ANNUAL REPORT 2020

BMW FINANCE N.V.

BMW GROUP

ROLLS-ROYCE
MOTOR CARS LTD

Dear Ladies and Gentlemen,

In 1983, BMW Finance N.V. (hereafter also referred to as the "Company") was founded as 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, and incorporated in the Netherlands. The main purpose of the Company was and is to assist in the financing of business activities conducted by companies of the BMW Group and its affiliates as well as to provide financial services in connection therewith.

During the year under report, the Company has successfully managed many challenges and embraced important growth opportunities. The Board of Director's gives an overview of these developments in the paragraphs below.

The Company's activities and risk management

The core business of the Company comprises primarily financing BMW Group companies priced in accordance with the "at arm's length" principle. Consequently, the main activities are providing long-term liquidity, intercompany funding for, and the factoring of receivables of BMW Group companies. Based on its activities, the Company has identified the most important risks associated with its activities. Group policies, guidelines, control systems, and threshold structures are essential to making the Company's risk appetite an intrinsic part of the business, as they help minimise all the risks and control them at an acceptable level.

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 to reduce the risk remaining after considering the effects of natural hedges. With regard to interest rate risk, the Company successfully implemented the financial strategy of the BMW Group, which is explained in more detail in note 21.

The main categories of risk are credit and counterparty default risk, currency risk, interest rate risk, liquidity risk, and operational risk. The Company has aligned its internal control and risk management system on financial reporting with the BMW Group policy. Risk management is based on the COSO model, where the relevant processes include the early identification of risks and opportunities, their measurement and the use of suitable instruments to manage and monitor risks. The Company has established an encompassing reporting system that provides decision makers with comprehensive, up-to-date information and insights into developments regarding the capital markets.

By regularly sharing experiences with other counterparties, we ensure that innovative ideas and approaches are included in the risk management system and that risk management is subjected to continuous improvement. The employees of the Company follow regular trainings as well as information events, which are invaluable ways to be prepared for new or additional requirements. The overall risk management process within the BMW Group is managed centrally and reviewed for appropriateness and effectiveness by the BMW Group's internal audit department, which is acting upon this as an independent authority. 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 of the Company, the solvency of the BMW Group as a whole, headed by BMW AG, needs to be considered. Solvency is assured by managing and monitoring the liquidity situation based on 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 long-term ratings (Moody's: A2; S&P: A) and short-term ratings (Moody's: P-1; S&P: A-1) issued by Moody's and S&P. Both long-term ratings were last updated in March 2020, whereas the short-term ratings of Moody's were updated in July 2011 and of S&P in April 2012. All debt securities are guaranteed by BMW AG.

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.

Operations during the Year

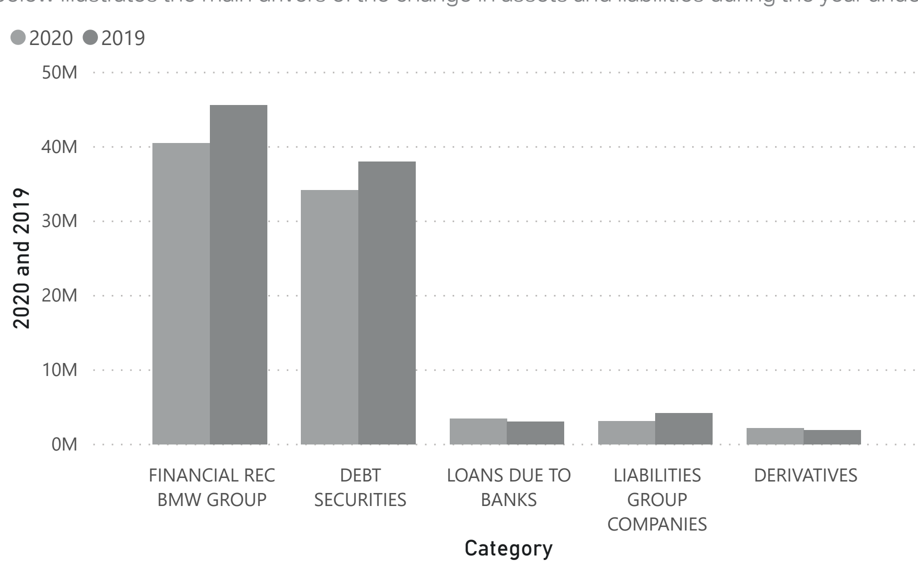
In the year under report, the health crisis of the coronavirus had a negative impact on the economy as a whole. The below paragraphs focus on the development of the Company's operations in 2020, some of which were impacted by the consequences of this crisis.

The year 2020 resulted in a net profit of euro 6.7 million (2019: net loss of euro 8.7 million). The Company managed to increase its interest margin to euro 28.4 million (2019: euro 25.8 million) and its financial result to euro 11.1 million (2019: loss of euro 9.9 million). The change in the latter is driven by the fair value measurement of financial instruments which amounted to euro 22.9 million (2019: euro 44.9 million). In addition, the factoring commission income decreased to euro 5.1 million (2019: euro 9.9 million), which is due to a reduction in factoring purchases due to the coronavirus pandemic. Moreover, the Company stopped purchasing factoring receivables in the last quarter of the fiscal year 2020, since it has been decided that going forward the Company's main focus will be the financing of BMW Group receivables.

The increase in the interest margin to a net income of euro 28.4 million (2019: euro 25.8 million) was partly caused by a decrease in the interest expenses from third parties to euro 703.3 million (2019: euro 739.8 million). An interest remuneration between the Company and BMW AG is established in order to ensure that the Company earns an "at arm's length" net interest result for its financing activity based on its function and risk profile as a strategic liquidity reserve provider to BMW AG and its focus on the financing business of BMW Group. The Company received a liquidity fee of euro 116.2 million (2019: euro 84.8 million).

The Company's balance sheet total decreased by euro 4,690 million to euro 41,839 million by 31 December 2020 (2019: euro 46,529 million). The main factor of the decrease in assets was the decrease in Receivables from BMW Group companies (euro 4,991 million) as portrayed in the below graph. This was mainly due to a decline in financing demand caused by the consequences of the coronavirus pandemic and its negative impact on the economy. In line with this, the debt securities declined to euro 34,185 million (2019: euro 38,038 million) as there was less demand to refinance the funding activities of the Company. Finally, the interest receivables and other receivables declined by euro 35 million, considering there were no outstanding factoring receivables as of the end of the financial year 2020 (2019: euro 9.9 million).

The chart below illustrates the main drivers of the change in assets and liabilities during the year under report.



Debt capital markets

Despite the severe impact of the Covid-19 pandemic in 2020 and the related consequences for the economy and financial markets, the Company continues to enjoy good access to international capital markets and is also benefiting from attractive refinancing conditions. A broad range of instruments on international capital markets are used to finance the BMW Group companies world wide.

The Company has successfully utilized the Euro Medium Term Note ("EMTN") Program of euro 50.0 billion, the euro 5.0 billion Multi-Currency Commercial Paper Program together with the 2.0 billion French Commercial Paper (Billets de Trésorerie) Program in the year under report with the objective to refinance the BMW Group companies. The programs give the Company the ability to raise funds without significant administrative efforts.

Under the EMTN Program, the Company issued 17 new debt securities during the year 2020 (2019: 21 new debt securities) with a nominal amount of euro 4.7 billion (2019: euro 9.3 billion). During the year the Company redeemed 27 EMTN's (2019: 23 EMTN's) with a nominal amount of euro 9.1 billion (2019: euro 5.4 billion). The funding volume will according to our most recently updated financial planning increase in 2021 in comparison to 2020, assuming an eventual end to the crisis caused by the Covid-19 pandemic.

In 2020, the Company issued three private Chinese placements, so-called "Panda Bonds", for an amount of Chinese renminbi 6 billion (2019: Chinese renminbi 9.5 billion) and redeemed two "Panda Bonds" with a nominal amount of Chinese renminbi 3.5 billion (2019: nil). Through these private placements the Company operated on its great advantage of tapping into the onshore Chinese debt capital market.

Furthermore, the Company has access to the US capital markets through the issuance of 144a bonds, leading to even more flexibility in securing funds and showing its possibility to access the world's largest capital markets. In the year under report the Company did not issue or redeem new 144a bonds on the US capital market (2019: new issuance of USD 2.3 billion).

Despite the political, economic, and financial consequences of the coronavirus, the Company managed to maintain a healthy liquidity level in 2020 and successfully issued EMTNs, European as well as French Commercial Papers, and Panda Bonds. This has ensured that the Company remained one of the most frequent corporate bond issuers on a global level, despite certain challenges that occurred due to the knock-on economic consequences of the coronavirus pandemic.

Economic outlook

The global economy decreased, according to the "World economic outlook Reports" (International Monetary Fund, 2020), by 3.5% in 2020, conforming with expectations about the economic fallout as a consequence of the economic impact of the coronavirus. A sharp decline in growth was also measured for the advanced economies, which decreased by 4.9% in 2020, whereas the emerging markets economies' declined by 2.4% (International Monetary Fund, 2020). In line with this, a divergent recovery is forecasted for 2021, in which emerging markets are predicted to grow by 6.3% and advanced economies by 4.3%. Notably, the growth in the respective countries largely varies and depends on the access to medical interventions (such as vaccines), the effectiveness of policy support, and the structural characteristics entering the crisis. The introduction of (multiple) vaccines in many countries has given rise to hope for an eventual end of the pandemic and the crisis, but the predicted growth rates remain uncertain due to new waves of infections, (re-) introduced lockdowns, and several mutations of the virus.

Various central banks and governments have taken action to counteract the economic impact of the virus with a raft of monetary policy measures. In view of the developments regarding the coronavirus, the US Federal Reserve lowered its benchmark interest rates to a range of 0% to 0.25% during 2020. Considering the ongoing crisis, it is very likely that their quantitative easing approach will continue throughout 2021.
Further central banks have taken similar measures. The European Central Bank (ECB), for instance, has lowered its benchmark interest rates to 0% and its interest rates on the deposit facility to a negative 0.5%

as well as introduced a “pandemic emergency purchase program” of euro 1.850 billion, all to mitigate the negative impact on the European economy and to ensure liquidity on the markets.
One can expect a mixture of reforms as well as monetary and fiscal policy measures to counteract any potential further slowdown in economic growth in the upcoming year.

Apart from the above, the high level of concern regarding the potential of a disorderly withdrawal of the UK from the EU throughout all of 2020 has given rise to a lot of uncertainty, which is mirrored by the sharp downturn in economic growth of the UK by 10%. The fact that the UK was also hit very hard by the coronavirus added further to the decline in the country’s economy.

Moreover, the increase of social unrest in several countries as well as weather-related disasters, posed new threats and challenges, which further hindered the global growth. The world’s major economies continue to face many structural flaws and policy constraints that hindered more investment and faster productivity growth, making the medium-term outlook for a faster path of global growth uncertain.

The abrupt introduction of tightened new laws and regulations represents a significant risk for the automobile industry, particularly in relation to emissions, safety, and consumer protection, as well as taxes on vehicle purchases and use. Country- and sector-specific trade barriers can also change at short notice. Unfavourable developments in any of the above areas can necessitate significantly higher levels of investments and ongoing expenses that influence customer behaviour. Risks from changes in legislation and regulatory requirements are expected to have a low impact on earnings over the two-year assessment period. The risk level attached to these risks is classified as not significant.

The Company is continuing to monitor the development of the pandemic, and taking care to keep its people safe and its business strong. The outbreak of the pandemic had a limited impact on the Company’s business and financial results 2020. To date, none of its counterparties are or have been in a default position and there are no indications to date this will occur.

In the light of the economic outlook and development of the political environment discussed above, the Company believes that it will continue to face a year full of challenges in 2021, for which it has prepared through risk management procedures and strategic guidelines. The Management of the Company does not see any threat to the Company’s status as a going concern. The Company’s financial position is stable, with liquidity requirements currently covered by available liquidity and credit lines.

Company information
During 2020 the Company employed 15 people (2019: 15 people).

As of February 25, 2021, P. Picker has succeeded R. Schmidbauer as director of the Company.

The Company’s Board of Directors is unbalanced since less than 30% of its members are female. The Company’s Board members have been appointed based on their qualifications and availability, irrespective of gender. In order to create more balance, the Board will take these regulations into account to the extent possible with respect to future appointments of Board members.

The Hague, 22 April 2021

W. Knopp	G. Ramcharan	P. Picker
Managing Director	**Financial Director**	**Director**

BMW Finance N.V.
Report of the Supervisory Board

Dear Ladies and Gentlemen,

In the course of 2020, the Company BMW Finance N.V. had to tackle a variety of challenges, caused by the changing international market environment within Europe but also globally, which was accompanied by an increase in the perceived financial market uncertainty. Some of the causes of these challenges were the corona-virus crisis, restrictive trade policies, as well as the Brexit, all of which affected our Company which is naturally interrelated with the ultimate parent company BMW AG.

Monitoring and advisory activities of the Supervisory Board
In our capacity as the Supervisory Board, we provided the Board of Management with in-depth advice on matters relating to management and further development of the Company and monitored the Board of Management's running of the business, both continuously and thoroughly. In 2020, the Supervisory Board convened for two regular meetings.

Moreover, the Supervisory Board collectively and individually interacted with members of the Board of Directors and with senior management outside the formal Supervisory Board meetings.

Key topics that were addressed in the Supervisory Board meetings were the financial statements of 2019, strategy updates as well as the financial outlook, and the fulfillment of all risk and compliance requirements.

Description of the Audit Committee work
The Supervisory Board has assigned certain of its tasks to the Audit Committee. The Audit Committee is formed by Jolanda Messerschmidt-Otten and Fredrik Altmann. The function of the Audit Committee is to prepare the decision-making of the full Supervisory Board. A list of activities performed were: the review of the Company's accounting policies and practices, including adherence to accounting and reporting standards. Assessing the appropriateness of material judgments and the interpretation and application of accounting principles.

The Audit Committee convened for two regular meetings. During the meetings, the board report and audit plan of the independent auditor were presented. The full Supervisory Board retains overall responsibility for the activities of its committee.

Composition of the Supervisory Board
The Supervisory Board comprises of four members: Fredrik Altmann, Thomas Sieber, Stefanie Wurst, and Jolanda Messerschmidt-Otten. The Supervisory Board is balanced as more than 30% of its members are female and its members have been appointed based on qualifications and availability, irrespective of gender. In order to maintain balanced, the Board will take these regulations into account to the extent possible with respect to future appointments of Board members.

The members of the Board will continue to be selected based on their experience, knowledge and background. Future successors will be hired based on required qualifications for the job.

The external member of the Supervisory Board received a remuneration of euro 10,000 in 2020. No further benefits, bonuses, or incentives were received by members of the Supervisory Board.

Examination of financial statements
The 2020 Annual Report of BMW Finance N.V. as presented by the Board of Directors, has been audited by PricewaterhouseCoopers Accountants N.V., as the Company's independent external auditors. The Audit Committee carefully examined and discussed the proposed financial statements. Consequently, the Supervisory Board authorised the 2020 Annual Report of the Company for issue by the Board of Directors on 22 April 2021. The Annual Report will further be submitted for approval to the Annual General Meeting of Shareholders on 22 April 2021.

The Supervisory Board wishes to express their appreciation to the members of the Board of Management and the entire workforce of the Company for their dedication, their ideas and achievements during the financial year 2020.

The Hague, 22 April 2021

F. Altmann **Chairman**	**S. Wurst**	**T. Sieber**	**J. Messerschmidt-Otten**

BMW Finance N.V.
Income Statement and Statement of comprehensive income

in euro thousand	Note	2020	2019
Interest income BMW Group companies		397,334	458,796 *
Interest income third parties		294,965	297,760
Interest related income		116,177	84,842 *
Interest income	[2]	**808,476**	**841,398**
Interest expenses BMW Group companies		(76,760)	(75,745)
Interest expenses third parties		(703,325)	(739,820)
Interest expenses	[2]	**(780,085)**	**(815,565)**
Interest margin	[2]	**28,391**	**25,833**
Factoring commission income	[3]	5,090	9,937
Net commission income		**5,090**	**9,937**
Other financial income and expenses	[4]	(885)	66
Impairment gain/(loss) on financial receivables	[5]	1,391	(816)
Result from financial transactions	[6]	(22,936)	(44,933)
Financial result		**11,051**	**(9,913)**
Miscellaneous income & expenses	[7]	(1,756)	(1,749)
Income/(loss) before taxation		**9,295**	**(11,662)**
Taxes	[8]	(2,581)	2,938
Net income /(loss)		**6,714**	**(8,724)**
Other comprehensive income:			
Items that can be reclassified to the income statement in the future			
Cost of hedging (net effect after tax)	[14]	(1,894)	4,098
Total comprehensive income/(loss) for the period		**4,820**	**(4,626)**
Basic earnings/(loss) per share of common stock in euro			
From profit for the year	[14]	**1,918**	**(2,493)**

* Figures have been restated for comparison purposes.

The total comprehensive income for the period is attributable to the shareholder of BMW Finance N.V.

The notes from page 14 to 40 form an integral part to the financial statements.

BMW Finance N.V.
Balance Sheet at 31 December
Before profit appropriation

Assets in euro thousand	Note	2020	2019
Receivables from BMW Group companies	[10]	20,740,261	20,755,920
Marketable securities	[11]	–	51,916
Derivative assets	[20]	1,147,601	875,486
Non-current assets		**21,887,862**	**21,683,322**
Receivables from BMW Group companies	[10]	19,724,127	24,699,506
Derivative assets	[20]	215,442	105,620
Interest receivables and other receivables	[12]	5,514	40,642
Cash and cash equivalents	[13]	6,251	139
Current assets		**19,951,334**	**24,845,907**
Total assets		**41,839,196**	**46,529,229**

Equity and liabilities in euro thousand	Note	2020	2019
Issued capital	[14]	1,750	1,750
Share premium reserve	[14]	55,488	55,488
Cost of hedging reserve	[14]	7,763	9,657
Retained earnings	[14]	121,619	130,343
Undistributed income	[14]	6,714	(8,724)
Equity		**193,334**	**188,514**
Debt securities	[15]	28,387,777	28,125,284
Loans due to banks	[16]	2,881,713	2,623,310
Liabilities due to BMW Group companies	[17]	1,581,000	550,000
Derivative liabilities	[20]	401,116	522,906
Deferred tax liability	[19]	2,588	2,676
Non-current liabilities		**33,254,194**	**31,824,176**
Debt securities	[15]	5,796,732	9,912,238
Loans due to banks	[16]	584,765	414,943
Liabilities due to BMW Group companies	[17]	1,521,723	3,652,394
Derivative liabilities	[20]	291,817	332,246
Interest payables and other liabilities	[18]	196,631	204,718
Current liabilities		**8,391,668**	**14,516,539**
Total equity and liabilities		**41,839,196**	**46,529,229**

The notes from page 14 to 40 form an integral part to the financial statements.

BMW Finance N.V.
Cash Flow Statement

in euro thousand	Note	2020	2019	
Net income/(loss) for the year		6,714	(8,724)	
Adjustments for non-cash items				
Fair value measurement gains derivatives	[6]	(281,823)	(272,285)	*
Fair value measurement losses debt securities	[6]	304,759	317,218	*
Amortisation financial instruments		(22,932)	310	
Loss/ (gain) on revaluation of financial instruments	[14]	(1,983)	5,342	
Change in impairment allowance	[5]	1,391	816	**
Taxes	[8]	2,581	(2,938)	
Interest income	[2]	(808,476)	(841,399)	
Interest expense	[2]	780,245	815,565	
Changes in operating assets and liabilities				
Receivables from BMW Group companies	[10]	4,997,446	(6,859,667)	**
Receivables and other assets		35,128	(40,640)	
Derivatives		(262,333)	420,640	
Debt securities	[15]	(4,134,837)	5,376,699	
Loans due to banks	[16]	428,225	659,124	
Liabilities to BMW Group companies	[17]	(1,099,063)	352,626	
Other liabilities	[18]	(12,666)	13,740	
Interest received		800,676	803,915	
Interest paid		(774,394)	(790,278)	
Tax paid		(4,462)	(530)	
Cash flow from operating activities		**(45,804)**	**(50,466)**	
Marketable securities disposals		51,916	52,237	
Cash flow from investing activities	[11]	**51,916**	**52,237**	
Cash flow from financing activities		**–**	–	
Net increase in cash and cash equivalents		6,112	138	
Cash and cash equivalents at January 1		139	1	
Cash and cash equivalents at December 31	[13]	**6,251**	**139**	

* Figures have been restated for comparison purposes.
** Figures have been restated as the calculation for the change in impairment allowance has been amended for comparison purposes.

The notes from page 14 to 40 form an integral part to the financial statements.

BMW Finance N.V.
Statement of Changes in Equity

in euro thousand	Note	Issued Capital	Share premium reserve	Cost of hedging reserve	Retained earnings	Undis-tributed income	**Total**
1 January 2019	[14]	**1,750**	**55,488**	**5,559**	**90,533**	**39,810**	**193,140**
Net income		–	–	–	–	(8,724)	(8,724)
Other comprehensive income for the period after tax		–	–	4,098	–	–	4,098
Comprehensive income 31 December 2019		**–**	**–**	**4,098**	**–**	**(8,724)**	**(4,626)**
Appropriation of results 2018		–	–	–	39,810	(39,810)	–
31 December 2019		**1,750**	**55,488**	**9,657**	**130,343**	**(8,724)**	**188,514**
1 January 2020		**1,750**	**55,488**	**9,657**	**130,343**	**(8,724)**	**188,514**
Net income		–	–	–	–	6,714	6,714
Other comprehensive income for the period after tax		–	–	(1,894)	–	–	(1,894)
Total comprehensive income 31 December 2020		**–**	**–**	**(1,894)**	**–**	**6,714**	**4,820**
Appropriation of results 2019		–			(8,724)	8,724	–
31 December 2020	[14]	**1,750**	**55,488**	**7,763**	**121,619**	**6,714**	**193,334**

The notes from page 14 to 40 form an integral part to the financial statements.

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 on 14 June 1983, number 27.106.340. The Company's 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 priced in accordance with the "at arm's length" principle and to contribute to the liquidity requirements of the BMW Group. The Company is fully consolidated in the accounts of the BMW AG, of which the latest annual financial statements are available under: https://www.bmwgroup.com/en/investor-relations/company-reports.html.

During the year the Company employed 15 persons (2019: 15 persons), all of which work in the Netherlands. A Supervisory Board, established in December 2014, currently consists of four members. In 2021, P. Picker replaced R. Schmidbauer as a director of the Company.

The financial statements of the Company have been drawn up in accordance with the International Financial Reporting Standards (IFRS), as adopted 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.

Coronavirus impact

On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of coronavirus. The Company is continuously monitoring the market and economic turbulences that have arisen as a consequence of the virus, as well as its impact on the business development of the Company. The most significant risks the Company faces are particularly related to credit and interest rate changes. A comprehensive risk management system is in place to ensure that the Company successfully manages these risks. In the year under report, the direct impact of the pandemic on the Company has been very limited, due to the nature of its business. Hence, no threat to the status as a going concern has been identified and the Company's financial position is stable, with liquidity requirements covered by available liquidity and credit lines.

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. The Board of Directors considers it appropriate to adopt the going concern basis of accounting in preparing these financial statements based on a forecast analysis which supports the going concern assumption.

Basis of preparation

Functional and presentation currency

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 the Company operates. All financial information presented in euro has been rounded to the nearest thousand, unless otherwise stated in the notes.

Comparison with previous year

The valuation principles and methods of determining the result are the same as those used in the previous year, with the exception of the changes in accounting policies as set out in the relevant sections.

The Company has adjusted the presentation of the 'Interest related income' on the face of the Income statement and statement of comprehensive income of euro 116,177 thousand (2019: euro 84,842 thousand) by presenting it separately from the 'Interest income BMW Group companies' compared to previous years.

An impairment allowance relief of euro 1,391 thousand (2019: loss of euro 816 thousand) of 'Impairment gain/(loss) on financial receivable' has been represented separately from the 'Other financial income and expenses' compared to previous year.

The Company has disaggregated the adjustments for non-cash items for 'Fair value measurement losses' in the individual sub-components of 'Fair value measurement gains derivatives' of an amount of euro 281,823 thousand negative (2019: euro 272,285 thousand negative) and 'Fair value measurement losses debt securities' for an amount of euro 304,759 thousand (2019: euro 317,218 thousand) in the cash flow statement.

In each case, the corresponding comparative numbers of the previous year have been amended for comparison reasons.

The valuation principles and method of determining the result remained the same as those used in the previous year.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the 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.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

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's 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 on 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
- 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 exchange rates used in the valuation models (note 20). More details are disclosed in the notes 20 and 21.

Financial reporting rules

(a) Standards and revised standards significant for the Company applied for the first time in the financial year 2020:

Standard	Interpretation	Date of issue by IASB	Date of mandatory application by IASB	Date of mandatory application EU
IFRS 9, IAS 39, IFRS 7	Reform of the benchmark interest rates	26.9.2019	1.1.2020	1.1.2020

The amendments to IFRS 9, IAS 39 and IFRS 7 provide reliefs with regard to the expected impact of the interest rate benchmark reform on hedge accounting and are being applied early by BMW Finance N.V. The amendments provide temporary relief from applying specific hedge accounting requirements in the case of hedging relationships directly affected by the interest rate benchmark reform. Accordingly, hedge accounting requirements must be applied as if the benchmark interest rate, on which the hedged cash flows and cash flows from the hedging instrument are based, were not changed by the benchmark interest rate reform. Consequently, the amendments to IFRS 9 and IAS 39 ensure that hedge accounting is not required to be discontinued specifically as a result of the benchmark interest rate reform. The relief is applied to all hedging relationships affected by the uncertainties arising from the benchmark interest rate reform.

For the year under report, the revised standards applied for the first time in the financial year do not have any significant impact on the Company's financial statements.

(b) Financial reporting pronouncements issued by the IASB that are significant for the Company, but have not yet been applied:

In August 2020, the IASB published the Amendment Standard Interest Rate Benchmark Reform (IBOR) – Phase 2. The amendments contain a number of reliefs to mitigate the impact on the accounting treatment of hedge relationships and financial instruments resulting from the reform of interest rate benchmarks. In accordance with the amendments, hedge accounting is not required to be discontinued solely because of the reform. Instead, the hedge relationships are deemed to remain in place even if the existing benchmark interest rate is replaced by an alternative interest rate, provided that the underlying documentation has been appropriately updated.

Replacing a previous benchmark rate results in a change in the basis for determining the contractual cash flows relating to financial assets and financial liabilities. For simplification purposes, it is permitted to account for the change by updating the effective interest rate without any immediate impact on profit or loss.

The amendments are mandatory for financial years beginning on or after 1 January 2021. The BMW Group intends to apply the proposed practical expedients for transactions affected by the benchmark reform. The amendments have not been adopted early for the financial year 2020.

Other financial reporting standards issued by the IASB and not yet applied are not expected to have any significant impact on the Company's financial statements.

[1] Significant accounting policies

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

Foreign currency

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the individual transactions. At the end of the accounting period the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the year-end. Exchange rate differences arising on translation are recognised in the income statement, within Other financial income and expenses. 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, Factoring commission income, Other financial income and expenses, Impairment loss on financial receivables and 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 as well as an interest remuneration between the Company and BMW AG. The latter is established in order to ensure that the Company earns an "at arm's length" net interest result for its financing activity based on its business models and risk profile as a strategic liquidity reserve provider to BMW AG and its focus on the financing business of BMW Group. Interest expenses include interest expense on borrowings. Interest income and expenses are recognised as they accrue in profit or loss, using the effective interest method.

Factoring administration charges and other fee income is recognised in profit or loss at the time the debts are factored. The discount charge is recognised in profit or loss as it accrues, taking into account the effective yield on the asset.

Other financial income and expenses cover the exchange rate differences of the monetary assets and liabilities denominated in foreign currency. Foreign currency gains and losses are reported on a net basis.

A model is used to determine the impairment losses on financial receivables which is based on expected credit losses and is comprised in the Impairment loss on financial receivables. More information on the model itself can be found under the paragraph "Impairment".

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 they relate to 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 asset or liability are 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 or liability are 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

In the financial year 2020 all employees participated in a defined contribution plan. The related costs to the defined contribution plan are recognised as Miscellaneous expenses in the income statement.

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. There is no program which dilutes the number of shares outstanding.

Financial instruments

Categories of financial assets

The categories of financial assets that are held by the Company are:

– at amortised costs, and
– financial assets at fair value through profit and loss

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.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

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.

Financial assets at amortised cost are measured at amortised cost using the effective interest method, less any impairment losses.

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

Several 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. For the methods used see note 20. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is 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.

Non-derivative financial assets

The Company initially recognises financial assets at fair value 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 at amortized cost

Financial assets are classified as "at amortised cost" if the following two conditions are both met:

1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
2) the contractual terms of the financial asset generate cash flows that are solely payments of principal and interest on the principal amount outstanding

Assets at amortised costs comprise receivables from BMW group companies, interest receivables and other receivables. The 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.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Marketable Securities

The marketable securities in the portfolio of the Company are not quoted in an active market and the Company has the intention to hold the securities to maturity. Since the marketable securities do not meet the criteria for amortised cost and fair value through other comprehensive income, they are classified at fair value through profit and loss, as required by IFRS 9. Classifying the marketable securities at fair value through profit and loss is further justified given the risk profile of the investment, the credit enhancements and the expectation that the investment will be fully reimbursed including the interest payments.

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 has the following non-derivative financial liabilities: debt securities, loans due to banks, loans due to BMW Group companies and interest payables and other liabilities. 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

Derivative financial instruments are used within the Company for hedging purposes. The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. All derivative financial instruments are measured at fair value. Fair values are determined on the basis of valuation models (discounted cash flow models). The observable market price, tenor and currency basis spreads are taken into account in the measurement of derivative financial instruments. Furthermore, the Company's own credit risk and that of counterparties is taken into account based on credit default swap values. Interest rate and currency swaps are valued by using discounted cash flow models. The changes in the fair values of these contracts are reported in the income statement (in Result from financial transactions).

The Company applies the option to recognise credit risks arising from the fair values of a group of derivative financial assets and liabilities on the basis of their total net amount. Portfolio-based valuation adjustments (credit valuation adjustments and debit valuation adjustments) to the individual derivative financial assets and financial liabilities are allocated using the relative fair value approach (net method).

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 IFRS 9, then all changes in its fair value are recognised immediately in profit or loss.

Fair value hedges

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 through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. Items are hedged on the basis of a constant ratio of one to one between hedging instrument and risk exposure.

Derivative hedging instruments are mainly used to hedge interest rate risks and foreign currency risk relating to debt securities and loans due to banks. Where fair value hedge accounting is applied, changes in fair value of a designated derivative hedging instrument are recognised in the income statement (in Result from financial transactions). In addition, changes in the fair value due to changes in the hedged risk only of the hedged item are recognized in profit or loss and as an adjustment to the carrying value of the hedged item (basis adjustment). Where cross-currency swaps are used as derivative hedging instruments in a fair value hedge, cross currency basis spreads are not designated as part of the hedging relationship. Accordingly, changes in the cross currency basis spreads are separated from the changes in the market value of the cross currency derivative hedging instruments and are recognized in a separate component of equity (the cost of hedging reserve) to the extent that they are aligned to the hedged item. Subsequently, the cross-currency basis spreads recorded in the cost of hedging reserve are amortized to the income statement over the term of the hedging relationship.

The Company discontinues hedge accounting prospectively when the hedge no longer meets the criteria for hedge accounting. Any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used, is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins over the remaining period of the hedge relationship before discontinuing. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss.

Impairment

Financial assets

The Company applies the approach described in IFRS 9 to determine impairment of financial assets. IFRS 9 requires the implementation of an ‘expected credit loss’ (ECL) model, which aims to be forward looking and requires to recognise an impairment loss for all financial assets as an expected expense. In accordance with this model, valuation allowances for expected credit losses on financial assets classified at amortised cost are recognised in two stages. Impairment allowances on financial assets are measured at initial recognition based on the expected 12-months credit loss (Stage 1). If, at subsequent balance sheet dates, the credit loss risk has increased significantly since the date of initial recognition, the impairment allowance will instead be measured based on the lifetime expected credit losses (Stage 2 – general approach). The calculations of impairment allowances on receivables from affiliates are primarily based on information which is available in the market (e.g. ratings and probabilities of default) as well as on internal and external information on recovery rates. The Company generally assumes creditworthiness is impaired if a receivable is more than 90 days overdue. Credit-impaired assets are identified as such on the basis of this definition of default. In the case of credit-impaired assets which had not been credit-impaired at the time they were acquired or originated, an impairment allowance is recognised at an amount equal to lifetime expected credit losses (Stage 3). There were no significant changes in the assumptions or methodology applied in the assessment of expected credit losses, compared with the prior year.

Share capital

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

Cash flow statement

The cash flow statement shows how the cash and cash equivalents of the Company have changed over 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 deposits 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. While 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. The changes in balance sheet positions shown in the cash flow statement therefore do not agree directly with the amounts shown in the Company 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 statement 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

Under IFRS 8 the Company is required to disclose segmental information of its performance. Only one operating segment could be identified as interest income. The Company derives its revenue interest income by trading with entities that are owned and controlled by BMW AG and trading in derivatives with third parties to hedge the market risks of the Company. Furthermore, the interest revenue is derived by contributing to the liquidity requirements of the BMW Group. The interest revenue streams are related to the business model of the Company.

[2] Interest income and expense

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

in euro thousand	2020	2019
Interest income on financial assets at amortised cost	527,509	575,139
Interest income on financial assets included in a fair value hedge relationship	269,623	255,995
Interest income on derivatives at fair value not included in a hedge relationship	11,344	10,264
Interest income	**808,476**	**841,398**
Interest expenses on financial liabilities at amortised cost	(275,509)	(217,639)
Interest expenses on financial liabilities included in a fair value hedge relationship	(343,937)	(326,570)
Interest expenses on derivatives at fair value not included in a hedge relationship	(160,639)	(271,356)
Interest expenses	**(780,085)**	**(815,565)**
Interest margin	**28,391**	**25,833**

Interest income and expenses (paid and accrued interest) are recognised in the income statement using the effective interest method. Assets and liabilities at fair value stem from financial derivative instruments. Non-derivative financial instruments are measured at amortised cost. The carrying amount is adjusted for the changes in the value of the hedged risks when the instrument is included in a fair value hedge relationship. Fair value movements are not presented under interest income and expense, but under result from financial transactions (see note 6).

Total interest income and expense split in BMW Group companies and third parties:

in euro thousand	2020	2019
Interest income BMW Group companies	397,334	458,796 *
Interest income third parties	294,965	297,760
Interest related income	116,177	84,842 *
Interest income	**808,476**	**841,398**
Interest expenses BMW Group companies	(76,760)	(75,745)
Interest expenses third parties	(703,325)	(739,820)
Interest expenses	**(780,085)**	**(815,565)**
Interest Margin	**28,391**	**25,833**

* Figures have been restated for comparison purposes.

The interest income third parties of euro 295.0 million (2019: euro 297.8 million) is mainly earned over the derivatives traded with financial institutions to hedge the market risks of the Company. The interest expenses third parties of euro 703.3 million (2019: euro 739.8 million) comprises the expense due to transactions in debt securities, loans due to banks, and derivatives with financial institutions. The increase in the interest margin to a profit of euro 28.4 million (2019: profit of euro 25.8 million) was mainly a result of of a well used structure of the financing portfolio. The interest income and expenses are presented as non-cash items in the Cash flow statement.

An interest remuneration between the Company and BMW AG is established in order to ensure that the Company earns an “at arm’s length” net interest result for its financing activity based on its function and risk profile as a strategic liquidity reserve provider to BMW AG and its focus on the financing business of BMW Group. The Company received a liquidity fee of euro 116.2 million (2019: euro 84.8 million), which is presented as “interest related income” in the income statement. In addition, BMW AG was paid a guarantee fee of euro 50.3 million (2019: euro 47.6 million), as the latter unconditionally and irrevocably guarantees the Company’s issuances on the capital markets.

[3] Factoring commission income

Factoring commission income consists of fees related to the factoring of short-term BMW Group trade receivables and amounted to euro 5.1 million (2019: euro 9.9 million). In the last quarter of 2020, the Company stopped with the factoring of receivables.

[4] Other financial income and expenses

The item comprises a loss of euro 885 thousand (2019: profit of euro 66 thousand) due to exchange rate differences.

[5] Impairment loss on financial receivables

The Company recognised a provision for expected credit losses according to IFRS 9 in respect of Receivables from BMW Group companies measured at amortised cost. This resulted in an impairment allowance relief of euro 1.4 million (2019: loss of euro 0.8 million).

[6] Result from financial transactions

in euro thousand	2020	2019
Ineffective portion of financial instruments included in a hedge relationship	(12,870)	(13,040)
Revaluation of derivatives not included in a hedge relationship	(10,066)	(31,893)
Total	**(22,936)**	**(44,933)**

The change of the result from financial transactions to a loss of euro 22.9 million (2019: loss of euro 44.9 million) is the result of the fair value measurement of financial instruments.

The latter was mainly impacted by day one losses on financial instruments part of a hedge relationship.

The revaluation of derivatives not included in a hedge relationship is related to interest rate swaps and cross currency swaps to hedge the portfolio of receivables with a fixed rate from BMW Group companies (see note 10) as well as the credit value and debit value adjustment required under IFRS 13.

The result from financial transactions is presented as fair value measurement losses as non-cash item in the Cash flow statement and split by the fair value gains on derivatives of euro 281.8 million (2019: euro 272.3 million) and fair value losses on debt securities of euro 304.8 million (2019: euro 317.2 million).

[7] Miscellaneous income & expenses

in euro thousand	2020	2019
Salaries & social security charges	(1,048)	(1,168)
Pension costs – defined contribution plan	(48)	(81)
Advisory & audit cost	(440)	(210)
Other miscellaneous income & expenses	(220)	(290)
Total	**(1,756)**	**(1,749)**

The fees charged are presented as advisory & audit cost. In 2019 the fees were billed by Mazars Accountants N.V., whilst in 2020 they were charged by PricewaterhouseCoopers Accountants N.V.

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

in euro thousand 31.12.2020	PwC Accountants N.V.	Other PwC network	Total PwC network
Audit of the financial statements	(195)	-	**(195)**
Other audit services	(61)	(135)	**(196)**
Tax services	–	–	**–**
Other non-audit services	–	–	**–**
Total	**(256)**	**(135)**	**(391)**

in euro thousand 31.12.2019	Mazars Accountants N.V.	Other Mazars network	Total Mazars network
Audit of the financial statements	(74)	–	**(74)**
Other audit services	–	–	**–**
Tax services	–	–	**–**
Other non-audit services	–	–	**–**
Total	**(74)**	**–**	**(74)**

The fees listed above relate to the procedures applied to the Company by accounting firms and external auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties - Wta') as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

All fees relate to the audit of the 2020 and 2019 financial statements, irrespective of whether the work was performed during the financial year.

[8] Taxes

Income taxes comprise the following:

in euro thousand	2020	2019
Current tax (expense)/income	(2,605)	2,916
Deferred tax income/(expense)	–	–
Withholding taxes	24	22
Total tax (expense)/income in income statement	**(2,581)**	**2,938**

Reconciliation of the effective tax rate:

in euro thousand		2020	2019
Income/(loss) before tax		9,295	(11,662)
Income tax using the domestic corporate tax rate	25%	(2,324)	2,916
Tax benefit relating to other periods		(281)	–
Withholding taxes		24	22
Total tax income/(expense) in income statement		**(2,581)**	**2,938**
Effective tax rate		**27.8%**	**25.2%**

The 2020 Dutch corporation tax applies at 25%. For the taxable amount up to and including euro 200,000 the applicable tax rate is 16.5%.

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 2020:

- BMW Holding B.V. (head of the fiscal unity)
- BMW Finance N.V.
- BMW Retail Nederland B.V. (left fiscal unity as of 01.11.2020)
- BMW Amsterdam B.V. (left the fiscal unity as of 01.11.2020)
- BMW Den Haag B.V. (left the fiscal unity as of 01.10.2019)
- BMW Nederland B.V.
- BMW Financial Services B.V.
- BMW International Investment B.V. (left the fiscal unity as of 01.07.2019)
- BMW i Ventures B.V.
- Alphabet Nederland B.V.

[9] Remuneration of Board of Directors

In 2020, the remuneration of the Board of Directors, which is short-term in nature, amounted euro 0.6 million (2019: euro 0.6 million). The total remuneration consists of periodic remuneration and bonuses plus other remuneration:

in euro thousand	2020	2019
Periodic remuneration	471	498
Bonuses	49	42
Other remuneration	75	77
Total remuneration of Board of Directors	**595**	**617**

The external member of the Supervisory Board received a remuneration of euro 10,000 in 2020. No further benefits, bonuses, or incentives were received by members of the Supervisory Board.

[10] Receivables from BMW Group companies

in euro thousand	2020	2019
Non-current receivables from BMW Group companies	20,740,261	20,755,920
Current receivables from BMW Group companies	19,724,127	24,699,506
Total receivables from BMW Group companies	**40,464,388**	**45,455,426**

The Company recognised an accumulated impairment loss on Receivables from BMW Group companies of euro 4.0 million in 2020 (2019: euro 5.4 million) in accordance with IFRS 9. No significant changes to estimation techniques or assumptions were made during the reporting period.

From the total receivables from BMW Group Companies, 59% (2019: 52%) 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 2020 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	38,935,998	1.2	0.7
Inhouse Bank BMW AG	1,375,958	Daily	EONIA* + spread
Trade receivables from parent (BMW Holding B.V.)	16,543	–	–
Trade receivables from BMW Group companies	135,889	–	–
Total	**40,464,388**		

* EONIA = Euro Overnight Index Average (per 31-12-2020: 0.498% negative).

The weighted average maturity period and the weighted average effective interest rate of the receivables from BMW Group companies during the financial year 2019 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	40,427,466	1.2	1
Inhouse Bank BMW AG	3,472,033	Daily	EONIA* + spread
Trade receivables from parent (BMW Holding B.V.)	6,654	–	–
Trade receivables from BMW Group companies	1,549,273	0.1	(0.1)
Total	**45,455,426**		

* EONIA = Euro Overnight Index Average (per 31-12-2019: 0.446% negative).

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**
2020	19,724,127	20,597,085	143,176	**40,464,388**
2019	24,699,506	20,555,474	200,446	**45,455,426**

The Company has not and has not been asked to grant any payment holidays on their loans to BMW Group companies.

[11] Marketable securities

In December 2018 the Company purchased Class B notes of compartment French auto leases 3 of euro 51.9 million. The notes belonged to the euro 904 million Asset Backed Security issued by Bavarian Sky France. The portfolio consisted of French auto lease receivables and residual value receivables arising from auto lease contracts originated by BMW Finance S.N.C. in France (together with the related vehicle buy back or sale receivables and together with the related security and other ancillary rights). In 2020, the Class B note of compartment French auto leases 3 amounting to euro 51.9 million of the euro 904 million Asset Backed Security at Bavarian Sky France has been redeemed early for the full amount of euro 51.9 million.

The balance of outstanding marketable securities per 31 December 2020 was nil.

Overview marketable securities per 31 December 2019:

	Currency	Outstanding (in euro thousand)	Maturity period (in years)	Interest rates (in %)
Class B note – Compartment 3	EUR	51,916	5	1.0
Total		**51,916**		

In 2019, the marketable securities are recorded at fair value through profit and loss. The fair value of the marketable securities is allocated to level 3 according to IFRS 13. The valuation technique used for the determination of the fair value is based on the expected amortisation schedule of the notes and the credit spreads as observed in the financial market. These parameters have not changed significantly since the date of inception.

[12] Interest receivables and other receivables

In 2020 the Company recognised an amount of euro 5,514 thousand (2019: euro 40,642 thousand) as other receivables. The balance at the end of the financial year 2020 relates primarily to a term deposit with maturity of three months.

[13] Cash and cash equivalents

Cash and Cash equivalents have a maturity of less than three months and are freely disposable to the Company. The Company participates in the Global Payment Platform of BMW AG. Therefore, a part of the cash position with the external banks is reflected in the Inhouse Bank position with BMW AG. The balance is accounted for as a Receivable from BMW Group companies (note 10) and Liability due to BMW Group companies (note 17). The total cash position that is not part of the Global Payment Platform amounted to euro 6.3 million (2019: euro 0.1 million), is mainly denominated in Chinese renminbi and caused by increased activity on the Company's external bank accounts.

[14] Equity

Issued Capital

The 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 2019, there were no changes in these figures. The Company generated earnings per share of euro 1,918 (2019: loss of euro 2,493).

Share premium reserve

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

Cost of hedging reserve

On 31 December 2020, the amount of the fair value measurement of financial instruments recognised directly in equity amounted to euro 7.8 million (2019: euro 9.7 million) net of deferred taxes. The hedging reserve as of 31 December 2020 is related to the cost of hedging of fair value hedges. The cross currency basis spread is excluded from the hedge designation and effectiveness measurement in accordance with IFRS 9, posted to Other comprehensive income (OCI) as cost of hedging, and amortised into P&L over the lifetime of the hedge. The amounts recorded in the cost of hedging reserve are amortized to the income statement over the term of the hedging relationship.

in euro thousand	2020	2019
Opening balance at 01 January	**9,657**	**5,559**
Thereof gains/(losses) arising in the period under report	(11,207)	7,286
Thereof reclassifications to the income statement, net of deferred tax	9,313	(3,188)
Closing balance at 31 December	**7,763**	**9,657**

Appropriation of result

The appropriation of the result for the year 2019 amounting to a loss of euro 8,724 thousand to retained earnings has been endorsed by the General meeting of Shareholders dated April 6, 2020

Proposed appropriation of result

The Board of Directors proposes to add the net profit for the year 2020 amounting to euro 6,714 thousand to the retained earnings.

Capital management

The Company's objectives when managing capital at an individual company level are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders. The Company has no prescribed dividend policy.

The Company's equity, as disclosed on the face of the statement of financial position, constitutes its capital. The Company maintains its level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the extent of the Company's borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the Board of Management of the Company.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

[15] Debt securities

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

in euro thousand	2020	2019
Debt securities part of a fair value hedge relationship	28,059,390	30,703,721
Debt securities at amortised cost	5,575,057	7,033,698
Commercial paper	550,062	300,103
Total	**34,184,509**	**38,037,522**

The Bonds under the EMTN Program and other securities issued by the Company during the financial year 2020 comprise:

Interest	Currency	Issue volume in millions	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
Variable	EUR	3,350	2.1	0.0
Variable	NOK	1,730	3.0	1.9
Variable	SEK	1,500	4.0	0.6
Variable	USD	500	3.0	1.0
Fixed	AUD	273	10.0	3.2
Fixed	CNH	1,500	3.0	3.9
Panda Bond	CNY	12,000	2.0	4.0
Fixed	EUR	23,800	6.5	0.8
Fixed	GBP	850	6.0	1.3
Fixed	HKD	2,352	5.9	2.6
Fixed	JPY	24,500	5.3	0.5
Fixed	NOK	1,500	3.8	1.9
Fixed	RON	–	0.0	0.0
Fixed	SEK	–	0.0	0.0
Fixed	USD	2,050	5.3	2.5

The Bonds under the EMTN Program and other securities issued by the Company during the financial year 2019 comprise:

Interest	Currency	Issue volume in millions	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
Variable	EUR	5,000	1.9	0.0
Variable	NOK	500	3.0	2.4
Variable	SEK	1,500	4.0	0.7
Variable	USD	700	2.0	3.0
Fixed	AUD	290	6.9	3.3
Fixed	CNH	2,000	3.0	4.3
Panda Bond	CNY	9,500	2.0	4.0
Fixed	EUR	25,900	6.3	0.8
Fixed	GBP	1,150	5.8	1.5
Fixed	HKD	2,166	4.8	2.3
Fixed	JPY	19,100	5.8	0.4
Fixed	NOK	1,500	3.8	1.9
Fixed	RON	240	1.0	4.0
Fixed	SEK	1,750	5.0	1.8
Fixed	USD	2,050	5.3	2.5

The Euro Medium Term Note ("EMTN") Program of euro 50.0 billion has been used in several currencies by the Company. In 2020 the Company issued 17 new debt securities (2019: 21 new debt securities) with a nominal equivalent of euro 4.7 billion (2019: euro 9.3 billion). Further issuers are BMW AG, BMW US Capital LLC, BMW International Investment B.V. 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. and BMW International Investment B.V. The Multi-Currency Commercial Paper Program support flexible and broad access to capital markets. Since May 2006, the Company acts as an issuer under the euro 2.0 billion French Commercial Paper (Billets de Trésorerie) Program established by the Company.

In 2020, the Company issued private placements on the Chinese capital market, so-called, "Panda Bond", for an amount of Chinese renminbi 6 billion (2019: 9.5 billion Chinese renminbi).

In the year under report, no new 144a bonds were issued (2019: new issuance of USD 2.3. billion). The possibility to issue also these type of debt securities gives the Company more flexibility in access the world's largest capital markets as an additional funding source.

Debt issuances under these programs have unconditional and irrevocable guarantees from BMW AG.

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

The outstanding balances with respect to the commercial paper programs at year-end are related to the euro 5.0 billion Multi-Currency Commercial Paper Program and the French Commercial Paper Program. 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 %)	
	2020	2019	2020	2019	2020	2019
Total	**550,062**	**300,103**	**0.70**	**0.08**	**(0.17)**	**(0.40)**

[16] 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 %)	
	2020	2019	2020	2019	2020	2019
Total	**3,466,478**	**3,038,253**	**7.56**	**8.06**	**0.86**	**0.65**

[17] 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**
2020	1,521,723	1,581,000	–	**3,102,723**
2019	3,652,394	550,000	–	**4,202,394**

From the total liabilities from BMW Group Companies 69% 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 2020 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.)	3,101,706	1.81	0.10
Liability due to affiliated companies	1,780	–	–
Inhouse Bank BMW AG	–	Daily	EONIA* + spread
Trade payables due to BMW Group companies	(763)	30 days	none
Total	**3,102,723**		

* EONIA = Euro Overnight Index Average (per 31-12-2020: 0.498% negative).

For the liabilities these figures were during the financial year 2019 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.)	4,178,525	1.00	2.70
Liability due to affiliated companies	29,056	0.10	(0.60)
Inhouse Bank BMW AG	–	Daily	EONIA* + spread
Trade payables due to BMW Group companies	(5,187)	30 days	none
Total	**4,202,394**		

* EONIA = Euro Overnight Index Average (per 31-12-2019: 0.446% negative).

[18] Interest payables and other liabilities

in euro thousand	2020	2019
Interest payables to third parties	195,177	190,598
Other liabilities	1,454	14,120
Total	**196,631**	**204,718**

Interest payables to third parties are mainly related to debt securities.

[19] Deferred tax liability

The deferred tax for derivatives relates to the cost of hedging of derivative financial instruments included in a fair value hedge relationship. The deferred tax liability is calculated with a tax rate of 25% and results in an amount of euro 2.6 million (2019: euro 2.7 million).

[20] Financial instruments

The carrying amounts of financial instruments are assigned to IFRS 9 categories in the following table:

31 December 2020 in euro thousand	At amortised cost	Fair value through profit or loss	**Total**
Assets			
Derivative instruments			
Fair value hedges	–	942,383	**942,383**
Other derivative instruments	–	420,660	**420,660**
Marketable securities	–	–	**–**
Interest and other Receivables	5,514	–	**5,514**
Cash and Cash equivalents	6,251	–	**6,251**
Receivables from BMW Group companies	40,464,388	–	**40,464,388**
Total of financial assets	**40,476,153**	**1,363,043**	**41,839,196**

31 December 2020 in euro thousand	At amortised cost	Fair value through profit or loss	**Total**
Liabilities			
Debt securities	34,184,509	–	**34,184,509**
Loans due to banks	3,466,478	–	**3,466,478**
Derivative instruments			
Fair value hedges	–	269,370	**269,370**
Other derivative instruments	–	423,563	**423,563**
Interest payables and other liabilities	196,631	–	**196,631**
Liabilities due to BMW Group companies	3,102,723	–	**3,102,723**
Total of financial liabilities	**40,950,341**	**692,933**	**41,643,274**

For the financial year 2019, the items are also assigned to IFRS 9 categories in the following table:

31 December 2019 in euro thousand	At amortised cost	Fair value through profit or loss	Total
Assets			
Derivative instruments			
Fair value hedges	–	746,322	**746,322**
Other derivative instruments	–	234,784	**234,784**
Marketable securities	–	51,916	**51,916**
Interest and other Receivables	40,642	–	**40,642**
Cash and Cash equivalents	139	–	**139**
Receivables from BMW Group companies	45,455,426	–	**45,455,426**
Total of financial assets	**45,496,207**	**1,033,022**	**46,529,229**

31 December 2019 in euro thousand	At amortised cost	Fair value through profit or loss	Total
Liabilities			
Debt securities	38,037,522	–	**38,037,522**
Loans due to banks	3,038,253	–	**3,038,253**
Derivative instruments			
Fair value hedges	–	249,603	**249,603**
Other derivative instruments	–	605,549	**605,549**
Interest payables and other liabilities	204,718	–	**204,718**
Liabilities due to BMW Group companies	4,202,394	–	**4,202,394**
Total of financial liabilities	**45,482,887**	**855,152**	**46,338,039**

The hedge ratio applied by the Company is 100%.

Fair value measurement of financial instruments

The fair values shown are computed using the market information available at the balance sheet date through appropriate measurement methods, e.g. discounted cash flow models. In the latter case, amounts were discounted at 31 December 2020 on the basis of the following interest rates:

%	EUR	GBP	AUD	RUB	JPY	ZAR
interest rate for 6 months	(0.53)	0.03	0.02	4.91	(0.01)	3.87
interest rate for one year	(0.53)	–	0.03	5.04	(0.05)	3.38
interest rate for five years	(0.46)	0.19	0.38	5.88	(0.04)	4.75
interest rate for 10 years	(0.26)	0.40	0.98	6.46	0.05	6.60

The interest rates at 31 December 2019 were:

%	EUR	GBP	AUD	RUB	JPY	ZAR
interest rate for 6 months	(0.32)	0.88	1.03	6.48	0.02	7.30
interest rate for one year	(0.32)	0.83	0.98	6.55	0.02	6.61
interest rate for five years	(0.11)	0.89	1.19	6.58	0.03	6.95
interest rate for 10 years	0.21	1.02	1.53	7.08	0.12	7.68

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, because 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.

At 31 December 2020 the financial assets and liabilities measured at fair value according to IFRS 9 are classified as follows in the measurement levels in accordance with IFRS 13:

In euro thousand	Level hierarchy in accordance with IFRS 13 Level 1	Level 2	Level 3
Derivative instruments (assets)			
Fair value hedges	–	942,383	–
Other derivative instruments	–	420,660	–
Marketable Securities (assets, note 11)	–	–	–
Derivative instruments (liabilities)			
Fair value hedges	–	269,370	–
Other derivative instruments	–	423,563	–

At 31 December 2019 the financial assets and liabilities measured at fair value according to IFRS 9 are classified as follows in the measurement levels in accordance with IFRS 13:

In euro thousand	Level hierarchy in accordance with IFRS 13 Level 1	Level 2	Level 3
Derivative instruments (assets)			
Fair value hedges	–	746,322	–
Other derivative instruments	–	234,784	–
Marketable Securities (assets, note 11)	–	–	51,916
Derivative instruments (liabilities)			
Fair value hedges	–	249,603	–
Other derivative instruments	–	605,549	–

The other derivative instruments are derivatives not included in a hedge relationship and are related to interest rate swaps and foreign currency swaps to hedge the portfolio of fixed rated receivables from BMW Group companies.

There were no reclassifications within the level hierarchy either in the financial year 2020 or in the financial year 2019.

Where the fair value is required for a financial instrument for disclosure purposes, the discounted cash flow method was used, taking account of the BMW Group's credit risk. These fair values are allocated as Level 2. Financial instruments recognised at fair value for which no market prices are available, are categorised as Level 3. Level 3 financial assets relate mainly to marketable securities of the Company. The valuation technique to determine the fair value of these marketable securities is based on the expected amortisation schedule of the notes and the credit spreads as observed in the financial market. These parameters have not changed significantly since the first date of adoption.

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 notional amounts of the derivative financial instruments correspond to the volume of exposures being covered with derivatives.

in euro thousand	Notional amount 2020	Fair value amount 2020	Notional amount 2019	Fair value amount 2019
Assets				
Foreign currency derivatives	11,659,245	459,082	8,476,035	290,717
Interest rate derivatives	41,655,750	903,961	37,316,191	690,389
Total	**53,314,995**	**1,363,043**	**45,792,226**	**981,106**
Liabilities				
Foreign currency derivatives	12,165,583	608,278	18,547,911	754,529
Interest rate derivatives	15,120,907	84,655	14,863,235	100,623
Total	**27,286,490**	**692,933**	**33,411,146**	**855,152**

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. The fair values shown are computed using market information available at the balance sheet date.

The following table shows the fair values and carrying amounts of financial assets and liabilities that are measured at cost or amortised cost and where carrying amounts differ from their fair value. For some balance sheet items, fair value corresponds to the carrying amount due to their short maturity.

31 December 2020:

in euro million	Note	Fair value	Carrying value	Difference
BMW Group receivables (level 2)	[10]	40,757	40,464	293
BMW Group liabilities (level 2)	[17]	3,129	3,103	26
Non-current debt securities	[15]	28,645	28,388	257
whereof level 1		3,905	–	–
whereof level 2		24,739	–	–
Loans due to banks (level 2)	[16]	3,619	3,466	153

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. The change of fair value of the BMW Group receivables are valued according to level 2 methodologies.

For the current debt securities, the fair value approximates the carrying value. The change of fair value of the loans due to banks are valued according to level 2 methodologies.

31 December 2019:

in euro million	Note	Fair value	Carrying value	Difference
BMW Group receivables (level 2)	[10]	45,725*	45,455	270
BMW Group liabilities (level 2)	[17]	4,221	4,202	19
Non-current debt securities	[15]	25,328	28,125	(2,797)
whereof level 1		3,867	–	–
whereof level 2		21,461	–	–
Loans due to banks (level 2)	[16]	3,124	3,038	86

* Figure restated for comparison purposes.

Gains and losses of financial instruments

The following table shows the net gains and losses arising on financial instruments in the financial year 2020 pursuant to IFRS 9:

in euro thousand	2020	2019
Financial instruments measured at fair value through profit or loss	281,823	272,285
Financial assets measured at amortized cost (Impairment)	1,391	(816)
Financial liabilities measured at amortized cost	(304,759)	(317,218)

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.

The Level 3 financial assets relate to marketable securities of the Company. The valuation technique to determine the fair value of these marketable securities is based on the expected amortisation schedule of the notes and the credit spreads as observed in the financial market. These parameters have not changed significantly since the first date of adoption. In continuation of this no gains or losses are recorded in the financial year 2020.

For interest income and expenses related to financial instruments, see note 2.

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	2020	2019
Revaluation on hedging instruments (Foreign Currency Derivatives)	85,699	(11,976)
Revaluation on hedging instruments (Interest Rate Derivatives)	206,189	316,154
Profit/loss from hedged items	(304,758)	(317,218)
Ineffective portion of fair value hedges	**(12,870)**	**(13,040)**

The profit/loss from hedged items relates to the liabilities of the Company. 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.

Maturity structure hedging instruments

The following table illustrates a breakdown of the nominals of the hedging instruments according to their maturity structure in 2020:

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total Nominal**
Assets				
Foreign Currency Derivatives	213,345	495,706	513,040	**1,222,091**
Interest Rate Derivatives	2,953,434	16,953,239	7,103,994	**27,010,667**
Liabilities				
Foreign Currency Derivatives	657,175	1,709,256	790,710	**3,157,141**
Interest Rate Derivatives	278,434	2,976,289	–	**3,254,723**

31.12.2019:

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total Nominal**
Assets				
Foreign Currency Derivatives	202,436	1,156,346	433,322	**1,792,104**
Interest Rate Derivatives	4,500,000	14,839,193	7,399,147	**26,738,340**
Liabilities				
Foreign Currency Derivatives	614,514	2,947,643	791,206	**4,353,363**
Interest Rate Derivatives	–	4,665,031	750,000	**5,415,031**

The average hedging rates of hedging instruments are based on the 3 months EURIBOR.

The following table summarises key information on hedged items for each risk category:

in euro thousand	Carrying amounts Assets	Liabilities	Change in values of hedged items
Foreign currency risk	–	3,642,224	(87,358)
Interest rate risk	–	26,979,336	(217,401)

The accumulated amount of hedge-related fair value adjustments is euro 888 million (2019: euro 595 million) for liabilities related to debt securities and loans due to banks.

Offsetting of financial instruments

The offsetting of the financial assets and liabilities for derivatives with external parties of the Company is taken into account. Actual balance sheet netting does not occur due to non-fulfilment of required conditions. Since enforceable master netting agreements or similar contracts are in place actual offsetting would in principle be possible, for instance in the case of insolvency of the counterparty. Offsetting would have the following impact on the balance sheet values of the derivatives:

in euro thousand	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Gross amounts as presented in the balance sheet	1,363,043	(692,933)	981,106	(855,152)
Amounts subject to an enforceable master netting agreement	(494,931)	494,931	(510,007)	510,007
Net amount after offsetting	**868,112**	**(198,002)**	**471,099**	**(345,145)**

[21] Risk management

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

Risk Management Framework

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's risk management policy strives to achieve interest rate and foreign currency exposure neutrality.

The Company has exposure to the following risks from its use of financial instruments:

– credit risk
– liquidity risk and
– market 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.

Financial Risks

Credit Risk

The Company is exposed to counterparty credit risks if an internal- or external counterparty is unable or only partially able to meet their contractual obligations. As a general rule, the Company assumes that a receivable is in default if it is more than 90 days overdue or if there are objective indications of insolvency. The Company extended the days of overdue from 30 to 90 days given the activities of the Company which are mainly related to intergroup financing.

The Company applies the general approach described in IFRS 9 and this follows and expected credit loss (ECL) approach to determine the impairment of financial assets. Since based on historical performance and forward-looking information the Receivables from BMW Group companies are considered to be low risk, under the general approach, loss allowances are measured on initial recognition on the basis of the expected 12-month credit loss (stage 1). If the credit loss risk at the end of the reporting period has increased significantly since initial recognition, the impairment allowance is measured on the basis of lifetime expected credit losses (stage 2 – general approach). Further dislcosures relating to the model used are provided in the explanatory note 1 in the paragraph "Impairment of financial assets". The measurement of the change in default risk is based on a comparison of the default risk at the date of initial recognition and at the end of the reporting period. The default risk at the end of each reporting period is determined on the basis of credit checks, current key economic indicators and any overdue payments. Loss allowances on trade receivables are determined primarily on the basis of information relating to overdue amounts. The loss allowance on these assets is calculated using the input factors available on the market (i.e. Corporate Default Studies), such as ratings and default probabilities.

The amount recognised in the balance sheet of the Company for financial assets is 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.

The financial receivables from BMW Group companies are guaranteed by BMW AG when the aggregated losses on these receivables exceed euro 2 million, excluding any accrued interest of these transactions. As a result, credit risk of intergroup financial receivables is substantially mitigated.

The maximum exposure to credit risk at reporting date was:

in euro thousand	2020	2019
Loans and Receivables		
Receivables from BMW Group companies	40,464,388	45,455,426
Interest receivables and other receivables	5,514	40,642
Marketable securities	–	51,916
Cash and cash equivalents	6,251	139
Derivative assets	1,363,043	981,106
Gross exposure	**41,839,196**	**46,529,229**
Guaranteed by BMW AG	40,311,779	43,897,548
ISDA Agreement (netting with liability derivative positions)	494,931	510,007
Residual maximum exposure	**1,032,486**	**2,121,674**

Due to a debt monitoring collection system implemented by the Company no credit defaults were encountered in the current and previous financial year. Hence all the Company's receivables at 31 December 2020 are recoverable at their recognised amount.

The impact of the aftermath of BREXIT is assessed to be limited for the Company, due to the guarantee that is in place with the BMW AG in case the aggregated losses on financial receivables exceed euro 2 million, excluding any accrued interest of these transactions. The impact is further decreased by the ongoing decrease of financial receivables denominated in GBP.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial liabilities when they become 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. 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 maturity structure of expected contractual cash flows (undiscounted) for financial liabilities:

31 December 2020 in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**	**Carrying amount**
Debt securities	6,114,478	21,884,879	6,765,558	**34,764,915**	**34,184,509**
Loans due to banks and BMW Group companies	2,228,887	3,545,155	907,394	**6,681,436**	**6,569,201**
Derivative instruments – outflow	6,633,275	5,562,374	880,401	**13,076,050**	**692,933**
Derivative instruments – inflow	6,345,562	5,275,961	847,439	**12,468,962**	**–**
Interest payables and other financial liabilities	196,631	–	–	**196,631**	**196,631**
Total	**8,827,709**	**25,716,447**	**7,705,914**	**42,250,070**	**41,643,274**

31 December 2019 in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**	**Carrying amount**
Debt securities	10,256,168	21,169,053	7,717,047	**39,142,268**	**38,037,522**
Loans due to banks and BMW Group companies	2,444,303	2,620,020	866,002	**5,930,325**	**7,240,647**
Derivative instruments – outflow	9,055,448	9,620,769	871,552	**19,547,769**	**855,152**
Derivative instruments – inflow	8,576,191	9,209,647	884,724	**18,670,562**	**–**
Interest payables and other financial liabilities	204,718	–	–	**204,718**	**204,718**
Total	**13,384,446**	**24,200,195**	**8,569,877**	**46,154,518**	**46,338,069**

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

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 interest rate contracts used for hedging purposes comprise mainly swaps, which, if hedge accounting is applied, are accounted as fair value hedges. The economic relationship between the hedged item and the hedging instrument is based on the fact that the main parameters of the hedged item and the related hedging instrument, such as start date, term and currency, are the same.

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 2020	Fair value 2020	Nominal amount 2019	Fair value 2019
EUR	56,775,166	819,306	52,179,426	589,765

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 Company implemented the Financial Strategy of the BMW Group. The objective of interest rate risk neutrality is accomplished when interest rate gaps are managed in a 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 Company is the present value of a basis point change 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 one basis point. Looking at this primary risk measure, the interest rate risk of a shift of one basis point on 31 December 2020 was euro 32,001 (2019: euro 152,480).

In view of the plans to reform and replace certain benchmark interest rates, the timing and exact nature of these changes is currently subject to uncertainty. Across the BMW Group, a considerable number of contracts are directly affected by the benchmark interest rates reform. Hedging relationships entered into by the BMW Group are mainly based on USD LIBOR and GBP LIBOR benchmark interest rates, which are designated as hedged risks in fair value hedging relationships. The hedging relationships affected are subject to uncertainty with respect to the identifiability of the designated benchmark interest rates.

The transition to the newly created or revised benchmark rates is being managed and monitored as part of a multidisciplinary project. The conversion project will involve making changes to systems, processes, risk and valuation models, as well as dealing with the associated accounting implications. The uncertainty arising from the benchmark interest rate reform is likely to continue to exist up to the end of 2021. Per year-end 2020, the nominal amount of hedging instruments directly affected by the reform of benchmark interest rates is euro 4,331 million.

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 economic relationship between the hedged item and the hedging instrument is based essentially on the fact that they are denominated in the same currency, same amount and have the same maturities. 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 4.

in thousand (all local currency)	Non derivative financial assets	Non derivative financial liabilities	Derivative financial instruments	**Net exposure**
AUD	1,264,000	(273,000)	(994,100)	**(3,100)**
CHF	1,174,000	–	(1,173,967)	**33**
CNH	3,533,426	(1,543,836)	(3,598,334)	**(1,608,744)**
CNY	13,407,238	(12,000,803)	–	**1,406,435**
CZK	3,370,000	–	(3,369,521)	**479**
DKK	2,919,000	–	(2,919,073)	**(73)**
GBP	3,403,250	(850,000)	(2,555,165)	**(1,915)**
HKD	462,000	(2,352,000)	1,890,000	**–**
HUF	14,500,000	–	(14,505,170)	**(5,170)**
INR	8,500,000	–	(8,500,000)	**–**
JPY	193,000,000	(24,500,000)	(168,528,810)	**(28,810)**
MXN	10,900,000	–	(11,021,272)	**(121,272)**
NOK	4,893,000	(3,230,000)	(1,664,406)	**(1,406)**
NZD	200,000	–	(200,332)	**(332)**
PLN	5,489,000	–	(5,492,635)	**(3,635)**
RUB	44,190,000	–	(44,417,483)	**(227,483)**
SEK	9,472,000	(1,500,000)	(7,977,232)	**(5,232)**
USD	476,600	(2,573,000)	2,095,817	**(583)**
ZAR	11,527,925	–	(11,569,086)	**(41,161)**

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)
AUD	(1,968)	179	(219)
CHF	31	(3)	3
CNH	(203,793)	18,527	(22,644)
CNY	177,513	(16,138)	19,724
CZK	18	(2)	2
DKK	(10)	1	(1)
GBP	(2,156)	196	(240)
HKD	–	–	–
HUF	(14)	1	(2)
INR	–	–	–
JPY	(230)	21	(26)
MXN	(5,021)	456	(558)
NOK	(135)	12	(15)
NZD	(197)	18	(22)
PLN	(803)	73	(89)
RUB	(2,532)	230	(281)
SEK	(524)	48	(58)
USD	(480)	44	(53)
ZAR	(2,313)	210	(257)
Total	**(42,614)**	**3,873**	**(4,736)**

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

A concentration of currency risk has not been identified.

Non-Financial Risks

Operating and Compliance Risks

Non-financial risks could arise from operating risks. Risks mainly result from the use of IT systems and information technology. The Company uses IT 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. Likewise, the security of all IT systems is continously and thoroughly checked, to ensure a high level of information safety is maintained at all times.

Business Continuity Management (BCM) aims to minimise the effects of emergencies and crises, and to (initially) ensure the survival of the Company at the level of an emergency operation, thus safeguarding stakeholders' interest and the organisation's reputation and value-creating activities. BCM focusses on:

- analysing threats and the business impact of emergencies and crises
- determining the strategies and solutions to be applied in the event of a crisis, such as business recovery, crisis management and IT disaster recovery planning, so as to enable continuity of business operations
- documenting and periodically assessing these strategies and solutions

Business continuity mitigation controls, such as business continuity plans, crisis management, business relocation plans and IT disaster recovery plans are in place to prepare and deal with incidents and crises threatening the continuity of critical business processes.

Impact of the coronavirus

The rapid spread of the coronavirus and the actions being taken on a global basis for its containment have severely impacted the financial markets worldwide. This has manifested through significant changes in interest rates, equity markets, and the widening of credit spreads. The Company has continuously monitored the market and economic turbulences that have arisen as a consequence of the virus, as well as any possible impact on the Company's business development. The most significant risks as a consequence of the pandemic which were identified, are related to credit and interest rate changes. To ensure that these risks were continously and successfully managed, the Company utilized its comprehensive risk management system.

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. All risks of the Coronavirus on the BMW Group's financials have been addressed in their 2020 annual financial statements.

For the Company itself, the effects of the Coronavirus have been limited and no increased financial risks were identified in 2020. Therefore, the going concern status of the Company has been safeguarded.

[22] Related parties

Identity of related parties

A comprehensive exchange of internal services between 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, the Company 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).

Key management personnel

The board of management consists of three directors, where two of whom receive a compensation from the Company itself. The other director is paid by a BMW Group company outside the scope of the Company. 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 are described in note 9 "Remuneration of the board of directors". This is the remuneration of the managing director and financial director.

Intercompany pricing

In principle, the transfer prices for financial instruments are determined based on 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 >6 months, taken from Bloomberg. For uneven maturities and maturities between Overnight and six months the method of linear inter-/extrapolation based on the available BMW Credit Default Swaps is used to calculate the appropriate credit risk with regard to market prices. To enhance efficiency and ensure consistency throughout the BMW Group, a transfer pricing sheet is provided monthly by the Middle 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 the Company.

Ultimate parent company

The interest rate result was positively affected by a liquidity fee of BMW AG of euro 116.2 million (2019: euro 84.8 million) related to the business model of the Company. Furthermore, the Company paid a guarantee fee for its outstanding debt securities for an amount of euro 49 million (2019: euro 46 million) to the BMW AG. The receivable Inhouse Bank position that the Company had with the BMW AG amounted to euro 1,374 million (2019: euro 3,472 million). All outstanding receivables with the ultimate parent Company are disclosed in detail in Note 10 and all outstanding liabilities in Note 17. There were no outstanding derivatives with BMW AG by 31.12.2020. With BMW Holding B.V., the Company had a total amount of euro 12 thousand (2019: euro 108 thousand) in derivative assets and euro 40 thousand (2019: euro 9 thousand) in derivative liabilities outstanding per year-end. The Company had interest income of euro 56.3 million (2019: euro 87.8 million) and interest expenses of euro 7.7 million (2019: euro 6.1 million) with BMW Holding B.V.

Since January 2017 the Company has signed a factoring agreement with BMW AG and BMW Motoren GmbH for buying trade receivables. In 2020, the Company stopped with the purchase of these trade receivables. The related factoring commission income is amounting to euro 5.1 million (2019: euro 9.9 million).

Investments in associates

There were no investments in associates in the year under report.

Transactions with affiliated companies

In December 2018 the Company purchased Class B notes of compartment French auto leases 2 amounting to euro 51.9 million and compartment French auto leases 3 to euro 51.9 million. Both Class B notes belonged to the euro 904 million Asset Backed Security issued by Bavarian Sky France. The portfolio consisted of French auto lease receivables and residual value receivables arising from auto lease contracts originated by BMW Finance S.N.C. in France (together with the related vehicle buy back or sale receivables and together with the related security and other ancillary rights). In the first half year of 2019 the Class B note of compartment French auto leases 2 amounting to euro 51.9 million of the euro 904 million Asset Backed Security at Bavarian Sky France has been redeemed. In the second half year of 2020, the compartment French auto leases 3 of euro 51.9 million were also redeemed.

With regards to outstanding derivatives, the Company had an amount of euro 106 thousand (2019: euro 200 thousand) outstanding in derivative assets and euro 139 thousand (2019: euro 47 thousand) in derivative liabilities with BMW Group companies.

[23] Subsequent events

No subsequent events occurred after the balance sheet date 31 December 2020.

The Hague, 22 April 2021

The Board of Management:

W. Knopp	**G. Ramcharan**	**P. Picker**
Managing Director	**Financial Director**	**Director**

The Supervisory Board:

F. Altmann	**S. Wurst**	**T. Sieber**	**J. Messerschmidt-Otten**
Chairman			

Independent auditor's report
The independent auditor's report is added to page 44.

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.

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 Company's Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

BMW Finance N.V.

The Hague, 22 April 2021

W. Knopp	**G. Ramcharan**	**P. Picker**
Managing Director	**Financial Director**	**Director**

Declaration by the Supervisory Board

- Pursuant to the Articles of Association we are pleased to submit the Annual Report for the year 2020 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 PricewaterhouseCoopers Accountants N.V.
- The independent auditor's report is included in the other information section of the Annual Report.

The Hague, 22 April 2021

F. Altmann **Chairman**	**S. Wurst**	**T. Sieber**	**J. Messerschmidt-Otten**

Independent auditor’s report

To: the general meeting and the supervisory board of BMW Finance N.V. Report on the financial statements 2020

Report on the financial statements 2020

Our opinion

In our opinion, the financial statements of BMW Finance N.V. (‘the Company’) give a true and fair view of the financial position of the Company as at 31 December 2020, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (‘EU-IFRS’) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of BMW Finance N.V., Rijswijk.

The financial statements comprise:

– the balance sheet as at 31 December 2020;
– the following statements for 2020: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
– the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework 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.

We have further described our responsibilities under those standards in the section ‘Our responsibilities for the audit of the financial statements’ of our report.

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

Independence

We are independent of BMW Finance N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the ‘Wet toezicht accountantsorganisaties’ (Wta, Audit firms supervision act), the ‘Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten’ (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

The Company’s main activity is the financing of group companies, through bond offerings on the international capital markets. The repayment of the bonds to the investors is guaranteed by BMW AG as disclosed in note 2 to the financial statements. The Company has derivative financial instruments in place to mitigate interest rate risk and currency risk. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the board of directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In the notes to the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in derivative valuation, we considered this matter as a key audit matter as set out in the section ‘Key audit matters’ of this report. Furthermore, we identified the valuation of the loans issued to group companies, the existence of the loans issued and hedge accounting as key audit matters because the importance of existence for users of the financial statements and the detailed requirements for hedge accounting.

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 finance company. We therefore included specialists in the areas of valuation and accounting in our team.

First-year audit consideration

After our appointment as the Company’s auditors, we developed and executed a comprehensive transition plan. As part of this transition plan, we carried out a process of understanding the strategy of the Company, its business, its internal control environment and IT systems. We looked at where and how this affected the Company's financial statements and internal control framework. Additionally, we read the prior year financial statements and we reviewed the predecessor auditor's files and discussed the outcome thereof. We attended closing meetings and supervisory board meetings related to the 2019 audit. Based on these procedures, we obtained sufficient and appropriate audit evidence regarding the opening balances. Furthermore, we prepared our risk assessment, our audit strategy and our audit plan, which we discussed with the board of directors and the supervisory board.

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'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out below. 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, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Based on our professional judgement, we determined the materiality for the financial statements as a whole at €418,000,000. As a basis for our judgement, we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the stakeholders. Inherent to the nature of the Company's business, the amounts in the balance sheet are large in proportion to the income statement line items miscellaneous income & expenses and taxes. Based on qualitative considerations we performed audit procedures on those income statement line items, applying a benchmark of 10% of the total of those expenses.

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

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €20,900,000 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. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Key audit matter	How our audit addressed the matter
Measurement of expected credit losses Note 10 We considered the valuation of the loans to group companies, as disclosed in note 10 to the financial statements for a total amount of €40,464,388,000, to be a key audit matter. This is due to the size of the loan portfolio and relevant impairment rules. The board of directors has determined that all loans to group companies are categorised as stage 1 loans, hence only a 12-month expected credit loss ('ECL') has been recognised. As stated in the Annual Management Report, the board of directors of the Company has assessed that the impact of COVID-19 has been limited on the Company, due to the sector in which the Company operates. As disclosed in note 10 to the financial statements, the Company has not and	We performed the following procedures to test the board of directors' assessment of the expected credit loss to support the valuation of the loans to BMW AG group companies: With respect to the ECL calculation, we determined that the loans qualify as stage 1 loans by assessing the actual performance of the loans (i.e. no significant deterioration of credit risk). We evaluated the financial position of the counterparties of loans to group companies and guarantor by assessing observable data from rating agencies, developments in credit spreads, the latest available financial information and other publicly available data in order to assess whether there are any adverse conditions present suggesting to classify the loans as stage 2 or stage 3 loans. We have assessed the board

Key audit matter	How our audit addressed the matter
has not been asked to grant any payment holidays on their loans to group companies. The impairment rules in IFRS 9 are complex and require judgement to calculate the ECL. Amongst other things, this applies to choices and judgements made in the impairment methodology, including the determination of the point in time probability of default ('PD'), the loss given default ('LGD') and the exposure at default ('EAD'). These calculations also take into account forward-looking information of macro-economic factors considering multiple scenarios. The board of directors monitors the need for changes in the methods, significant assumptions or the data used in making the accounting estimate by monitoring key performance indicators that may indicate unexpected or inconsistent performance. Mainly with respect to the PD and LGD used in the determination of the expected credit losses, the board of directors has applied significant judgement given the low default character of the entity's loan portfolio. As a result, there is limited internal historical data to support and back-test the PD and LGD. In the absence of internal historical losses and default information, the board of directors used data from external data source providers in determining the ECL. The Company has received a guarantee on the loans granted to BMW AG group companies. This has been considered as part of the calculation of the EAD.	of directors' position on the impact of COVID-19 on the financial position of the counterparties of the loans to group companies as part of our procedures. For the expected credit loss, we assessed that the impairment methodology and model applied by the entity are in accordance with the requirements of IFRS 9. We assessed that the forward-looking information used by the client as part of the impairment methodology was appropriate considering the characteristics of the loan portfolio of the Company. We have assessed the board of directors' position on the impact of COVID-19 on the forward-looking information as part of our procedures. We assessed for a sample of financial instruments that the PD and LGD and the assumptions, applied by the board of directors, are appropriate and were based upon data from external data source providers including indicators for potential management bias. We have recalculated the impairment recorded in the financial statements. We found the board of directors' assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.
Existence of the loans to group companies Note 10 We considered the existence of the loans to group companies, as disclosed in note 10 to the financial statements for a total amount of €40,464,388,000, to be a key audit matter. Significant auditor's attention is necessary because of the size of the loan portfolio and the importance of existence for users of the financial statements.	We performed the following procedures to support the existence of the loans to BMW AG group companies: We confirmed the existence of the loans with the counterparties on a sample basis. We tested the input of contracts in the Company's treasury management system. We performed a substantive analytical procedure on the relationship between the interest expenses versus interest income, taken into consideration the applicable spread. We compared interest receipts with bank statements. Based on the procedures as set out above, we found no material differences.

Key audit matter	How our audit addressed the matter
Derivative valuation Note 20 We considered the fair value of the derivatives portfolio of €1,363,043,000 (derivative assets) and €692,933,000 (derivative liabilities) as disclosed in note 20 to the financial statements and used in the Company's hedge effectiveness testing to be 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 board of directors monitors the need for changes in the methods, significant assumptions or the data used in making the accounting estimate by monitoring key performance indicators that may indicate unexpected or inconsistent performance. The market for these swaps is not always fully liquid, and therefore valuation is a complex area.	We performed the following audit procedures in the area of the valuation of derivatives: We 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 Company's valuation system on a sample basis with assistance of our specialists. We reconciled the interest rate curves and other market data with independent sources. We assessed whether the settings used in the valuation system and the models are in line with market practice. We also tested the mathematical accuracy of the models used and reconciled the outcome of the valuation system with the general ledger. We found the board of directors' assumptions used in the valuation of derivatives to be reasonable and appropriate compared to market data and the chosen models to be in line with market practice. Based on the procedures as set out above we found no material differences.
Hedge accounting Note 20 We considered the application of hedge accounting to be a key audit matter. Refer to note 20 to the financial statements. This is because of the detailed formal and technical requirements that are relevant to the application of hedge accounting and because inappropriate application of these requirements can lead to a material effect on the financial statements.	We performed the following procedures to support the appropriateness of the application of hedge accounting: We tested on a sample basis whether the hedge documentation and hedge effectiveness testing as prepared by the board of directors met the requirements of IFRS 9 Financial Instruments, and whether the hedge effectiveness test was mathematically correct. We reconciled the outcome of the effectiveness testing for the derivative portfolio as a whole to the financial statements. We have assessed whether the Company appropriately applied the IBOR phase 1 amendment under IFRS. Based on the procedures as set out above we found the application of hedge accounting to be appropriate.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the annual management report;
- the report of the supervisory board; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of BMW Finance N.V. on 6 April 2020 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 6 April 2020. Our appointment represents a total period of uninterrupted engagement appointment of one year.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 7 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors and the supervisory board for the financial statements

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
- 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 in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. 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 and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material 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.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

Rotterdam, 22 April 2021

PricewaterhouseCoopers Accountants N.V.
R. van der Spek RA

Appendix to our auditor's report on the financial statements 2020 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 audit consisted, among other things, 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. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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 actions taken to eliminate threats or safeguards applied.

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.