BMW GROUP

ROLLS-ROYCE
MOTOR CARS LTD

ANNUAL REPORT 2021

BMW US CAPITAL, LLC

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MANAGEMENT REPORT

Management submits their report and the financial statements of BMW US Capital, LLC ("BMW US Capital" or "the Company") for the period ended December 31, 2021.

Principal activities

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

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

Business review

Despite global challenges such as semiconductor component supply issues and the impact of the coronavirus pandemic, BMW Group retained leadership in the premium segment. Driven by brisk demand and an attractive product range, automobile deliveries grew by a solid 8.4% to a total of 2,521,514 BMW, MINI and Rolls- Royce brand vehicles (2020: 2,325,179 units), enabling BMW Group to extend its lead in the premium segment.

Deliveries of BMW brand vehicles grew by 9.1% to 2,213,790 units (2020: 2,028,841 units). MINI also recorded an increase, with deliveries rising to 302,138 units (2020: 292,582 units; +3.3%). Rolls-Royce Motor Cars delivered a total of 5,586 units (2020: 3,756 units; +48.7%), the highest figure recorded for the luxury marque to date. Furthermore, the Motorcycles segment had the most successful year in its history with a total of 194,261 units delivered during the year under report (2020: 169,272 units), 14.8% up on the previous year.

Deliveries of electric vehicles are also at record level. It continues to gain in significance for the entire sector and is a key driver of sales volume growth for the BMW Group. The trend is reflected in the sharp rise in the sale of electrified models offered by the BMW and MINI brands. With a total of 328,314 units, deliveries jumped sharply by 70.4% in the year under report (2020: 192,662 units). Demand was particularly strong for the Group's all-electric models and delivery figures more than doubled year-on-year to 103,854 units (2020: 44,541 units; +133.2%). Their share of total deliveries was 4.1% (2020: 1.9%) in the year under report. Two additional all-electric models, the BMW iX and the BMW i4, went on sale towards the end of 2021, both of which have been highly acclaimed in the trade press. By the end of the period under report, the BMW Group had a total of 14 electrified models on the roads. In 2022, the product range

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will be expanded to include the all-electric BMW i7 luxury sedan and the BMW iX1. The increased share of deliveries accounted for by electrified vehicles and the rigorous use of Efficient Dynamics technologies enabled further progress to be made in decarbonizing fleet emissions.

The financial year 2021 was a successful one for the Financial Services segment, with profit before tax up by 117.6% to €3,753 million (2020: €1,725 million). In the previous year, additional risk provisioning expenses for credit and residual value risks had had a negative impact on earnings. The year under report, however, was influenced by the exceptionally positive trend on pre-owned vehicle markets, particularly in the USA and the UK. The upturn on the pre-owned market caused the remarketing values of lease returns to increase sharply. Alongside this favorable development, segment earnings also benefited from the unchanged low level of allowances that needed to be recognized for credit risks. The credit loss ratio on the total credit portfolio fell to a historically low level of 0.18% at December 31, 2021 (2020: 0.21%), comprising 0.11% (2020: 0.16%) for leasing business and 0.28% (2020: 0.31%) for credit financing business with retail customers. In balance sheet terms, business volume grew slightly by 4.8% to stand at €139,530 million at the end of the reporting period (2020: €133,093 million).

Group revenues were significantly higher in the financial year 2021, reflecting the impact of coronavirus-related dealership closures in the previous 12-month period (2021: €111,239 million; 2020: €98,990 million; +12.4%). Sales volume was also higher in 2021, whereby the increase was held down by production shortfalls due to supply bottlenecks for semiconductor components. However, this unfavorable impact was more than offset by improved pricing, due to both the growing desire for individual mobility on the one hand and the reduced worldwide availability of products triggered by those same semiconductor component shortages on the other. In addition, revenues were also boosted by favorable product mix effects due to increased sales of high-revenue models. The semiconductor scarcity was also reflected in higher selling prices on pre-owned vehicle markets, which in turn gave rise to higher revenues from the sale of lease returns. Group profit before tax of €16,060 million was significantly higher than one year earlier (2020: €5,222 million) and therefore in line with expectations.

Regarding BMW US Capital, it is important to highlight that the net result arises predominantly from the net interest margin between funding provided to affiliates and the cost of funds from the Company's borrowings, along with the fair value gain or loss from financial instruments. BMW US Capital, in October 2020 updated its business model and implemented a liquidity fee to be received from BMW AG. The Company reported a gain before taxation of $49.2 million, an increase of $138.3 million, compared to the loss before taxation for December 31, 2020 of $89.0 million. The increase was primarily driven by the lower interest rate environment.

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

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

Outlook

According to International Monetary Fund (IMF) projections in January, the global economy will continue to grow in 2022, less strongly than in the previous year, and reach a level of around 4.0%. Risks definitely persist, however, first and foremost due to the further course of the war in Ukraine, the estimated impact of which has been taken into account in the current economic forecasts only rudimentarily. High inflation is likely to lead to interest rate increases in some countries and weaken demand to some extent. New virus variants, pandemic-related restrictions or prolonged supply bottlenecks could slow the pace of economic growth.

In the Eurozone, GDP growth is projected to be around 3.0% in 2022. At 2.1%, the growth rate in Germany is expected to be slightly lower than

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one year earlier and similar figures are predicted for France (+2.8%), Italy (+3.1%) and Spain (+4.6%).

The UK economy is projected to grow by 3.5% in 2022 despite labor shortages and continued supply bottlenecks.

A growth rate of 3.2% is projected for the USA in 2022, which is still positive, although not as strong as in the previous year. The stimulus and infrastructure packages adopted by the US Administration are likely to provide support for the economy.

After strong growth in the previous year, momentum in China is expected to drop slightly in 2022. A growth rate of 5.1% is therefore projected for the 12-month period. After a slight recovery in the year under report, the pace of growth in Japan is projected to increase moderately in 2022 (+2.3%).

Currency markets and international interest rate environment
Currencies of particular importance for the international operations of the BMW Group are the Chinese renminbi, the British pound, the US dollar and the Japanese yen.

Whereas the European Central Bank (ECB) is likely to keep persevering with its expansionary monetary policy in 2022, the US Federal Reserve has announced its intention to tighten its policy in light of high inflation and the USA's strong economic recovery and to raise interest rates during the first half of 2022. Compared with the previous year, the US dollar is therefore likely to appreciate against the euro.

Following the gain in value of the British pound against the euro in 2021 and the tighter monetary policy predicted in the UK over the 12-month period, combined with moderate interest rate hikes, a further slight appreciation of the currency is expected in 2022.

The central bank in Japan is unlikely to change its highly expansionary monetary policy in 2022. The yen is therefore likely to depreciate slightly against the euro.

After appreciating against the euro in 2021, the Chinese renminbi is expected to lose in value slightly in the course of 2022, due to the Chinese central bank's recent decision to ease monetary policy with a view to ensuring that the greater demand for financing can be met.

The Russian rouble has depreciated significantly, especially since the beginning of the military conflict with Ukraine. The currencies of emerging market countries such as Brazil and India are likely to remain under pressure against the US dollar and the euro in 2022, mainly due to the ongoing impact of the coronavirus pandemic.

International automobile markets
Supply bottlenecks are likely to continue having a dampening impact on automobile markets in 2022. The war in Ukraine will significantly exacerbate the current supply bottlenecks. The forecasts are generally based on the assumption that the supply bottlenecks will be overcome in the second half of 2022. Registration figures worldwide are expected to grow at a slightly faster rate than in the previous year (approximately 77 million units; +4%). However, due to the marked weakness of recent years, absolute registration figures remain well below normal levels.

Europe's automobile markets are expected to grow moderately in 2022 (12.5 million units; +6%). The trend is similar in the USA, with the market expected to grow by 6% to 15.9 million units in 2022. However, this is still below the pre-coronavirus crisis level.

In China, on the other hand, the automobile market as a whole is expected to remain flat, reflecting the slowdown in economic momentum. After the slight recovery in 2021, passenger vehicle registrations are therefore expected to be in the region of 21.2 million units in 2022, just 1% up on the previous year.

The Japanese automobile market is currently predicted to expand slightly in 2022 (4.4 million units; +2%).

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International motorcycle markets
The BMW Group expects, subject to the further development in Ukraine, the world's motorcycle markets in the 250 cc plus class to remain stable in 2022, with volumes generally remaining at the previous year's level.

The impact of the war in Ukraine, the limited availability of vehicle components, the further course of the coronavirus pandemic, and macroeconomic factors will continue to influence the performance of motorcycles markets in 2022.

Internal Control over Financial Reporting
The Company actively participates in the internal control system in place throughout the BMW Group aimed at ensuring the effectiveness of operations. It adheres to the principal features of the internal control system, in relation to the Company and its financial reporting processes. A detailed description and explanation of the internal control system is available within the BMW Group Annual Report for the year 2021.

Management assesses the design and effectiveness of the internal control over financial reporting on the basis of internal review procedures performed at regular intervals. Effective measures are implemented whenever weaknesses are identified and reported. Based on these assessments, management believes that the Company maintained effective internal controls over financial reporting during the year ended December 31, 2021.

Principal risks and uncertainties
The management of the business and the execution of the Company's strategy are subject to a number of risks. Detailed descriptions of the main risks facing the Company and the instruments used to manage these risks are presented in the notes to the financial statements. New virus variants, pandemic related restrictions, prolonged supply bottlenecks and inflation will have impacts on the Company's financial performance.

Research and development
The Company does not carry out any research and development.

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

Members and members' interests
The members who held office during the year or subsequently were as follows:

BMW (US) Holding Corporation, as the sole member

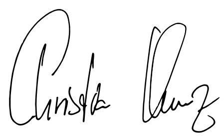
Employees
During the period ended December 31, 2021, the Company employed 16 persons, all of which are included within these accounts.

Political and charitable contributions
The company made no political or charitable contributions during the period ended December 31, 2021.

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

Auditors
The independent auditor ("certified public accountants") of BMW US Capital is PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt, Germany.

BMW US Capital, LLC



April 25, 2022
Christian Kunz
President

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RESPONSIBILITY STATEMENT

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

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

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

The financial information contained in the Management Report concerning the operations, economic performance and financial condition of the Company is subject to known and unknown risks, uncertainties and contingencies, many of which are beyond the control of the Management of the Company, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Also, the financial information is based upon Management's estimates of fair values and future costs, using currently available information. Factors that could cause such differences include, but are not limited to:

— risks of economic slowdown, downturn or recession,

— risks inherent in changes in market interest rates and spreads,

— lending conditions to companies turning to the worse, thereby increasing the cost of borrowing,

— changes in funding markets, including commercial paper and term debt,

— uncertainties associated with risk management, including credit, prepayment, asset/liability, interest rate and currency risks,

— changes in laws or regulations governing BMW US Capital, LLC's business and operations, and

— changes in competitive factors.

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

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Responsibility Statement by the Company's legal representatives

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

BMW US Capital, LLC

April 25, 2022
Christian Kunz
President

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INDEPENDENT AUDITOR'S REPORT

To Bayerische Motoren Werke Aktiengesellschaft, Munich

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of BMW US Capital, LLC, Woodcliff Lake, New Jersey, which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income / (loss), the statement of changes in member's capital and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Germany, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

1 Accounting treatment of hedging relationships

Our presentation of this key audit matter has been structured as follows:

1 Matter and issue

2 Audit approach and findings

3 Reference to further information

Hereinafter we present the key audit matter:

1 Accounting treatment of hedging relationships

1 The company uses derivative financial instruments to hedge in particular interest rate risks in combination with foreign exchange rate risks arising from its ordinary business activities. The management's hedging policy is documented in internal guidelines and serves as the basis for these transactions. The company enters into interest rate derivatives for the purpose of achieving a desired ratio of fixed to variable interest rate exposures. Interest rate risk is mitigated by

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concluding interest rate swaps and cross-currency interest rate swaps.

Derivatives are measured at fair value with changes in fair value recognized in profit or loss. The sum of all derivatives with positive fair values amounts to \$553 million as of the reporting date, while the sum of all derivatives with negative fair values amounts to \$274 million. Hedges of the exposure to changes in fair value of recognized assets and liabilities that are attributable to interest rate risk are designated as fair value hedge relationships, if hedge accounting requirements pursuant to IFRS 9 are met. When applying fair value hedge accounting the cross-currency basis spread is not designated as part of the hedge relationship. At the reporting date, the company held derivatives designated as hedging instruments with positive fair values amounting to \$545 million and negative fair values amounting to \$264 million.

The effective portion of the cumulative gain or loss from measuring the derivative hedging instruments at fair value is recognized in financial result (profit or loss). The cumulative gain or loss of the hedged item attributable to the hedged risk is recognized as hedged fair value in financial result. Changes in the fair value of the hedging instruments caused by changes in the cross-currency basis spread are not designated in the hedge relationship, instead these fair value changes are recognized in other comprehensive income and are accumulated in the "cost of hedging reserve". The accumulated changes due to the cross-currency basis spread are reclassified from other comprehensive income to profit or loss in the periods during which the hedged cash flows of the hedged items affect profit or loss. Insofar the reclassification of accumulated changes due to cross-currency basis spreads takes place over the duration of the hedging relationship.

As of the balance sheet date, a cumulative amount of \$266 million (before deferred taxes) was recognized as hedge fair value adjustment of designated hedged items. In the cost of hedging reserve, a cumulative amount of –\$4 million was recognized net of deferred taxes.

From our point of view these matters were of particular significance for our audit due to the high nominal amounts of hedged items as well as the extensive accounting and disclosure requirements of IFRS 9 and IFRS 7.

2 As part of our audit and with the assistance of our internal specialists, we assessed, among other things, the contractual and financial parameters and evaluated the accounting treatment, including the effects on profit or loss and equity, of the various hedge relationships.

Together with our specialists, we also evaluated the company's internal control system regarding derivative financial instruments, including the internal activities to record and maintain data in the treasury management system. In addition to evaluating the internal control system, we obtained bank confirmations for the hedging instruments in order to assess completeness. With regards to the assessment of the ineffectiveness of designated hedge relationships, we obtained and evaluated the quantitative assessment conducted by management. In doing so, we were able to satisfy ourselves that the requirements for applying fair value hedge accounting according to IFRS 9 were substantiated and sufficiently documented.

3 The company's disclosures on hedge accounting are contained in sections entitled "Basis of Preparation and Significant Accounting Policies and Practices" and "Risk Management" in the notes to the financial statements.

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Other information
Management is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
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 level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 override of internal control.

— Obtain 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.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

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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. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, 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, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Financial Statements Prepared for Publication Purposes

Assurance Opinion

We have performed assurance work to obtain reasonable assurance as to whether the rendering of the financial statements (hereinafter the "ESEF documents") contained in the electronic file BMW_US_Capital_Annual_Report_ESEF-2021-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of the Delegated Regulation (EU) 2019/815 ("ESEF format"). This assurance work extends only to the conversion of the information contained in the financial statements into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the financial statements contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of the Delegated Regulation (EU) 2019/815 for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying financial statements for the financial year from January 1 to December 31, 2021 contained in the "Report on the Audit of the Financial Statements" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the financial statements contained in the electronic file identified above in accordance with the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the International Standard on Quality Control 1.

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Responsibilities of the Management for the ESEF Documents
The management of the Company is responsible for the preparation of the ESEF documents including the electronic renderings of the financial statements in accordance with the Delegated Regulation (EU) 2019/815.

In addition, the management of the Company is responsible for such internal control as management has considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of the Delegated Regulation (EU) 2019/815 for the electronic reporting format, whether due to fraud or error.

Auditor's Responsibilities for the Assurance Work on the ESEF Documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of the Delegated Regulation (EU) 2019/815, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

— Identify and assess the risks of material non-compliance with the requirements of the Delegated Regulation (EU) 2019/815, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

— Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

— Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the financial statements on the technical specification for this electronic file.

— Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited financial statements.

REFERENCE TO AN OTHER MATTER–USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited financial statements as well as the assured ESEF documents. The financial statements converted to the ESEF format – including the versions to be published to the operator of the Luxembourg Stock Exchange – are merely electronic renderings of the audited financial statements and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Financial Statements Prepared for Publication Purposes" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The engagement partner on the audit resulting in this independent auditor's report is Andreas Fell.

Munich, April 25, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Petra Justenhoven	Andreas Fell
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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STATEMENTS OF FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 2021 AND 2020

in thousands of dollars	Notes	2021	2020
Receivables from BMW Group companies	3a	13,505,220	16,337,361
Derivative assets	3f	461,058	987,571
Deferred tax assets		10,304	8,373
Total non-current assets		**13,976,582**	**17,333,305**
Cash and cash equivalents		95,067	993,754
Receivables from BMW Group companies	3a	20,386,612	16,636,810
Derivative assets	3f	91,555	208,297
Other assets		–	22
Total current assets		**20,573,234**	**17,838,883**
Total assets		**34,549,816**	**35,172,188**

in thousands of dollars	Notes	2021	2020
Member's capital		11,000	11,000
Capital reserves		144,000	144,000
Accumulated other comprehensive loss		(5,921)	(10,607)
Retained earnings		24,651	(11,972)
Total member's capital		**173,730**	**132,421**
Pension obligation	3c	166	424
Term debt	3e	16,221,525	15,597,433
Liabilities due to BMW Group companies	3a	540,000	1,240,000
Derivative liabilities	3f	171,197	269,248
Total non-current liabilities		**16,932,888**	**17,107,105**
Term debt	3e	3,336,005	6,801,010
Commercial paper	3d	1,219,937	–
Liabilities due to BMW Group companies	3a	12,783,286	10,951,277
Derivative liabilities	3f	102,706	174,785
Other liabilities	3b	1,264	5,590
Total current liabilities		**17,443,198**	**17,932,662**
Total liabilities		**34,376,086**	**35,039,767**
Total member's capital and liabilities		**34,549,816**	**35,172,188**

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STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

YEARS ENDED DECEMBER 31, 2021 AND 2020

in thousands of dollars	Notes	2021	2020
BMW Group companies		447,403	712,442
Third parties		565,555	755,378
Interest income	**4a**	**1,012,958**	**1,467,820**
BMW Group companies		(14,014)	(84,411)
Third parties		(1,088,530)	(1,437,940)
Interest expense	**4a**	**(1,102,544)**	**(1,522,351)**
Net Interest margin		**(89,586)**	**(54,531)**
Gains from financial transactions		1,334,789	1,104,267
Losses from financial transactions		(1,191,181)	(1,134,629)
Financial result	**4b**	**143,608**	**(30,362)**
General and administrative expenses		(4,790)	(4,131)
Net income / (loss) before taxation		**49,232**	**(89,024)**
Income taxes	4c	(12,609)	21,607
Net income / (loss) after taxation		**36,623**	**(67,417)**

in thousands of dollars	Notes	2021	2020
Remeasurement of the net defined benefit liability for pension and post-retirement plans		278	(176)
Deferred taxes		(63)	41
Items not to be expected to be reclassified to net income		**215**	**(135)**
Costs of hedging		5,932	6,436
Deferred taxes		(1,461)	(1,636)
Items than can be reclassified to the income statement in the future		**4,471**	**4,800**
Other comprehensive income, net of tax		**4,686**	**4,665**
Total comprehensive income / (loss)		**41,309**	**(62,752)**

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STATEMENTS OF CHANGES IN MEMBER'S CAPITAL

YEARS ENDED DECEMBER 31, 2021 AND 2020

			Accumulated other comprehensive (loss) / income			
in thousands of dollars	Member's capital	Capital reserves	Pension	Cost of hedging	Retained earnings	Total member's capital
Balance at December 31, 2020	**11,000**	**144,000**	**(2,465)**	**(8,142)**	**(11,972)**	**132,421**
Other comprehensive income for the period			215	4,471		4,686
Net income / (loss)					36,623	36,623
Balance at December 31, 2021	**11,000**	**144,000**	**(2,250)**	**(3,671)**	**24,651**	**173,730**
Balance at December 31, 2019	**11,000**	**144,000**	**(2,330)**	**(12,942)**	**55,445**	**195,173**
Other comprehensive income for the period			(135)	4,800	–	4,665
Net income / (loss)					(67,417)	(67,417)
Balance at December 31, 2020	**11,000**	**144,000**	**(2,465)**	**(8,142)**	**(11,972)**	**132,421**

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STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

in thousands of dollars	2021	2020
Net income / (loss)	**36,623**	**(67,417)**
Change in pension obligation	215	(135)
Foreign exchange losses / (gains)	4,415	1,228
Fair value change due to hedge accounting	(792,848)	730,567
Fair value measurement losses / (gains) – derivatives	489,813	(418,642)
Interest expense – term debt	525,841	566,232
Change in deferred tax assets / liabilities	(1,931)	(8,275)
Interest income	(3,817)	(116,601)
Interest expense	59,920	29,073
Total adjustments for non-cash items	**281,608**	**783,447**
Change in receivables from / liabilities to BMW Group companies	594,343	1,108,195
Change in other assets	22	(22)
Change in pension obligation	(258)	198
Change in other liabilities	(4,326)	4,362
Interest received on free-standing derivatives	42,143	31,539
Interest paid on free-standing derivatives	(281,004)	(196,260)
Interest received	13,138	679,990
Interest paid	(453,653)	(51,045)
Total adjustments for cash items	**(89,595)**	**1,576,957**
Cash flow from operating activities	**228,636**	**2,292,987**

in thousands of dollars	2021	2020
Proceeds from term debt issuances	4,495,485	3,988,105
Repayment of term debt issuances	(6,525,907)	(2,899,391)
Proceeds from commercial paper issuances	20,886,259	8,575,104
Repayment of commercial paper issuances	(19,666,342)	(11,158,779)
Interest paid – term debt	(543,464)	(557,806)
Interest received on fair value hedge derivatives	226,646	77,595
Cash flow from financing equivalents	**(1,127,323)**	**(1,975,172)**
Change in cash and cash equivalents	**(898,687)**	**317,815**
Cash and cash equivalents at beginning of year	993,754	675,939
Cash and cash equivalents at end of period	**95,067**	**993,754**

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

1 Nature of Operations

BMW US Capital, LLC (the Company) was formed on January 14, 1993, and until December 31, 2000, was a wholly owned subsidiary of BMW (US) Holding Corp., which is ultimately owned by BMW AG (Bayerische Motoren Werke Aktiengesellschaft).

Effective January 1, 2001, the Company adopted a legal structure permitted under the Delaware Limited Liability Company Act dated August 1, 1999, and became a limited liability company whose sole member is BMW (US) Holding Corp., which is ultimately owned by BMW AG. The conversion of the Company to a Limited Liability Company (LLC) did not have any effect on the liabilities or obligations of the organization and did not constitute dissolution of the converting entity. As a result of the conversion, the stockholder's equity of BMW US Capital Corp. was contributed to the Company and is now accounted for as member's capital.

The Company's purpose is to assist, via long and short term advances, the financing of the activities and managing interest and foreign exchange risks for BMW AG or the Parent and its affiliates (BMW Group), primarily in the United States, and to provide services in connection therewith.

The Company's U.S. affiliates operate primarily in the automotive industry and generate revenues across North America, with a concentration in states with large populations such as California, Texas, Florida, New York, and New Jersey.

The Company's business as a service provider is connected to the automotive and financial activities of BMW Group with respect to yearly fluctuations due to overall economic changes and their impact over BMW Group's businesses.

The Company's revenues and expenses arise primarily from interests on deposits and borrowings and fair value gains and losses on financial instruments, which include derivatives executed for hedging purposes.

The debts, obligations, and liabilities of the Company, whether arising in contract, tort, or otherwise, shall be solely the debts, obligations, and liabilities of the Company, and no member, manager, and/or officer of the Company shall be obligated personally for any such debt, obligation, or liability of the Company solely by reason of being a member, manager and/or officer.

2 Basis of Preparation and Significant Accounting Policies and Practices

(a) Statement of Compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

All Interpretations issued by the IFRS Interpretations Committee which are mandatory at December 31, 2021 have been applied.

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

Standard	Interpretation	Date of issue by IASB	Date of mandatory application IASB
Amendments to IFRS 9, IAS 39, IFRS 7	Interest Rate Benchmark Reform – Phase 2	8/27/2020	01/01/2021

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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 BMW Group 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 therefore do not have any direct impact on profit or loss.

Further explanatory comments on the impact of the interest rate benchmark reform are provided in ↗ note 7.

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

The financial statements were authorized for issuance by management of the Company on April 25, 2022.

(b) Basis of Measurement
The financial statements have been prepared on the historical cost/accrual basis except for the following material items in the financial statements of position:

— Derivative financial instrument, and

— Recognized financial assets and liabilities that are part of fair value hedge relationships are measured at fair value in respect of the risk being hedged in accordance with IFRS 9.

(c) Use of Estimates in Financial Statement Preparation
The preparation of financial statements in conformity with IAS 1, Presentation of Financial Statements, requires management to estimate the effects of uncertain future events on assets and liabilities at the statement of financial position date in order to determine the carrying amounts of those assets and liabilities.

Revisions to accounting estimates are recognized 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 Company management, which may cause actual results, performance or achievements to differ materially from anticipated results, performance, or achievements. Also, the estimates are based upon management's estimates of fair values, using currently available information. Factors that could cause differences include, but are not limited to the following:

— risks of economic slowdown, downturn or recession

— risks inherent in changes in market interest rates and credit 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

— changes in competitive factors

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

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

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

(f) Financial Instruments
Financial instruments are contracts that give rise to a financial asset of one company and a financial liability or an equity instrument of another. Financial instruments are recognized when the Company becomes party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets are recognized at the settlement date.

Derivative financial instruments of the Company are subject to legally enforceable master netting agreements or similar contracts. However, receivables and payables relating to derivative financial instruments are not netted due to non-fulfilment of the stipulated criteria. Offsetting would have the impact on the carrying amounts of derivatives shown in the additional disclosures to financial instruments.

Non-derivative financial assets and liabilities are only offset if a legally enforceable right currently exists and it is actually intended to offset the relevant amounts. No financial assets and liabilities have been netted in the Company due to the fact that the necessary requirements for netting have not been met.

Non-Derivative Financial Instruments
Regular way purchases or sales of non-derivative financial instruments are recognized at the settlement date.

Financial assets that represent debt instruments according to IAS 32 are classified either as

— financial assets measured at amortized cost (AC); or

— financial assets measured at fair value through profit or loss (FVPL).

The measurement category AC is applicable to financial assets (debt instruments) that meet the following requirements:

— the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

— the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets (debt instruments) not meeting the conditions mentioned above are classified and measured at fair value through profit or loss. The measurement categories “fair value through other comprehensive income with recycling” (in regard to debt instruments under IAS 32) and “fair value through other comprehensive income without recycling” (regarding equity instruments under IAS 32) are not applicable for the Company.

The Company's non-derivative financial assets include receivables from BMW Group companies as well as cash and cash equivalents and are classified as financial assets measured at amortized cost.

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All highly liquid investments with an original maturity of three months or less are considered as cash and cash equivalents. Cash and cash equivalents consist primarily of short term deposits with original maturities of three months or less from inception. For cash and cash equivalents, the carrying amount approximates the respective fair value due to its short maturity.

Non-derivative financial liabilities are classified into the following measurement categories:

— financial liabilities at fair value through profit or loss (FVPL); or

— financial liabilities measured at amortized cost (AC).

Non-derivative financial liabilities mainly include term debt, commercial paper and liabilities due to BMW Group companies and are classified as AC. The company does not apply the fair value option for financial assets or financial liabilities.

Financial instruments belonging to the measurement category FVPL are recognized at their fair value. Resulting transaction costs are immediately recorded in profit or loss.

Non-derivative financial assets and liabilities measured at amortized cost are initially recognized at fair value under consideration of directly attributable transactions costs. On initial measurement, fair value generally corresponds to the transaction price, i.e. the consideration given or received. Subsequently, non-derivative financial assets and liabilities are measured at amortized cost using the effective interest rate method.

Financial assets are derecognized when the rights to receive contractual cashflows have expired or been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the contractual obligations have expired or otherwise terminated.

According to IFRS 9, the Company recognizes expected credit losses (ECL), for receivables from BMW Group companies as well as cash and cash equivalents measured at amortized cost. The receivables are aggregated to determine expected credit losses based on similar risk characteristics.

The general approach according to IFRS 9 outlines a three-stage model to determine the amount of ECL. At initial recognition loss allowances are recognized at an amount equal to 12-month ECL (stage 1). In case of significant increases in the credit risk since initial recognition, loss allowances are determined as lifetime ECL (stage 2).

The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition. If the internal risk management and control systems do not indicate a significant increase in credit risk any earlier, the rebuttable presumption is that a significant increase in credit risk has occurred when payments are more than 30 days overdue. The Company considers the probability of defaults and continually monitors the development of the credit risk in each reporting period, considering all reasonable and supportable information and forecasts. This includes especially historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Receivables are credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flow (stage 3). Such events comprise situations of delayed payment over a certain period, the institution of enforcement measures, the threat of insolvency or overindebtedness, the application bankruptcy proceedings, or the failure of reorganization measures.

A default of a financial asset is assumed, if bankruptcy proceedings have been opened or if there is a high probability that no reasonable expectation of repayment exists. In case of default, the financial assets are derecognized. When derecognizing financial assets, the Company

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continues to undertake enforcement measures to attempt to collect the receivables due.

The simplified approach is not applicable at the Company.

Derivative Financial Instruments

Derivative financial instruments are used for hedging purposes in order to reduce the currency and interest rate risks from operating activities and related financing requirements as well as to support the overall value at risk approach applied by BMW AG.

All derivative financial instruments (such as interest, currency, and combined interest / currency swaps as well as forward currency contracts and options) are measured initially and subsequently at their fair value in the statement of comprehensive income in the financial result (FVPL). They are generally recognized at the trade date.

The fair values of derivative financial instruments are measured using market information prevailing at the end of the reporting period and recognized valuation techniques. They correspond to the prices that would be received for the sale of an asset or paid for the transfer of a liability between market participants in an arm's length transactions.

Additional information is discussed in ↗ note 5.

Application of Hedge Accounting

Hedge accounting is applied if all requirements according to IFRS 9 are met. On the date the derivative contract is entered, the Company designates the derivative as a hedging instrument. The hedging instrument used, and the hedged items are affected by the same risk. In each hedging relationship for which hedge accounting is used, the designated amount of the hedged item corresponds to the volume of the hedging instrument. The resulting economic relationship between the hedging instrument and hedged item is not dominated by the effect of the credit risk. The Company formally documents details of the respective economic relationships between hedging instruments and hedged items, including its risk management objective and strategy for undertaking various hedge transactions, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Company especially enters into interest rate derivative agreements as part of its overall interest rate risk management program and applies fair value hedge accounting. These transactions are entered as hedges against the effects of future interest rate fluctuations on term debt issued by the Company or financial receivables and liabilities due to BMW Group companies. The cumulative gain or loss from measuring the derivative hedging instrument at fair value is recognized in profit or loss. The cumulative gain or loss of the hedged item attributable to the hedged risk is recognized as basis adjustment in the profit or loss immediately. Accordingly, the change in fair values attributable to the hedged risk of both, the derivative and the underlying hedged item, are offset in the financial result, so long as a highly effective relationship is maintained between the derivative instruments and the corresponding position being hedged. The Company has exercised the option of designating cross-currency basis spreads as cost of hedging rather than as part of the hedging relationship and presenting them separately in equity (Cost of Hedging).

The Company discontinues hedge accounting when it is determined that the hedge relationship ceases to meet the qualifying criteria, including instances when the derivative expires or is sold, terminated, or exercised, the forecasted transaction is no longer highly probable, or management changes its risk management objective.

Where hedge accounting is applied, changes in fair value are presented as part of other financial result in the income statement or within other comprehensive income as a component of accumulated other equity (Cost of Hedging).

Additional information regarding the Company's objectives and strategies regarding the management of foreign currency and interest rate risk, including the use of derivative instruments, is discussed in notes ↗ 3(f) and ↗ 7(c).

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(g) Recognition of Interest Income and Expenses

Interest income or expense is recognized using the effective interest method. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the financial liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the credit impaired financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(h) Income Taxes

The Company is a limited liability company, and as such, is not a taxable entity and does not have a separate tax obligation. BMW (US) Holding Corp. has an internal tax sharing arrangement whereby the Company settles its separate company tax receivables or liabilities annually with BMW (US) Holding Corp. As a single member limited liability company, the Company is treated as a division of BMW (US) Holding Corp., which files a consolidated federal, state, and local income tax return.

Income taxes are determined on a separate company basis and allocated to each company based upon the BMW (US) Holding Corp.'s internal tax sharing arrangement. Deferred tax assets and liabilities are determined based on the differences between the carrying amount of assets and liabilities for financial reporting purposes and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

(i) Provisions for Pension and Similar Obligations

The Company's net obligation for defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method in accordance with IAS 19, Employee Benefits. When the calculation results in the potential asset for the company, the recognized asset is limited to the present value of economic benefit available in the form of any future refund from the plan or reduction in the future contribution to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurement of the net pension liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest), are recognized immediately in OCI. The company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or a plan is curtailed, the resulting change in benefit that relates to the past service or the gain or loss on curtailments is recognized in profit or loss. The Company recognizes the gains and losses on the settlement of the defined benefit plan when the settlement occurs.

3 Notes on the Items of the Balance Sheet

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

The Company makes and accepts loans to/from various BMW Group companies in the course of normal business operations. Receivables from BMW Group companies due within 12 months and the related accrued interest receivable from BMW Group companies are short term in nature. The fair value of long-term amounts receivable from BMW Group companies is the estimated discounted future cash flows based on rates currently available for debt with similar terms and remaining maturities. The Company serves as the In-house bank service provider for the Americas region and is the cash pool leader for USD, CAD and MXN currencies. The Company receives deposits from and/or lends funds to participating entities of the BMW Group. Balances from participating entities are not subject to offsetting.

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In accordance with IFRS 9, the Company has adjusted the carrying value of receivables subject to fair value hedges by the change in fair value to the risk being hedged as of December 31, 2021 and December 31, 2020. At December 31, 2021, the resulting adjustment decreased the related value of the underlying receivable by $33,252k. At December 31, 2020, the resulting adjustment increased the related value of the underlying receivable by $234,388k. Concurrently with this adjustment, the derivative instruments classified as fair value hedges were carried at fair value with changes in fair value recorded in profit of loss.

Receivables from BMW Group companies at December 31, 2021 and 2020, along with the range of interest rates charged on such loans are as follows:

	Long-term		Short-term	
in thousands of dollars	2021	2020	2021	2020
	13,505,220	16,337,361	20,386,612	16,636,810
	0.64%–1.96%	0.66%–3.40%	0.5%–1.70%	0.08%–1.78%

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

	2021		2020	
in thousands of dollars	Carrying amount	Fair value	Carrying amount	Fair value
Maturity:				
Due within one year	20,386,612	20,533,814	16,636,810	16,796,336
Due between one and five years	13,505,220	13,633,216	16,337,361	16,762,999
Total	**33,891,832**	**34,167,030**	**32,974,171**	**33,559,335**

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

	Long-term		Short-term	
in thousands of dollars	2021	2020	2021	2020
	540,000	1,240,000	12,783,286	10,951,277
	0.15%–0.78%	0.10%–0.78%	0.02%–0.21%	0.05%–0.79%

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

	2021		2020	
in thousands of dollars	Carrying amount	Fair value	Carrying amount	Fair value
Maturity:				
Due within one year	12,783,286	12,778,534	10,951,277	10,950,838
Due between one and five years	540,000	538,105	1,240,000	1,237,605
Total	**13,323,286**	**13,316,639**	**12,191,277**	**12,188,443**

(b) Other Liabilities

Other liabilities include mainly trade payables and period end accruals.

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(c) Pension and Similar Obligations

The Company participates in the Pension, Post-Retirement Medical, and Life Insurance Plans of BMW (US) Holding Corp. and its affiliates. The Post-Retirement Medical and Life Insurance Plans are group plans for retired employees with the appropriate age and years of service. Components of the plan include an annual deductible, employee coinsurance, out of pocket limit, no lifetime maximum benefit, and prescription drug coverage. The Pension Plan and Post-Retirement Medical Plan are defined benefit plans.

The defined benefit obligation is calculated using the projected unit credit method. The actuarial computation requires the use of estimates and assumption, including discount rate and mortality. Actuarial gains and losses arising from defined benefit plans are recorded directly in other comprehensive income. Interest expense on the net defined benefit liability is presented within net interest margin on the Statements of Comprehensive Income / (loss). All other components of pension expense are presented in the comprehensive income / (loss) statements under general and administrative expenses.

The Plan was closed to new participants on March 1, 2012. Employees hired after March 1, 2012, are not eligible for the Plan. Eligibility for unreduced retirement benefits begins at age 60, provided that the participant has at least five-years of service. Reduced retirement benefits can commence prior to age 60 with a least 5 years of service. An early retirement subsidy is provided at retirement after age 55 with at least 10 years of service.

As of June 30, 2019, the Company has frozen the pension plan. The Post-Retirement Medical and Life Insurance plans were not affected by the pension plan decision. The defined benefit to employees will be based on amounts contributed by the Company up to this date.

(d) Commercial Paper

The Company maintains a BMW AG guaranteed U.S. commercial paper program of $7 billion. At December 31, 2021 and December 31, 2020, commercial paper outstanding totaled $1,219,937k and $0k, respectively. The weighted average interest rate on the commercial paper was 0.11% and 0.00%, at December 31, 2021 and December 31, 2020, respectively. All commercial paper mature within 180 days.

Commercial paper is an unsecured and discounted promissory note issued to finance the short term credit needs of institutions. Although commercial paper is occasionally issued as an interest bearing note, it typically trades at a discount to its par value. In other words, the purchaser usually purchases commercial paper below par and then receives its face value at maturity. The discount, or the difference between the purchase price and the face value of the note, is amortized over the term of the commercial paper as interest expense by applying the effective interest rate method. At December 31, 2021 and December 31, 2020, the commercial paper unamortized discount was $63k and $0k, respectively.

At December 31, 2021 and December 31, 2020, the fair value of the Company's commercial paper obligations approximated the recorded value primarily due to the short-term nature of the outstanding commercial paper.

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(e) Term Debt and Line of Credit

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

in thousands of dollars	2021 Carrying amounts	2020 Carrying amounts
Foreign and U.S. dollar denominated variable rate notes interest range from 0.12%–0.58% at December 31, 2021 and 1.89%–2.04% at December 31, 2020.	2,135,471	2,157,135
Foreign and U.S. dollar denominated fixed rate notes interest range from 0.63%–6.19% at December 31, 2021 and 0.63%–6.19% at December 31, 2020.	17,422,059	20,241,308
Total	**19,557,530**	**22,398,443**

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

in thousands of dollars	2021 Carrying amounts	2020 Carrying amounts
Maturity:		
Due within one year	3,336,005	6,801,010
Due between one and five years	11,047,131	9,691,756
Due later than five years	5,174,394	5,905,677
Total	**19,557,530**	**22,398,443**

The movements in term debt are as follows for the years ended December 31, 2021 and 2020:

in thousands of dollars	
Balance as of December 31, 2020	**22,398,443**
Issues	4,495,485
Repayments	(6,525,907)
Accrued interest payable	(17,623)
Change in fees amortized by the effective interest method	(7,206)
Fair value change due to hedge accounting	(785,662)
Balance as of December 31, 2021	**19,557,530**

in thousands of dollars	
Balance as of December 31, 2019	**20,570,735**
Issues	3,988,105
Repayments	(2,899,391)
Accrued interest payable	8,427
Change in fees amortized by the effective interest method	12,604
Fair value change due to hedge accounting	717,963
Balance as of December 31, 2020	**22,398,443**

Term Debt by category:

in thousands of dollars	2021	2020
Debt part of a fair value hedge relationship	17,254,136	20,055,788
Debt at amortized cost	2,303,394	2,342,655
Total	**19,557,530**	**22,398,443**

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In accordance with IFRS 9, the Company has adjusted the carrying value of term debt subject to fair value hedges by the change in fair value to the risk being hedged as of December 31, 2021 and December 31, 2020. At December 31, 2021 and December 31, 2020, the resulting adjustment increased the related value of the underlying debt by $232,943k and $796,554k respectively. Concurrently with this adjustment, the derivative instruments classified as fair value hedges were carried at fair value with changes in fair value recorded through earnings.

At December 31, 2021 and December 31, 2020, $19,557,530k and $22,398,443k respectively, of the unsecured debt is guaranteed by BMW AG. The Company has access to a syndicated revolving credit facility of eight billion Euros, maturing in July 2024. The credit facility was negotiated in July 2017 with a maturity of July 2024 and is being provided by a consortium of 44 international banks. As of December 31, 2021 there were no borrowings under the credit facility outstanding.

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

(f) Derivative Financial Assets and Liabilities

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

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

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

	2021		2020	
in thousands of dollars	Notional	Fair value	Notional	Fair value
Derivative assets				
Interest rate derivatives	24,476,170	551,434	22,544,541	1,193,461
Foreign exchange rate derivatives	117,217	1,180	217,718	2,407
Total	**24,593,387**	**552,614**	**22,762,259**	**1,195,868**

	2021		2020	
in thousands of dollars	Notional	Fair value	Notional	Fair value
Derivative liabilities				
Interest rate derivatives	18,500,836	273,904	25,400,835	444,033
Total	**18,500,836**	**273,904**	**25,400,835**	**444,033**

Additional information is provided in note ↗7(c).

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4 Notes on the Items of the Comprehensive Income Statement

(a) Interest income and expense

Interest income with BMW Group Companies relates to loans to affiliates, derivatives and factoring of short-term BMW AG trade receivables. The factored receivable is accounted for at amortized cost. The company earns a premium which is the difference between the present value and face value of the receivable factored and is earned as the receivable comes due (terms 30–90 days). Interest expense with BMW Group Companies relates to loans with affiliates and derivatives.

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

(b) Financial Result

The caption "Financial Result" in the statements of comprehensive income / (loss) includes: the liquidity fee between BMW US Capital and BMW AG, the fee remitted to BMW AG to guarantee the unsecured debt, and foreign exchange gains and losses on operational transactions, stand-alone interest rate derivatives, fair value adjustments of hedged items, debt and other financial instruments. Operational transactions include routine transactions denominated in foreign currencies.

in thousands of dollars	2021	2020
Liquidity fee	156,064	39,872
Gains on stand-alone interest rate derivatives	272,197	6,248
Gains on fair value adjustments from applying hedge accounting	693,565	1,014,774
Foreign exchange gains on term debt	188,639	49
Foreign exchange gains on other financial instruments	24,324	43,324
Total Gains	**1,334,789**	**1,104,267**
Guarantee fee	(25,966)	(27,360)
Losses on stand-alone interest rate derivatives	(4,964)	(2,453)
Losses on fair value adjustments from applying hedge accounting	(1,135,374)	(800,564)
Foreign exchange losses on term debt	–	(264,014)
Foreign exchange losses on other financial instruments	(24,877)	(40,238)
Total Losses	**(1,191,181)**	**(1,134,629)**
Total	**143,608**	**(30,362)**

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(c) Income taxes

The Company's federal and state income tax payments are made by BMW (US) Holding Corp. as part of a consolidated tax return. Included in Payables to BMW Group companies at December 31, 2021 is $16,073k of current income tax payable. At December 31, 2020 a current income tax receivable of $11,727k is included in Receivables from BMW Group companies. The provision for federal, and state income taxes for the periods ended December 31, 2021 and 2020 consists of the following:

in thousands of dollars	2021	2020
Current:		
Federal	(12,595)	9,921
State and local	(3,478)	1,806
	(16,073)	**11,727**
Deferred:		
Federal	2,860	7,999
State and local	604	1,881
	3,464	**9,880**
Total income taxes	**(12,609)**	**21,607**

The effective tax rate for the years ended December 31, 2021 and 2020 was 25.6 % and 24.3 %, respectively.

The components of deferred taxes for the years ended December 31, 2021 and 2020 are as follows:

in thousands of dollars	2021	2020
Deferred tax assets:		
Accrued employee bonus	98	79
Pension	41	104
Deferred income	746	360
Credit reserve	813	987
Derivative instruments	8,599	6,828
Accrued payroll taxes	7	15
Total deferred tax assets	**10,304**	**8,373**

The following table presents a reconciliation between the reported income taxes and the income taxes which would be computed by applying the normal federal tax rate to income before taxes:

in thousands of dollars	2021	2020
Net (loss) before provision for income taxes	49,232	(89,024)
Applicable statutory federal income tax rate	21%	21%
Computed federal income tax benefit	(10,339)	18,695
State income tax benefit	(2,253)	2,849
Others	(1)	(1)
Effect of tax rate change	(16)	64
Total income tax benefit	**(12,609)**	**21,607**

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5 Additional Disclosures to Financial Instruments

The following table presents the carrying amounts and fair values of the Company's financial instruments at December 31, 2021 and 2020 under consideration of the respective measurement categories according to IFRS 9:

2021	Category	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial instruments included on the statement of financial position:						
Non-current financial assets:						
Receivable from BMW Group companies	AC	13,505,220	13,633,216	–	13,633,216	–
Derivative assets						
Thereof stand-alone	FVPL	3,597	3,597	–	3,597	–
Thereof within hedge accounting	n/a	457,461	457,461	–	457,461	–
Current financial assets:						
Cash	AC	95,067	95,067	95,067	–	–
Receivable from BMW Group companies	AC	20,386,612	20,533,814	–	20,533,814	–
Derivative assets						
Thereof stand-alone	FVPL	3,605	3,605	–	3,605	–
Thereof within hedge accounting	n/a	87,950	87,950	–	87,950	–
Non-current financial liabilities:						
Term debt	AC	16,221,525	17,198,711	–	17,198,711	–
Liabilities due to BMW Group companies	AC	540,000	538,105	–	538,105	–
Derivative liabilities						
Thereof stand-alone	FVPL	7,114	7,114	–	7,114	–
Thereof within hedge accounting	n/a	164,083	164,083	–	164,083	–
Current financial liabilities:						
Term debt	AC	3,336,005	3,334,807	–	3,334,807	–
Commercial paper	AC	1,219,937	1,219,937	–	1,219,937	–
Liabilities due to BMW Group companies	AC	12,783,286	12,778,534	–	12,778,534	–
Derivative liabilities						
Thereof stand-alone	FVPL	2,805	2,805	–	2,805	–
Thereof within hedge accounting	n/a	99,901	99,901	–	99,901	–

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

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

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

Level 2: Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of financial instruments in Level 2 are based on valuation techniques using observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices) at the measurement date.

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

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

Derivatives are classified in Level 2 of the fair value hierarchy using the discounted cash flow model to determine the fair value using yield curves of the cash flow currency and relevant credit spreads.

For non-current non-derivative financial assets and liabilities (such as receivables / liabilities from BMW Group companies and term debt) the fair value, which is determined for disclosure purposes, is measured by discounting the future principal and interest cash flows using a market rate of interest for similar risk and matching maturity as well as relevant credit spreads at the reporting date. Therefore these fair values are allocated as Level 2.

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

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

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

The following table shows net gains and losses by category:

	Recognized in profit or (loss) from interest		Recognized in profit or (loss) from subsequent measurement at fair value	
in thousands of dollars	2021	2020	2021	2020
Financial instruments measured at fair value through profit or loss	49,276	(40,000)	(8,843)	(42,546)
Financial assets measured at amortized cost	407,320	637,646	–	–
Financial liabilities measured at amortized cost	(553,479)	(656,746)	–	–

Net gains and losses from financial instuments at fair value through profit or loss are composed of derivative financial instruments not included in a hedging relationship.

Total interest income arising on financial assets measured at amortised cost mainly relates to the interest income earned on receivables from

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group companies and is reported within interest income on the statement of comprehensive income.

Total interest expense for financial liabilities measured at amortised cost mainly relates to the interest expense on term debt and liabilities to group companies and is reported within interest expense on the statement of comprehensive income.

The below table represents the offsetting of financial instruments, which have the following impact on the carrying amounts of derivatives:

	2021		2020	
in thousands of dollars	Reported on assets side	Reported on liabilities side	Reported on assets side	Reported on liabilities side
Balance sheet amounts as reported	552,613	273,903	1,195,868	444,033
Gross amount of derivatives which can be offset in case of insolvency	(194,058)	(194,058)	(253,708)	(253,708)
Net amount after offsetting	358,555	79,845	942,160	190,325

6 Related Parties

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

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

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

BMW AG guarantees the unsecured debt of the Company, for this the Company remits a fee to BMW AG. The guarantee fee of 12.5bps is defined based upon a transfer pricing policy and arm's length principle defined by BMW AG and it is remitted from the Company to BMW AG on a monthly basis. For the periods ended December 31, 2021 and 2020 the amount paid for this guarantee was $25,996k and $27,360k respectively.

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

The company earns interest on loans granted to affiliates and pays interest on loans received from affiliates. The interest rate is defined according to the BMW Group pricing policies and based upon the Arm's length principle plus a defined margin which is derived from BMW Group borrowing costs and service fees. For the periods ended December 31, 2021 and 2020 the Company received interest in the amounts of $447,403k, and $712,442k. For the same periods, the Company paid interest in the amounts of $14,014k, and $84,411k respectively.

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

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

in thousands of dollars	2021	2020
Receivable from BMW AG	175,252	39,872
All other receivables from BMW Group companies	33,716,580	32,934,299
Total	**33,891,832**	**32,974,171**
Liabilities due to BMW AG	–	61,800
All other liabilities due to BMW Group companies	13,323,286	12,129,477
Total	**13,323,286**	**12,191,277**

The Company did not enter into any contracts with any member of management or officers. The same applies to close members of the families of those persons. For the periods ended December 31, 2021 and 2020 the remuneration of key management is $1,502k and $1,103k respectively. The remuneration consists of:

in thousands of dollars	2021	2020
Short-term employee benefits	1,441	1,066
Post-employment benefits	61	37
Total	**1,502**	**1,103**

7 Risk Management

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

(i) Financial Risks

The formal procedures and policies operated by the Company to cover bank, credit, interest rate, foreign exchange, and other treasury matters are consistent with objectives and policies for the financial risk management within BMW AG. The Company's policy is not to take positions in derivative financial instruments with the aim of profit realization. On a daily basis, the Company measures the risk of outstanding positions, which are managed within the established limits in compliance with the BMW AG policies. Financial risks arise mainly from credit, liquidity and market risks including currency and interest rate risks.

(a) Credit Risk

The Company is exposed to credit risk because of its group external business operation and financing activities within the BMW Group. Credit risk is the risk of financial loss to the Company if any counterparty fails to meet its contractual obligations associated with a financial instrument. This risk is partly mitigated by entering into financial instruments only with parties, which have the investment grade credit standing. Further, the Company participates in a comprehensive limit system that assesses and limits the credit exposure to any single external counterparty on an ongoing basis. The Company continually monitors its position to ensure that it stays within the credit exposure limits set by BMW AG.

The maximum credit risk is reflected by the carrying amount of the financial assets recognized in the balance sheet. Expected Credit Losses (ECL) according to IFRS 9 are determined using the general approach for receivables from BMW Group companies based on historical credit loss experience, adjusted for factors that are specific to the debtors as well as general economic conditions. Due to the structure of the debtors encompassing mostly BMW Group companies the credit risk is deemed to be low. Therefore, the company does not hold any material collater-

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als or other credit enhancements. Other than the credit risk exposure resulting from the BMW Group companies, there are no material concentrations of credit risk in the Company. The amounts in the below table have an S&P credit rating of A.

The Company recognized the following loss allowance for receivables from BMW Group companies as of December 31, 2021 and 2020, respectively:

2021	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (credit-impaired)
Cash and cash equivalents	95,067		
Receivables from BMW Group companies			
Gross carrying amounts	33,895,154	–	–
Recognized loss allowances	(3,322)	–	–
Total	**33,986,899**	**–**	**–**

2020	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (credit-impaired)
Cash and cash equivalents	993,754		
Receivables from BMW Group companies			
Gross carrying amounts	32,977,417	–	–
Recognized loss allowances	(3,246)	–	–
Total	**33,967,925**	**–**	**–**

Considering the stable portfolio of the receivables from BMW Group companies and the mostly unchanged circumstances regarding the inputs, assumptions and estimation techniques for calculating the expected credit losses, no material changes in the recognized loss allowance were determined as of December 31, 2021. Due to the change in balances of the Group receivables the expected credit loss increased year-over-year by $75k to $(3,322)k.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they come due. With its access to the BMW AG Euro Medium Term Note Program, as well as its commercial paper program and short term deposits, the Company has ample resources to mitigate this risk. The Company believes it has a comprehensive funding strategy that incorporates a diverse set of funding options.

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The following table shows how the undiscounted cash flows relating to financial liabilities and derivatives affect the Company's liquidity position as of December 31, 2021 and 2020, respectively:

Future cash flows at December 31, 2021 in thousands of dollars	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Non-derivative financial liabilities				
Term debt	3,198,800	11,005,000	5,037,900	19,241,700
Interest payments on term debt	475,486	1,157,698	420,689	2,053,873
Commercial paper	1,220,000	–	–	1,220,000
Loans due to BMW Group companies	12,783,286	540,000	–	13,323,286
Loans-external	124,339	–	–	124,339
Total	**17,801,911**	**12,702,698**	**5,458,589**	**35,963,198**
Derivative financial liabilities				
With gross settlement	2,409	5,314	–	7,723
Cash outflows	48,467	120,581	–	169,048
Cash inflows	46,058	115,267	–	161,325
With net settlement	99,107	123,075	49,523	271,705
Cash outflows	99,107	123,075	49,523	271,705
Total	**101,516**	**128,389**	**49,523**	**279,428**

Future cash flows at December 31, 2020 in thousands of dollars	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Non-derivative financial liabilities				
Term debt	6,634,302	9,454,100	5,423,050	21,511,452
Interest payments on term debt	532,154	1,251,193	474,738	2,258,085
Commercial paper	–	–	–	–
Loans due to BMW Group companies	10,958,642	1,242,081	–	12,200,723
Loans-external	90,459	–	–	90,459
Total	**18,215,557**	**11,947,374**	**5,897,788**	**36,060,719**
Derivative financial liabilities				
With gross settlement	(342)	8,111	–	7,769
Cash outflows	84,677	285,542	–	370,219
Cash inflows	85,019	277,431	–	362,450
With net settlement	283,030	126,770	34,260	444,060
Cash outflows	283,030	126,770	34,260	444,060
Total	**282,688**	**134,881**	**34,260**	**451,829**

Cash outflows from derivatives concluded as part of hedging relationships are also taken into account.

(c) Market Risk

Market risk is the risk from changes in market prices, such as foreign exchange rates, interest rates, and credit spreads, which will affect the Company's income or the value of its holdings of the financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable limits.

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Increases in credit spreads could arise from changes in demand for term debt instruments in capital markets, the removal of the unconditional and irrevocable guarantees of BMW AG for the debt issuance programs in which the Company participates, a weakening credit profile of the BMW Group, and a decreasing willingness of banks to provide credit lines and loans. This risk is managed centrally within the BMW Group with a wide range of organizational components to identify and mitigate such events.

Currency Risk

Currency risk refers to the potential changes of value or cash flows in financial assets and liabilities including derivatives in response to fluctuations in exchange rates. The Company manages this risk for its affiliates by entering into forward, swap and option contracts denominated in foreign currencies with third parties, which are used to hedge certain operating cycle commitments in accordance with the cash flow exposure strategy managed by BMW AG. Simultaneously, the Company enters into reciprocal contracts with affiliates. Therefore, no material net gain or loss is realized by the Company. In addition, the Company utilizes foreign exchange rate derivatives to hedge foreign exchange rate exposures arising from foreign currency loans.

At December 31, 2021 and, 2020, the Company had foreign currency forward and swap contracts with external parties to buy and / or sell foreign currencies with notional amounts totaling approximately $117,217k and $217,718k, respectively. The fair value of these contracts at December 31, 2021 and December 31, 2020 was $1,180k and $2,407k, respectively. The currency exposure at December 31, 2021 and, 2020 is detailed below. Hedge Accounting is not applied to account for these economic hedge relationships at December 31, 2021 and, 2020.

2021 in thousands (all currencies)	Non-derivative financial assets	Non-derivative financial liabilities	Derivative financial instruments
CAD	305,630	(255,478)	(50,000)
MXN	25,293	(29,355)	–
EUR	–	(1,501,945)	1,500,000

2020 in thousands (all currencies)	Non-derivative financial assets	Non-derivative financial liabilities	Derivative financial instruments
AUD	–	(30,000)	30,000
CAD	200,000	(369,498)	(200,000)
MXN	492	(27,477)	–
EUR	–	(2,500,000)	2,500,000

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

2021 Currency	Effects on result of a 10% rise in the USD against the respective currency (in thousands dollars)	Effects on result of a 10% decrease in the USD against the respective currency (in thousands dollars)
CAD	(11)	13
MXN	18	(22)
EUR	201	(246)

2020 Currency	Effects on result of a 10% rise in the USD against the respective currency (in thousands dollars)	Effects on result of a 10% decrease in the USD against the respective currency (in thousands dollars)
AUD	–	–
CAD	26,387	(32,251)
MXN	124	(151)
EUR	–	–

The sensitivity analysis assumes that all other variables, in particular interest rates, remain the same. A concentration of currency risk has not been identified.

Interest Rate Risk

Interest rate risk refers to potential changes of value in non-derivative financial assets and liabilities including derivatives in response to fluctuations in interest rates. The Company holds a substantial volume of interest rate sensitive non-derivative financial assets and liabilities for operational and financial 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 interest rates from fixed to floating. Furthermore, interest rate risk is managed through economic hedges, using derivative financial instruments. To manage the maturity gaps, appropriate interest rate derivatives are used.

As a result of the ongoing reform and replacement of specific benchmark interest rates, uncertainty remains regarding the timing and exact nature of those changes. Overall, a considerable number of contracts within the Company are directly affected by the reform of benchmark interest rates. Hedging relationships within the Company are based primarily on USD LIBOR reference interest rates, whereby those rates are designated as the hedged risk in fair value hedges. In the case of these hedging relationships, uncertainty arises with respect to the identifiability of the designated benchmark interest rates. For instruments maturing after the cessation of USD LIBOR, the notional amount of financial derivatives not yet converted to an alternative interest rate at December 31, 2021, is $2,653,434k. The notional amount of non-derivative financial liabilities not yet converted to an alternative interest rate is $50,000k.

The transition to the newly created or revised benchmark interest rates is being managed, monitored and assessed with regard to risk management implications as part of a multidisciplinary project, the scope of which is likely to cover changes to systems, processes, risk and valuation models, as well as dealing with the related impact at an accounting and financial reporting level. The uncertainty triggered by the interest rate benchmark reform is expected to be eliminated during the financial year 2022.

All interest rate derivative instruments not formally designated as hedging instruments in hedging relationships are recorded at fair value with the changes in fair value recognized in the financial result on the statements of comprehensive income or loss. The fair value of these interest rate derivative positions are reflected as of December 31, 2021 and, 2020 in interest rate derivative assets in the amount of $6,022k and $50,681, respectively, and interest rate derivative liabilities in the amount of $9,919k and $54,057k, respectively. The realized and unrealized gain on stand-alone interest rate derivatives was $267,233k in 2021 and loss of $3,795k in 2020.

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For those hedging relationships for which fair value hedge accounting is applied according to IFRS 9, the fixed rate debt designated as hedged item are accounted for as an amount equal to the amortized cost and an amount representing the change in fair value of the interest rate risk being hedged (basis adjustment). Changes in the fair value of interest rate swap contracts and the offsetting changes in the adjusted carrying value of the related portion of the fixed rate debt being hedged are recognized in the statement of comprehensive income or loss. The ineffective portion of a fair value hedge is recognized immediately in profit or loss.

The nominal amounts of hedging instruments at December 31, 2021 and 2020 were as follows:

2021 in thousands of dollars	Maturity within one year	Maturity between one and five years	Maturity later than five years
Nominal amounts of hedging instruments			
Interest rate swaps	11,035,000	21,805,000	4,470,000
Combined interest / currency swaps	1,135,800	–	567,900

2020 in thousands of dollars	Maturity within one year	Maturity between one and five years	Maturity later than five years
Nominal amounts of hedging instruments			
Interest rate swaps	11,205,000	22,125,000	4,810,000
Combined interest / currency swaps	1,249,302	1,226,100	613,050

The following table provides information on the nominal amounts, carrying amounts and fair value changes of derivative financial instruments designated as hedging instruments:

		Carrying amounts / Fair values		
2021 in thousands of dollars	Nominal amounts	Derivative assets	Derivative liabilities	Change in fair value of designated components in reporting period for determining ineffectiveness
Fair value hedges				
Interest rate risks	37,310,000	434,481	263,984	(277,719)
Combined interest rate / currency risk	1,703,700	110,930	–	(38,814)

		Carrying amounts / Fair values		
2020 in thousands of dollars	Nominal amounts	Derivative assets	Derivative liabilities	Change in fair value of designated components in reporting period for determining ineffectiveness
Fair value hedges				
Interest rate risks	38,140,000	741,414	389,976	255,822
Combined interest rate / currency risk	3,088,452	401,366	–	6,406

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

2021 in thousands of dollars	Carrying amount of hedged items (incl. cumulative fair value hedge adjustment)	Balance of cumulative adjustments to the carrying amount of the designated fair value hedges	Change in the fair value of the hedged items for determining ineffectiveness in the reporting period	Change in the FV of the hedged item for determining hedge ineffectiveness, where hedging relationships terminated in the reporting period
Fair value hedges				
Receivables from BMW Group companies	21,916,748	(33,252)	(211,539)	(56,101)
Term debt	(15,543,600)	(221,512)	491,849	24,798
Combined interest rate / currency risk				
Term debt	(1,710,536)	(11,430)	37,859	9,105
Total	**4,662,612**	**(266,194)**	**318,169**	**(22,198)**

2020 in thousands of dollars	Carrying amount of hedged items (incl. cumulative fair value hedge adjustment)	Balance of cumulative adjustments to the carrying amount of the designated fair value hedges	Change in the fair value of the hedged items for determining ineffectiveness in the reporting period	Change in the FV of the hedged item for determining hedge ineffectiveness, where hedging relationships terminated in the reporting period
Fair value hedges				
Receivables from BMW Group companies	22,159,388	234,388	163,798	–
Term debt	(16,916,987)	(738,160)	(451,339)	2,871
Combined interest rate / currency risk				
Term debt	(3,138,801)	(58,394)	(7,404)	–
Total	**2,103,600**	**(562,166)**	**(294,945)**	**2,871**

The recorded ineffectiveness in the financial result in the income statement amounts to $1,636k in the reporting year and $(32,717k) in the prior year and mainly results from currency basis adjustments and late designations of interest rate swaps.

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The cost of hedging reserve, showing the not designated components, has developed as follows:

	2021	2020
in thousands of dollars	Cost of hedging	Cost of hedging
Balance at January 1	8,142	12,942
Reclassification to profit or loss	(5,932)	(6,436)
Deferred taxes	1,461	1,636
Balance at December 31	**3,671**	**8,142**

The fair value of the Company's interest rate portfolio, which represents the net present value of all future, fixed cash flows, including loans, deposits, and derivative financial instruments, was $(494,150k) as of December 31, 2021 and $(388,742k) as of December 31, 2020. A one basis point movement in interest rates would have increased or decreased this valuation at December 31, 2021 by $1k and by $120k at December 31, 2020.

The Company assesses its interest rate exposure by using a value at risk analysis. This is based on a historical simulation, in which the potential future fair value losses of the interest rate portfolio are compared with expected amounts on the basis of a holding period of 250 days and a confidence level of 99.98%. For year ended December 31, 2021 and 2020, the potential volume of fair value fluctuations measured on the basis of the value at risk approach was $48,236k and $40,981k, respectively.

(ii) Nonfinancial Risks

Nonfinancial risks could arise from the Company's operations. Operational risks mainly result from the use of computer systems and information technology. The Company uses computer systems to monitor financial positions and daily cash flows and process payments to internal and external counterparties. System failures can result in delays in payment processing. Further operational risk can arise from 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 of financial transactions, such as bonds, swaps, or other derivative financial instruments. To mitigate negative impacts of system failures, all key systems are set up in parallel and/or have backup facilities.

(a) 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 management of the Company.

There were no changes in the Company's approach to capital management during the first half of the year. The Company is not subject to externally imposed capital requirements.

(b) Concentration of Risk

No concentration of risk was identified that would be relevant to financial statement readers.

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8 Cash Flow

The statements of cash flows show how the cash and cash equivalents of the Company have changed during the year as a result of cash inflows and cash outflows. In accordance with IAS 7, cash flows are classified into cash flows from operating, investing and financing activities. The Company's purpose is to assist the financing of the activities conducted by companies of the BMW Group. The cash flows from operating activities are presented under the indirect method (profit or loss for the period reconciled to the total net cash flow from operating activities). Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects. The cash flows from investing and financing activities are based on actual payments and receipts.

Liabilities related to financing activities can be reconciled as follows:

in thousands of dollars	2020	Cash flows	Accrued interest	Foreign exchange	Fair value adjustments	Fee amortization	2021
Term debt	22,398,443	(2,030,422)	(17,623)	(188,639)	(597,023)	(7,206)	19,557,530
Commercial paper	–	1,219,917	20	–	–	–	1,219,937
	22,398,443	**(810,505)**	**(17,603)**	**(188,639)**	**(597,023)**	**(7,206)**	**20,777,467**

9 Segment Information

According to the definition of an operating segment under IFRS 8 and as presented in Note (1) Nature of Operations, BMW US Capital, LLC has one segment, and figures included in the statements of comprehensive income / (loss) represent the nature and financial effects of the business activities.

10 Additional Disclosures

During 2021, no events have occurred, that could be considered unusual due to their nature, size or incidence, that have not been disclosed in previous notes and that could have a major impact on the earnings performance, financial position and net assets of the Company. There have been no changes in the composition of the Company during 2021. The Company did not become an investment entity under the definition of IFRS 10.

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11 Contingent Liabilities

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

This matter was settled in September 24, 2020 with the SEC, without admitting or denying the allegations, and BMW Group consented to the entry of an Order finding violations of the U. S. Securities Act and agreed to pay a penalty of $18 million. Certain BMW Group entities and their officers are defendants in private securities litigation following the SEC Order. Possible risks for the BMW Group cannot be quantified at present. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

12 Subsequent Events

The Company has evaluated subsequent events for potential recognition, measurement, or disclosure in the financial statements occurring after the reported period through the date of this report April 25, 2022 and concluded no such events occurred.

The war in Ukraine had no impact on Company's Financial Statements for the year ended 31 December 2021. Any potential effects on the BMW Group's business performance are being monitored on an ongoing basis. Due to the current situation, local production in Russia as well as the export of automobiles and motorcycles to the Russian market have been discontinued for the foreseeable future. The resulting supply restrictions have led to production schedule adjustments and interruptions at a number of BMW Group plants, which in turn is likely to have a negative impact on automobile sales figures. For this reason, the corresponding key performance indicators reported by the Automotive segment are now forecast to be down on the previous year. The war in Ukraine is not currently expected to have a significant impact on the business performance of the Motorcycles and Financial Services segments. Current estimates and assumptions for the financial year 2022, to the extent already known, have been taken into account and described in the outlook. However, the outlook does not factor in a significant tightening of sanctions against Russia and/or an escalation of the conflict outside Ukraine. Similarly, additional major price hikes for energy and raw materials, including rises triggered by the war in Ukraine and/or the related sanctions, have not been taken into account.

BMW US Capital, LLC

April 25, 2022
Christian Kunz
President