate the appropriate credit risk with regard to market prices. For maturities between Overnight and up to six months, the three months Commercial Paper Spread according to Tradeweb ECP Index, Industrials, Rating A2/P2 is applied. For maturities between six months and twelve months, again the method if linear interpolation between the three months Commercial Paper Spread and the twelve months BMW Credit Default Swap is applied. 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 60.2 million (2013: euro 75.8 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 overfunding, 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.

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.

BMW Finance N.V. was the parent company of BMW España Finance S.L. BMW España Finance S.L. is the parent company of BMW Portugal, Lda. and BMW Renting (Portugal), Lda. The shares that BMW Finance N.V. had in the company BMW España Finance S.L. are sold to BMW International Investment B.V. for the price of 71.9 million euro being the cost price increased by the profit after tax of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. as of 30 November 2014. All assets and liabilities have been transferred as of the date of the 1 December 2014, which is also the date, where the power of control ceases. Therefore the companies BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. are not consolidated anymore in the financial statements of the Company.

BMW Finance N.V.
Statement of Comprehensive Income

Income Statement

in euro thousand	Notes	2014	2013
Interest income BMW Group companies		485,992	514,740
Interest income Third parties		303,070	386,516
Interest expense	[32]	**789,062**	**901,256**
Interest expense BMW Group companies		(52,064)	(36,600)
Interest expense Third parties		(713,780)	(847,072)
Interest expense	[32]	**(765,844)**	**(883,672)**
Interest margin		**23,218**	**17,584**
Other financial income and expenses	[33]	1,039	807
Result from financial transactions	[34]	(10,055)	29,531
Financial result		**14,202**	**47,922**
Income on disposal of subsidiaries		**9,250**	–
Miscellaneous income & expenses	[35]	(1,041)	(1,246)
Income before taxation		**22,411**	**46,676**
Taxes	[36]	(3,290)	(11,669)
Net income / (loss)		**19,121**	**35,007**

Statement of Comprehensive income

in euro thousand	2014	2013
Net income	**19,121**	**35,007**
Other comprehensive income:		
Will be reclassified subsequently to profit and loss		
Effective portion of changes in fair value of cash flow hedges	(125)	831
Deferred tax on other comprehensive income	32	(208)
Other comprehensive income for the period after tax	**(93)**	**623**
Total comprehensive income for the period	**19,028**	**35,630**

BMW Finance N.V.
Balance Sheets
As at 31 December

Assets in euro thousand	Notes	31.12.2014	31.12.2013
Investments in subsidiaries	[37]	–	62,646
Receivables from BMW Group companies	[38]	11,354,015	8,735,029
Marketable securities	[12]	164,173	63,847
Derivative assets	[39]	1,193,143	492,002
Deferred tax	[40]	384	352
Non-current assets		**12,711,715**	**9,353,876**
Receivables from BMW Group companies	[38]	18,975,741	20,724,424
Derivative assets	[39]	244,129	376,670
Interest receivables and other receivables	[41]	31,401	29,450
Cash and cash equivalents	[42]	1,275	12,459
Current assets		**19,252,546**	**21,143,003**
Total assets		**31,964,261**	**30,496,879**

Equity and liabilities in euro thousand	Notes	31.12.2014	31.12.2013
Issued capital	[17]	1,750	1,750
Share premium reserve	[18]	55,488	55,488
Hedging reserves	[19]	(1,151)	(1,057)
Retained earnings		20,980	(14,028)
Undistributed income		19,121	35,007
Equity		**96,188**	**77,160**
Debt securities	[21]	19,265,692	15,091,473
Loans due to banks	[22]	1,082,445	1,543,013
Liabilities due to BMW Group companies	[44]	–	50,000
Derivative liabilities	[39]	304,527	250,406
Non-current liabilities		**20,652,664**	**16,934,892**
Debt securities	[21]	6,801,414	9,284,200
Loans due to banks	[22]	471,741	766,961
Liabilities due to BMW Group companies	[44]	3,394,713	2,930,828
Derivative liabilities	[39]	240,501	127,261
Interest payables and other liabilities	[45]	307,040	375,577
Current liabilities		**11,215,409**	**13,484,827**
Total equity and liabilities		**31,964,261**	**30,496,879**

BMW Finance N.V.
Cash Flow Statements

in euro thousand	2014	2013
Net income for the year	19,121	35,007
Adjustments for non-cash items		
Hedging Reserve	(93)	623
Fair value measurement losses/(gains)	(2,592)	(29,531)
Taxes	(32)	208
Amortisation financial instruments	(1,782)	872
Changes in operating assets and liabilities		
Receivables from BMW Group companies	(870,303)	(1,474,776)
Receivables and other assets	(1,951)	417,509
Derivatives	(85,127)	(249,545)
Debt securities	1,379,695	2,700,757
Loans due to banks	(755,789)	(1,137,401)
Liabilities to BMW Group companies	413,885	(70,773)
Other liabilities	(68,536)	(148,694)
Income tax (paid)/received	–	–
Cash flow from operating activities	**26,496**	**44,256**
Capital injection in equity investments	–	(15,000)
Marketable securities	(100,326)	(16,797)
Disposal of subsidiaries	62,646	
Cash flow from investing activities	**(37,680)**	**(31,797)**
Cash flow from financing activities	**–**	**–**
Net increase/decrease in cash and cash equivalents	(11,184)	12,459
Cash and cash equivalents at January 1	12,459	–
Cash and cash equivalents at December 31	**1,275**	**12,459**

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 2013	**1,750**	**55,488**	**(1,680)**	**36,940**	**(50,968)**	**41,530**
Total result 2013 recognised in the profit and loss account	–	–	–	–	35,007	35,007
Other comprehensive income for 2013	–	–	623	–	–	623
Total comprehensive income in the period	**–**	**–**	**623**	**–**	**35,007**	**35,630**
Appropriation of results 2012	–	–	–	(50,968)	50,968	–
Transactions with owners recorded directly in equity	**–**	**–**	**–**	**–**	**–**	**–**
31 December 2013	**1,750**	**55,488**	**(1,057)**	**(14,028)**	**35,007**	**77,160**
Total result 2014 recognised in the profit and loss account	–	–	–	–	19,121	19,121
Other comprehensive income for 2014	–	–	(93)	–	–	(93)
Total comprehensive income in the period	**–**	**–**	**(93)**	**–**	**19,121**	**19,028**
Appropriation of results 2013	–	–	–	35,007	(35,007)	–
Transactions with owners recorded directly in equity	**–**	**–**	**–**	**–**	**–**	**–**
31 December 2014	**1,750**	**55,488**	**(1,151)**	**20,980**	**19,121**	**96,188**

[31] Accounting principles and policies

The accounting principles of BMW Finance N.V. Company's financial statements correspond with the accounting principles used in the consolidated financial statements of BMW Finance N.V. (i.e. International Financial Reporting Standards (IFRS) as endorsed by the European Union and issued by the International Accounting Standards Board (IASB) and Part 9 of Book 2 of the Netherlands Civil Code).

[32] Interest income and expense

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

in euro thousand	2014	2013
Interest income on financial assets at amortised cost	484,693	514,361
Interest income on financial assets at fair value	304,369	386,895
Interest Income	**789,062**	**901,256**
Interest expense on financial liabilities at amortised cost	(266,514)	(272,647)
Interest expense on financial liabilities at fair value	(499,330)	(611,025)
Interest Expense	**(765,844)**	**(883,672)**
Interest margin	**23,218**	**17,584**

Assets and liabilities at fair value stem from financial derivative instruments. Non derivative financial instruments have not been measured at fair value unless included in a hedging relationship.

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 60.2 million (2013: euro 75.8 million) to incorporate the maturity mismatch on the portfolio. The liquidity fee is presented as interest income on financial assets at amortised cost.

For comparison reasons the Interest income and expense of prior year has been restated.

[33] Other financial income and expenses

The item comprises a gain of euro 1.0 million (2013: gain euro 0.8 million) due to exchange rate differences related mainly to unhedged liabilities. All other positions in foreign currencies are fully hedged through natural hedges or hedged with the use of derivatives.

[34] Result from financial transactions

in euro thousand	2014	2013
Ineffective portion of instruments included in a hedge relationship	16,511	(8,863)
Revaluation of derivatives not included in a hedge relationship	(26,566)	38,394
Total	**(10,055)**	**29,531**

The revaluation of derivatives not included in a hedge relationship is mainly related to interest rates swaps to hedge the portfolio (see note 40).

The result from financial transactions decreased significantly due to decreased interest rates in 2014.

[35] Miscellaneous income & expenses

in euro thousand	2014	2013
Salaries & social security charges	(633)	(870)
Pension costs defined benefit	(17)	(54)
Pension costs defined contribution	(6)	–
Advisory	(272)	(200)
Other miscellaneous income & expenses	(113)	(122)
Total	**(1,041)**	**(1,246)**

With reference to Section 2:382a(3) of the Netherlands Civil Code, the fees for the financial year that have been charged by PricewaterhouseCoopers Accountants N.V. to the Company, its subsidiaries and other consolidated entities are not disclosed as the financial figures of the Company are integrated in the consolidated financial statements of BMW AG.

[36] Taxes

Income taxes comprise the following:

in euro thousand	2014	2013
Current tax income/(expense)	(3,290)	(11,669)
Deferred tax income/(expense)	–	–
Total tax income/(expense) in income statement	**(3,290)**	**(11,669)**

Reconciliation of the effective tax expense:

in euro thousand		2014		2013
Income before tax		22,411		46,676
Income tax using the domestic				
Income tax using the domestic corporate tax rate	25%	(5,603)	25%	(11,669)
Tax benefit arising from tax free income		2,313		–
Total tax income/(expense) in income statement		**(3,290)**		**(11,669)**
Effective tax rate		**14.7%**		**25.0%**

The Company, a member of the fiscal unity headed by BMW Holding B.V., is jointly and severally liable for the payment of any tax liability of the fiscal unity. See also note 6.

[37] Investments in subsidiaries

The Company has the following investments in BMW Group and associate companies carried at cost:

In euro thousand	Country		31.12.2014	31.12.2013
BMW España Finance S.L.	Spain	100%	–	62,646
Total			**–**	**62,646**

Change in investments:

in euro thousand	2014	2013
Balance at beginning of the year	62,646	47,646
Capital injection	–	15,000
Disposal	(62,646)	–
Balance at end of year	**–**	**62,646**

BMW Finance N.V. was the parent company of BMW España Finance S.L. BMW España Finance S.L. is the parent company of BMW Portugal, Lda. and BMW Renting (Portugal), Lda. The shares that BMW Finance N.V. had in the company BMW España Finance S.L. are sold to BMW International Investment B.V. for the price of 71.9 million euro being the cost price increased by the profit after tax of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. as of 30 November 2014. All assets and liabilities have been transferred as of the date of the 1 December 2014, which is also the date, where the power of control ceases.

[38] Receivables from BMW Group companies

in euro thousand	31.12.2014	31.12.2013
Non-current from BMW Group companies	11,354,015	8,735,029
Current receivables from BMW Group companies	18,975,741	20,724,424
Total receivables from BMW Group companies	**30,329,756**	**29,459,453**

From the total receivables from BMW Group Companies 71% has a fixed interest rate. The weighted average maturity period and the weighted average effective interest rate for the receivables from BMW Group companies during the financial year 2014 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	100,000	2.24	0.14
Receivables from affiliated companies	29,887,366	1.13	0.94
Inhousebank BMW AG	144,492	Daily	EONIA
Cash pool from BMW group companies	–	Daily	EONIA + spread
Trade receivables from BMW group companies	197,898	30 days	none
Total	**30,329,756**		

The weighted average maturity period and the weighted average effective interest rate for the receivables from BMW Group companies during the financial year 2013 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	207,466	1.95	0.29
Receivables from subsidiaries	87,722	0.03	0.42
Receivables from affiliated companies	26,921,877	1.10	1.35
Inhousebank BMW AG	2,099,816	Daily	EONIA
Cash pool from BMW group companies	–	Daily	EONIA + spread
Trade receivables from BMW group companies	142,572	30 days	none
Total	**29,459,453**		

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**
31.12.2014	18,975,741	10,995,010	359,005	**30,329,756**
31.12.2013	20,724,424	8,381,316	353,713	**29,459,453**

[39] **Financial Instruments**

The carrying amounts and fair values of financial instruments are analysed below by IAS 39 category.

The derivatives that are part of a hedge relationship are recorded in the respective hedge accounting category:

31 December 2014 in euro thousand	Loans and receivables	Assets at fair value trough profit and loss	Cash flow hedges	Fair Value hedges	**Total**
Assets					
Derivate instruments	–	399,037	–	1,038,235	**1,437,272**
Marketable securities	164,173	–	–	–	**164,173**
Interest and other receivables	31,401	–	–	–	**31,401**
Cash and Cash equivalents	1,275	–	–	–	**1,275**
Receivables from BMW group companies	30,329,756	–	–	–	**30,329,756**
Total of financial assets	**30,526,605**	**399,037**	**–**	**1,038,235**	**31,963,877**

31 December 2014 in euro thousand	Other financial liabilities at amortised cost	Liabilities at fair value trough profit and loss	Cash flow hedges	Fair Value hedges	**Total**
Liabilities					
Debt securities	26,067,106	–	–	–	**26,067,106**
Loans due to banks	1,554,186	–	–	–	**1,554,186**
Derivative instruments	–	444,601	34,109	66,318	**545,028**
Interest and other liabilities	307,040	–	–	–	**307,040**
Liabilities due to BMW group companies	3,394,713	–	–	–	**3,394,713**
Total of financial liabilities	**31,323,045**	**444,601**	**34,109**	**66,318**	**31,868,073**

31 December 2013 in euro thousand	Loans and receivables	Assets at fair value trough profit and loss	Cash flow hedges	Fair Value hedges	**Total**
Assets					
Derivate instruments	–	171,253	–	697,419	**868,672**
Marketable securities	63,847	–	–	–	**63,847**
Interest and other receivables	29,450	–	–	–	**29,450**
Cash and Cash equivalents	12,459	–	–	–	**12,459**
Receivables from BMW group companies	29,459,453	–	–	–	**29,459,453**
Total of financial assets	**29,565,209**	**171,253**		**697,419**	**30,433,881**

31 December 2013 in euro thousand	Other financial liabilities at amortised cost	Liabilities at fair value trough profit and loss	Cash flow hedges	Fair Value hedges	**Total**
Liabilities					
Debt securities	24,375,673	–	–	–	**24,375,673**
Loans due to banks	2,309,974	–	–	–	**2,309,974**
Derivative instruments	–	231,431	27,421	118,815	**377,667**
Interest and other liabilities	375,577	–	–	–	**375,577**
Liabilities due to BMW group companies	2,980,828	–	–	–	**2,980,828**
Total of financial liabilities	**30,042,052**	**231,431**	**27,421**	**118,815**	**30,419,719**

[40] Deferred taxes

Deferred tax assets and liabilities at 31 December are attributable to the following temporary differences:

in euro thousand	31.12.2014	31.12.2013
Derivatives	384	352
Total	**384**	**352**

Deferred taxes for derivatives relate to the revaluation of derivative financial instruments included in a cash flow hedge relationship. The cash flow hedge derivatives (excluding deferred taxes) recognised directly against equity amount to euro 1.2 million (2013: euro 1.1 million).

The changes during the financial year in the deferred tax assets/liabilities were as follows:

in euro thousand	
Balance at beginning of the year	**352**
Change as a result of temporary differences in the financial year recognised directly in equity	32
Balance at end of the year	**384**

[41] Interest receivables and other receivables

in euro thousand	31.12.2014	31.12.2013
Trade receivables from third parties	31,401	9,316
Interest receivables from third parties	–	20,134
Total	**31,401**	**29,450**

[42] Cash and cash equivalents

Cash and cash equivalents include the items as stated below, all with maturity less than three months and are freely disposable to the Company.

in euro thousand	31.12.2014	31.12.2013
Bank balances	1,275	12,459
Total	**1,275**	**12,459**

In 2012 BMW Finance started participating in the Global Payment Platform from BMW AG. Therefore a part of the cash position with the external bank is reflected in an Inhousebank position with BMW AG. The balance is accounted for as intercompany receivable.

[43] Reconciliation between Statutory equity and Consolidated equity

in euro thousand	31.12.2014	31.12.2013
Statutory equity	96,188	77,160
Accumulated results of previous years for consolidated companies	–	184,731
Results of consolidated companies for the year then ended	–	(1,012)
Non-controlling interest	–	80
Consolidated equity	**96,188**	**260,959**

[44] Liabilities due to BMW Group companies

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2014	3,394,713	–	–	**3,394,713**
31.12.2013	2,930,828	50,000	–	**2,980,828**

From the total liabilities from BMW Group Companies 98% has a fixed interest rate. The weighted average maturity period and the weighted average effective interest rate for the liability due to BMW group companies in 2014 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Liability due to Parent (BMW Holding B.V.)	300,000	0.02	(0.09)
Liability due to affiliated companies	3,048,991	0.07	0.44
Inhousebank BMW AG	26,334	Daily	EONIA
Cash pool due to BMW Group companies	11,094	Daily	EONIA + spread
Trade payables due to BMW group companies	8,294	30 days	none
Total	**3,394,713**		

The weighted average maturity period and the weighted average effective interest rate for the liability due to BMW group companies are in 2013:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Liability due to Parent (BMW Holding B.V.)	12,221	30 days	none
Liability due to subsidiaries	30,000	0.07	0.11
Liability due to affiliated companies	2,921,919	0.10	0.37
Inhousebank BMW AG	3,786	Daily	EONIA
Cash pool due to BMW Group companies	5,342	Daily	EONIA + spread
Trade payables due to BMW group companies	7,560	30 days	none
Total	**2,980,828**		

[45] Interest payables and other liabilities

in euro thousand	31.12.2014	31.12.2013
Interest payables to third parties	296,118	375,378
Other liabilities	10,922	199
Total	**307,040**	**375,577**

The Hague, 2 April 2015

F. Altmann
Director

A. Rost
Managing Director

G. Ramcharan
Financial Director

BMW Finance N.V.
Other information

Auditor's opinion
The independent auditor's report is added to page 58.

Statutory rules as to appropriation of result
According to article 9 of the articles of association, undistributed income is at the disposition of the General Meeting of Shareholders.

Appropriation of result
The appropriation of the result for the year 2013 amounting to euro 35,007 thousand has been endorsed by the General meeting of Shareholders dated May 13, 2014.

Proposed appropriation of result
The Board of Directors proposes the addition of the net profit for the year 2014 amounting to euro 19,121 thousand to the retained earnings.

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 Annual 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, 2 April 2015

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

Declaration by the Supervisory Board

- The responsibility for the audit committee function for the Company has been placed and will be executed by the Supervisory Board.
- Pursuant to the Articles of Association we are pleased to submit the Annual Report for the year 2014 as drawn up by the Board of Management.
- The Annual Report, which both the Supervisory Board and the Board of Management have sign has been audited by PwC Accountants N.V.
- The auditor's report is included in the other information section of the Annual Report.

BMW Finance N.V.

The Hague, 2 April 2015

N. Mayer	**N. Fiorentinos**	**T. Sieber**

BMW Finance N.V.
Auditor's report

Independent auditor's report
To: general meeting of shareholders and the supervisory board of BMW Finance N.V.

Report on the financial statements 2014

Our opinion
In our opinion the financial statements give a true and fair view of the financial position of BMW Finance N.V. as at 31 December 2014, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited
We have audited the financial statements 2014 of BMW Finance N.V., Rijswijk ('the Company').
The financial statements comprise:
– the consolidated and company balance sheet as at 31 December 2014;
– the following statements for 2014: the consolidated and company statements of comprehensive income, changes in equity and the consolidated and company cash flow statement; and
– the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of BMW Finance N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Our audit approach

Overview
We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the board of directors that may represent a risk of material misstatement due to fraud.

The main purpose of the Company is the financing of companies belonging to the BMW AG group. The Company is financing these loans through bond offerings on the international capital markets. The repayment of these bonds to the investors is guaranteed by BMW AG as disclosed in note 21 to the financial statements. Loans are issued to group companies with financial instruments in place to mitigate both the interest rate risk as well as the currency risk.

During 2014, BMW Finance N.V. sold its subsidiary, BMW España Finance S.L., in order to focus on its core business, providing loans to BMW AG group companies as further disclosed in note 7 and note 38 to the financial statements. We have tested this transaction with underlying supporting contracts and noted that the disclosures indicated this transaction as a related party transaction.

Materiality
The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at euro 159.5 million (2013: euro 150 million). The general benchmark is 1% of total assets, based on our professional judgement we have used 0.5% of total assets, to ensure that all relevant balance sheet and income statement items are in scope. We use total assets given the Company's main activity is intra-group lending. The Company facilitates the BMW AG group in its financing activities for which it receives a margin.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above euro 7.9 million (2013: euro 7.5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

BMW Finance N.V. has been the head of a group of companies located in Spain and Portugal. These entities have been sold to another group company of BMW AG as of 1 December 2014. The financial information of these entities is therefore included in the financial statements of BMW Finance N.V. Considering our ultimate responsibility for the opinion on the Company's financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those functions to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. The group engagement team visits the component teams on a rotational basis. In the current year the group team engagement leader visited Portugal.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the financial statements.

The Company is financing companies belonging to the BMW AG group. As part of our testing procedures we tested the existence of the loans by sending out confirmations to all the BMW entities which received financing to confirm the outstanding intercompany loans.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
Valuation of the receivables from BMW group companies	
We consider the valuation of the receivables from BMW group companies, as disclosed in note 10 to the financial statements for a total amount of euro 30,329,756 thousand, as a key audit matter. This is due to the size of the receivables from BMW group companies and given that an impairment may have a material effect on the income statement. Management did not identify any impairment triggers regarding the receivables from BMW group companies	The receivables from BMW group companies are initially recognized at its fair value and subsequently measured at amortized cost using the effective interest method. We have performed detailed audit work addressing the existence and valuation of the receivables from BMW AG group companies, through testing on a sample basis the input of contracts in BMW Finance N.V. treasury management system, confirmation procedures, audit of data input to calculate the fair value and reconciliation of the treasury management system with the general ledger, and assessed whether there were any impairments triggers. We also did not identify any impairment triggers and therefore concur with management that no impairment losses are required to be recognised.
Derivative valuation	
We consider the fair value of the derivatives portfolio as disclosed in note 27 to the financial statements of derivative assets euro 1,437,272 thousand and derivative liabilities euro 545,028 thousand and used in its hedge effectiveness testing as a key audit matter. This is due to the nature of the portfolio that includes longer dated interest rate swaps and cross currency interest rate swaps. The market for these swaps are not always fully liquid. In addition, the recent market developments including the volatility of the currency basis spread further increases the subjectivity of the valuation of these instruments as well as the number of input factors to take into account in the valuation.	We have tested the valuation of derivatives as well as the valuation of hedged items in hedge accounting relations by testing on a sample basis the input of contracts in the Company's valuation system. Additionally, we independently recalculated the fair values of derivatives and further investigated differences against management's point estimate of these fair values.
Derivative accounting	
We consider the accounting for derivatives as a key audit matter. Refer to note 27. This is due to the detailed formal and technical requirements that are applicable to the application of hedge accounting and that inappropriate application of these requirements can lead to a material effect on the income statement.	We have tested on a sample basis whether hedge documentation and hedge effectiveness testing meet the requirements of IAS 39 Financial Instruments and whether the hedge effectiveness test is mathematically correct. We have reconciled the outcome of the effectiveness testing for the derivative portfolio as a whole to the financial statements.

Responsibilities of the board of directors and the supervisory board

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion.

Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all errors and frauds.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the directors' report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and other information):

- We have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the directors' report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of BMW Finance N.V. in 2013 by the board of directors following the passing of a resolution by the shareholders and has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 2 years.

Rotterdam, 2 April 2015

PricewaterhouseCoopers Accountants N.V.

M.P.A. Corver RA

Appendix to our auditor's report on the financial statements 2014 of BMW Finance N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

– Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
– Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
– Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
– Concluding on the appropriateness of the board of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
– Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.