ANNUAL REPORT 2021

BMW INTERNATIONAL INVESTMENT B.V.

BMW GROUP

ROLLS-ROYCE MOTOR CARS LTD

BMW INTERNATIONAL INVESTMENT B.V.
Annual Management Report

Dear Ladies and Gentlemen,

BMW International Investment B.V. (the “Company”) was incorporated in the Netherlands and is a wholly owned subsidiary of BMW Holding B.V. (“BMW Holding”) who in turn is a wholly owned subsidiary of BMW Intec Beteiligungs GmbH, a wholly owned subsidiary of BMW AG. The statutory seat of BMW International Investment B.V. is the Hague, The Netherlands. The main purpose of the Company was and is to assist the financing of business activities conducted by companies of the BMW Group and its affiliates in the United Kingdom 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 mainly financing BMW Group companies in the United Kingdom (UK) that are priced in accordance with the “at arm’s length” principle. As a consequence, the main activities are providing long-term liquidity, intercompany funding for BMW Group companies and factoring of receivables of BMW Group companies in the United Kingdom. Based on its activities, the Company has identified the most important risks associated with its activities. The main categories of risk are credit and counterparty default risk, currency risk, interest rate risk, liquidity risk and operational risk. Group policies, guidelines, control systems and threshold structures are essential to making the Company’s risk appetite an intrinsic part of our business, as they help minimize 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, such as interest rate swaps and cross-currency swaps, to reduce the risk remaining after taking into account 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 19.

Non-financial risks could arise from operating risks such a the risk of fraud and compliance risk. Risk of fraud is mainly identified in the area of misappropriation of assets. The Company has aligned its internal control and risk management system on misappropriation of assets and financial reporting in accordance with the BMW Group policy. Risk management is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) 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.

The Company has locally implemented the BMW Group’s Company-wide Compliance Management System (‘CMS’). CMS is based on the Prevent, Detect, Respond Model, which defines specific prevention, monitoring, control and response measures, on the basis of clearly assigned roles and responsibilities. The CMS is tailored to the Company’s specific risk situation. It addresses all relevant compliance topics, including fraud prevention. An effective and efficient compliance organisation is fundamental to reducing sanction and liability risks, as well as risks arising from other (non)financial disadvantages, such as reputational risks.

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 contracted staff of the Company follow regular trainings as well as information events, which are invaluable ways of preparing employees for new or additional requirements. The overall risk management process within the BMW Group is, although managed centrally, applied locally 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 and general risk profile of the Company, the solvency of the BMW Group as a whole, headed by BMW AG, needs to be considered. Solvency is assured 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 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 as of March 26, 2021: A2 with a stable outlook; S&P as of August 5, 2021: A with a stable outlook) and short-term ratings (Moody's as of March 26, 2021: P-1; S&P as of August 5, 2021: A-1) issued by Moody's and S&P. The debt securities of the Company 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 caused by the coronavirus continued to have a negative impact on the economy and, in contrast, the company's results were very good. The below paragraphs focus on the development of the Company's operations in 2021.

The year 2021 resulted in a gross income of GBP 49.6 million (2020: loss of GBP 2.7 million). The positive result of the Company was mainly impacted by a positive interest margin of GBP 7.8 million (2020: profit of GBP 8.7 million), a factoring commission income related to factoring activities of GBP 2.3 million (2020: GBP 2.8 million), and a profit on financial transactions of GBP 39.8 million (2020: loss of GBP 14.1 million).

The Company presented a stable interest margin with a profit of GBP 7.8 million (2020: profit of GBP 8.7 million). The Company received a liquidity fee from BMW AG of GBP 9.2 million (2020: received GBP 2.8 million) related to its business nature as a strategic liquidity reserve provider to BMW AG and its focus on the financing business of BMW Group, as disclosed in note 2. A remuneration between the Company and BMW AG is established in order to ensure that the Company earns an "at arm's length" net profit per financing business activity and based on its functional and risk profile. This matured process is nevertheless periodically reviewed from a legal and fiscal perspective by relevant internal and external stakeholders.

The factoring commission income decreased to GBP 2.3 million (2020: GBP 2.8 million). The Company stopped purchasing factoring receivables in the fourth quarter 2021, as it has been decided that going forward the Company's main focus will be the financing of BMW Group companies.

The increase of the Result from financial transactions to a gain of GBP 39.8 million (2020: loss of GBP 14.1 million) is related to the fair value measurement of financial instruments. The latter was mainly impacted by a fair value gain on derivatives not included in a hedge relationship, caused by a significant increase in the 2-year GBP Swap curve. The development of the Result from financial transactions is monitored closely and it is in line with the risk strategy of the Company.

The Company's balance sheet total decreased by GBP 0.9 billion to GBP 9.3 billion at 31 December 2021 (2020: GBP 10.2 billion). The main factor of the decline in assets was the decrease in Receivables from BMW Group companies. Such decrease is mainly related to the reduced funding needs of the BMW Group companies in the United Kingdom as well as the Company repaid its capital of GBP 1,427 million to its parent company in March 2021.

The Company did not pay dividend to its parent company BMW Holding B.V. in 2021 (2020: nil).

During 2021, the Company did not engage in any research and development or other events, and no such events are expected to occur during 2022.

Debt capital markets

The Euro Medium Term Note ("EMTN") Program of euro 50.0 billion together with the euro 5.0 billion Multi-Currency Commercial Paper Program has been successfully utilized during 2021 to refinance BMW Group companies in the United Kingdom. Both programs give the Company the ability to raise funds without significant administrative efforts.

Under the EMTN Program, the Company did not issue any new EMTN's (2020: two EMTN's with a nominal amount of GBP 550 million) but repaid three EMTN's with a nominal amount of GBP 341 million (2020: five EMTN's with a nominal value of GBP 890 million) during the year 2021.

Furthermore, the Company has not entered in any new loan agreements ("Schuldscheindarlehen") (2020: USD 150 million) nor issued any European Commercial paper.

Global developments and outlook

In January 2022, before the start of the war in Ukraine, the International Monetary Fund expected global economic growth to moderate from 5.9% in 2021 to 4.4% in 2022 and to slow further to 3.8% in 2023. Russia's war in Ukraine is a humanitarian disaster. In addition, the economic damage is already being felt worldwide and threatens to become increasingly severe and long-lasting. Russia's invasion of Ukraine on 24 February has jeopardised the recovery of growth following the COVID 19 pandemic and caused a catastrophe throughout the region, destroying lives, homes and infrastructure. The consequences are felt worldwide. While the situation remains highly fluid and the outlook is subject to extraordinary uncertainty, the economic consequences are already seen in high energy and commodity prices. The sanctions on Russia will also have a substantial impact on the global economy, financial markets and EUR/RUB exchange rate.

The increased inflation is expected to persist for longer than forecasted, with ongoing supply chain disruptions and high energy prices continuing in 2022.

In March 2022, the US Federal Reserve raised interest rates by 0.25% and in addition to this rate step, the committee has planned increases for each of the six remaining meetings this year, indicating a consensus rate of 1.9% by the end of the year as inflation is well above 2% and the labour market continues to tighten. Other central banks are expected to take similar action with a mix of reforms, monetary and fiscal policy measures.

The British Chamber of Commerce has revised its expectations for UK GDP growth in 2022 downwards to 3.6% from the 7.5% growth recorded last year. The downward revision is largely due to a deteriorating outlook for consumer spending and a weaker-than-expected rebound in business investment. The effect of Brexit on the Company is very small, therefore no further impact expected.

The abrupt introduction of tightened new laws and regulations represents a significant risk for the automotive 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 could also change at short notice. Unfavourable developments in any of these 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 2021. 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 developments in the political environment, and the development of the pandemic, as discussed above, the Company believes that it will continue to face a year full of challenges, like interest rate changes, in 2022, for which it prepares through its risk management procedures and strategic guidelines. The Management of the Company does not see any threat to the Company's status as going concern. The Company's financial position is stable, with liquidity requirements currently covered by available liquidity and credit lines.

Regular in-depth dialogue with capital market participants has always been a high priority for the BMW Group. Within a short space of time, sustainability has become a key driver for the financial market. Investors and analysts are increasingly considering environment, social and governance (ESG) aspects in their investment recommendations and decision-making processes. For the main features of corporate social responsibility, we refer to the BMW AG group annual report.

Climate change
BMW International Investment B.V.'s exposure is solely through BMW AG's potential impact from climate change, which BMW AG mitigates through geographic and technological diversification of assets and the existence of dedicated areas and plans for Crisis Management and Business Continuity at corporate level, among other mitigation measures. No significant impacts are expected for BMW International Investment B.V.'s financial position.

Company Information
During 2021 the Company did not employ people by itself (2020: nil), but instead contracted the staff of BMW Finance N.V.

Peter Picker was appointed as Director effective 25 February 2021, therefore succeeding Rainer Schmidbauer in his position.

According to the regulations of the Dutch Civil Law (Wet Toezicht Bestuur effective as of 1 January 2013) the Company's Board of Directors is unbalanced since less than 30% of the members is female. In line with the change to treasury center, the Company had set up a Supervisory Board in 2016. The Company's Board members have been appointed based on their qualifications and availability, irrespective of gender. In order to create more balance, the Boards will take the regulations into account to the extent possible with respect to future appointments of members of the Board of Directors and the Supervisory Board.

The Hague, 21 April 2022

W. Knopp
Managing Director

G. Ramcharan
Financial Director

P. Picker
Director

BMW INTERNATIONAL INVESTMENT B.V.
Report of the Supervisory Board

Dear Ladies and Gentlemen,

During 2021, the Company BMW International Investment B.V. had to face a variety of challenges caused by the changing international market environment within Europe, as well as globally, which was accompanied by an increase in financial market uncertainty. Some of the causes of these challenges were the coronavirus crisis, restrictive trade policies, increasing inflation, shortages of chips and raw materials, all of which affected our company, which is naturally interrelated with its ultimate parent company BMW AG.

Monitoring and advisory activities of the Supervisory Board
In their capacity, the Supervisory Board, provided the Board of Directors with in-depth advice on matters relating to the management and further development of the Company and monitored the Board of Director's running of the business, both continuously and thoroughly. In 2021, 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 2020, strategy update as well as the financial outlook, and the fulfilment 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 was: 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, Caroline Philipp, Anne Brons, and Jolanda Messerschmidt-Otten. In August 2021, Caroline Philipp replaced Thomas Sieber, and in November 2021, Anne Brons replaced Stefanie Wurst as members of the Supervisory Board. In June 2021, Fredrik Altmann was re-elected as member and chairman of the Supervisory Board. The Supervisory Board is balanced as more than 30% of its members are female. The Supervisory Board members have been appointed based on their qualifications and availability, irrespective of gender. In order to keep such balance, 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. The successor will be hired based on required qualifications for the job.

The external member of the Supervisory Board received a remuneration of GBP 8.526 in 2021. No further benefits, bonuses, or incentives were received by members of the Supervisory Board.

Examination of the financial statements
The 2021 Annual Report of BMW International Investment B.V. as presented by the Board of Directors, has been audited by PricewaterhouseCoopers Accountants N.V., as the Company's independent external auditor. The Audit Committee carefully examined and discussed the proposed financial statements. Consequently, the Supervisory Board authorised the 2021 Annual Report of the Company for issue by the Board of Directors on 21 April 2022 and will be submitted for approval to the Annual General Meeting of Shareholders on 21 April 2022.

The Supervisory Board wishes to express their appreciation to the members of the Board of Directors and the entire Company for their dedication, their ideas and achievements during the financial year 2021.

The Hague, 21 April 2022

F. Altmann **Chairman**	**C. Philipp**	**A. Brons**	**J. Messerschmidt-Otten**

BMW INTERNATIONAL INVESTMENT B.V.
Financial statements
Income Statement and Statement of comprehensive income for the year ended 31 December 2021

in GBP thousand	Note	2021	2020
Interest income BMW Group companies		82,305	116,977
Interest income third parties		102	155
Interest related income		9,190	2,756
Interest and interest related income	[2]	**91,597**	**119,888**
Interest expense BMW Group companies		(42,524)	(67,800)
Interest expense third parties		(41,236)	(43,435)
Interest expense	[2]	(83,760)	(111,235)
Interest margin	[2]	**7,837**	**8,653**
Factoring commission income	[3]	2,252	2,794
Net commission income		**2,252**	**2,794**
Other financial income and expenses	[4]	10	(48)
Impairment loss on financial receivables	[5]	84	388
Result from financial transactions	[6]	39,758	(14,081)
Financial result		**49,941**	**(2,294)**
Miscellaneous income & expenses	[7]	(348)	(379)
Income/(loss) before taxation		**49,593**	**(2,673)**
Taxes	[8]	(11,686)	847
Net income/(loss)		**37,907**	**(1,826)**
Other comprehensive income/(expense):			
Items that can be reclassified to the income statement in the future			
Cost of hedging (net effect after tax)	[13]	1,778	(1,793)
Total comprehensive income/(expense) for the period		**39,685**	**(3,619)**
Basic earnings per share of common stock in pound sterling from net income	[13]	2,106	(101)

The total comprehensive income for the period is attributable to the shareholder of BMW International Investment B.V.

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

BMW INTERNATIONAL INVESTMENT B.V.

Balance Sheet at 31 December

Before profit appropriation

Assets in GBP thousand	Note	31.12.2021	31.12.2020
Receivables from BMW Group companies	[10]	2,944,500	3,461,000
Derivative assets	[18]	50,761	76,955
Deferred tax assets	[12]	436	1,011
Non-current assets		**2,995,697**	**3,538,966**
Receivables from BMW Group companies	[10]	6,294,507	6,651,125
Derivative assets	[18]	10,363	3,568
Tax receivables	[11]	–	874
Current assets		**6,304,870**	**6,655,567**
Total assets		**9,300,567**	**10,194,533**

Equity and liabilities in GBP thousand	Note	31.12.2021	31.12.2020
Issued capital	[13]	18	18
Share premium reserve	[13]	62,241	1,488,741
Cost of hedging reserve	[13]	(1,254)	(3,032)
Retained earnings	[13]	44,493	46,319
Undistributed income/(loss)	[13]	37,907	(1,826)
Equity		**143,405**	**1,530,220**
Debt Securities	[14]	1,546,720	2,372,617
Loans due to banks	[15]	287,478	284,559
Other liabilities	[17]	–	112,994
Liabilities due to BMW Group companies	[16]	–	1,253,250
Derivative liabilities	[18]	53,460	48,633
Non-current liabilities		**1,887,658**	**4,072,053**
Debt Securities	[14]	763,318	345,493
Liabilities due to BMW Group companies	[16]	6,367,528	4,196,746
Derivative liabilities	[18]	2,479	35,953
Interest payables and other liabilities	[17]	126,497	14,068
Tax liabilities	[11]	9,682	–
Current liabilities		**7,269,504**	**4,592,260**
Total equity and liabilities		**9,300,567**	**10,194,533**

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

BMW INTERNATIONAL INVESTMENT B.V.
Cash Flow Statement

in GBP thousand	Note	2021	2020	
Net income for the year		**37,907**	**(1,826)**	
Adjustments for non-cash items				
Fair value measurement losses/(gains) derivatives	[6]	9,649	(38,368)	*
Fair value measurement (gains)/losses non-derivative financial instruments	[6]	(36,606)	46,137	*
Amortisation financial instruments		1,290	1,470	*
Interest income	[2]	(91,597)	(119,888)	
Interest expense	[2]	83,760	111,235	
Change in impairment allowance	[5]	(84)	(388)	
Taxes	[8]	11,686	(847)	
(Loss)/profit on revaluation on financial instruments		2,352	(2,460)	
Changes in operating assets and liabilities				
Receivables from BMW Group companies	[10]	875,500	1,602,349	
Derivatives		(18,896)	2,089	*
Liabilities to BMW Group companies	[16]	1,848	(2,262)	*
Interest payables and other liabilities		(330)	1,726	*
Interest received		89,298	122,504	
Interest paid		(81,900)	(119,435)	
Tax paid		(1,130)	(1,467)	*
Cash flow from operating activities		**882,747**	**1,600,569**	
Cash flow from investing activities		**–**	–	
Capital injection by parent company		–	476,500	
Capital repayment to parent company		(1,426,500)	–	
Proceeds from the issuance of Debt securities		–	549,636	*
Repayment Debt Securities		(342,093)	(889,905)	*
Proceeds from the issuance of Loans due to banks		–	121,134	*
Proceeds from the issuance of Liabilities to BMW Group companies		31,072,973	22,951,218	*
Repayment Liabilities to BMW Group Companies		(30,187,127)	(24,809,152)	*
Cash flow from financing activities		**(882,747)**	**(1,600,569)**	
Net increase/(decrease) in cash and cash equivalents		**–**	–	
Cash and cash equivalents at January 1		–	–	
Cash and cash equivalents at December 31		**–**	–	

*The figures have been restated for comparison purposes.

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

BMW INTERNATIONAL INVESTMENT B.V.
Statement of Changes in Equity

in GBP thousand	Note	Issued Capital	Share premium reserve	Cost of hedging reserve	Retained earnings	Undis-tributed income	**Total**
1 January 2020	[13]	**18**	**1,012,241**	**(1,239)**	**40,023**	**6,296**	**1,057,339**
Net income		–	–	–	–	(1,826)	**(1,826)**
Other comprehensive income/(expense) for the period after tax		–	–	(1,793)	–	–	**(1,793)**
Comprehensive income/(expense) 31 December 2020		**–**	**–**	**(1,793)**	**–**	**(1,826)**	**(3,619)**
Appropriation of results 2019		–	–	–	6,296	(6,296)	**–**
Transactions with owner recorded directly in equity							
Capital injection by parent company		–	476,500	–	–	–	**476,500**
1 January 2021		**18**	**1,488,741**	**(3,032)**	**46,319**	**(1,826)**	**1,530,220**
Net income/(loss)		–	–	–	–	37,907	**37,907**
Other comprehensive income/(expense) for the period after tax		–	–	1,778	–	–	**1,778**
Comprehensive income/(expense) 31 December 2021		**–**	**–**	**1,778**	**–**	**37,907**	**39,685**
Appropriation of results 2020		–	–	–	(1,826)	1,826	**–**
Transactions with owner recorded directly in equity							
Capital repayment to its parent company		–	(1,426,500)	–	–	–	**(1,426,500)**
31 December 2021	[13]	**18**	**62,241**	**(1,254)**	**44,493**	**37,907**	**143,405**

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

Reporting entity

BMW International Investment B.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. The Company has its registered office and principal place of business in Rijswijk in the Netherlands. The Company was recorded in the commercial register on 14 December 2004, number 17.171.669. 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 in the United Kingdom that are priced in accordance with the "at arm's length" principle and to contribute to the liquidity requirements of the BMW Group.

The members of the Board of Directors do not receive remunerations from the Company. The Company has three directors. All directors are paid by a BMW Group company outside the scope of the Company.

The Company did not employ personnel itself, but instead contracted the staff of BMW Finance N.V.

Peter Picker was appointed as Director effective 25 February 2021, therefore succeeding Rainer Schmidbauer in his position.

A Supervisory Board, established in April 2016, exists and currently consists of four members. In August 2021, Caroline Philipp replaced Thomas Sieber, and in November 2021, Anne Brons replaced Stefanie Wurst as members of the Supervisory Board.

The financial statements of the Company are included in the BMW AG consolidated financial statements prepared according to IFRS as endorsed in the EU. These financial statements are available on BMW Group's website at www.bmwgroup.com.

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.

Statement of compliance

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.

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 consider 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

Since October 2015, the Company took the role of a treasury centre for financial services denominated in British Pound Sterling for the BMW Group companies operating in the United Kingdom. The financial statements are presented in British Pound Sterling. 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 British Pound Sterling 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 disaggregated adjusted the presentation of the Cash flow from operating activities and Cash flow from financing activities, here especially the 'Derivatives', 'Liabilities to BMW Group companies', 'Proceeds/Repayment Debt Securities', 'Proceeds/Repayment Loans due to banks' and 'Proceeds/Repayment Liabilities to BMW Group companies'.

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.

Inherent to the Company's activities, the going concern of the Company is dependent upon the performance of the financial performance of the counterparties of the loans issued to BMW AG Group companies. The Company's Board of Directors evaluated the financial position of the counterparties of loans to group companies and their ability to repay the notional and interest to the Company. The Company has not identified events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

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. More details are disclosed in the notes 18 and 19.

The spread of the corona pandemic and the accompanying measures introduced to contain it had no significant impact on the application of accounting policies and reported amounts in the financial statements.

Financial reporting rules

(a) Financial reporting standards applied for the first time in the financial year 2021

Standard	Interpretation	Date of issue by IASB	Date of mandatory application by IASB	Date of mandatory application EU
Changes to IFRS 9, IAS 39, IFRS 7	Interest Rate Benchmark Reform – Phase 2	27.08.2020	1.1.2021	1.1.2021

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, financial instruments and lease liabilities resulting from the reform of interest rate benchmarks. The Company is impacted by the reform of interest rate benchmarks primarily in the area of financial liabilities and related interest rate hedges. For a significant proportion of these instruments, the previous benchmark interest rate was replaced by an alternative interest rate in 2021. The adoption of the rules contained in the amended Standard means that the existing hedging relationships can be continued and the contractual changes arising due to the interest rate benchmark reform do not therefore have any direct impact on profit or loss. Further explanatory comments on the impact of the interest rate benchmark reform provided in note 19.

(b) Financial reporting pronouncements issued by the IASB, but not yet applied:
There are no 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 the Result from financial transactions.

The Interest margin is the difference between Interest income and Interest expenses. The Interest income comprises interest income on funds invested 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 model 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 expense is recognised as it accrues 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 for determining 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 it relates items recognised directly in equity or in other comprehensive income.

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

A deferred tax asset and 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 and 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.

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 dilute 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 fair value through profit or loss’ are subsequently carried at fair value. Gains or losses arising from changes in the fair value for ‘financial assets at fair value through profit or loss’ are recognised in profit or loss within Result from financial transactions.

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

Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes. For the methods used see note 23. 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

If these conditions are fulfilled, these assets are initially recognised at fair value in addition to any transaction costs that are directly attributable. Subsequently, the financial assets are measured at amortised cost using the effective interest rate method, less any impairment losses. Assets at amortised cost comprise receivables from BMW Group companies, and trade 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.

Non-derivative financial liabilities

The Company initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. Financial assets and liabilities are offset, and the net amount 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.

The Company has the following non-derivative financial liabilities: debt securities, loans due to banks, loans due to BMW Group companies, 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 is allocated to level 1 is based on quoted prices in an active market. The fair value of non-derivative financial instruments classified at level 2 is 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 on the basis of 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.

Where fair value hedge accounting is applied, changes in fair value are recognised in the income statement (in Result from financial transactions) or in other comprehensive income as a component of the Cost of hedging reserve.

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item. Hedges are mainly used to hedge interest rate risks and foreign currency risks relating to debt securities and loans due to banks. Cross currency basis spreads are not designated as part of the hedging relationship in the case of interest rate hedges accounted for as fair value hedges. Accordingly, changes in the market value of such instruments are recorded as costs of hedging within the Cost of hedging reserve. Amounts recorded in equity are reclassified 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 trade receivables in place. 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. 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. 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 in the course of the year as a result of cash inflows and cash outflows. In accordance with IAS 7 (Statement of Cash Flows), cash flows are classified into cash flows from operating, investing and financing activities.

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 do not therefore 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 in the United Kingdom. This assistance is considered to be an operating activity for the Company. Movements related to debt securities and liabilities to BMW Group companies are considered to be operating activities. The cash flow from operating activities is computed using the indirect method, starting from the net income of the Company. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects.

Segment reporting

Under IFRS 8 the Company is required to disclose segmental information of its performance. Only one operating income could be identified. The Company derives its revenues interest income and factoring commission fee by financing and factoring receivables of BMW Group companies in the United Kingdom and trading in derivatives 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 GBP thousand	2021	2020
Interest income on financial assets at amortised cost	75,871	104,462
Interest income on financial assets included in a fair value hedge relationship	2,013	–
Interest income on derivatives at fair value not included in a hedge relationship	13,713	15,426
Interest and interest related income	**91,597**	**119,888**
Interest expense on financial liabilities at amortised cost	(37,714)	(68,112)
Interest expense on financial liabilities included in a fair value hedge relationship	(34,411)	(33,130)
Interest expense on derivatives at fair value not included in a hedge relationship	(11,635)	(9,993)
Interest expense	**(83,760)**	**(111,235)**
Interest margin	**7,837**	**8,653**

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

The interest income from BMW Group companies is earned over the Receivables from BMW Group companies. The interest expense from BMW Group companies is mainly related to loans due to BMW Group companies and derivatives. The interest expense third parties comprises the interest expense due to activities in Debt Securities and Loans due to banks. 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 provider to BMW AG and its focus on the financing the business of the BMW Group. This matured process is nevertheless periodically reviewed from a legal and fiscal perspective by relevant internal and external stakeholders. The Company received a liquidity fee of GBP 9.2 million (2020: GBP 2.8 million). In addition, a guarantee fee was paid of GBP 5.2 million (2020: GBP 5.5 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 fee related to factoring of short-term BMW Group trade receivables and amounted to GBP 2.3 million (2020: GBP 2.8 million). The Company stopped purchasing factoring receivables in the fourth quarter 2021, as it has been decided that going forward the Company's main focus will be the financing of BMW Group companies.

[4] Other financial income and expenses

The item comprises a profit of GBP 10 thousand (2020: loss of GBP 48 thousand) due to exchange rate differences.

[5] Impairment loss on financial receivables

The Company recognized 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 GBP 84 thousand (2020: impairment allowance relief of GBP 388 thousand). No significant changes to estimation techniques or assumptions were made during the reporting period.

[6] Result from financial transactions

in GBP thousand	2021	2020
Ineffective portion of financial instruments included in a hedge relationship	601	598
Revaluation of derivatives not included in a hedge relationship	39,157	(14,679)
Total	**39,758**	**(14,081)**

The increase of the Result from financial transactions to a gain of GBP 39.8 million (2020: loss of GBP 14.1 million) refers to the fair value measurement of financial instruments. This result was mainly related to fair value gain on derivatives, which in turn were impacted by a significant increase in the 2-year GBP swap curve by 116 bps through the financial year 2021.

The revaluation of derivatives not included in a hedge relationship is mainly related to interest rates swaps to hedge the portfolio of receivables with a fixed rate from BMW Group companies (see note 18).

[7] Miscellaneous income & expenses

in GBP thousand	2021	2020
Management fee to related parties	(207)	(257)
Advisory & audit cost	(91)	(84)
Rent and leasing	(19)	(6)
Other miscellaneous income & expenses	(31)	(32)
Total	**(348)**	**(379)**

The fees charged are presented as advisory & audit cost. In 2021 and 2020 the fees 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 2021 and 2020 have been charged by PricewaterhouseCoopers Accountants N.V.

in GBP thousand 31.12.2021:	PwC Accountants N.V.	Other PwC network	Total PwC network
Audit of the financial statements	(67)	–	(67)
Other audit services	(20)	–	(20)
Tax services	–	–	–
Other non-audit services	–	–	–
Total	**(87)**	**–**	**(87)**

in GBP thousand 31.12.2020:	PwC Accountants N.V.	Other PwC network	Total PwC network
Audit of the financial statements	(64)	–	(64)
Other audit services	(20)	–	(20)
Tax services	–	–	–
Other non-audit services	–	–	–
Total	**(84)**	**–**	**(84)**

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 2021 and 2020 financial statements, irrespective of whether the work was performed during the financial year.

[8] Taxes

Income taxes comprise the following:

in GBP thousand	2021	2020
Current tax income/(expense)	(11,686)	847
Deferred tax income/(expense)	–	–
Total tax income/(expense) in income statement	**(11,686)**	**847**

Reconciliation of the effective tax rate:

in GBP thousand	2021	2020
Profit/(loss) before tax	49,593	(2,673)
Income tax using the domestic corporate tax rate	(12,398)	668
Tax charges related to other periods	409	176
Tax benefit arising from tax free income	–	–
Other differences	303	3
Total tax income/(expense) in income statement	**(11,686)**	**847**
Effective tax rate	**23.6%**	**31.7%**

The Company is independently liable for the payment of any tax liabilities. The Company calculates its taxable profit in GBP and translates the amount into euro at year-end against the average exchange rate of the respective year.

For 2021 the applicable Dutch corporation tax rate is 25% (2020: 25%). For the taxable amount up to and including euro 245,000 the applicable corporation income tax rate in 2021 is 15% (2020: 16.5% amount up to euro 200,000).

The Company has agreed with the Dutch tax authorities to use the IFRS accounting as a basis for the current tax calculation in the Netherlands.

[9] Remuneration of Board of Directors

The Company has three directors. All directors are paid by other BMW Group companies outside the scope of the Company. The same was applicable for 2020.

The external member of the Supervisory Board received a remuneration of GBP 8.526 in 2021 (2020: 9.028). No further benefits, bonuses, or incentives were received by members of the Supervisory Board.

[10] Receivables from BMW Group companies

in GBP thousand	31.12.2021	31.12.2020
NNon-current receivables from BMW Group companies	2,944,500	3,461,000
Current receivables from BMW Group companies	6,294,507	6,651,125
Total receivables from BMW Group companies	**9,239,007**	**10,112,125**

The Company recognised an impairment loss on Receivables from BMW Group companies of GBP 0.9 million in 2021 (2020: GBP 1.0 million) in accordance with IFRS 9. No significant changes to estimation techniques or assumptions were made during the reporting period.

Of the total receivables from BMW Group Companies 78% 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 2021 are:

in GBP thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from affiliated companies	8,944,594	0.9	0.0
Inhouse Bank BMW AG	272,672	Daily	SONIA* + spread
Trade receivables from BMW Group companies	21,741	1.0	(0.1)
Total	**9,239,007**		

* SONIA = Sterling Overnight Index Average (per 31-12-2021: 0.1906%).

All 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). Trade receivables are not guaranteed.

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 GBP thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from affiliated companies	9,366,811	0.9	0.7
Inhouse Bank BMW AG	168,274	Daily	SONIA* + spread
Trade receivables from BMW Group companies	577,040	0.1	0.7
Total	**10,112,125**		

* SONIA = Sterling Overnight Index Average (per 31-12-2020: 0.0394%).

The Company participate in the Global Payment Platform from BMW AG. Therefore, the cash position with the external bank is reflected in the Inhouse Bank position with BMW AG. The balance is accounted for as part of the Receivables from BMW Group companies.

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

in GBP thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
31.12.2021	6,294,507	2,944,500	–	**9,239,007**
31.12.2020	6,651,125	3,461,000	–	**10,112,125**

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

[11] Tax assets and liabilities

The tax liability of GBP 9.7 million (2020: tax receivable of GBP 0.9 million), is related to the Corporate Income Tax (CIT) to be paid to the Dutch tax authorities.

The Company left the fiscal unity, headed by BMW Holding B.V., per 30 June 2019. It has been independently liable for the payment of any tax liabilities as of 1 July 2019.

[12] Deferred tax assets and liabilities

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 asset/liability is calculated with a tax rate of 25.8% and results in a deferred tax asset of GBP 436 thousand (2020: deferred tax asset of GBP 1,011 thousand).

[13] Equity

Issued capital

Authorised share capital consists of 18,001 ordinary shares of GBP 1 per share, all of which 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 2020, there were no changes in these figures. The Company generated earnings per share of GBP 2,106 (2020: GBP 101 negative).

Share premium reserve

The share premium reserve comprises additional paid-in capital on the issue of the shares. In March 2021, the Company repaid capital to its parent company BMW Holding B.V. to the amount of GBP 1,427 million (2020: received GBP 476.5 million).

Cost of hedging reserve

As of 31 December 2021, the amount of the fair value measurement of financial instruments recognised directly in equity amounted to GBP 1,254 thousand negative (2020:GBP 3,032 thousand negative) net of deferred taxes. The hedging reserve as of 31 December 2021 is related to the cost of hedging of fair value hedges. The 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 reclassified to the income statement over the term of the hedging relationship.

in GBP thousand	2021	2020
Opening balance at 01 January	**(3,032)**	**(1,239)**
Thereof gains/ losses arising in the period under report	997	(2,603)
Thereof reclassifications to the income statement	781	810
Closing balance at 31 December	**(1,254)**	**(3,032)**

Appropriation of result

The appropriation of the result for the year 2020 amounting to a net loss of GBP 1.8 million deducted from the retained earnings has been endorsed by the General meeting of Shareholders dated 22 April 2021.

Proposed appropriation of result

The Board of Directors proposes the addition of the net income for the year 2021 amounting to GBP 37.9 million 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 and 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 operations 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 directors 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.

[14] Debt securities

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

in GBP thousand	31.12.2021	31.12.2020
Debt securities part of a fair value hedge relationship	2,110,038	2,423,200
Debt securities at amortised cost	200,000	294,909
Commercial paper	–	–
Total	**2,310,038**	**2,718,109**

The Bonds under the EMTN Program and other securities issued by the Company during the financial year 2021:

Interest	Currency	Issue volume in millions	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
Variable	GBP	200	2.0	0.7
Fixed	CHF	600	6.8	0.5
	GBP	1,550	4.1	1.4
	NOK	1,000	10.0	3.3

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

Interest	Currency	Issue volume in millions	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
Variable	GBP	250	2.2	0.5
	SEK	500	3.0	0.7
Fixed	CHF	600	6.8	0.5
	GBP	1,800	4.1	1.3
	NOK	1,000	10.0	3.3

The Euro Medium Term Note ("EMTN") Program of euro 50.0 billion has been used in several currencies by the Company. In 2021 the Company did not issue any new EMTN's (2020: two EMTN's with an equivalent of GBP 550 million). Further issuers are BMW AG, BMW US Capital LLC, BMW Finance N.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 the Company itself. The Multi-Currency Commercial Paper Program support flexible and broad access to capital markets. Debt issuances under these programs have unconditional and irrevocable guarantees from BMW AG.

There are no outstanding balances with respect to the Euro 5.0 billion Multi-Currency Commercial Paper Program as of 31 December 2021 (2020: nil).

[15] Loans due to banks

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

in GBP thousand	Outstanding		Weighted average maturity period (in years)		Weighted average interest rates (in %)	
	2021	2020	2021	2020	2021	2020
Total	**287,478**	**284,559**	**5.0**	**5.0**	**1.5**	**1.5**

[16] Liabilities due to BMW Group companies

in GBP thousand	31.12.2021	31.12.2020
Non-current liabilities due to BMW Group companies	–	1,253,250
Current Liabilities due to BMW Group companies	6,367,528	4,196,746
Total liabilities due to BMW Group companies	**6,367,528**	**5,449,996**

in GBP thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
31.12.2021	6,367,528	–	–	**6,367,528**
31.12.2020	4,196,746	1,253,250	–	**5,449,996**

From the total liabilities from BMW Group Companies 80% 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 2021 are:

in GBP thousand	Outstanding	Weighted average maturity period (in years)	Weighted average interest rates (in %)
Liability due to affiliated companies	6,363,243	0.2	0.5
Inhouse Bank BMW AG	–	Daily	SONIA* + spread
Trade payables due to BMW Group companies	4,285	30 days	None
Total	**6,367,528**		

* SONIA = Euro Overnight Index Average (per 31-12-2021: 0.1922%).

From the total liabilities from BMW Group Companies 58% 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 GBP thousand	Outstanding	Weighted average maturity period (in years)	Weighted average interest rates (in %)
Liability due to affiliated companies	5,448,074	0.5	0.4
Inhouse Bank BMW AG	–	Daily	SONIA* + spread
Trade payables due to BMW Group companies	1,921	30 days	None
Total	**5,449,995**		

* SONIA = Euro Overnight Index Average (per 31-12-2020: 0.0394%).

[17] Interest payables and other liabilities

in GBP thousand	31.12.2021	31.12.2020
Interest payables to third parties	15,018	14,035
Trade payables	65	33
Other liabilities	111,414	112,994
Total	**126,497**	**127,062**

Interest payables to third parties are related to debt securities, Loan due to banks and other liabilities of the Company.

The table below further illustrates the characteristics of this transaction, such as maturity and interest rates:

in GBP thousand	Outstanding		Weighted average maturity period (in years)		Weighted average interest rates (in %)	
	2021	2020	2021	2020	2021	2020
Total	**111,414**	**112,994**	**3.0**	**3.0**	**3.4**	**3.4**

[18] Financial instruments

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

31 December 2021 in GBP thousand	At amortised cost	Fair value trough profit or loss	**Total**
Assets			
Derivative instruments	–	–	**–**
Fair Value Hedges	–	36,528	**36,528**
Other derivative instruments	–	24,596	**24,596**
Receivables from BMW Group companies	9,239,007	–	**9,239,007**
Total of financial assets	**9,239,007**	**61,124**	**9,300,131**

31 December 2021 in GBP thousand	At amortised cost	Fair value trough profit or loss	**Total**
Liabilities			
Debt securities	2,310,038	–	**2,310,038**
Loans due to banks	287,478	–	**287,478**
Derivative instruments	–	–	**–**
Fair value hedges	–	19,966	**19,966**
Other derivative instruments	–	35,973	**35,973**
Interest payables and other liabilities	126,497	–	**126,497**
Liabilities due to BMW Group companies	6,367,528	–	**6,367,528**
Total of financial liabilities	**9,091,541**	**55,939**	**9,147,480**

For the financial year 2020, the items are allocated by categories in accordance with the requirements of IFRS 9 as applied in that year:

31 December 2020 in GBP thousand	At amortised cost	Fair value trough profit or loss	**Total**
Assets			
Derivative instruments	–	–	**–**
Fair Value Hedges	–	78,974	**78,974**
Other derivative instruments	–	1,550	**1,550**
Receivables from BMW Group companies	10,112,125	–	**10,112,125**
Total of financial assets	**10,112,125**	**80,524**	**10,192,649**

31 December 2020 in GBP thousand	At amortised cost	Fair value trough profit or loss	**Total**
Liabilities			
Debt securities	2,718,109	–	**2,718,109**
Loans due to banks	284,559	–	**284,559**
Derivative instruments	–	–	**–**
Fair value hedges	–	1,563	**1,563**
Other derivative instruments	–	83,023	**83,023**
Interest payables and other liabilities	127,062	–	**127,062**
Liabilities due to BMW Group companies	5,449,996	–	**5,449,996**
Total of financial liabilities	**8,579,726**	**84,586**	**8,664,312**

Fair value measurement of financial instruments

The fair values shown in the financial statements and disclosure to the financial statements are computed using market information available at the balance sheet date using appropriate measurement methods like discounted cash flow models. In the latter case, the amounts were discounted at 31 December 2021 on the basis of the following interest rates:

%	EUR	GBP
interest rate for six months	(0.55)	0.47
interest rate for one year	(0.48)	0.88
interest rate for five years	0.02	1.29
interest rate for 10 years	0.30	1.21

The interest rates at 31 December 2020 were:

%	EUR	GBP
interest rate for six months	(0.53)	0.03
interest rate for one year	(0.53)	–
interest rate for five years	(0.46)	0.19
interest rate for 10 years	(0.26)	0.40

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

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

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

At 31 December 2021 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:

	Level hierarchy in accordance with IFRS 13		
in GBP thousand	Level 1	Level 2	Level 3
Derivative instruments (assets)			
Fair value hedges	–	36,528	–
Other derivative instruments	–	24,596	–
Derivative instruments (liabilities)			
Fair value hedges	–	19,966	–
Other derivative instruments	–	35,973	–

The classification of financial assets and liabilities at fair value according to IFRS 9 to measurement levels in accordance with IFRS 13 at 31 December 2020 was as follows:

in GBP thousand	Level hierarchy in accordance with IFRS 13 Level 1	Level 2	Level 3
Derivative instruments (assets)			
Fair value hedges	–	78,974	–
Other derivative instruments	–	1,550	–
Derivative instruments (liabilities)			
Fair value hedges	–	1,563	–
Other derivative instruments	–	83,023	–

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 neither in the financial year 2021 nor in the financial year 2020.

Where the fair value was 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. The fair value of level 2 financial instruments is determined using valuation techniques (income approach) which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

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 2021	Fair value amount 2021	Notional amount 2020	Fair value amount 2020
Assets				
Foreign currency derivatives	485,947	29,603	608,437	50,527
Interest rate derivatives	2,107,000	21,158	1,580,000	26,428
Non-current assets	**2,592,947**	**50,761**	**2,188,437**	**76,955**
Foreign currency derivatives	113,602	132	44,802	1,877
Interest rate derivatives	2,511,000	10,231	671,000	1,691
Current assets	**2,624,602**	**10,363**	**715,802**	**3,568**
Total assets	**5,217,549**	**61,124**	**2,904,239**	**80,524**
Liabilities				
Foreign currency derivatives	371,999	41,625	371,419	37,912
Interest rate derivatives	1,335,000	11,835	1,858.000	10,721
Non-current liabilities	**1,706,999**	**53,460**	**2,229,419**	**48,633**
Foreign currency derivatives	–	–	366,153	29,963
Interest rate derivatives	768,000	2,479	1,554,000	5,990
Current liabilities	**768,000**	**2,479**	**1,920,153**	**35,953**
Total liabilities	**2,474,999**	**55,939**	**4,149,572**	**84,586**

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 2021:

in GBP million	Note	Fair value	Carrying value	Difference
BMW Group receivables (level 2)	[10]	9,267	9,239	28
Non-current debt securities	[14]	1,539	1,547	(8)
whereof level 1		1,451		
whereof level 2		88		
Loans due to banks (level 2)	[15]	301	287	14
Other liabilities (level 2)	[17]	115	111	4
Liabilities due to BMW Group companies	[16]	6,372	6,368	4

31 December 2020:

in GBP million	Note	Fair value	Carrying value	Difference
BMW Group receivables (level 2)	[10]	10,171	10,112	59
Non-current debt securities	[14]	2,402	2,373 *	29
whereof level 1		2,107		
whereof level 2		295		
Loans due to banks (level 2)	[15]	302	285	17
Other liabilities (level 2)	[17]	117	113	4
Liabilities due to BMW Group companies	[16]	5,464	5,450	14

* Figure restated for comparison purposes.

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 in fair value of the loans due to banks and other liabilities is valued according to level 2 methodologies.

Gains and losses of financial instruments

The following table shows the net gains and losses arising on financial instruments in the financial year 2021 pursuant to IFRS 9:

in GBP thousand	2021	2020
Financial instruments measured at fair value through profit or loss	(26,135)	17,159
Financial assets measured at amortized cost	84	(388)
Financial liabilities measured at amortized cost	65,893	(31,240)

'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.

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 GBP thousand	2021	2020
Revaluation on hedging instruments (Foreign Currency Derivatives)	(29,431)	11,877
Revaluation on hedging instruments (Interest Rate Derivatives)	(35,861)	19,961
Profit/(loss) from hedged items	65,893	(31,240)
Ineffective portion of fair value hedges	**601**	**598**

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 hedge 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 on bonds.

Maturity structure hedging instruments

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

31 December 2021 in GBP thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total Nominal**
Assets				
Foreign currency derivatives	110,869	271,320	214,627	**596,816**
Interest rate derivatives	600,000	350,000	–	**950,000**
Liabilities				
Foreign currency derivatives	–	–	83,740	**83,740**
Interest rate derivatives	–	600,000	–	**600,000**

December 2020:

31 December 2020 in GBP thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total Nominal**
Assets				
Foreign currency derivatives	–	388,226	220,221	**608,447**
Interest rate derivatives	250,000	1,550,000	–	**1,800,000**
Liabilities				
Foreign currency derivatives	–	–	85,819	**85,819**
Interest rate derivatives	–	–	–	**–**

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

in GBP thousand	Carrying Amounts Assets	Carrying Amounts Liabilities	Change in values of hedged items
Foreign currency risk	–	671,120	30,233
Interest rate risk	–	1,537,525	35,660

The accumulated amount of hedge-related fair value adjustments is GBP 19.1 million negative (2020: GBP 46.7 million) for liabilities related to debt securities and loans due to banks.

December 2020:

in GBP thousand	Carrying Amounts Assets	Carrying Amounts Liabilities	Change in values of hedged items
Foreign currency risk	–	715,025	(11,007) *
Interest rate risk	–	1,821,169	(20,233) *

* The figures have been restated for comparison purposes.

The following table summarises key information on hedging instruments for each risk category:

in GBP thousand	Carrying Amounts Assets	Carrying Amounts Liabilities	Change in values of hedged instruments
Fair value hedges			
Foreign currency risk	29,633	(8,687)	29,431
Interest rate risk	6,895	(11,279)	35,861

December 2020:

in GBP thousand	Carrying Amounts Assets	Carrying Amounts Liabilities	Change in values of hedged instruments
Fair value hedges			
Foreign currency risk	50,528	(1,563)	(10,542)
Interest rate risk	28,446	–	(19,729)

Offsetting of financial instruments

The offsetting of the financial assets and liabilities for derivatives with internal 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 GBP thousand	2021 Assets	2021 Liabilities	2020 Assets	2020 Liabilities
Gross amounts as presented in the balance sheet	61,124	(55,939)	80,523	(84,586)
Amounts subject to an enforceable master netting agreement	(66,824)	66,824	(90,916)	90,619
Net amount after offsetting	**(5,700)**	**10,885**	**(10,393)**	**6,033**

[19] 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 to not 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.

Overview

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

Credit risk comprises concentration risk and counterparty risk. The Company however did not recognize any concentration risk and is not aware of the existence of a significant concentration of 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. When a receivable is uncollectible, it is written off against the related provision. 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 to determine impairment of financial assets. 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 disclosures 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, excluding accrued interest, are guaranteed by BMW AG when the aggregated losses on these receivables exceed euro 2 million. As a result, credit risk of intergroup financial receivables is substantially mitigated.

The maximum exposure to credit risk at reporting date was:

in GBP thousand	31.12.2021	31.12.2020
Loans and Receivables		
Receivables from BMW Group companies	9,239,007	10,112,125
Interest receivables and other receivables	–	–
Cash and cash equivalents	–	–
Derivative assets	61,124	80,523
Gross exposure	**9,300,131**	**10,192,648**
Guaranteed by BMW AG	9,215,593	9,533,290
Residual maximum exposure	**84,538**	**659,358**

Furthermore, due to the debt monitoring collection system implemented by the Company no credit defaults were encountered. Hence all the Company's receivables at 31 December 2021 are recoverable at their recognised amount.

The impact of the BREXIT is assessed to be limited for the Company, due to the guarantee by BMW AG when the aggregated losses on these financial receivables exceed euro 2 million, excluding any accrued interest of these transactions. During 2021 the Company has had neither write-downs nor reversals of write-downs. The Company has no loans and receivables which are overdue. There were no past dues amongst loans and receivables and there were no collaterals received.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial liabilities when they come due, at reasonable costs and in a timely manner. As a result, the Company's borrowing capacity may be influenced, and its financing costs may fluctuate. The cash and short-term lending mitigate the liquidity risk for the Company. Concentration of liquidity risk therefore doesn't exist, as the Company is using different types of debt instruments with different maturity structures. It should be noted that in 2021 the Company has a negative current ratio. The negative current ratio does not impact the liquidity risk, as on the one hand the Company can fall back on the Commercial Paper programme and on the other hand the Company can rely on BMW Finance N.V. or BMW AG to pay off its current liabilities. Further, it is planned that the Company will issue an EMTN in 2022, which will improve the liquidity of the Company.

The following table shows the maturity structure of expected contractual cash flows (undiscounted) for financial liabilities:

31 December 2021 in GBP thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**	**Carrying amount**
Debt securities	826,924	1,259,128	305,463	**2,391,515**	**2,310,038**
Liabilities to BMW Group companies	6,376,418	–	–	**6,376,418**	**6,367,528**
Derivative instruments – outflow	382,092	95,814	25,721	**503,627**	**55,939**
Derivative instruments – inflow	341,607	89,183	19,827	**450,617**	**–**
Loans due to banks and other liabilities	119,431	303,745	–	**423,176**	**398,958**
Interest payables	15,083	–	–	**15,083**	**15,083**
Total	**7,378,341**	**1,569,504**	**311,357**	**9,259,202**	**9,147,546**

31 December 2020 in GBP thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**	**Carrying amount**
Debt securities	374,133	2,088,986	317,767	**2,780,886**	**2,718,109**
Liabilities to BMW Group companies	3,650,324	1,255,554	–	**4,905,878**	**5,449,996**
Derivative instruments – outflow	415,494	345,441	96,367	**857,302**	**84,586**
Derivative instruments – inflow	376,809	312,493	94,187	**783,489**	**–**
Loans due to banks and other liabilities	8,155	414,594	–	**422,749**	**397,553**
Interest payables	14,068	–	–	**14,068**	**14,068**
Total	**4,085,365**	**3,792,082**	**319,947**	**8,197,394**	**8,664,312**

The maturity analysis is based on undiscounted cash flows. All interest payables mature within one year.

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 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 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 shift of one basis point on 31 December 2021 was GBP 40.991 positive (2020: GBP 47.580 negative).

Currency risk

Currency risk or exchange rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in exchange rates. Changes in exchange rates can have adverse effects on the financial position and operating result of the Company. In order to mitigate the impact of currency risk arising from operational, financial and investment activities, the Company continually assesses its exposure to this risk. Currency risk is managed and hedged through the use of derivative instruments, such as forward contracts and cross currency swaps. The 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 does not have any currency risk per 31 December 2021.

in thousand (all local currency)	Non derivative financial assets	Non derivative financial liabilities	Derivative financial instruments	Net exposure
CHF	–	600,000	600,000	–
NOK	–	1,000,000	1,000,000	–
USD	–	540,000	540,000	–
Total	**–**	**2,140,000**	**2,140,000**	**–**

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 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 continuously 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 continuously 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 2021 annual financial statements.

For the Company itself, the effects of the Coronavirus have been limited and no increased financial risks were identified in 2021. Therefore, the going concern status of the Company has been safeguarded.

[20] Related parties

Identification 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, BMW International Investment B.V. applies transfer prices for financial instruments in conformity with market levels and in accordance with national and international tax requirements (arm's length principle, principle of economic allegiance, separate entity approach, Art 9 OECD-MA Rz 126).

Key management personnel

The Company has three directors. All directors are paid by a BMW Group company outside the scope of the Company.

The Company does not have other key management personnel other than the board of directors.

Intercompany pricing

In principle, the transfer prices for financial instruments are determined on the basis of three components: the price for BMW Credit Default Swaps, the three months Commercial Paper Spread and a transfer pricing margin. The price for BMW Credit Default Swaps is applied for maturities >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 department of the BMW Group, 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 GBP 9.2 million (2020: positively affected by GBP 2.8 million) related to the business model of the Company. In addition, a guarantee fee was paid of GBP 5.2 million (2020: GBP 5.5 million), as the latter unconditionally and irrevocably guarantees the Company's issuances on the capital markets. The outstanding balances of the Company with its ultimate parent company are disclosed in detail in note 10 'Receivables from BMW Group companies' and note 16 'Liabilities due to BMW Group companies'.

Since July 2017 the Company has signed a factoring agreement with BMW AG for buying trade receivables. In 2021, the Company stopped with the purchase of these trade receivables. The related factoring commission income is amounting to GBP 2.3 million (2020: GBP 2.8 million).

Transactions with affiliated companies

Since the nature of the Company is to act as a finance company within the larger BMW AG Group, the majority of transactions are with related parties. These transactions are agreed in contracts between the parties involved and are proved from a statutory and tax perspective. All significant transactions are disclosed in these accounts. For details reference is made to the notes 10 "Receivables from BMW Group companies" and note 16 "Liabilities due to BMW Group companies". The Company entered into derivative agreements with Group companies as included in the balance of GBP 61.1 million Derivatives assets (2020: GBP 80.5 million derivative assets) and of GBP 55.9 million derivative liabilities (2020: GBP 84.6 million derivative liabilities).

[21] Subsequent events

The war in Urkaine and the sanctions for Russia therewith, had no impact on the financial statements 2021. So, no subsequent events occurred after the balance sheet date 31 December 2021.

The Hague, 21 April 2022

The Board of Directors:

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

The Supervisory Board:

F. Altmann	**C. Philipp**	**A. Brons**	**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 9 of the articles of association, undistributed income is at the disposition of the General Meeting of Shareholders.

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 the Company, and the Company's Annual Management 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 International Investment B.V.

The Hague, 21 April 2022

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

- Pursuant to the Articles of Association we are pleased to submit the Annual Report for the year 2021 as drawn up by the Board of Directors.
- The Annual Report, which both the Supervisory Board and the Board of Directors 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, 21 April 2022

F. Altmann **Chairman**	**C. Philipp**	**A. Brons**	**J. Messerschmidt-Otten**

To: the general meeting and the supervisory board of BMW International Investment B.V.

Report on the financial statements 2021

Our opinion

In our opinion, the financial statements of BMW International Investment B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2021, 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 2021 of BMW International Investment B.V., The Hague.

The financial statements comprise:
– the balance sheet as at 31 December 2021;
– the following statements for 2021: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
– the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework 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 International Investment B.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

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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 these considerations, we paid attention to, amongst others, the assumptions underlying the physical and transition risk related to climate change. In the section 'Use of estimates and judgements' of 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 the measurement of expected credit losses and derivative valuation, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified the existence of the loans issued and hedge accounting as key audit matter because of the importance of existence for users of the financial statements and the detailed requirements for hedge accounting.

Other areas of focus, that were not considered as key audit matters, are areas such as the impact of COVID-19, IBOR reform and taxation.

BMW International Investment B.V. assessed the possible effects of climate change on its financial position. We discussed their assessment and governance thereof with the board of directors and evaluated the potential impact on the Company including underlying assumptions and estimates as included in the financial statements. Given the nature of the Company's activities, the impact of climate change is not considered a key audit matter.

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.

Materiality

The scope of our audit was 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 £93,000,000 (2020: £101,000,000). 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 any misstatement identified during our audit above £4,650,000 (2020: £5,050,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal controls, including the risk assessment process and the board of directors' process for responding to the risks of fraud and monitoring the system of internal controls, as well as the outcomes. We refer to section 'The Company's activities and risk management' of the annual management report.

We inquired with the board of directors regarding their fraud risk assessment, evaluated the design and relevant aspects of the system of internal controls as well as among others the code of conduct and whistle blower procedures. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks, i.e. authorisation of payments.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present. We identified the following fraud risk and performed the following specific procedures:

Identified fraud risk	**Audit work and observations**
The risk of management override of control In all of our audits, we need to perform procedures over the risk of management override of control. This includes the evaluation of a potential misstatement due to fraud based on the potential interest of the board of directors, including processes for generating and processing journal entries and making of estimates (including potential management bias) and significant transactions outside normal business operations.	To the extent relevant to our audit, we have reviewed the design and effectiveness of the internal control measures, i.e. authorisation of payments, that are intended to mitigate the risk of management override of control and tested the design and implementation of the controls in the processes for generating and processing journal entries and making of estimates. We have selected journal entries based on risk criteria and performed specific audit procedures on these, also paying attention to significant transactions outside normal business operations. We also performed specific audit procedures on management estimates, with specific attention to the valuation of loans issued to group companies. We refer to the section 'Key audit matters' for the performed audit procedures. Our work did not reveal any material misstatements in the information provided by the board of directors in the financial statements. Our work did not lead to specific indications of fraud or suspicions of fraud regarding the risk of management override of control by the board of directors.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We considered available information and made enquiries of relevant senior members of staff and board of directors.

Audit approach Going Concern

As disclosed in the section 'Basis of measurement' of the financial statement the board of directors performed their assessment of the entity's ability to continue as a going concern for the foreseeable future and have not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going concern risks). Our procedures to evaluate the board of directors going concern assessment include, amongst others:

- Considering whether the board of directors' going concern assessment includes all relevant information of which we are aware as a result of our audit, inquire with the board of directors regarding the board of directors' most important assumptions underlying their going concern assessment.
- Analysing the financial position per balance sheet date in relation to the financial position per prior year balance sheet date to assess whether events or circumstances exist that may lead to a going concern risk.
- We evaluated the financial position of the counterparties of loans to group companies and their ability to repay the notional and interest to the Company, by assessing observable data from rating agencies, developments in credit spreads, current financial data (such as recent financial information and cash flows) and other publicly available data and by discussing and obtaining information from the group auditor.
- Performing inquiries of the board of directors as to their knowledge of going concern risks beyond the period of the board of directors' assessment.

Our procedures did not result in outcomes contrary to the board of directors' assumptions and judgments used in the application of the going concern assumption.

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.

Due to the nature of the Company, key audit matters do not change significantly year over year. As compared to last year there have been no changes in key audit matters.

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 £9,239,007,000, 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 granted, nor has been requested 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 expected credit loss.	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 if there are no adverse conditions present suggesting to classify the loans as stage 2 or stage 3 loans. We have assessed the board 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 were 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 BMW International Investment B.V. 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.

Key audit matter	How our audit addressed the matter
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 £9,239,007,000, 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.
Derivative valuation Note 18 We considered the fair value of the derivatives portfolio of £61,124,000 (derivative assets) and £55,939,000 (derivative liabilities) as disclosed in note 18 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 procedures to support 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. – We reconciled the interest rate curves and other market data with independent sources. – 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 18 We considered the application of hedge accounting to be a key audit matter. Refer to note 18 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. 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

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

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 all the information regarding the annual management report and the other information that is required by Part 9 of Book 2of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the 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 procedures performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the annual management 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 and ESEF

Our appointment

We were appointed as auditors of BMW International Investment B.V. on 6 April 2020 by the supervisory board. This followed the passing of a resolution by the shareholders at the annual general meeting held on 6 April 2020. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of 2 years.

European Single Electronic Format (ESEF)

BMW International Investment B.V. has prepared the annual report, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the financial statements of BMW International Investment B.V., complies, in all material respects, with the RTS on ESEF.

The board of directors is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF. Our responsibility is to obtain reasonable assurance for our opinion on whether the annual report complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Royal Netherlands Institute of Chartered Accountants), included amongst others:
- Obtaining an understanding of the entity's financial reporting process, including the preparation of the annual report in XHTML format.
- Examining whether the annual report in XHTML format is in accordance with the RTS on ESEF.

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 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 in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

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 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, 21 April 2022

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

Appendix to our auditor's report on the financial statements 2021 of BMW International Investment B.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.