



**INTERIM REPORT TO JUNE 30, 2021**

# **BMW US CAPITAL, LLC**

**BMW  
GROUP**



**ROLLS-ROYCE**  
MOTOR CARS LTD



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## Management Report

Management submits their report and the financial statements of BMW US Capital, LLC ("BMW US Capital" or "the Company") for the period ended June 30, 2021.

## Principal activities

The Company was formed on January 14, 1993, and until December 31, 2000, was a wholly owned subsidiary of BMW (US) Holding Corp., which is ultimately owned by Bayerische Motoren Werke Aktiengesellschaft (BMW AG). Effective January 1, 2001, the Company adopted a legal structure permitted under the Delaware Limited Liability Company Act dated August 1, 1999 and became a limited liability company whose sole member is BMW (US) Holding Corp, which is ultimately owned by BMW AG. The conversion of the Company to a Limited Liability Company (LLC) did not have any effect on the liabilities or obligations of the organization and did not constitute dissolution of the converting entity. The Company's purpose is to assist in the financing of business activities and in managing interest and foreign exchange risk for BMW Group and its affiliates, primarily in the U.S., and to provide services in connection therewith.

The Company's activities primarily consist of providing long and short term liquidity, inter-company funding, factoring of receivables at arm's length for BMW Group companies, being the leader of the US Dollar cash pool, and operating as the in-house bank for USD, CAD and MXN for the BMW Group. The Company aims to minimize the risks from changes in interest rates and foreign exchange rates. Protection against such risks is primarily provided by hedging through financial instruments with matching maturities, amounts and other properties. Derivative financial instruments are used, such as interest rate swaps, foreign exchange swaps and forward rate agreements, to reduce the risk remaining after netting.

## Business review

The BMW Group continued to perform well during the first six months of 2021. Despite the challenges posed by the global pandemic restrictions and the limited availability of semiconductor components, which necessitated adjustments to the production schedule, sales figures increased significantly. The Automotive segment achieved its best figures to date in terms of deliveries to customers. With a total of 1,339,047 BMW, MINI and Rolls-Royce brand vehicles delivered to customers, the BMW Group

can look back on an extremely successful first half of 2021 (2020: 962,575 units; +39.1%), with year-on-year volume growth recorded in all major regions of the world. Momentum for growth is increasingly being provided by the sale of electrified vehicles, which more than doubled during the six-month period (2021: 153,243 units; 2020: 61,652 units; +148.6%). All three brands contributed to the BMW Group's overall successful performance in the first six months of the year, with the BMW brand recording a 39.9% increase in deliveries (2021: 1,178,210 units; 2020: 842,153 units), the MINI brand delivering 157,848 units (2020: 118,862; +32.8%) and Rolls-Royce handing over 2,989 vehicles to customers (2020: 1,560 units; +91.6%).

The BMW Group's strong performance in the first half of 2021 is also reflected in results reported by the Financial Services segment. After the negative impact on business during the corona year 2020, growth in new business with leasing and financing products brought about a significant improvement in segment earnings. From a balance sheet perspective, segment business volume increased slightly compared to December 31, 2020. At June 30, 2021, a total of 5,638,482 credit financing and leasing contracts were in place with retail customers, similar to the level recorded at the end of 2020 (December 31, 2020: 5,591,799 contracts; +0.8%). While the contract portfolio grew only slightly in the Asia / Pacific region (+1.0%), a significant increase of 9.2% was recorded in China. In the Europe / Middle East / Africa (-0.1%) and Americas (-0.4%) regions, the number of contracts in place at June 30, 2021 remained approximately at the previous financial year's level. The portfolio of contracts with retail customers in the EU Bank region declined by 1.7%.

Overall Group revenues were significantly higher year on year in the first half of the year at €55,360 million (2020: €43,225 million; +28.1%; currency-adjusted: +31.1%). The main factors driving revenue growth were better selling prices on the markets and higher sales volumes, in both cases benefiting from the Group's attractive product range and greater demand for individual mobility on the one hand and lower product availability worldwide caused by bottlenecks in the supply of semiconductors on the other. Group profit before financial result (EBIT) rose significantly to €8,030 million in the first half of the year (2020: €709 million). Group profit before tax (EBT) rose to €9,736 million (2020: €498 million) for the six-month period.

Regarding BMW US Capital, it is important to highlight that the net result arises predominantly from the net interest margin between funding provided to affiliates and the cost of funds from the Company's borrowings, along with the fair value gain or loss from financial instruments. The Company reported an income before taxation of \$25.0 million, an increase of \$94 million, compared to the loss before taxation for June 30, 2020 of \$69.0 million. The increase was mainly driven by the positive result yielding from the fair value results.

The Company applies IFRS 9 for the valuation of its financial instruments. IFRS 9 requires that all derivative instruments be recorded on the statements of financial position at their respective fair values upon initial recognition. Fair value changes are reflected in the statements of comprehensive income / (loss). Further details can be found in the appropriate footnotes throughout the report.

The progress of the Company is monitored by financial and non-financial data on a regular basis with emphasis on key performance indicators, including net interest margin, and loan outstanding at the reporting date. These key performance indicators are reviewed and adjusted regularly in line with the requirements of the business.

### Outlook

For the year 2021, the BMW Group expects business to develop positively overall, with a continuation of the upward year-on-year trend. The key risk factors likely to determine the outcome of the financial year as a whole remain the further course of the corona pandemic, the critical supply situation for semiconductor components and the development of prices on international raw materials markets.

As in the previous year, the coronavirus pandemic will continue to impact business performance in 2021. For the remainder of the forecast period, the BMW Group is working on the assumption that the original widespread prevalence of the infection will be replaced by recurrent hotspots of a more regional nature. In these cases, however, it should be possible to control its proliferation. The BMW Group also expects that the rollout of vaccination campaigns around the world, together with a generally better supply of the required vaccines, will have an increasingly positive impact by the end of 2021. Uncertainties remain, however, due to the emergence and potentially rapid spread of viral mutations, as currently observed with the so-called delta variant, as well

as in terms of the ability of the vaccines currently available to deal with these mutations. It is not currently possible to assess the extent to which these risks could impact the global economy, the financial markets and therefore the BMW Group and, for this reason, they have not been taken into account in the outlook.

Recent observations indicate that the situation on the international semiconductor markets is intensifying. A combination of unabated high demand and limited capacity in the value-added chain means that the supply of semiconductor elements is likely to remain tight during the second half of the year. There is therefore an ongoing risk that the supply bottleneck could affect the availability of semiconductor components required for in-house production.

The economic recovery currently in progress across most regions of the world is also pushing up commodity prices worldwide and generally causing a high degree of volatility.

The BMW Group considers that (geo)political tensions are also likely to remain a source of uncertainty. However, it does not currently anticipate any further increases in customs tariffs.

The BMW Group reaffirms its positive outlook for the financial year 2021. Despite the generally volatile situation and the negative impact of the coronavirus pandemic, the BMW Group expects business to develop positively and the risk situation to remain stable for the remainder of the financial year 2021. Driven by its range of new and attractive automobile and motorcycle models and the wide range of services on offer to promote individual mobility, Group profit before tax is expected to increase significantly in the forecast period.

The Automotive segment is expected to record a solid year-on-year increase in the number of BMW, MINI and Rolls-Royce brand vehicles delivered to customers. At the same time, based on its latest forecast, the BMW Group expects to achieve another significant reduction in carbon emissions for its EU new vehicle fleet, calculated using the revised base. In addition to improvements achieved through the further development of highly efficient internal combustion engines, the expected reduction also reflects the considerable increase in the forecast proportion of electrified vehicles sold. According to the Group's planning, carbon emissions per vehicle produced are likely to fall moderately.

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The Automotive segment's EBIT margin is set to recover year on year and finish within a range of 7 to 9% in 2021 (previous forecast: 6 to 8%). The increase of one percentage point in the target range is attributable to the earnings-relevant partial reversal of the provision for EU antitrust proceedings in the second quarter 2021. The Return on Capital Employed (RoCE) of the Automotive segment is forecast to increase significantly.

The Financial Services segment continued to perform extremely well in the second quarter 2021. In light of the positive development of residual values for BMW Group vehicles, the reversal of credit risk allowances and the strong operating performance in the second quarter, segment profit before tax was significantly higher than one year earlier. Based on current estimates, the BMW Group also expects the risk provisioning expense for credit and residual value risks in the second half of 2021 to be lower than previously assumed in the Quarterly Statement for the period ended March 31, 2021.

For this reason, the BMW Group now expects the Return on Equity (RoE) for the Financial Services segment to finish within a range of 17 to 20% (previous forecast: 12 to 15%). The switch to a forecast range for RoE (as reported for the first time in the integrated BMW Group Report 2020) is designed to provide a narrower and therefore more precise outlook.

The Motorcycles segment is expected to record a significant increase in deliveries due to the positive market trend (previous forecast: solid increase). The EBIT margin is predicted to lie within a target range of 8 to 10%, leading to a significantly higher RoCE than one year earlier.

The proportion of women in management positions in the BMW Group is expected to increase slightly during the outlook period.

The targets described above are to be met with a slightly lower number of employees. Ongoing uncertainties – particularly regarding the further course of the coronavirus pandemic as well as macroeconomic and political developments – could cause economic conditions in many regions to differ quite considerably from expected trends and developments. All or any of these factors are capable of having a significant impact on the overall business performance of the BMW Group. Furthermore, the Group's actual business performance may also differ from current expectations as a result of the risks and opportunities listed and explained in the BMW Group Annual Report 2020 (Risks and opportunities pp. 164).

## Internal Control over Financial Reporting

The Company actively participates in the internal control system in place throughout the BMW Group aimed at ensuring the effectiveness of operations. It adheres to the principal features of the internal control system, in relation to the Company and its financial reporting processes. A detailed description and explanation of the internal control system is available within the BMW Group Annual Report for the year 2020.

Management assesses the design and effectiveness of the internal control over financial reporting on the basis of internal review procedures performed at regular intervals. Effective measures are implemented whenever weaknesses are identified and reported. Based on these assessments, management believes that the Company maintained effective internal controls over financial reporting during the year ended June 30, 2021.

## Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Detailed descriptions of the main risks facing the Company and the instruments used to manage these risks are presented in the notes to the financial statements. The coronavirus pandemic will have impacts on the Company's financial performance.

## Research and development

The Company does not carry out any research and development.

## Creditor payment policy

The Company's policy concerning the payment of its trade creditors is to pay in accordance with contractual and other legal obligations.

## Members and members' interests

The members who held office during the year or subsequently were as follows:  
BMW (US) Holding Corporation,  
As the sole member

## Employees

During the period ended June 30, 2021, the Company employed 16 persons, all of which are included within these accounts.

## Political and charitable contributions

The company made no political or charitable contributions during the period ended June 30, 2021.

**Disclosure of information to auditors**

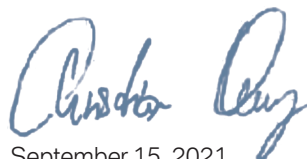
Management who held office at the date of approval of this management report confirms that, to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and management has taken all the steps that ought to have taken to make itself aware of any relevant audit information and has made such information available to the Company's auditors.

**Auditors**

The independent auditors ("certified public accountants") of BMW US Capital are Pricewater-

houseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt, Germany.

BMW US Capital, LLC



September 15, 2021

Christian Kunz  
President

## BMW US Capital, LLC Responsibility Statement

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### Statement of Management responsibilities in respect of financial statements and the Management Report

Management is responsible for preparing the financial statements and the Management Report in accordance with applicable laws and regulations of Luxembourg, which BMW US Capital, LLC has chosen as its Home Member State under the regulations of the EU Transparency Directive.

Luxembourg Law, pursuant to the EU Transparency Directive, requires Management to prepare audited financial statements for each financial year. Management has elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board. Management makes every effort to ensure the financial statements present fairly the financial position of the Company and the performance for that period.

Management is also responsible for preparing the Management Report that complies with the law.

The financial information contained in the Management Report concerning the operations, economic performance and financial condition of the Company is 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 financial information is based upon Management's estimates of fair values and future costs, using currently available information. Factors that could cause such differences include, but are not limited to:

- risks of economic slowdown, downturn or recession,
- risks inherent in changes in market interest rates and spreads,
- lending conditions to companies turning to the worse, thereby increasing the cost of borrowing,

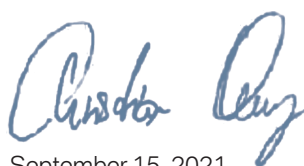
- changes in funding markets, including commercial paper and term debt,
- uncertainties associated with risk management, including credit, prepayment, asset/liability, interest rate and currency risks,
- changes in laws or regulations governing BMW US Capital, LLC's business and operations, and
- changes in competitive factors.

Management has a general responsibility to design and implement controls to prevent and detect fraud and other irregularities.

### Responsibility Statement by the Company's legal representatives

To the best of Management's knowledge, and in accordance with the applicable reporting principles, International Financial Reporting Standards as issued by the International Accounting Standard Board, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of BMW US Capital, LLC, and the Management Report includes a fair review of the development and performance of the business and the position of BMW US Capital, LLC, together with a description of the principal opportunities and risks associated with the expected development of BMW US Capital, LLC.

BMW US Capital, LLC



September 15, 2021  
Christian Kunz  
President



**BMW US Capital, LLC**  
**Statements of Financial Position**  
**Periods ended June 30, 2021 and December 31, 2020**

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in thousands of dollars	Notes	2021	2020
Receivables from BMW Group companies	[2(a)]	15,328,066	16,337,361
Derivative assets	[2(d)]	562,077	987,571
Deferred tax assets		8,815	8,373
<b>Total non-current assets</b>		<b>15,898,958</b>	<b>17,333,305</b>
Cash and cash equivalents		50,834	993,754
Receivables from BMW Group companies	[2(a)]	18,672,741	16,636,810
Derivative assets	[2(d)]	256,125	208,297
Other assets		9	22
<b>Total current assets</b>		<b>18,979,709</b>	<b>17,838,883</b>
<b>Total assets</b>		<b>34,878,667</b>	<b>35,172,188</b>
Member's capital		11,000	11,000
Capital reserves		144,000	144,000
Accumulated other comprehensive loss		(10,304)	(10,607)
Retained earnings		6,625	(11,972)
<b>Total member's capital</b>		<b>151,321</b>	<b>132,421</b>
Pension obligation		455	424
Term debt	[2(c)]	14,019,263	15,597,433
Liabilities due to BMW Group companies	[2(a)]	1,240,000	1,240,000
Derivative liabilities	[2(d)]	201,479	269,248
<b>Total non-current liabilities</b>		<b>15,461,197</b>	<b>17,107,105</b>
Term debt	[2(c)]	6,584,502	6,801,010
Commercial paper	[2(b)]	249,994	–
Liabilities due to BMW Group companies	[2(a)]	12,300,315	10,951,277
Derivative liabilities	[2(d)]	127,349	174,785
Other liabilities		3,989	5,590
<b>Total current liabilities</b>		<b>19,266,149</b>	<b>17,932,662</b>
<b>Total liabilities</b>		<b>34,727,346</b>	<b>35,039,767</b>
<b>Total member's capital and liabilities</b>		<b>34,878,667</b>	<b>35,172,188</b>

See accompanying notes to financial statements

**BMW US Capital, LLC**  
**Statements of Comprehensive Income /(Loss)**  
**Six months ended June 30, 2021 and 2020**

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in thousands of dollars	Notes	2021	2020
BMW Group companies		246,517	405,632
Third parties		295,467	428,591
<b>Interest income</b>	[3(a)]	<b>541,984</b>	<b>834,223</b>
BMW Group companies		(7,086)	(73,739)
Third parties		(582,874)	(767,129)
<b>Interest expense</b>	[3(a)]	<b>(589,960)</b>	<b>(840,868)</b>
<b>Net Interest margin</b>		<b>(47,976)</b>	<b>(6,645)</b>
Gains from financial transactions		692,763	1,099,729
Losses from financial transactions		(617,569)	(1,159,981)
<b>Financial result</b>	[3(b)]	<b>75,194</b>	<b>(60,252)</b>
General and administrative expenses		(2,255)	(1,646)
<b>Net income / (loss) before taxation</b>		<b>24,963</b>	<b>(68,543)</b>
Income tax (expense) / benefit	[3(c)]	(6,366)	16,671
<b>Net income / (loss) after taxation</b>		<b>18,597</b>	<b>(51,872)</b>
Costs of hedging		402	7,793
Deferred taxes		(99)	(1,939)
<b>Items than can be reclassified to the income statement in the future</b>		<b>303</b>	<b>5,854</b>
<b>Other comprehensive income, net of tax</b>		<b>303</b>	<b>5,854</b>
<b>Total comprehensive income / (loss)</b>		<b>18,900</b>	<b>(46,018)</b>

See accompanying notes to financial statements

**BMW US Capital, LLC**  
**Statements of Changes in Member's Capital**  
**Periods ended June 30, 2021 and 2020**

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in thousands of dollars						
	Member's capital	Capital reserves	Accumulated other comprehensive (loss) / income		Retained earnings	Total member's capital
			Pension	Cost of Hedging		
<b>Balance at December 31, 2020</b>	<b>11,000</b>	<b>144,000</b>	<b>(2,465)</b>	<b>(8,142)</b>	<b>(11,972)</b>	<b>132,421</b>
Other comprehensive income for the period			–	303		303
Net income					18,597	18,597
<b>Balance at June 30, 2021</b>	<b>11,000</b>	<b>144,000</b>	<b>(2,465)</b>	<b>(7,839)</b>	<b>6,625</b>	<b>151,321</b>

in thousands of dollars						
	Member's capital	Capital reserves	Accumulated other comprehensive (loss) / income		Retained earnings	Total member's capital
			Pension	Cost of Hedging		
<b>Balance at December 31, 2019</b>	<b>11,000</b>	<b>144,000</b>	<b>(2,330)</b>	<b>(12,942)</b>	<b>55,445</b>	<b>195,173</b>
Other comprehensive income for the period			–	5,854	–	5,854
Net loss					(51,872)	(51,872)
<b>Balance at June 30, 2020</b>	<b>11,000</b>	<b>144,000</b>	<b>(2,330)</b>	<b>(7,088)</b>	<b>3,573</b>	<b>149,155</b>

See accompanying notes to financial statements

**BMW US Capital, LLC**  
**Statements of Cash Flows**  
**Six months ended June 30, 2021 and 2020**

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in thousands of dollars	2021	2020
<b>Net income / (loss)</b>	<b>18,597</b>	<b>(51,872)</b>
Foreign exchange losses / (gains)	6,125	(9,733)
Fair value change due to hedge accounting	(409,693)	645,516
Fair value measurement losses / (gains) – derivatives	310,208	(259,366)
Interest expense – term debt	271,898	276,251
Change in deferred tax assets / liabilities	(442)	(6,480)
Interest income	(55,178)	(138,255)
Interest expense	56,984	155,084
<b>Total adjustments for non-cash items</b>	<b>179,902</b>	<b>663,017</b>
Change in receivables from / liabilities to BMW Group companies	519,706	2,204,237
Change in other assets	13	(248)
Change in pension obligation	31	5
Change in other liabilities	(1,601)	(409)
Change in deferred income	–	303
Interest paid on free-standing derivatives	(134,780)	(13,389)
Interest received	(239,884)	(381,540)
Interest paid	4,285	76,086
<b>Total adjustments for cash items</b>	<b>147,770</b>	<b>1,885,045</b>
<b>Cash flow from operating activities</b>	<b>346,269</b>	<b>2,496,190</b>
Proceeds from term debt issuances	1,997,633	3,986,380
Repayment of term debt issuances	(3,370,635)	(1,649,391)
Proceeds from commercial paper issuances	8,390,831	8,120,115
Repayment of commercial paper issuances	(8,140,838)	(10,653,895)
Interest paid-term debt	(283,881)	(260,644)
Interest paid on derivatives designated as fair value hedges	117,701	(3,603)
<b>Cash flow from financing equivalents</b>	<b>(1,289,189)</b>	<b>(461,038)</b>
<b>Change in cash and cash equivalents</b>	<b>(942,920)</b>	<b>2,035,152</b>
Cash and cash equivalents at beginning of year	993,754	675,939
<b>Cash and cash equivalents at end of period</b>	<b>50,834</b>	<b>2,711,091</b>

See accompanying notes to financial statements

**[1] Basis of Preparation and Significant Accounting Policies and Practices**

**(a) Statement of Compliance**

The financial statements of BMW US Capital, LLC (the Company) have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Interim Financial Statements (Interim Report) at June 30, 2021, which have been prepared in accordance with International

Accounting Standard (IAS) 34 (Interim Financial Reporting), have been drawn up using, in all material respects, the same accounting methods as those utilised in the 2020 Financial Statements. All Interpretations issued by the IFRS Interpretations Committee which are mandatory at June 30, 2021 have been applied.

The following financial reporting pronouncements, issued by the IASB, have been applied for the first time in 2021:

Standard	Interpretation	Date of issue by IASB	Date of mandatory application IASB
Amendments to IFRS 9, IAS 39, IFRS 7	Interest Rate Benchmark Reform – Phase 2	8/27/2020	1/1/2021

The amendments to Standards 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. The adoption of these rules means that existing hedging relationships can be continued and therefore – in a similar way to contractual changes arising due to the interest rate benchmark reform – do not have any direct impact on profit or loss in the case of financial instruments.

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

Further information regarding the Company's accounting principles and policies is contained in the notes to the Company Financial Statements within the Annual Report 2020.

The financial statements were authorized for issuance by management of the Company on September 15, 2021.

**(b) Functional and Presentation Currency**

These financial statements are presented in United States dollars (USD), which is the functional currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

**(c) Foreign Currency Transactions**

Transactions in foreign currencies are translated into the functional currency using spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency using the spot exchange rate at that date. The economic effect of foreign currency transactions is recognized in the statements of comprehensive income / (loss).

**[2] Notes on the Items of the Balance Sheet**

**(a) Receivables from BMW Group companies, Liabilities to BMW Group companies**

The Company makes and accepts loans to/from various BMW Group companies in the course of normal business operations. Receivables from BMW Group companies due within 12 months and the related accrued interest receivable from BMW Group companies are short term in nature. The fair value of long-term amounts receivable from BMW Group companies is the estimated discounted future cash flows based on rates currently available for debt with

similar terms and remaining maturities. The Company serves as the In-house bank service provider for the Americas region and is the cash pool leader for USD, CAD and MXN currencies. The Company receives deposits from and/or lends funds to participating entities of the BMW Group. Balances from participating entities are not subject to offsetting.

In accordance with IFRS 9, the Company has adjusted the carrying value of receivables subject to fair value hedges by the change in fair value to the risk being hedged as of June 30, 2021 and December 31, 2020. At June 30, 2021 and December 31, 2020, the resulting adjustment increased the related



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value of the underlying receivable by \$120,413k and \$234,388k respectively. Concurrently with this adjustment, the derivative instruments classified as fair

value hedges were carried at fair value with changes in fair value recorded through earnings.

Receivables from BMW Group companies at June 30, 2021 and December 31, 2020, along

with the range of interest rates charged on such loans are as follows:

in thousands of dollars	Long-term		Short-term	
	2021	2020	2021	2020
	15,328,066	16,337,361	18,672,741	16,636,810
	0.58%-3.41%	0.66%-3.40%	0.22%-1.70%	0.08%-1.78%

Maturities of receivables from BMW Group companies are as follows at June 30, 2021 and December 31, 2020:

in thousands of dollars	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Maturity:				
Due within one year	18,672,741	18,822,719	16,636,810	16,796,336
Due between one and five years	15,328,066	15,612,898	16,337,361	16,762,999
<b>Total</b>	<b>34,000,807</b>	<b>34,435,617</b>	<b>32,974,171</b>	<b>33,559,335</b>

Liabilities due to BMW Group Companies at June 30, 2021 and December 31, 2020, along with the range of annual interest rates on such loans, are as follows:

in thousands of dollars	Long-term		Short-term	
	2021	2020	2021	2020
	1,240,000	1,240,000	12,300,315	10,951,277
	0.08%-0.78%	0.10%-0.78%	0.02%-0.78%	0.05%-0.79%

Maturities of liabilities due to BMW Group companies are as follows June 30, 2021 and December 31, 2020:

in thousands of dollars	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Maturity:				
Due within one year	12,300,315	12,299,146	10,951,277	10,950,838
Due between one and five years	1,240,000	1,237,845	1,240,000	1,237,605
<b>Total</b>	<b>13,540,315</b>	<b>13,536,991</b>	<b>12,191,277</b>	<b>12,188,443</b>

#### (b) Commercial Paper

The Company maintains a BMW AG guaranteed U.S. commercial paper program of \$7 billion. At June 30, 2021 and December 31, 2020, commercial paper outstanding totaled \$249,994k and \$0k, respectively. The weighted average interest rate on the commercial paper was 0.18% at June 30, 2021. All commercial paper mature within 30 days.

Commercial paper is an unsecured and discounted promissory note issued to finance the short

term credit needs of institutions. Although commercial paper is occasionally issued as an interest bearing note, it typically trades at a discount to its par value. In other words, the purchaser usually purchases commercial paper below par and then receives its face value at maturity. The discount, or the difference between the purchase price and the face value of the note, is amortized over the term of the commercial paper as interest expense by applying the effective interest rate method. At June 30, 2021 and Decem-

ber 31, 2020, the commercial paper unamortized discount was \$7k and \$0k, respectively.

At June 30, 2021 and December 31, 2020, the fair value of the Company's commercial paper obli-

gations approximated the recorded value primarily due to the short-term nature of the outstanding commercial paper.

### (c) Term Debt and Line of Credit

Term debt consists of the following at June 30, 2021 and December 31, 2020:

in thousands of dollars	2021 Carrying Amounts	2020 Carrying Amounts
Foreign and U.S. dollar denominated variable rate notes interest range from 0.15%-0.83% at June 30, 2021 and 1.89%-2.04% at December 31, 2020.	2,136,295	2,157,135
Foreign and U.S. dollar denominated fixed rate notes interest range from 0.63%-6.19% at June 30, 2021 and 0.63%-6.19% at December 31, 2020.	18,467,470	20,241,308
<b>Total</b>	<b>20,603,765</b>	<b>22,398,443</b>

The carrying amounts of term debt due in the following five fiscal years, and thereafter, are as follows as of June 30, 2021 and December 31, 2020:

in thousands of dollars	2021 Carrying Amounts	2020 Carrying Amounts
Maturity:		
Due within one year	6,584,502	6,801,010
Due between one and five years	9,224,893	9,691,756
Due later than five years	4,794,370	5,905,677
<b>Total</b>	<b>20,603,765</b>	<b>22,398,443</b>

The movements in term debt are as follows as of June 30, 2021 and 2020:

in thousands of dollars	
Balance as of December 31, 2020	22,398,443
Issues:	1,997,633
Repayments:	(3,370,635)
Accrued interest payable:	(11,983)
Fair value change due to hedge accounting	(409,693)
<b>Balance as of June 30, 2021</b>	<b>20,603,765</b>
Balance as of December 31, 2019	20,570,735
Issues:	3,986,380
Repayments:	(1,649,391)
Accrued interest payable:	15,606
Fair value change due to hedge accounting	645,517
<b>Balance as of June 30, 2020</b>	<b>23,568,847</b>

Term Debt by Category:

in thousands of dollars	2021	2020
Debt part of a fair value hedge relationship	16,801,173	20,055,788
Debt at amortized cost	3,802,592	2,342,655
<b>Total</b>	<b>20,603,765</b>	<b>22,398,443</b>

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In accordance with IFRS 9, the Company has adjusted the carrying value of term debt subject to fair value hedges by the change in fair value to the risk being hedged as of June 30, 2021 and December 31, 2020. At June 30, 2021 and December 31, 2020, the resulting adjustment increased the related value of the underlying debt by \$213,304k and \$796,554k respectively. Concurrently with this adjustment, the derivative instruments classified as fair value hedges were carried at fair value with changes in fair value recorded through earnings.

At June 30, 2021 and December 31, 2020, \$20,603,765k and \$22,398,443k respectively, of the unsecured debt is guaranteed by BMW AG. The Company has access to a syndicated revolving credit facility of eight billion Euros, maturing in July 2024.

The credit facility was negotiated in July 2017 with a maturity of July 2024 and is being provided by a consortium of 44 international banks. As of June 30, 2021 there were no borrowings under the credit facility outstanding.

Bond discount and private placement fees incurred related to the issuance of term debt are taken into account when initially recording the term debt and are recognized in the statements of comprehensive income / (loss) as interest expense under the effective interest rate method over the remaining lives of the debt. Bond discount is the difference between the face value and the proceeds received when the term debt is issued below face value. Private place-

ment fees relate to legal and administrative fees associated with the issuance of the term debt.

#### (d) Derivative Financial Assets and Liabilities

The Company enters into payer interest rate swaps, combined interest / currency swaps and option agreements with both BMW Group companies and external parties to manage and hedge its interest rate exposure arising from mismatches between the interest earned on non-derivative financial assets and the interest paid on non-derivative financial liabilities. Floating rates are fixed periodically and are based on USD London Interbank Offered Rate (LIBOR) as published daily by the British Bankers' Association. Depending on the respective hedge relationship interest rate swaps and combined interest / currency swaps are accounted for as designated hedging instruments applying hedge accounting as well as stand-alone financial derivatives categorized as FVPL.

In addition, foreign exchange forward and swap agreements are concluded with affiliates and external parties to hedge foreign exchange rate risk. In general, the Company concludes foreign exchange derivatives with external parties and simultaneously enters into reciprocal contracts with its affiliates in order to manage currency risk on the level of the affiliates.

The below table summarizes the Company's derivative notional amounts and corresponding fair values:

in thousands of dollars	2021		2020	
	Notional	Fair Value	Notional	Fair Value
<b>Derivative Assets</b>				
Interest rate derivatives	20,789,541	818,121	22,544,541	1,193,461
Foreign exchange rate derivatives	56,489	81	217,718	2,407
<b>Total</b>	<b>20,846,030</b>	<b>818,202</b>	<b>22,762,259</b>	<b>1,195,868</b>
<b>Derivative Liabilities</b>				
Interest rate derivatives	20,500,835	326,640	25,400,835	444,033
Foreign exchange rate derivatives	365,816	2,188	–	–
<b>Total</b>	<b>20,866,651</b>	<b>328,828</b>	<b>25,400,835</b>	<b>444,033</b>

[3] **Notes on the Items of the Comprehensive Income Statement**

**(a) Interest income and expense**

Interest income with BMW Group Companies relates to loans to affiliates, derivatives and factoring of short-term BMW AG trade receivables. The factored receivable is accounted for at amortized cost. The company earns a premium which is the difference

between the present value and face value of the receivable factored and is earned as the receivable comes due (terms 30-90 days). Interest expense with BMW Group Companies relates to loans with affiliates and derivatives.

Interest income with third parties relates to derivatives and bank deposits. Interest expense with third parties relates to derivatives, interest on debt and commercial paper.

**(b) Financial Result**

The caption "Financial Result" in the statements of comprehensive income / (loss) includes: the liquidity fee between BMW US Capital and BMW AG, the fee remitted to BMW AG to guarantee the unsecured debt, and foreign exchange gains and losses on

operational transactions, stand-alone interest rate derivatives, fair value adjustments of hedged items, debt and other financial instruments. Operational transactions include routine transactions denominated in foreign currencies.

in thousands of dollars	2021	2020
Liquidity Fee	80,577	–
Gains on stand-alone interest rate derivatives	117,303	23,760
Gains on fair value adjustments from applying hedge accounting	379,573	1,049,487
Unrealized foreign gains on term debt	100,325	2,686
Foreign exchange gains on other financial instruments	14,985	23,796
<b>Total Gains</b>	<b>692,763</b>	<b>1,099,729</b>
Guarantee Fee	(13,063)	(13,572)
Losses on stand-alone interest rate derivatives	(119,052)	(394,796)
Losses on fair value adjustments from applying hedge accounting	(470,121)	(728,579)
Foreign exchange losses on operational transactions	(15,333)	(23,034)
<b>Total Losses</b>	<b>(617,569)</b>	<b>(1,159,981)</b>
<b>Total</b>	<b>75,194</b>	<b>(60,252)</b>

**(c) Income taxes**

The Company's federal and state income tax payments are made by BMW (US) Holding Corp. as part of a consolidated tax return. Included in Payables to BMW Group companies at June 30, 2021 is \$6,907k of current income tax payable. At

December 31, 2020 a current income tax receivable of \$11,727k is included in Receivables from BMW Group companies. The provision for federal, and state income taxes for the periods ended June 30, 2021 and 2020 consists of the following:

in thousands of dollars	2021	2020
<b>Current:</b>		
Federal	(5,385)	7,030
State and Local	(1,522)	1,223
	(6,907)	8,253
<b>Deferred:</b>		
Federal	442	6,758
State and local	99	1,660
	541	8,418
<b>Total income tax (expense) / benefit</b>	<b>(6,366)</b>	<b>16,671</b>

The effective tax rate for the years ended June 30, 2021 and 2020 was 25.50 % and 24.32 %, respectively.

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#### [4] Additional Disclosures to Financial Instruments

The following table presents the carrying amounts and fair values of the Company's financial instruments at June 30, 2021 and December 31, 2020

under consideration of the respective measurement categories according to IFRS 9:

in thousands of dollars 2021	Category	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial instruments included on the statement of financial position:</b>						
<b>Non-current financial assets:</b>						
Receivable from BMW Group companies	AC	15,328,066	15,612,898	–	15,612,898	–
Derivative assets						
Thereof stand-alone	FVPL	11,145	11,145	–	11,145	–
Thereof within hedge accounting	n/a	550,932	550,932	–	550,932	–
<b>Current financial assets:</b>						
Cash	AC	50,834	50,834	50,834	–	–
Receivable from BMW Group companies	AC	18,672,741	18,822,719	–	18,822,719	–
Derivative assets						
Thereof stand-alone	FVPL	76	76	–	76	–
Thereof within hedge accounting	n/a	256,049	256,049	–	256,049	–
<b>Non-current financial liabilities:</b>						
Term debt	AC	14,019,263	14,946,675	–	14,946,675	–
Liabilities due to BMW Group companies	AC	1,240,000	1,237,845	–	1,237,845	–
Derivative liabilities						
Thereof stand-alone	FVPL	129,416	129,416	–	129,416	–
Thereof within hedge accounting	n/a	72,063	72,063	–	72,063	–
<b>Current financial liabilities:</b>						
Term debt	AC	6,584,502	6,588,162	–	6,588,162	–
Commercial paper	AC	249,994	249,994	–	249,994	–
Liabilities due to BMW Group companies	AC	12,300,315	12,299,146	–	12,299,146	–
Derivative liabilities						
Thereof stand-alone	FVPL	115,235	115,235	–	115,235	–
Thereof within hedge accounting	n/a	12,114	12,114	–	12,114	–



in thousands of dollars 2020	Category	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial instruments</b>						
<b>included on the statement</b>						
<b>of financial position:</b>						
<b>Non-current financial assets:</b>						
Receivable from BMW Group companies	AC	16,337,361	16,762,999	–	16,762,999	–
Derivative assets						
Thereof stand-alone	FVPL	4,169	4,169	–	4,169	–
Thereof within hedge accounting	n/a	983,402	983,402	–	983,402	–
<b>Current financial assets:</b>						
Cash	AC	993,754	993,754	993,754	–	–
Receivable from BMW Group companies	AC	16,636,810	16,796,336	–	16,796,336	–
Derivative assets						
Thereof stand-alone	FVPL	48,919	48,919	–	48,919	–
Thereof within hedge accounting	n/a	159,378	159,378	–	159,378	–
<b>Non-current financial liabilities:</b>						
Term debt	AC	15,597,433	16,587,786	–	16,587,786	–
Liabilities due to BMW Group companies	AC	1,240,000	1,237,605	–	1,237,605	–
Derivative liabilities						
Thereof stand-alone	FVPL	33,563	33,563	–	33,563	–
Thereof within hedge accounting	n/a	235,685	235,685	–	235,685	–
<b>Current financial liabilities:</b>						
Term debt	AC	6,801,010	6,803,384	–	6,803,384	–
Commercial paper	AC	–	–	–	–	–
Liabilities due to BMW Group companies	AC	10,951,277	10,950,838	–	10,950,838	–
Derivative liabilities						
Thereof stand-alone	FVPL	20,494	20,494	–	20,494	–
Thereof within hedge accounting	n/a	154,291	154,291	–	154,291	–

The Company measures the fair value of the financial instruments based on the fair value hierarchy that reflects the significance of the inputs used in making the measurement:

Level 1: Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 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. The fair value of financial instruments in Level 2 are based on valuation techniques using observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices) at the measurement date.

Level 3: Level 3 inputs are unobservable inputs for the asset or liability. The fair value of financial instruments in Level 3 are based on valuation techniques using significant unobservable inputs.

The Company generally uses the discounted cash flow model as the valuation technique to determine the fair value of financial instruments at the measurement date. The objective of the valuation technique is to arrive at a fair value measurement that reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Essential observable inputs used in this valuation technique include risk free (i.e. Fed Rates) and benchmark interest rates (i.e. LIBOR Rates), credit spreads and foreign currency exchange rates.

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Derivatives are classified in Level 2 of the fair value hierarchy using the discounted cash flow model to determine the fair value using yield curves of the cash flow currency and relevant credit spreads. For non-current non-derivative financial assets and liabilities (such as receivables / liabilities from BMW Group companies and term debt) the fair value, which is determined for disclosure purposes, is measured by discounting the future principal and interest cash flows using a market rate of interest for similar risk and matching maturity as well as relevant credit spreads at the reporting date.

For reasons of materiality, the fair value of current non-derivative financial assets and liabilities is generally deemed to be approximated by the carrying amount.

For the periods ended June 30, 2021 and December 31, 2020, the fair value of the financial instruments has been measured by using either Level 1 or Level 2 inputs.

The transfers between the level of the fair value hierarchy are reported at the respective reporting dates. There have been no transfers between the levels during the reporting period.

## [5] Related Parties

In accordance with IAS 24 (Related Party Disclosures), related individuals or entities, which have the ability to control the Company or which are controlled by the Company, must be disclosed unless such parties are already included in the financial statements as affiliated companies. Control is defined as ownership of more than one half of the voting power of the Company or the power to direct, by statute or agreement, the financial and operating policies of the management of the Company.

The disclosure requirements of IAS 24 also cover transactions with associates, joint ventures, and individuals that have the ability to exercise significant influence over the financial and operating policies of the Company.

In addition, the requirements contained in IAS 24 relating to key management personnel and close members of their families or intermediary entities are also applied.

BMW AG guarantees the unsecured debt of the Company, for this the Company remits a fee to BMW AG. The guarantee fee of 12.5bps is defined based upon a transfer pricing policy and arm's length principle defined by BMW AG and it is remitted from

the Company to BMW AG on a monthly basis. For the periods ended June 30, 2021 and 2020 the amount paid for this was \$13,063k and \$13,572k respectively.

The Company provides a factoring service of short-term inter-group BMW AG trade receivables. For this service the Company earns a commission equal to 0.05% of the receivables. The Company also earns interest which is equal to the LIBOR rate for maturities between 30 and 90 days plus a defined margin. The defined margin is set by the Company monthly and is communicated to seller at the beginning of each month.

The company earns interest on loans granted to affiliates and pays interest on loans received from affiliates. The interest rate is defined according to the BMW Group pricing policies and based upon the Arm's length principle plus a defined margin which is derived from BMW Group borrowing costs and service fees. For the periods ended June 30, 2021 and 2020 the Company received interest in the amounts of \$246,517k, and \$405,632k. For the same periods, the Company paid interest in the amounts of \$7,086k, and \$73,739k respectively.

For the periods ended June 30, 2021 and December 31, 2020, the disclosure requirements of IAS 24 only affect the Company with regard to relationships with the Parent, affiliated entities, and members of management and officers.

The related party balances for the years periods ended June 30, 2021 and December 31, 2020 were as follows:

in thousands of dollars	2021	2020
Receivable from BMW AG	40,900	39,872
All other receivables from BMW Group companies	33,959,907	32,934,299
	<b>34,000,807</b>	<b>32,974,171</b>
Liabilities due to BMW AG	84,650	61,800
All other liabilities due to BMW Group companies	13,455,665	12,129,477
	<b>13,540,315</b>	<b>12,191,277</b>

The Company did not enter into any contracts with any member of management or officers. The same applies to close members of the families of those persons. For the periods ended June 30, 2021 and

2020 the remuneration of key management is \$716k and \$453k respectively. The remuneration consists of:

in thousands of dollars	2021	2020
Short-term employee benefits	662	435
Post-employment benefits	54	18
<b>Total</b>	<b>716</b>	<b>453</b>

#### [6] Cash Flow

The statements of cash flows show how the cash and cash equivalents of the Company have changed during the year as a result of cash inflows and cash outflows. In accordance with IAS 7, cash flows are classified into cash flows from operating, investing and financing activities. The Company's purpose is to assist the financing of the activities conducted by companies of the BMW Group. The cash flows from

operating activities are presented under the indirect method (profit or loss for the period reconciled to the total net cash flow from operating activities). Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects. The cash flows from investing and financing activities are based on actual payments and receipts.

Liabilities related to financing activities can be reconciled as follows:

in thousands of dollars	2020	Cash Flows	Accrued Interest	Foreign Exchange	Fair Value Adjustments	Fee Amortization	2021
Term debt	22,398,443	(1,373,002)	(11,983)	(100,325)	(302,938)	(6,430)	20,603,765
Commercial paper	–	249,994	–	–	–	–	249,994
	<b>22,398,443</b>	<b>(1,123,008)</b>	<b>(11,983)</b>	<b>(100,325)</b>	<b>(302,938)</b>	<b>(6,430)</b>	<b>20,853,759</b>

#### [7] Segment Information

According to the definition of an operating segment under IFRS 8, BMW US Capital, LLC has one segment, and figures included in the statements of

comprehensive income / (loss) represent the nature and financial effects of the business activities.

#### [8] Additional Disclosures

During 2021, no events have occurred, that could be considered unusual due to their nature, size or incidence, that have not been disclosed in previous notes and that could have a major impact on the earnings performance, financial position and net

assets of the Company. There have been no changes in the composition of the Company during 2021. The Company did not become an investment entity under the definition of IFRS 10.

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#### [9] **Contingent Liabilities**

In December 2019, the Company was informed by the U. S. Securities and Exchange Commission (the SEC) that the SEC had commenced an inquiry into BMW Group's vehicle sales practices and reporting. On January 22, 2020, the SEC formally opened an investigation into potential violations of U. S. securities laws by the Company relating to disclosures regarding BMW Group's unit sales of new vehicles.

This matter was settled in September 24, 2020 with the SEC, without admitting or denying the alle-

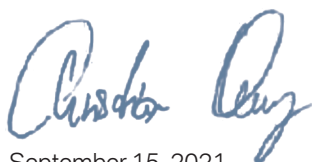
gations, and BMW Group consented to the entry of an Order finding violations of the U.S. Securities Act and agreed to pay a penalty of \$18 million. Certain BMW Group entities and their officers are defendants in private securities litigation following the SEC Order. Possible risks for the BMW Group cannot be quantified at present. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

#### [10] **Subsequent Events**

The Company has evaluated subsequent events for potential recognition, measurement, or disclosure in the financial statements occurring after the reported

period through the date of this report September 15, 2021 and concluded no such events occurred.

BMW US Capital, LLC



September 15, 2021  
Christian Kunz  
President