ANNUAL REPORT 2015

BMW FINANCE N.V.

BMW GROUP

THE NEXT 100 YEARS

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. is part of the fiscal unity for corporate income tax together with the BMW Group companies located in the Netherlands. The purpose of the Company is to assist the financing of business activities conducted by companies of the BMW Group and its affiliates and to provide financial services in connection therewith. The core business of the Company comprises mainly financing BMW Group companies that are priced in accordance with the "at arm's length" principle.

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

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

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

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

The Company's balance sheet total increased with euro 3,537 million (+11.1%) to stand at euro 35,502 million at 31 December 2015. The main factor behind the increase on the assets side of the balance sheet was the increase of the current and non-current receivables from BMW Group companies (to euro 33,820 million, +11.5%). On the equity and liabilities side of the balance sheet, the increase was mainly driven by the rise in total debt securities (to euro 28,133 million, +7.9%), an increase in the liabilities due to BMW Group companies (to euro 4,361 million, +28.5%) and an increase in loans due to banks (to euro 1,901 million, 22.3%).

The financial position of the Company shows a net profit of euro 24.8 million (2014: net profit of euro 19.1 million). The main drivers of the result are an interest profit of euro 24.5 million (2014: profit of euro 23.2 million), a negative result of the financial instruments which resulted in a loss of euro 3.3 million (2014: loss of euro 10.1 million) and the result of the other financial income and expenses which resulted in a profit of euro 11.4 million (2014: profit euro 1.0 million).

The interest margin increased to euro 24.5 million (2014: euro 23.2 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 36.7 million (2014: euro 60.2 million). The liquidity fee decreased significantly due to a received early termination fee of euro 25.0 million.

The Euro Medium Term Note ("EMTN") Program of euro 35.0 billion has been increased in October 2015 to euro 50.0 billion and has been together with the euro 5.0 billion Multi Currency Commercial Paper Program successfully used during 2015 to refinance BMW Group companies. Under the EMTN Program, BMW Finance N.V. issued 27 new debt securities (2014: 41 new debt securities) with a nominal amount of euro 7.0 billion (2014: euro 7.9 billion). The net proceeds have been used for general BMW Group financing purposes. During the year the Company redeemed 27 EMTN's (2014: 37 EMTN's) with a nominal amount of euro 4.1 billion (2014: euro 5.6 billion). The funding volume will according to our most recently updated financial planning increase in 2016 in comparison to 2015. The funding requirements are caused by maturing debt and growth in financial assets by BMW Group entities.

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

During 2015 the Company employed 10 people (2014: 10 people).

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

The Hague, 1 April 2016

F. Altmann
Director

A. Rost
Managing Director

G. Ramcharan
Financial Director

Dear Ladies and Gentlemen,

In December 2014 BMW Finance N.V. established the 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. The successor will be hired based upon qualifications for the job.

The Company's balance sheet total increased to euro 35,502 million (euro +3,537 million) at 31 December 2015. The financial position of the Company shows a net profit of euro 24.8 million (2014: net profit of euro 19.1 million). The main drivers of the result are an interest profit of euro 24.5 million, a negative result of the financial instruments which resulted in a loss of euro 3.3 million (2014: loss of euro 10.1 million) and the result of the other financial income and expenses which resulted in a profit of euro 11.4 million (2014: profit euro 1.0 million).

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

The 2015 Annual Report of BMW Finance N.V. is prepared and authorised for issue by the Board of Directors on 1 April 2016 and will be submitted for approval to the Annual General Meeting of Shareholders on 17 June 2016.

The Hague, 1 April 2016

N. Mayer	**N. Fiorentinos**	**T. Sieber**
Chairman	**Deputy Chairman**	**Deputy Chairman**

BMW Finance N.V.
Statement of Comprehensive Income

in euro thousand	Note	2015	2014
Interest income BMW Group companies		469,267	485,992
Interest income Third parties		270,599	303,070
Interest income	[2]	**739,866**	**789,062**
Interest expense BMW Group companies		(77,942)	(52,064)
Interest expense Third parties		(637,462)	(713,780)
Interest expense	[2]	**(715,404)**	**(765,844)**
Interest margin		**24,462**	**23,218**
Other financial income and expenses	[3]	11,375	1,039
Result from financial transactions	[4]	(3,282)	(10,055)
Financial result		**32,555**	**14,202**
Income on disposal of subsidiaries	[7]	**–**	**9,250**
Miscellaneous income & expenses	[5]	(1,172)	(1,041)
Income before taxation		**31,383**	**22,411**
Taxes	[6]	(6,556)	(3,290)
Net income / (loss)		**24,827**	**19,121**
Earnings per share of common stock in euro from profit for the year		**7,093**	**5,463**

Statement of Comprehensive Income

in euro thousand	2015	2014
Net income	24,827	19,121
Other comprehensive income:		
Will be reclassified subsequently to profit and loss		
Effective portion of changes in fair value of cash flow hedges	1,535	(125)
Deferred tax on other comprehensive income	(384)	32
Other comprehensive income for the period after tax	**1,151**	**(93)**
Total comprehensive income for the period	**25,978**	**19,028**

BMW Finance N.V.
Balance Sheet at 31 December

Assets in euro thousand	Note	2015	2014
Receivables from BMW Group companies	[9]	10,682,869	11,354,015
Marketable securities	[10]	219,764	164,173
Derivative assets	[22]	1,114,106	1,193,143
Deferred tax	[13]	–	384
Non-current assets		**12,016,739**	**12,711,715**
Receivables from BMW Group companies	[9]	23,136,866	18,975,741
Derivative assets	[22]	334,270	244,129
Interest receivables and other receivables	[11]	1,549	31,401
Cash and cash equivalents	[12]	12,214	1,275
Current assets		**23,484,899**	**19,252,546**
Total assets		**35,501,638**	**31,964,261**

Equity and liabilities in euro thousand	Note	2015	2014
Issued capital	[14]	1,750	1,750
Share premium reserve	[15]	55,488	55,488
Hedging reserve	[16]	–	(1,151)
Retained earnings		40,101	20,980
Undistributed income		24,827	19,121
Equity		**122,166**	**96,188**
Debt securities	[17]	19,797,254	19,265,692
Loans due to banks	[18]	1,301,141	1,082,445
Derivative liabilities	[22]	400,406	304,527
Non-current liabilities		**21,498,801**	**20,652,664**
Debt securities	[17]	8,335,887	6,801,414
Loans due to banks	[18]	599,996	471,741
Liabilities due to BMW Group companies	[19]	4,361,041	3,394,713
Derivative liabilities	[22]	300,295	240,501
Interest payables and other liabilities	[21]	283,452	307,040
Current liabilities		**13,880,671**	**11,215,409**
Total equity and liabilities		**35,501,638**	**31,964,261**

BMW Finance N.V.
Cash Flow Statement

in euro thousand	2015	2014
Net income for the year	24,827	19,121
Adjustments for non-cash items		
Hedging reserve	1,151	(93)
Fair value measurement losses/(gains)	3,804	(2,592)
Taxes	384	(32)
Amortisation financial instruments	(33,414)	(1,782)
Changes in operating assets and liabilities		
Receivables from BMW Group companies	(3,489,978)	(870,303)
Receivables and other assets	29,851	(1,951)
Derivatives	(45,468)	(85,127)
Debt securities	2,285,682	1,379,695
Loans due to banks	346,952	(755,789)
Liabilities to BMW Group companies	966,328	413,885
Other liabilities	(23,589)	(68,536)
Cash flow from operating activities	**66,530**	**26,496**
Marketable securities	(55,591)	(100,326)
Disposal of subsidiaries	–	62,646
Cash flow from investing activities	**(55,591)**	**(37,680)**
Cash flow from financing activities	**–**	**–**
Net increase/(decrease) in cash and cash equivalents	10,939	(11,184)
Cash and cash equivalents at January 1	1,275	12,459
Cash and cash equivalents at December 31	**12,214**	**1,275**

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 2014	**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)	**–**
31 December 2014	**1,750**	**55,488**	**(1,151)**	**20,980**	**19,121**	**96,188**
Total result 2015 recognised in the profit and loss account	–	–	–	–	24,827	**24,827**
Other comprehensive income for 2015	–	–	1,151	–	–	**1,151**
Total comprehensive income in the period	**–**	**–**	**1,151**	**–**	**24,827**	**25,978**
Appropriation of results 2014	–	–	–	19,121	(19,121)	**–**
31 December 2015	**1,750**	**55,488**	**–**	**40,101**	**24,827**	**122,166**

Reporting entity

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

During the year the Company employed 10 persons (2014: 10). The Company has a Supervisory Board, which was appointed in December 2014 and exists of 3 members.

Statement of compliance

The 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 Dutch Civil Code.

The 2015 Annual Report of BMW Finance N.V. is prepared and authorised for issue by the Board of Directors on 1 April 2016 and will be submitted for approval to the Annual General Meeting of Shareholders on 17 June 2016.

Solvency

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

Basis of preparation

Functional and presentation currency

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

Basis of measurement

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

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

Use of estimates and judgements

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

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

- uncertainties associated with risk management, including credit, prepayment, asset/liability, interest rate and currency risks;
- changes in laws or regulations governing our business and operations, and
- changes in competitive factors.

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

Changes in accounting policies

(a) Financial reporting rules applied for the first time in the financial year 2015

The following Standards, Revised Standards, Amendments and Interpretations were applied for the first time in the financial year 2015:

Standard	Interpretation	Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU	Impact on BMW Finance N.V.
IAS 19	Employment Benefits: Employee Contributions (Amendments to IAS 19)	21.11.2013	1.7.2014	1.2.2015[1]	Insignificant
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		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.

(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]	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	1.1.2016	Insignificant
IFRS 14	Regulatory Deferral Accounts	30.1.2014	1.1.2016	No[2]	None
IFRS 15	Revenue from Contracts with Customers	28.5.2014 / 11.9.2015	1.1.2018	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 7	Cash Flow Statements (Initiative to Improve Disclosure Requirements – Amendments to IAS 7)	29.1.2016	1.1.2017	No	Insignificant
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	19.1.2016	1.1.2017	No	Insignificant
IAS 16/ IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	12.5.2014	1.1.2016	1.1.2016	Insignificant
IAS 16/ IAS 41	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	30.6.2014	1.1.2016	1.1.2016	None
IAS 27	Equity Method in Separate Financial Statements (Amendments to IAS 27)	12.8.2014	1.1.2016	1.1.2016	None
IFRIC 21	Annual Improvements to IFRS 2012-2014	25.9.2014	1.1.2016	1.2.2016	Insignificant
	Amendments to "International Financial Reporting Standards for Small and Medium-sized Entities" (IFRS for SMEs)	21.5.2015	1.1.2017	No	None

[1] Date of mandatory application has been postponed by the IASB on 17-12-2015 indefinitely.
[2] The interim standard IFRS 14 is not adopted by the EU.

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 contained 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 investigated.

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

Firstly, disclosures are only required to be made in the notes if their inclusion is material for users of the financial statements. This also applies when an IFRS Standard explicitly specifies a minimum list of disclosures. Secondly, items to be presented in the balance sheet income statement and comprehensive income can be aggregated or disaggregated by using subtotals. Thirdly, it clarifies that an entity's share of the other comprehensive income of the equity-accounted entities is required to be analysed – within the Statement of Comprehensive Income – to show "components, which will be subsequently reclassified to profit and loss" and "components, which will be not subsequently reclassified to profit and loss". Fourthly, it is stressed that there is no standard template for the notes and that the emphasis should be on structuring the notes based on the relevance for the specific reporting entity.

The Standard is mandatory for the first time for annual periods beginning on or after 1 January 2016. Application of the new rules will not have a material impact on the Financial Statements.

Early adoption is all of the new IFRS requirements is permitted. As things stand, the Company does not intend to adopt any of the new requirements early.

[1] Significant accounting policies

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

Foreign currency

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

Real time rates are frozen on daily basis.

Financial result

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

Dividends

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

Income tax

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

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

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

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

Employee benefits

According to IAS 19.34 obligations for contributions to the defined benefit pension plan ("Group plan") sponsored by BMW Nederland B.V. are accounted for as if they are a defined contribution plan and are recognised as an expense in the income statement when they are due. New hires as from 1 January 2014 participate in a defined contribution plan. The employee benefits are presented in note 20.

Earnings per share

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

Financial instruments

Recognition and derecognition

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

Measurement

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

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

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

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

Determination of fair value

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

Non-derivative financial assets

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise receivables from BMW group companies, trade and other receivables (see note 9 and 11). Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest and relevant credit spreads at the reporting date.

Marketable securities

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

Cash and cash equivalents (including Euro cash pool)

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

Non-derivative financial liabilities

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

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

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

Derivative financial instruments and hedging activities

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

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

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

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

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

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

Cash flow hedges

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

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

Fair value hedges

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

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

Impairment

Financial assets

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

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

Non-financial assets

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

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

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

Share capital

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

Statement of cash flows

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

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

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

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

Segment reporting

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

[2] Interest income and expense

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

in euro thousand	2015	2014
Interest income on financial assets at amortised cost	435,790	481,040
Interest income on financial assets included in a fair value hedge relationship	298,372	304,306
Interest income on derivatives fair value not included in a hedge relationship	5,704	3,716
Interest income	**739,866**	789,062
Interest expense on financial liabilities at amortised cost	(130,247)	(133,822)
Interest expense on financial liabilities included in a fair value hedge relationship	(428,402)	(498,753)
Interest expense on derivatives at fair value not included in a hedge relationship	(156,755)	(133,269)
Interest expense	**(715,404)**	(765,844)
Interest margin	**24,462**	23,218

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

The cost of liquidity, due to structural overfunding, and the maturity mismatch on the total portfolio both negatively impact the net interest margin. The Company received from BMW AG a liquidity fee of euro 36.7 million (2014: euro 60.2 million) to incorporate the maturity mismatch on the portfolio. The liquidity fee decreased significantly due to a received early termination fee from early redeemed loans of UK Capital plc. of euro 25.0 million. The liquidity fee is presented as interest income on financial assets at amortised cost.

[3] Other financial income and expenses

The item comprises a gain of euro 11.4 million (2014: gain of euro 1.0 million) due to exchange rate differences related mainly to the funding of BMW Group companies in the United Kingdom in GBP.

All other positions in foreign currencies are fully hedged through natural hedges or hedged with the use of derivatives.

[4] Result from financial transactions

in euro thousand	2015	2014
Ineffective portion of instruments included in a hedge relationship	(2,278)	16,511
Revaluation of derivatives not included in a hedge relationship	(1,004)	(26,566)
Total	**(3,282)**	**(10,055)**

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 22). The result from financial transactions increased significantly due to increased interest rates at the end of 2015.

[5] Miscellaneous income & expenses

in euro thousand	2015	2014
Salaries & social security charges	(732)	(633)
Pension costs – defined contribution plan	(14)	(6)
Pension costs – defined benefit plan	(87)	(17)
Advisory cost	(209)	(272)
Other miscellaneous income & expenses	(130)	(113)
Total	**(1,172)**	**(1,041)**

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by PricewaterhouseCoopers Accountants N.V. to the Company:

in euro thousand	2015	2014
Statutory audit of annual accounts	149	215
Other audit services	19	19
Tax advisory services	–	–
Other non-audit services	–	–
Total	**168**	**234**

The fees charged by PricewaterhouseCoopers Accountants N.V are presented as advisory cost.

[6] Taxes

Income taxes comprise the following:

in euro thousand	2015	2014
Current tax income/(expense)	(6,556)	(3,290)
Deferred tax income/(expense)	–	–
Total tax income/(expense) in income statement	**(6,556)**	**(3,290)**

Reconciliation of the effective tax rate:

in euro thousand	2015	2014
Income before tax	31,383	22,411
Income tax using the domestic corporate tax rate	25% (7,846)	25% (5,603)
Tax benefit relating to other periods	1,290	–
Tax benefit arising from tax free income	–	2,313
Total tax income/(expense) in income statement	**(6,556)**	**(3,290)**
Effective tax rate	**20.9%**	**14.7%**

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 2015:

- 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.
- Alphabet Nederland B.V.
- BMW International Holding B.V.

[7] Income on disposal of subsidiaries

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 euro 71.9 million 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 income on disposal of subsidiaries in the statement of comprehensive income.

in euro thousand	2015	2014
Revenues	–	370,574
Cost of Sales	–	(340,567)
Gross profit	**–**	**30,007**
Interest income	–	7,441
Interest expense	–	(9,138)
Interest margin	**–**	**(1,697)**
Other financial income and expenses	–	403
Result from financial transactions	–	(477)
Financial result	**–**	**(1,771)**
Miscellaneous income & expenses	–	(19,261)
Income before taxation	**–**	**8,975**
Taxes	–	275
Net income / (loss) on disposal of subsidiaries	**–**	**9,250**

The cash flows of discontinued operations are presented below:

in euro thousand	2015	2014
Operating cash flows	–	11,425
Investing cash flows	–	–
Financing cash flows	–	(2,175)

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 2015, the remuneration of the Board of Directors amounted euro 0.5 million (2014: euro 0.3 million). This remuneration consists periodic remuneration and bonuses plus other remuneration.

[9] Receivables from BMW Group companies

in euro thousand	31.12.2015	31.12.2014
Non-current receivables from BMW Group companies	10,682,869	11,354,015
Current receivables from BMW Group companies	23,136,866	18,975,741
Total receivables from BMW Group companies	**33,819,735**	**30,329,756**

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

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

* EONIA = Euro Overnight Index Average (per 31-12-2015: 0.131 negative).

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 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 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**
31.12.2015	23,136,866	10,116,677	566,192	**33,819,735**
31.12.2014	18,975,741	10,995,010	359,005	**30,329,756**

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

[10] **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 S.A. 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 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

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

Overview marketable securities per 31 December 2015:

in euro thousand	Currency	Outstanding	Outstanding in EUR	Maturity period (in years)	Interest rates (in %)
Class B notes	CHF	57,900	53,318	7.38	1.4
Class Z notes	CHF	21,600	19,891	7.38	1.5
Non-Convertible Debentures	INR	2,500,000	34,685	1.11	8.9
Non-Convertible Debentures	INR	5,000,000	69,370	2.26	9.1
Class B notes FR	EUR	42,500	42,500	8.31	0.5
Total			**219,764**		

Overview marketable securities per 31 December 2014:

in euro thousand	Currency	Outstanding	Outstanding 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**		

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 did not change significantly since the date of the inception.

[11] Interest receivables and other receivables

in euro thousand	31.12.2015	31.12.2014
Interest receivables third parties	–	–
Other receivables	1,549	31,401
Total	**1,549**	**31,401**

Other receivables comprise a trade settlement against third party. The payment was received beginning of January 2016. Other receivables have a maturity of less than one year.

[12] Cash and cash equivalents

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

in euro thousand	31.12.2015	31.12.2014
Bank balances	12,214	1,275
Total	**12,214**	**1,275**

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 Receivable from BMW Group companies (note 9) and Liability due to BMW Group companies (note 19).

[13] Deferred taxes

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

in euro thousand	31.12.2015	31.12.2014
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	–	–
Deferred tax asset to be recovered within 12 months	–	384
Total deferred tax assets	**–**	**384**
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	–	–
Deferred tax liabilities to be recovered within 12 months	–	–
Total deferred tax liabilities	–	–
Net asset/(liability)	**–**	**384**

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

in euro thousand	31.12.2015	31.12.2014
Derivatives	–	384
Net asset/(liability)	**–**	**384**
Reconciliation to the deferred taxes recognised in the balance sheet:		
Deferred tax asset	–	384
Deferred tax liability	–	–
Total	**–**	**384**

Deferred tax recognised in the statement of comprehensive income 2015:

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

Deferred taxes for derivatives related 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 nil million (2014: euro 1.2 million).

[14] 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 Dutch Civil Code without any restrictions. In comparison with the year-end 2014, there were no changes in these figures. The Company generated an earning per share of euro 7,093 (2014: euro 5,463).

[15] Share premium reserve

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

[16] Hedging reserve

At 31 December 2015, the amount of the fair value measurement of financial instruments recognised directly in equity amounted to euro nil (2014: euro 1.2 million negative) net of deferred taxes. The hedging reserves as at 31 December 2015 is nil since all cash flow hedges have matured in 2015.

[17] Debt securities

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

in euro thousand	31.12.2015	31.12.2014
Debt securities part of a fair value hedge relationship	19,458,627	16,398,150
Debt securities part of a cash flow hedge relationship	–	193,224
Debt securities at amortised cost	6,875,086	6,813,005
Commercial paper	1,799,428	2,662,727
Total	**28,133,141**	**26,067,106**

The Bonds under the EMTN Program and other securities issued by BMW Finance during the financial year 2015 comprise:

Interest	Currency	Issue volume in millions	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
Variable	EUR	5,415	2.2	0.2
Variable	GBP	25	1.0	1.0
Variable	SEK	4,700	2.5	0.0
Variable	USD	640	1.5	0.8
Fixed	AUD	500	4.0	4.2
Fixed	CHF	300	6.0	1.7
Fixed	EUR	15,077	7.0	2.3
Fixed	GBP	2,100	5.0	3.0
Fixed	HKD	500	3.0	1.6
Fixed	JPY	51,000	2.5	0.4
Fixed	NOK	750	5.0	2.8
Fixed	SEK	1,750	5.0	1.9

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	0.3
Variable	GBP	380	1.2	0.2
Variable	SEK	6,500	2.3	0.3
Variable	USD	540	1.8	0.3
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 Euro Medium Term Note ("EMTN") Program of euro 35.0 billion has been increased in October 2015 to euro 50.0 billion. The EMTN Program has been used in several currencies by the Company. In 2015 the Company issued 27 notes (2014: 41 notes) with an equivalent of euro 7.0 billion (2014: euro 7.9 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 Program established by BMW AG, BMW Finance N.V., BMW Coordination Center V.O.F. and BMW Malta Finance Ltd. The Multi-Currency Commercial Paper Program supports 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) Program established by the Company. Debt issuances under these programs 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 %)	
	2015	2014	2015	2014	2015	2014
Total	**1,799,428**	**2,662,727**	**0.34**	**0.23**	**0.13**	**0.28**

[18] Loans due to banks

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

in euro thousand	Outstanding		Weighted average maturity period (in years)		Weighted average interest rates (in %)	
	2015	2014	2015	2014	2015	2014
Total	**1,901,137**	**1,554,186**	**6.72**	**6.61**	**0.81**	**0.88**

[19] 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**
31.12.2015	4,361,041	–	–	**4,361,041**
31.12.2014	3,394,713	–	–	**3,394,713**

From the total liabilities from BMW Group companies 100% have a fixed interest rate. The weighted average maturity period and the weighted average effective interest rate for the liability due to BMW group companies during the financial year 2015 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Liability due to Parent (BMW Holding B.V.)	934,353	0.12	(0.13)
Liability due to affiliated companies	3,376,523	0.04	0.12
Inhouse Bank BMW AG	1,167	Daily	EONIA*
Cash pool due to BMW group companies	38,820	Daily	EONIA* + spread
Trade payables due to BMW group companies	10,178	30 days	none
Total	**4,361,041**		

* EONIA = Euro Overnight Index Average (per 31-12-2015: 0.131 negative).

For the liabilities these figures were during the financial year 2014 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.)	300,000	0.02	(0.09)
Liability due to affiliated companies	3,048,991	0.07	0.44
Inhouse Bank 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**		

[20] 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 P&L. 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 60,740 thousand. The Company has a share of euro 2,061 thousand (3.4 %) in this obligation. The total assets are euro 56,778 thousand. The Company has a share of euro 1,841 thousand (3.2 %) in these assets. The expected net service cost for the Company for 2016 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	135	7	5.2%
Deferred pensioners	353	6	1.7%
Pension in payment	84	–	0%
Total	**572**	**13**	

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 2015 for euro 101 thousand (2014: euro 23 thousand).

Special Event

Per January 1, 2015 the pension plan has been changed:

- 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 12,642; and
- 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.

[21] Interest payables and other liabilities

in euro thousand	31.12.2015	31.12.2014
Interest payables to third parties	283,352	296,118
Other liabilities	100	10,922
Total	**283,452**	**307,040**

Interest payables to third parties are related to debt securities.

[22] 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 2015 in euro thousand	Loans and receivables	Assets at fair value trough profit and loss	Cash flow hedges	Fair Value hedges	Total
Assets					
Derivate instruments	–	455,488	–	992,888	**1,448,376**
Marketable securities	219,764	–	–	–	**219,764**
Interest receivables and other receivables	1,549	–	–	–	**1,549**
Cash and cash equivalents	12,214	–	–	–	**12,214**
Receivables from BMW Group companies	33,819,735	–	–	–	**33,819,735**
Total of financial assets	**34,053,262**	**455,488**	**–**	**992,888**	**35,501,638**

31 December 2015 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	28,133,141	–	–	–	**28,133,141**
Loans due to banks	1,901 ,137	–	–	–	**1,901,137**
Derivative instruments	–	629,731	–	70,970	**700,701**
Interest payables and other liabilities	283,452	–	–	–	**283,452**
Liabilities due to BMW Group companies	4,361,041	–	–	–	**4,361,041**
Total of financial liabilities	**34,678,771**	**629,731**	–	**70,970**	**35,379,472**

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 receivables 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**
Derivate instruments	–	444,601	34,109	66,318	**545,028**
Interest payables 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**

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 2015 on the basis of the following interest rates:

%	EUR	USD	NOK	RUB	GBP	ZAR
Interest rate for 6 months	(0.04)	0.85	1.13	10.78	0.75	7.50
Interest rate for one year	(0.06)	0.87	0.87	11.60	0.84	7.50
Interest rate for five years	0.33	1.73	1.26	10.62	1.59	8.99
Interest rate for 10 years	1.00	2.19	1.87	10.39	2.00	9.47

The interest rates at 31 December 2014 were:

%	EUR	USD	NOK	RUB	GBP	ZAR
Interest rate for 6 months	0.17	0.36	1.39	21.04	0.69	6.83
Interest rate for one year	0.16	0.44	1.28	20.70	0.74	6.45
Interest rate for five years	0.36	1.78	1.39	13.18	1.44	7.37
Interest rate for 10 years	0.81	2.29	1.92	11.71	1.84	7.92

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 and which can be observed on the market.

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

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

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

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

The following table shows the amounts allocated to each 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	–

There were no significant reclassifications within the level hierarchy during 2015.

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

BMW Group receivables are valued at amortised cost. The underlying changes to the fair value of these assets are therefore not recognised in the balance sheet. The Company does not apply hedge accounting to loans in the intercompany receivables with a fixed interest rate. At 31 December 2015, the indicative fair value of these loans was euro 34,333 million, euro 513 million above their carrying value (2014: euro 339 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 at 31 December 2015, was euro 19,896 million, euro 99 million above their carrying value (2014: euro 367 million). The fair value of the non-current debt securities which are valued according to level 1 was euro 17,713 million (2014: euro 12,024 million). The fair value of the non-current debt securities valued according to level 2 was euro 2,183 million (2014: euro 7,608 million). For the current debt securities the fair value approximate the carrying value.

At 31 December 2015, the indicative fair value of the loans due to banks was euro 1,958 million, euro 57 million above their carrying value (2014: euro 41 million). 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 exposures being covered with derivatives.

in euro thousand	Notional amount 31.12.2015	Fair value amount 31.12.2015	Notional amount 31.12.2014	Fair value amount 31.12.2014
Assets				
Foreign currency derivatives	35,998,825	705,654	14,054,916	539,688
Interest rate derivatives	13,889,290	742,722	13,010,490	897,584
Total	**49,888,115**	**1,448,376**	**27,065,406**	**1,437,272**
Liabilities				
Foreign currency derivatives	36,517,255	641,990	41,456,119	484,755
Interest rate derivatives	7,284,290	58,711	6,723,900	60,273
Total	**43,801,545**	**700,701**	**48,180,019**	**545,028**

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	2015	2014
Fair value through profit and loss	(1,005)	(26,566)
Cash flow hedges	(1,502)	239
Fair value hedges (ineffective portion)	(775)	16,272
Result from financial transactions	**(3,282)**	**(10,055)**

Gains or losses from the use of derivatives relate primarily to fair value gains or losses arising on derivatives not being part of a hedge relationship but are used to hedge the 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	2015	2014
Revaluation on hedging instruments	(187,379)	352,835
Profit/loss from hedged items	186,604	(336,563)
Ineffective portion of fair value hedges	**(775)**	**16,272**

The difference between the gains or losses on hedging instruments and the result recognised on hedged items represents the ineffective portion of fair value 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	2015	2014
Balance at 1 January	1,151	1,057
Total changes during the year	(1,535)	126
of which recognised in the income statement during the period under report	(1,502)	239
Balance at 31 December	**(384)**	**1,183**
Deferred tax on cash flow hedge derivatives	384	(32)
Net unrealised fair value of cash flow hedge derivatives recognised in equity	**–**	**1,151**

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity within hedging reserve. Any ineffective element of the fair value movement on the derivative is 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 2015, the Company held no derivative instruments anymore (2014: with terms of up to 7 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. Since enforceable master netting agreements or similar contracts are in place actual offsetting would be possible in principle, for instance in the case of insolvency. Offsetting would have an impact on the balance sheet values of the derivatives:

in euro thousand	31.12.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
Gross amounts as presented in the balance sheet	1,448,376	(700,701)	1,437,272	(545,028)
Possible netting in case of insolvency	(507,122)	507,122	(473,708)	473,708
Net value of derivatives	**941,254**	**(193,579)**	**963,564**	**(71,320)**

[23] 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 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	31.12.2015	31.12.2014
Loans and Receivables		
Receivables from BMW Group companies	33,819,735	30,329,756
Interest receivables and other receivables	1,549	31,400
Marketable securities	219,764	164,173
Cash and cash equivalents	12,214	1,275
Derivative assets	1,448,376	1,437,272
Gross exposure	**35,501,638**	**31,963,876**
Guaranteed by BMW AG	33,817,733	30,327,756
ISDA Agreement (netting with liability derivative positions)	507,122	473,708
Residual maximum exposure	**1,176,783**	**1,162,412**

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 Programs.

The following table shows the undiscounted maturity structure of the financial liabilities:

31 December 2015 in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**	**Carrying amount**
Debt securities	8,194,307	6,940,014	13,446,518	**28,580,839**	**28,133,141**
Loans due to banks and BMW Group companies	4,855,891	638,004	502,618	**5,996,513**	**6,262,178**
Derivative instruments – outflow	3,103,460	973,110	4,093,340	**8,169,910**	**700,701**
Derivative instruments – inflow	2,966,933	872,727	4,042,074	**7,881,734**	
Interest payables and other financial liabilities	283,452	–	–	**283,452**	**283,452**
Total	**13,470,177**	**7,678,401**	**14,000,402**	**35,148,980**	**35,379,472**

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**	**31,868,073**

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 31.12.2015	Fair value 31.12.2015	Nominal amount 31.12.2014	Fair value 31.12.2014
EUR	21,173,580	684,011	19,734,390	837,311

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 2015 was euro 785,934 negative (2014: euro 145,674 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	–	(500,000)	500,000	–
CHF	79,500	(300,090)	220,590	–
CZK	950,000	–	(948,074)	1,926
DKK	534,000	(49,000)	(485,000)	–
GBP	8,165,600	(3,789,293)	(4,376,312)	(6)
HKD	–	(500,000)	500,000	–
HUF	4,800,000	–	(4,814,343)	(14,343)
INR	7,500,000	–	(5,000,000)	2,500,000
JPY	62,000,000	(51,000,000)	(10,958,694)	41,306
NOK	3,820,000	(750,000)	(3,072,047)	(2,047)
RUB	26,260,000	–	(26,928,207)	(668,207)
SEK	6,286,000	(6,450,000)	164,300	300
USD	7,500	(663,000)	655,492	(8)

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	71	(6)	8
GBP	(8)	1	(1)
HUF	(45)	4	(5)
INR	34,769	(3,161)	3,863
JPY	316	(29)	35
NOK	(213)	19	(24)
RUB	(8,429)	766	(937)
SEK	33	(3)	4
USD	(7)	1	(1)
Total	**26,487**	**(2,408)**	**2,942**

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.

[24] 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.

[25] 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 does not 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 and financial director.

BMW Nederland B.V. is the sponsoring employer for the defined benefit plan. A comprehensive exchange of internal services in between the affiliates of a multinational corporation as the BMW Group is common practice. In its responsibility to assist the financing of business activities conducted by companies of the BMW Group and its affiliates, BMW Finance N.V. applies transfer prices for financial instruments in conformity with market levels and in accordance with national and international tax requirements (arm's length principle, principle of economic allegiance, separate entity approach, Art 9 OECD-MA Rz 126).

In principle, the transfer prices for financial instruments are determined on the basis of 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 of 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 36.7 million (2014: euro 60.2 million) for maintaining a liquidity buffer for BMW Group strategic purposes and the maturity mismatch on the portfolio. This fee is based on negatively impacted net interest margin due to the cost of liquidity, due to structural 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 S.A. 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 Company has purchased in May 2015 all Class B notes amounting to euro 42.5 million of the euro 400 million Asset Backed Security issued by Bavarian Sky France. The portfolio consists French auto lease receivables and residual value receivables arising from auto lease contracts originated by BMW Finance S.N.C. in France (including Dealer Buy-Back Receivables and future receivables relating to the sale of the underlying vehicles to the lessee or to a third party).

The 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 did not change significantly since the date of the inception. Therefore the fair value of the marketable securities is assumed to be equal to the carrying amount.

The Hague, 1 April 2016

The Board of Management:

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

The Supervisory Board:

N. Mayer	**N. Fiorentinos**	**T. Sieber**
Chairman	**Deputy Chairman**	**Deputy Chairman**

Independent auditor’s report

The independent auditor’s report is added to page 42.

Statutory rules as to appropriation of result

According to article 21 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 2014 amounting to euro 19,121 thousand has been endorsed by the General meeting of Shareholders dated July 2, 2015.

Proposed appropriation of result

The Board of Directors proposes the addition of the net profit for the year 2015 amounting to euro 24,827 thousand to the retained earnings.

BMW Finance N.V.
Responsibility statement

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, 1 April 2016

F. Altmann	**A. Rost**	**G. Ramcharan**
Director	**Managing Director**	**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 2015 as drawn up by the Board of Management.
- The Annual Report, which both the Supervisory Board and the Board of Management have signed has been audited by Pricewaterhouse-Coopers Accountants N.V.
- The independent auditor's report is included in the other information section of the Annual Report.

The Hague, 1 April 2016

N. Mayer	**N.Fiorentinos**	**T. Sieber**
Chairman	**Deputy Chairman**	**Deputy Chairman**

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

Report on the financial statements 2015

Our opinion
In our opinion the accompanying financial statements give a true and fair view of the financial position of BMW Finance N.V. as at 31 December 2015, 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
The financial statements comprise:
– the statement of financial position as at 31 December 2015;
– the following statements for 2015: the income statement, the statements of comprehensive income, changes in equity and cash flows; 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 section 'Our responsibilities for the audit of the financial statements' 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 and context
We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the board of directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a financing company. We therefore included specialists in the area of financial instruments in our team.

The main purpose of the company is the financing of companies belonging to the BMW 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 17 to the financial statements. Loans are issued to group companies with financial instruments in place to mitigate both the interest rate risk and the currency risk. The company facilitates the BMW Group in its financing activities for which it receives a liquidity fee.

Materiality
The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit 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 on the individual financial statement line items and disclosures 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 (2014: euro 159.5 million). The general benchmark is 1% of total assets, based on our professional judgement we have used 0.5% of total assets, to ensure 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 Group in its financing activities for which it receives a liquidity fee.

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

We agreed with the Board of Directors that we would report to them, and to the Supervisory Board, misstatements identified during our audit above euro 7.9 million (2014: euro 7.9 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Due to the nature of the company's business we recognise that key audit matters may be long-standing and therefore may not change significantly from one year to the next. As compared to prior year there have been no changes in key audit 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 or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter	How our audit addressed the matter
Valuation and existence of the loans issued	
We consider the valuation and existence of the loans issued, as disclosed in note 9 to the financial statements for a total amount of euro 33,819,735 thousand, as a key audit matter. This is due to the size of the loan portfolio and given that an impairment may have a material effect on the income statement. Loans are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method. The board of directors did not identify any impairment triggers regarding the loans issued.	We have performed audit work addressing the valuation and existence of the loans issued to BMW Group companies, through: – testing on a sample basis input of contracts in BMW Finance N.V.'s treasury management system; – reconciliation of the treasury management system with the general ledger; – confirmation procedures with the counterparties of the loans; – recalculating the amortised cost value based on the effective interest method; – analysis of the financial situation of the group companies to which loans have been provided; – assessing whether there were any impairments triggers; and – audit of data input to calculate the fair value, including cash flows based on underlying contracts, credit spread and market interest. We concur with the position taken by the board of directors as set out in the financial statements with respect to the valuation of the loans.
Derivative valuation	
We consider the fair value of the derivatives portfolio as disclosed in note 22 to the financial statements of derivative assets euro 1,448,376 thousand and derivative liabilities euro 700,701 thousand and used in the company's 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 is not always fully liquid. In addition, the recent market developments including the volatility of the currency basis spread further increase 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 relationships (when relevant) by testing the input of contracts in the BMW Finance N.V. valuation system on a sample basis. We have reconciled the interest rate curves and other market data with independent sources. We have assessed whether the settings used in the valuation system and the models used are in line with market practice. We have also assessed the mathematical accuracy of the models used.
Hedge accounting	
We consider the accounting for derivatives as a key audit matter. Refer to note 22. This is due to the detailed formal and technical requirements that are applicable to the application of hedge accounting and because 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 the 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 opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. 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.

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 the 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 our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 3 years.

Rotterdam, 1 April 2016

PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.P.A. Corver RA

Appendix to our auditor's report on the financial statements 2015 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 judgement 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 the following:

- 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.