Supplementary information on agenda item 9.3:

Annual Financial Statements and Management Report for BMW Bank GmbH as of 31 December 2018

BMW Bank GmbH, Munich
Management Report 2018

1. Business Report

1.1 General economic situation

The global economy grew at a rate of 3.7 %, which was on a par with last year. Despite political uncertainties, all of the world's regions experienced an economic upturn, albeit to varying degrees. United States economic output grew for the ninth consecutive year and at a rate of +2.9 %, considerably faster than in 2017. GDP also expanded in the emerging markets at rates that exceeded those of last year: Russia +2.3 %, Brazil +1.3 %, India +7.3 %. The pace was slower in China, however. At 6.6 %, its economic growth fell slightly short of that in 2017.

Expansion continued in the eurozone. Following the comparatively strong 2.5 % expansion in gross domestic product in 2017, economic activity in the euro area cooled down somewhat in 2018, with GDP growth of 1.9 %. Major eurozone economies such as France (+1.6 %), Italy (+1.0 %), Spain (+2.5 %), and Portugal (+2.1 %) were nevertheless once again able to expand, although at rates below those of last year. This was due to increased investment activity, rising exports, and robust domestic demand from private consumers and the public sector. Under these favorable circumstances, the unemployment rate continued to drop and is now at its lowest level since 2008. The concomitant rise in inflation prompted the European Central Bank (ECB) to let its securities purchasing program expire in December 2018 and limit itself to reinvesting the proceeds of bonds as they mature.

Germany experienced a decline in GDP growth from 2.2 % to 1.5 %, whereby the economy as a whole was held back both by the general global political uncertainty and by the challenges facing the automobile industry, such as emissions regulatory requirements. The IFO Business Climate Index, a leading indicator of economic developments, had fallen to 101.0 points by the close of 2018. Companies are thus more guarded in their assessments both of the current business situation and their expectations than was the case last year.

1.2 Industry-specific situation

The Federal Reserve System (Fed) raised its key interest rate several times in 2018. The last increase in December set a target range of 2.25 % to 2.50 %. By contrast, the key interest rate in the eurozone remains at 0 %.

The savings rate of German private households rose slightly and stood at 10.3 % at year's end. The greater part of monetary assets continues to be held in cash and demand deposits despite the persistence of low yields.

The low-interest environment and increased regulatory requirements continue to depress returns in the banking industry even though low interest rates were to be seen as a positive factor from a refinancing perspective. Automobile banks, however, continued to outperform the industry as a whole. Close ties to the manufacturer and customer behavior that is changing in favor of leasing are the factors driving this development. Additional service functions such as maintenance and insurance also bolster the yields of automobile banks compared with conventional banks.

2018 was a good year for the leasing industry. Investments in the leasing of personal and real property in Germany totaled EUR 60.6 billion, representing year-on-year growth of 3.6 %. With a 77.0 % share of new leasing business, vehicle leasing remains the dominant factor in the industry.

The positive trend did not, however, continue in 2018 on the international automobile markets. Worldwide registrations of cars and light utility vehicles fell by 1.9 % to 85.8 million vehicles. Registration figures declined in China (23.1 million units / -6.3 %), while the U.S. market was virtually stagnant (17.3 million units / +0.3 %). The European automobile markets were also on a par with last year (15.6 million units /

0.0 %). However, the situation varied considerably from market to market. While new registrations rose again in Spain (1.3 million units / +7.0 %) and France (2.2 million units / +3.0 %) in 2018 and equaled those of last year in Germany (3.4 million units / 0.0 %), they dropped in Italy (1.9 million units / -3.3 %). Developments in the German used car market were mixed in 2018. The decline in the value of diesel vehicles in particular widened during the first six months, but gasoline engine vehicles also fell in value. In the second half of the year, there was a slight recovery in residual value for vehicles of both engine types compared with the first six months; the change in value was also again commensurate for both engine types.

2. Company-specific underlying conditions

2.1 Business activities

Established in 1971, BMW Bank GmbH is today one of Germany's leading automobile banks. It operates three branches – one each in Italy, Spain, and Portugal. BMW Bank GmbH also holds a majority interest in a French subsidiary, BMW Finance S.N.C., Guyancourt, France. Together with its branches and its subsidiary, BMW Bank GmbH constitutes a group of financial institutions.

Within the financial services division of the BMW Group, BMW Bank GmbH performs operative functions in connection with customer and dealer financing as well as the leasing business, thus supporting the sales of BMW Group products. In addition, in Germany BMW Bank GmbH is also engaged in importer financing and the banking business.

The operations of BMW Bank GmbH and its group of financial institutions as of December 31, 2018 / in fiscal year 2018 are broken down by regions in the following table:

Lending volumes EUR million	Germany	Italy	Spain	Portugal	BMW Bank GmbH	France	Group of fin. institu-tions
Customer financing	5,506.7	2,619.2	1,672.0	294.3	**10,092.2**	738.4	**10,830.6**
Dealer and importer financing	2,136.6	916.1	448.1	205.7	**3,706.5**	1,208.9	**4,915.4**
Operating leases (leased assets)	9,983.5	43.9	39.7	0.0	**10,067.1**	1,889.3	**11,956.4**
Total	**17,626.8**	**3,579.2**	**2,159.8**	**500.0**	**23,865.8**	**3,836.6**	**27,702.4**

Number of new contracts	Germany	Italy	Spain	Portugal	BMW Bank GmbH	France	Group of fin. institu-tions
Customer financing	118,481	51,713	39,426	6,938	**216,558**	19,353	**235,911**
Dealer and importer financing	328,210	82,076	71,656	22,421	**504,363**	146,804	**651,167**
Operating leases	132,432	176	372	0	**132,980**	30,569	**163,549**
Total	**579,123**	**133,965**	**111,454**	**29,359**	**853,901**	**196,726**	**1,050,627**

Number of existing contracts	Germany	Italy	Spain	Portugal	BMW Bank GmbH	France	Group of fin. institu-tions
Customer financing	333,302	168,056	101,388	18,239	**620,985**	49,040	**670,025**
Dealer and importer financing	71,052	19,666	12,887	4,175	**107,780**	33,150	**140,930**
Operating leases	337,740	2,000	1,100	0	**340,840**	77,408	**418,248**
Total	**742,094**	**189,722**	**115,375**	**22,414**	**1,069,605**	**159,598**	**1,229,203**

2.2 Products and services

2.2.1 Retail business

BMW Bank GmbH provides leasing and financing solutions for new and used vehicles.

BMW Bank GmbH's financing products include basic and balloon loans for new, demonstration, and used BMW and MINI brand vehicles as well as financing for used vehicles of other brands. Insurance products are offered in addition to the range of financing options for automobiles and motorcycles.

In the leasing business, BMW Bank GmbH offers kilometer contracts, which in the case of non-business customers can contain a risk-free option to sell. The product portfolio also includes residual value contracts for business customers.

In addition to the lease itself, BMW Bank GmbH also offers optional service modules, such as automobile insurance, tire service, and maintenance and repair services. The leasing package also includes replacement cars, so that customers remain mobile while their cars are in the workshop for maintenance and repairs.

A full service package is offered to customers with small and mid-sized vehicle fleets.

2.2.2 Dealer financing

In the dealer financing business, BMW Bank GmbH offers loans to BMW Group dealers and non-BMW-Group dealers, for automobiles in particular. Accordingly, BMW Bank GmbH does business with a large number of dealers.

In the dealer financing business we invest heavily in building solid client relationships, with the aim of establishing and developing personal contacts with local dealer relationship managers to enhance and improve customer satisfaction, cooperation, and information flow with the borrowers.

2.2.3 Importer financing

In addition to dealer financing, the Bank also extends loans for BMW Group products to BMW importers. BMW Bank GmbH thus plays a major role in promoting automobile sales in the potential markets of tomorrow.

2.2.4 Banking

Our deposit banking business offers overnight, term deposit, and savings accounts. Customers can manage their deposit accounts by telephone, Internet, or mail.

In collaboration with Augsburger Aktienbank, Augsburg, the Bank offers customers securities accounts (BMW Premium Depot) in which they can hold and trade all securities registered in Germany.

In addition, BMW credit cards for customers (BMW Credit Cards) and BMW Corporate Cards for employees are offered as part of co-branding models.

2.2.5 Insurance

BMW Bank GmbH and its insurance partners broker automobile insurance for customers via the BMW / MINI dealer network. Besides automobile and motorcycle insurance with various features, warranty extension insurance is also offered. Customers with vehicle financing loans also have the option of taking out insurance that will pay off the loan if the vehicle is totaled in an accident or stolen. BMW Bank GmbH also offers payment protection insurance covering loan installment payments for borrowers who lose their job through no fault of their own or are unable to work due to sickness, accident, or disability, and in the event of the borrower's death.

3. Analysis of business development

3.1 Business development

BMW Bank GmbH was able to further expand its new contract volume in 2018 despite the somewhat diminished pace of economic growth. The number of new contracts in the retail business rose by 4.6 % to 349,538 contracts (previous year: 334,246). This was primarily attributable to the positive performance in Germany, where total new contract volume expanded by 6.6 % (15,600 contracts), due in particular to the growth in new leasing contracts as a result of the diesel trade-in commitment and positive development in the leasing of nearly new used cars (JGA Leasing). The total number of customer financing and lease contracts in the retail business of BMW Bank GmbH increased by 4.9 % to 961,825 contracts (previous year: 916,529).

In the dealer financing business, the total number of contracts held by BMW Bank GmbH at year's end rose by 3.6 % to 90,944 contracts (previous year: 87,765).

In importer financing, the total number of contracts held by BMW Bank GmbH rose from 16,517 contracts in the previous year to 16,836 contracts. This represents growth of 1.9 % and is attributable in particular to better business performance in Israel, Chile, and Qatar.

The deposit volume of BMW Bank GmbH increased from EUR 9.1 billion to EUR 9.4 billion.

BMW Bank GmbH refinanced its operations through customer deposits, asset-backed-security transactions (ABS), intra-Group loans from the BMW Group and, to a very small extent, through direct loans from banks.

To summarize: despite the stiff competition that BMW Bank GmbH continues to face, 2018 was a year of positive development in its business.

3.2 Net assets and financial position

The total assets of BMW Bank GmbH declined by EUR 0.3 billion to EUR 26.4 billion. On the assets side, this change was based in particular on the decline in receivables from credit institutions. This was partially offset by an increase in leased assets. On the liabilities side, the decline was primarily attributable to liabilities to customers and other liabilities. This was offset to some extent by changes in deferred income and in liabilities to credit institutions.

3.2.1 Assets

Changes in assets are summarized in the following table:

	12/31/2018	12/31/2017	Change
	EUR million	EUR million	EUR million
Cash reserve	79.2	44.2	35.0
Receivables from credit institutions	731.4	2,589.7	-1,858.3
Receivables from customers	13,834.1	13,509.4	324.7
Bonds and other fixed-income securities	901.8	942.4	-40.6
Shares in affiliated companies	257.4	257.4	0.0
Fixed assets	10,069.2	8,797.8	1,271.4
Leased assets	10,067.1	8,795.3	1,271.8
Property, plant, and equipment	2.1	2.5	-0.4
Other assets	452.8	426.2	26.6
Prepaid expenses	16.2	26.0	-9.8
Surplus of plan assets over pension liabilities	17.7	18.9	-1.2
Total assets	**26,359.8**	**26,612.0**	**-252.2**

The decline in **receivables from credit institutions** resulted primarily from the increasing reliance of our subsidiary BMW Finance S.N.C., Guyancourt, France, on another Group company for refinancing. The item also fell due to lower overnight deposits with outside banks at the reporting date.

Changes in **receivables from customers** after loan loss impairments are summarized in the following table:

	12/31/2018	12/31/2017	Change
	EUR million	EUR million	EUR million
Customer financing	10,092.2	9,648.5	443.7
Germany	5,506.7	5,554.7	-48.0
Italy	2,619.2	2,407.7	211.5
Spain	1,672.0	1,416.1	255.9
Portugal	294.3	270.0	24.3
Dealer financing	3,113.5	3,113.8	-0.3
Germany	1,543.6	1,776.0	-232.4
Italy	916.1	759.7	156.4
Spain	448.1	431.8	16.3
Portugal	205.7	146.3	59.4
Importer financing (Germany)	593.0	588.5	4.5
Operating leases	14.4	13.7	0.7
Germany	13.7	12.1	1.6
Italy	0.3	0.6	-0.3
Spain	0.4	1.0	-0.6
Other receivables	21.0	144.9	-123.9
Receivables from customers	**13,834.1**	**13,509.4**	**324.7**

Customer financing

The slight rise in the volume of loan receivables is due in particular to the marked growth in the Spanish, Italian, and Portuguese branches. This resulted principally from increases in the volume of gross receivables. While loan loss impairments increased in Italy in line with the higher gross receivables, loan loss impairments were released in the Spanish and Portuguese branches.

In Germany, the volume of receivables remained on a par with last year, in particular because the volume of gross receivables was stable.

Dealer financing

The volume of receivables from dealer financing declined in Germany due to the one-time sale of selected German dealer receivables in an amount of EUR 317.7 million. In the branches, higher gross receivables result in higher volumes of receivables. In Spain, this effect is reinforced by lower loan loss impairments.

Importer financing

In importer financing, the higher volume of receivables was above all a consequence of the positive performance in Israel, Chile, and Qatar.

Other receivables, consisting primarily of receivables from affiliated companies, declined for interperiod accounting reasons.

Bonds and other fixed-income securities fell from EUR 942.4 million to EUR 901.8 million because of maturing Class B Notes that resulted from entry into ABS transactions.

As a result of the stronger new contract business, **leased assets** rose sharply from EUR 8,795.3 million to EUR 10,067.1 million.

Other assets rose by EUR 26.6 million to EUR 452.8 million, in particular because of higher tax assets in Italy and Spain.

3.2.2 Equity and Liabilities

Changes in equity and liabilities are summarized in the following table:

	12/31/2018	12/31/2017	Change
	EUR million	EUR million	EUR million
Liabilities to credit institutions	135.9	82.0	53.9
Liabilities to customers	15,584.5	15,768.8	-184.3
Other liabilities	6,680.6	6,902.5	-221.9
Deferred income	638.2	532.3	105.9
Provisions	252.8	258.6	-5.8
Fund for general banking risks	1,080.0	1,080.0	0.0
Equity	1,987.8	1,987.8	0.0
Total equity and liabilities	**26,359.8**	**26,612.0**	**-252.2**

The right side of the balance sheet reflects above all the refinancing of business operations. This refinancing is almost exclusively in Euros. BMW Bank GmbH refinances its operations through its deposit business, seven ABS transactions, and borrowing from Group and non-Group lenders. A small amount of refinancing is also obtained in USD for importer financing. Maturity structures at the balance sheet date ranged from due on demand to ten years (with 98.54 % maturing within three years). Interest rates vary depending on the market trend. The interest rates as of the balance sheet date ranged from -0.01 % to 3.17 %. In addition, BMW Bank GmbH held irrevocable loan commitments for EUR 700.0 million, on which it has not yet drawn.

Liabilities to credit institutions increased to EUR 135.9 million, in particular because of the obligation to remit sums received on receivables that had been sold.

The debt financing consisted mainly of **liabilities to customers** incurred in the deposit banking business and loans received from intra-Group lenders. The change in this item is as follows:

	12/31/2018	12/31/2017	Change
	EUR million	EUR million	EUR million
Savings deposits	3,812.0	3,644.0	168.0
Other liabilities	11,772.5	12,124.8	-352.3
of which to affiliated companies	6,161.3	6,597.0	-435.7
of which from overnight and term deposits	5,557.7	5,473.5	84.2
of which other	53.5	54.3	-0.8
Liabilities to customers	**15,584.5**	**15,768.8**	**-184.3**

BMW Bank GmbH met its payment obligations at all times in fiscal year 2018 and possessed sufficient liquidity as of the balance sheet date to meet its existing payment obligations.

Other liabilities existed in particular vis-à-vis Bavarian Sky S.A., Luxembourg, a special purpose vehicle, and resulted from ABS transactions. At BMW Bank GmbH, the future residual values of the lease vehicles as well as future leasing receivables and customer financing receivables are securitized through the special purpose vehicle. These declined from EUR 6,454.2 to EUR 6,144.1 million in the fiscal year elapsed. This is attributable to a reduction in the number of ABS transactions from eight to seven and the amortization of the ABS transactions that are still outstanding.

The increase in **deferred income** results principally from higher interest and promotion subsidies as a consequence of growth in the leasing business and from leasing down-payments made by customers.

Under Article 92 of the Capital Requirements Regulation (CRR), the banking supervision authority regards a bank's equity capitalization as adequate if the bank maintains minimum ratios of 4.5 % for Common Equity Tier 1 capital, 6.0 % for Tier 1 capital, and 8.0 % for total capital. For comments on the procedure for determining equity capitalization under the CRR, see section 4.7 (Legal and regulatory requirements) below. The following table shows own funds, equity requirements, and the key ratios considering the transition provisions for BMW Bank GmbH:

	12/31/2018	12/31/2017
	EUR million	EUR million
Own funds	2,925.0	2,947.0
Tier 1 capital	2,925.0	2,947.0
Common Equity Tier 1 capital	2,925.0	2,947.0
Additional Tier 1 capital	0.0	0.0
Tier 2 capital	0.0	0.0
Risk-weighted assets	20,304.0	19,741.0
Capital ratios	in %	in %
Common Equity Tier 1 capital ratio[1]	14.4	14.9
Tier 1 capital ratio[2]	14.4	14.9
Total capital ratio[3]	14.4	14.9

The own funds of BMW Bank GmbH declined by 0.75 % year-on-year. The increase of EUR 50 million[4] in the reserve per § 340g HGB is offset by a rise of EUR 70 million in the IRBA impairment amount pursuant to Art. 36 (1) (d) CRR in conj. with Art. 158, 159 CRR, this rise being primarily due to the reversal of accounting impairments that results from the modified methodology. Besides the decline own funds, the somewhat lower capital ratio is largely due to the increase in risk-weighted assets in the retail business in the Spanish and Italian markets. The reduced lending to the French subsidiary BMW Finance S.N.C. had a small counterbalancing effect. The existing equity ratio continued to ensure an adequate level of equity for BMW Bank GmbH in compliance with the minimum regulatory requirements under Art. 92 CRR, the additional combined capital cushion requirements ("buffer requirements") under § 10i (1) KWG (Banking Act), and the additional capital requirements from the supervisory review and evaluation process ("SREP add-on").

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1 Common Equity Tier 1 capital ratio = Common Equity Tier 1 capital / ((capital charge for counterparty default risks + capital charge for operational risk + capital charge for market risk) * 12.5) * 100

2 Tier 1 ratio = Tier 1 capital / ((capital charge for counterparty default risks + capital charge for operational risk + capital charge for market risk) * 12.5) * 100

3 Total capital ratio = Own funds / ((capital charge for counterparty default risks + capital charge for operational risk + capital charge for market risk) * 12.5) * 100

4 Established in 2017; credited after adoption in 2018.

3.2.3 Other information

No material investments in tangible assets were made in the reporting year. There were moreover no material investment obligations.

Irrevocable loan commitments (committed credit facilities) existed to affiliated companies (EUR 28.0 million; previous year: EUR 28.0 million), for dealer financing (EUR 101.0; previous year: EUR 110.0 million), and for customer financing (EUR 5.3 million; previous year: EUR 5.7 million). These may be drawn on at any time.

The **contingent liabilities** consist of liabilities from obligations as surety / guarantor and litigation risks; they amount to EUR 0.8 million (previous year: EUR 35.8 million). The risk of having to meet these obligations is deemed minimal as there were no identifiable risks as of the reporting date.

BMW Bank GmbH's **other financial commitments** amounted to EUR 65.8 million as of the balance sheet date (previous year: EUR 74.5 million). They consisted primarily of commitments to BMW AG and arose principally from the invoicing of IT services (EUR 63.9 million; previous year: EUR 73.7 million). They will also be recognized in expenses in the year to follow.

3.3 Results of operations

Changes in the net income (before profit transfer) of BMW Bank GmbH are summarized in the following table:

	2018	2017	Change
	EUR million	EUR million	EUR million
Net interest income	487.2	452.5	34.7
Net leasing income	1,822.8	1,733.0	89.8
Net commission income	-124.6	-100.9	-23.7
Net other operating income	57.9	129.0	-71.1
General administrative expenses	-284.3	-320.8	36.5
Depreciation of leased assets	-1,581.7	-1,493.4	-88.3
Depreciation of property, plant, and equipment	-0.3	-0.4	0.1
Writedowns / impairments for receivables	-118.9	-41.5	-77.4
Fund for general banking risks	0.0	-50.0	50.0
Net operating income	**258.1**	**307.5**	**-49.4**
Extraordinary income / expense	-0.3	-0.5	0.2
Income taxes	-56.2	-56.3	0.1
Other taxes	-0.9	-1.2	0.3
Net income (before profit transfer)	**200.7**	**249.5**	**-48.8**

The decline in net income resulted primarily from higher depreciation of leased assets, higher writedowns / impairments for receivables (due in particular to a higher provision for general banking risks), and lower net other operating income. These factors were partially offset by improvement in net leasing income and net interest income as well as by lower administrative expenses.

Net interest income in the fiscal year elapsed was as shown in the following table:

	2018	2017	Change
	EUR million	EUR million	EUR million
Interest income from	690.3	663.4	26.9
Customer financing	457.2	437.5	19.7
Dealer financing	90.5	81.9	8.6
Leasing	0.3	0.3	0.0
ABS transactions	121.4	121.9	-0.5
Affiliated companies	8.5	11.0	-2.5
Hedging transactions	3.0	2.4	0.6
Other	9.4	8.4	1.0
Interest expense from	-203.1	-210.9	7.8
Liabilities to customers	-39.9	-48.5	8.6
Liabilities to Bavarian Sky	-137.6	-139.7	2.1
Hedging liabilities	-15.4	-19.0	3.6
Other	-10.2	-3.7	-6.5
Net interest income	**487.2**	**452.5**	**34.7**

Interest income from customer financing increased due to the higher volume of loan receivables in the Italian and Spanish branches. The valuation of bonds and fixed-income securities is the other main source of interest income. Interest expenses from liabilities to customers fell due to lower interest rates. Otherwise, interest expenses are mainly attributable to actuarial factors (changed discount rate) with regard to pension provisions.

Net leasing income after depreciation was on a par with last year.

	2018	2017	Change
	EUR million	EUR million	EUR million
Leasing income	4,042.1	3,983.6	58.5
Leasing expenses	-2,219.3	-2,250.6	31.3
Net leasing income	1,822.8	1,733.0	89.8
Depreciation of leased assets	-1,581.7	-1,493.4	-88.3
Net leasing income after depreciation	**241.1**	**239.6**	**1.5**

Net commission income fell to EUR -124.6 million (previous year: EUR -100.9 million) due to higher commission payments to dealers and sales personnel for brokerage services.

In particular because of a regulatory fine of EUR 71.6 million imposed by the Italian antitrust authorities, **net other operating income** dropped to EUR 57.9 million (previous year: EUR 129.0 million). No other charges are anticipated as a result of the antitrust proceedings.

Changes in **general administrative expenses** are summarized in the following table:

	2018	2017	Change
	EUR million	EUR million	EUR million
Personnel expenses	117.5	149.7	-32.2
Other administrative expenses	166.8	171.1	-4.3
General administrative expenses	**284.3**	**320.8**	**-36.5**

The EUR 32.2 million reduction in personnel expenses is attributable to two main factors, the first of which is the internal Group restructuring that took effect on 04/01/2018 and involved a transfer of employment relationships to BMW AG. The reduction is also partially a consequence of the transfer of employment contracts from BMW Bank GmbH to Alphabet Fuhrparkmanagement GmbH effective 07/01/2017. As a result, personnel expenses for employees of Alphabet Fuhrparkmanagement GmbH were eliminated beginning with the second half of 2017. The amount included in **net other operating income** reflecting the re-invoicing of general administrative expenses to Group companies under service level agreements declined accordingly to EUR 25.9 million (previous year: EUR 53.9 million).

The following table summarizes changes in **writedowns and impairments for receivables** and certain securities as well as additions to loan-loss provisions:

	2018	2017	Change
	EUR million	EUR million	EUR million
Net addition	-93.5	-28.3	-65.2
Writedowns of customer receivables	-24.9	-13.4	-11.5
Loan-loss provisions	-6.1	-1.2	-4.9
Income from receivables previously written off	11.1	7.5	3.6
Other	-5.5	-6.1	0.6
Writedowns and impairments	**-118.9**	**-41.5**	**-77.4**

Income from the reversal of impairments increased by EUR 71.2 million compared with the previous year and amounted to EUR 158.5 million. The change was due in particular to the one-time effect of modifying the loan loss impairment methodology and the concomitant reversal in an amount of EUR 78.8 million. Offsetting factors included the increased provision for general banking risks (EUR 140.0 million; previous year: EUR 70.0 million) and growth in the financing portfolio, causing expense from additions to impairments to rise by EUR 136.4 million to EUR 252.0 million.

Income taxes and **other taxes** were largely unchanged in the fiscal year elapsed:

	2018	2017	Change
	EUR million	EUR million	EUR million
Italian branch	37.0	37.9	-0.9
Spanish branch	15.7	15.9	-0.2
Portuguese branch	3.5	2.4	1.1
Other	0.0	0.1	-0.1
Income taxes	**56.2**	**56.3**	**-0.1**
Other taxes	**0.9**	**1.2**	**-0.3**

The net income for the year after Income Taxes and Other Taxes amounts to EUR 200.7 million (previous year: EUR 249.5 million). This sum is transferred to the shareholder in accordance with the profit and loss transfer agreement.

3.4 Performance indicators

The table below shows the year-on-year development of the most significant financial and non-financial performance indicators of BMW Bank GmbH:

	2018	2017
Return on equity[1]	13.0 %	18.0 %
New retail business lending volume (in billions) [2]	9.3	8.5
Portfolio lending volume (in billions)	23.9	22.1
Number of employees (ø)	1,150	1,262

Instead of rising slightly as expected, the return on equity of BMW Bank GmbH (before additions to the fund for general banking risks per § 340g HGB) declined moderately (-5.0 percentage points) as a result of the drop in net operating income. This is due to the one-time impact from payment of a regulatory fine in Italy and to an addition to the risk allowance per § 340f HGB.

New retail business volume expanded solidly from EUR 8.5 billion to EUR 9.3 billion, thereby exceeding growth expectations. The unexpectedly strong growth was attributable to higher penetration rates, higher average financing amounts because of a higher leasing percentage and a more favorable model mix, and an increase in new contracts for used cars.

Overall portfolio volume for the retail business and for dealer and importer financing outperformed expectations by growing solidly from EUR 22.1 billion to EUR 23.9 billion. The unexpectedly large increase is due to the aforementioned growth in new retail business volume in conjunction with a reduced portfolio expiration rate and a larger dealer financing portfolio due in particular to higher year-end dealer vehicle inventory.

The number of employees declined moderately in line with expectations, in particular due to internal Group restructuring measures effective 04/01/2018.

4. Opportunities and risk report

4.1 Risk management organization and policies

BMW Bank GmbH defines risks as the internal or external events arising from uncertainty about future developments that may have a negative impact on the achievement of the company's targets. Opportunities are potential successes that exceed the targets and thus may have a positive effect on business developments. Risks and opportunities are inseparably linked. Accordingly, the attempt to take advantage of an opportunity in e.g. dynamic growth markets or new business sectors always entails risks.

Business opportunities for BMW Bank GmbH result from the economy's positive development since this is as a rule accompanied by rising demand for BMW Group vehicles, from which BMW Bank GmbH benefits through the range of financial service products it offers for these vehicles. The addition of new vehicle variants to the product mix also gives BMW Bank GmbH the opportunity to participate in the stronger vehicle demand through its financial services. Furthermore, progressive urbanization, the increasing popularity of electrical drive systems, and new digital customer interfaces are examples of developments that present BMW Bank GmbH with strategic opportunities to branch out into new growth segments by creating financial service products for innovative mobility concepts and associated services. Further comment on the opportunities specific to certain types of risk is provided in the discussion of the material risks faced by BMW Bank GmbH.

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[1] Net operating income (before addition per § 340g HGB) / average balance sheet equity (excluding amount per § 340g HGB)

[2] Customer financing and operating leases

In addition to the general risk of reduced demand for BMW Group vehicles that arises for BMW Bank GmbH from business cycle fluctuations, such risk is also posed by, among other things, the public debate on the disadvantages of individual mobility in metropolitan areas.

BMW bank GmbH employs effective management and control systems to identify, assess, and appropriately manage risks at an early stage. These systems, which are integrated into a unified risk management system, are described below.

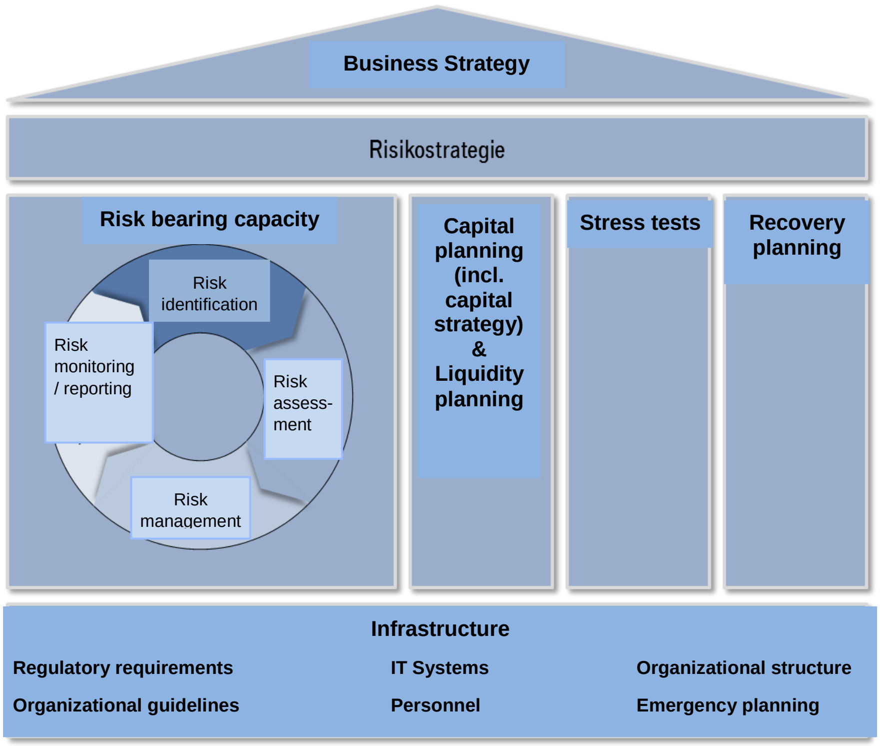
The central purpose of the comprehensive risk management of BMW Bank GmbH is to identify, assess, and actively and passively manage risks jeopardizing the attainment of the corporate goals and the ramifications of such risks, whether the risks are internal or external in nature. Risk management also includes risk monitoring and the associated reporting. Another important element of the risk management system is the implementation, further development, and monitoring of the internal control system (IKS), including the organizational safeguards built into the structure and operations of BMW Bank GmbH (such as the separation of functions and the clear delineation of responsibilities).

In light of the requirements of customers and the banking oversight agency, risk management at BMW Bank GmbH ensures the adequacy and effectiveness of the risk management system through continuous monitoring and refinement of the individual processes. Adequacy and effectiveness are also monitored by internal auditing reviews.

In accordance with the Minimum Requirements for Risk Management (MaRisk) issued by the Federal Financial Supervisory Authority (BaFin), the risk controlling function is exercised by the Chief Risk Officer (CRO) of BMW Bank GmbH, who heads the Risk Management Department.

The foreign branches of BMW Bank GmbH in Italy, Spain, and Portugal as well as its subsidiary BMW Finance S.N.C. in France are integrated into the Bank's risk management system. The central Risk Management Department of BMW Bank GmbH develops and implements strategies, methodological standards, risk models, and guidelines and assists the European markets in their local implementation of the defined standards.

The relationship between the risk management processes, the business and risk strategy, risk-bearing capacity, and the necessary infrastructure can be presented as follows:



Risk management processes of BMW Bank GmbH

The business strategy defines the main strategic principles of BMW Bank GmbH, the goal of which is to further strengthen our client relationships while simultaneously meeting all regulatory requirements. To ensure that the business and risk strategies harmonize with each other, it is important to recognize whether business decisions made may have an impact on the risk to which BMW Bank GmbH is exposed. For this reason, the decision-making process considers the risk a decision may entail in addition to the business goals the Bank has set for itself.

The risk strategy defines the basic features of the risk culture, formulates risk policies, and determines risk appetite in light of the business strategy. To achieve this, BMW Bank GmbH has implemented an appropriate strategy process. Based on the risk inventory, the risk-bearing capacity, the risk appetite, and the requirements of regulatory law, the risk strategy is reviewed once annually and re-approved by management.

In 2018 BMW Bank GmbH adopted a framework describing and defining the core elements of the BMW Bank GmbH risk culture. These core elements promote an appropriate risk culture through effective corporate management and oversight, clear definition and specification of risk appetite, and corresponding compensation and incentive systems, among other things. They are reflected in the four pillars: "Tone from the Top," "Responsibility," "Effective Communication and Transparency," and "Incentive Systems." For 2019, training measures are planned throughout the entire organization to emphasize the positive impact that an appropriate corporate risk culture can have on the day-to-day work of each and every employee.

To ensure that it has adequate equity and adequate liquidity at all times, BMW Bank GmbH has established internal interlocking ICAAP and ILAAP framework processes (internal capital / internal liquidity adequacy assessment processes) encompassing in particular risk-bearing capacity, capital and liquidity planning, and stress tests.

BMW Bank GmbH periodically conducts a risk inventory to identify potential risks facing the Bank and assesses the relevance and materiality of such risks. This is done by quantifying the risks in question or, for non-quantifiable risks, by expert appraisal. Material risks are regularly monitored and, where indicated, compared with the risk coverage potential and subjected to limits to contain the risk and ensure risk-bearing capacity.

The analysis of the risk-bearing capacity of BMW Bank GmbH is furthermore supplemented by cross-risk and risk-specific stress tests. The results of a variety of stress test scenarios, such as macroeconomic shocks, are communicated to management and critically considered in conjunction with it in periodic workshops as well as in quarterly or, in the case of liquidity risk, also monthly reports. This involves discussing the potential consequences for BMW Bank GmbH and its risk strategy, the relevant risk drivers, and the possible courses of action consistent with the recovery planning, as well as taking action where necessary. In addition to its regular stress tests, BMW Bank GmbH also has processes in place for reviewing the need for and carrying out unscheduled stress tests.

The risk management process of BMW Bank GmbH is complemented by a detailed, multi-year capital planning process designed to ensure the adequacy of the Bank's equity capitalization from both an economic and a regulatory point of view for the coming years. The comprehensive annual capital planning is supplemented by quarterly updates of the material planning figures.

In the context of the recovery planning required by regulatory law, BMW Bank GmbH considers potential crisis scenarios and their implications for the Bank. The definition of recovery plan indicators and recovery measures is intended to identify any economic instability in the position of BMW Bank GmbH as early as possible and then to take effective countermeasures to address the situation. The recovery planning, the stress tests, and the adverse capital planning scenarios are coordinated with each other and the related processes interlock.

The core elements and processes of the risk management system of BMW Bank GmbH are reported and presented to the Supervisory Board once annually. The Supervisory Board is responsible for monitoring the effectiveness of the risk management system. In addition, the three lines of defense (business lines, risk management and compliance function, internal audit function) ensure a clear segregation of functions and thus oversight of the existing processes and systems.

4.2 Risk identification

BMW Bank GmbH conducts a risk inventory at least once a year, in the course of which a comprehensive risk catalog is used to identify the risks facing the Bank and assesses their significance. This involves a critical assessment of the extent to which the risks are relevant and material to BMW Bank GmbH and consequently must be incorporated in the processes for managing and reporting on risk and calculating risk-bearing capacity. BMW Bank GmbH has classified its material risks for fiscal year 2018 as follows:

Types of material risks	Integrated in risk-bearing capacity
Counterparty default risks	
Credit risks	Yes
Counterparty and issuer risk	Yes
Collateralization risk	Yes
Country or transfer risk	Yes
Market risks	
Residual value risk	Yes
Interest rate risk	Yes
Liquidity risks	
Insolvency risk	No
Refinancing risk	Yes
Market liquidity risk	Yes
Operational risks	Yes
Operational Risk in the narrow sense	Yes
Reputational risk	No
Legal and regulatory risks; compliance and behavioral risks	Yes
Other types of risk	
Modeling risk	Yes
Placement risk	Yes
Customer option exercise risk	Yes
Pension risk	Yes
Business and earnings risk	Yes
Strategic risk	No
Concentration risk	Yes

Since the Bank's introduction of its own pension risk model in 2018, the remaining price risks are regarded as immaterial; they are, however, addressed by risk appetite.

Below, the material types of risks are defined and the process by which they are managed and monitored at BMW Bank GmbH is described.

4.3 Risk measurement, management, and monitoring

4.3.1 Counterparty default risks

BMW Bank GmbH defines counterparty default risks as potential losses in value owing to the default or a deterioration in the quality of the credit rating of a contractual party (customer, dealer, issuer, counterparty). BMW Bank GmbH subdivides counterparty default risks into the categories credit risk, counterparty risk, issuer risk, collateralization risk, and country or transfer risk. As part of specific stress tests, the impact of concentrations, volume growth, credit risk migrations, collateralizations, and sensitivities are calculated for counterparty default risks.

4.3.1.1 Credit risks

The credit risk comprises both default and migration risks. BMW Bank GmbH is exposed to default risks when a customer, dealer, or importer is unable to fulfill its contractual obligations in whole or in part and BMW Bank GmbH for this reason derives less income or incurs losses. Default risks represent by far the largest component of the counterparty default risk confronting BMW Bank GmbH. At BMW Bank GmbH, migration risk is the risk that customers' creditworthiness will deteriorate and cause the book value of the related receivables to decline. In this case, BMW Bank GmbH suffers a loss in the amount of the change in value. Conversely, where the scope of loan defaults or deterioration in creditworthiness is less than forecast, an opportunity exists to reduce losses or realize income.

The management of new and existing credit risks is integrated into the risk management process, the risk reporting, and the calculation of risk-bearing capacity. For instance, in the acquisition phase, default risks are managed by means of authorization rules and approval limits that vary depending on exposure level, degree of risk, and collateralization value.

In the customer financing and leasing businesses, creditworthiness is assessed by building scoring systems into the acquisition process. These are monitored and periodically validated. They form the basis for exact and consistent measurement and management of credit risks and the rating of positions depending on the level of risk they entail. The creditworthiness of dealers and importers is likewise assessed using an internal rating procedure. Dealers and importers are rated based both on quantitative creditworthiness using ratios obtained from their year-end financial statements and qualitative factors such as e.g. the reliability of the business relationship.

The loan transactions of BMW Bank GmbH are appropriately collateralized depending on the credit rating arrived at by means of the process described above. The required collateral and the procedures used to value it are defined in an overarching directive that is periodically reviewed and adjusted as necessary. Given the business model of BMW Bank GmbH, motor vehicles in particular are used as loan collateral. In light of this, market value fluctuations are constantly analyzed and relevant changes are considered for purposes of valuing the collateral.

Credit risks are managed first of all by calculating the present value of the standard risk costs at the time the lending decision is made. The expected loss is thus explicitly considered as a cost factor when setting prices. Secondly, adjustments are made in accordance with risk provision procedures for changes in credit ratings / creditworthiness during the term of the loan.

BMW Bank GmbH has implemented processes to monitor all exposures with regard to economic circumstances, collateral, compliance with limits, contractual obligations, and internally imposed conditions. These processes ensure that exposures receive adequate attention in accordance with their degree of risk as normal, work-intensive, or problem loans.

In addition, the portfolio level credit risk is managed by calculating the unexpected loss and taking this risk into account when calculating BMW Bank GmbH's risk-bearing capacity. The unexpected loss is calculated using an internal credit portfolio model (Credit Value at Risk – CVaR). The model simulates a loss distribution based on the CreditMetrics model and takes account of migration and concentration risks in addition to counterparty default risks. Reviewing the dependency on macroeconomic changes enables a consistent scenario analysis. While regularly performed calculations of unexpected loss are used to estimate potential losses under historical conditions, analyses are also carried out using assumptions in the form of stress tests that simulate potential extreme events.

4.3.1.2 Counterparty and issuer risk

At BMW Bank GmbH, counterparty risk is defined as the risk of default by a counterparty with which overnight and term deposits have been placed or by a counterparty on an interest rate derivative and the risk that the credit rating of such counterparties may deteriorate. Issuer risk is the risk that the issuer of a security will default, i.e. fail to fulfill interest and repayment obligations on portfolio securities, and the risk that its credit rating may deteriorate.

BMW Bank GmbH maintains an adequate level of liquidity to guarantee its business activities. This liquidity is invested daily in overnight and term deposits at banks and financial service providers as well as in securities. In addition, the Bank's Treasury department manages the interest rate risk of BMW Bank GmbH through interest rate derivatives. These transactions result in counterparty and issuer risks. They are integrated in the risk management process, the risk reporting, and the calculation of risk-bearing capacity by calculating the unexpected loss (CVaR). Unexpected losses serve to estimate potential losses under historical conditions. This analysis is supplemented by stress tests that simulate realistic extreme events.

Issuer and counterparty risks are also contained at the individual credit exposure level by means of issuer and counterparty limits.

4.3.1.3 Collateralization risk

Collateralization risk refers to the risk that the loan collateral will lose (part of) its value over the term of the loan. BMW Bank GmbH uses haircuts when considering the value of all types of collateral. Losses due to fluctuation in the value of the collateral are taken into consideration when calculating the credit risk parameters (loss given default – LGD), which are used in the calculation of risk-bearing capacity.

4.3.1.4 Country or transfer risk

Country risk refers (economically speaking) to total or partial counterparty defaults preceded and caused by a total or partial sovereign default by the country in which the counterparty is located. Transfer risks comprise transfer and convertibility risks. This refers to the risk that a country may, for instance, restrict the flow of capital and thereby limit the conversion of local currency into foreign currency or the export of funds across the national borders, thus preventing the repayment of debts.

Most of BMW Bank GmbH’s business is conducted in the Euro Area. Country and transfer risks nevertheless exist with respect to importer financing outside of the Eurozone.

Inclusion in the risk management process is accomplished by factoring a country-specific risk premium into the default probability, which impacts the assigned rating. Country and transfer risks are accordingly factored into the calculation of risk-bearing capacity by considering ratings in the credit portfolio model.

Country-specific insurance is also taken out on a case-by-case basis for exposures involving high country and/or transfer risk risks.

4.3.2 Market risks

Market risks reflect the potential loss from unfavorable changes in market prices or price factors.

4.3.2.1 Residual value risk

Lease agreements are a strategically important sales tool for new automobiles for BMW Bank GmbH. The residual value determined at the beginning of a lease is a key parameter for calculating the lease payments. There is a general risk that the residual value at the time the leased asset is sold at the end of the lease may be less than the residual value projected when the lease was signed. Yet there is also the chance that the amount realized when the leased asset is sold will exceed the forecast residual value.

Due to the "diesel discussion," the residual values of diesel vehicles remained under pressure in 2018. The downward trend of 2017 accordingly continued. No stabilization of residual values was discernible until midway through the year. While the losses widened, their scope remained under that of the losses sustained in 2014 and 2015. The current provision already anticipates and appropriately accounts for further decline in residual value in 2019.

Residual value is calculated in several steps. The first step entails an internal estimate of the future fair value (base residual value) based on historical internal and external market data. In the second step, the contractual residual value (CRV) is determined, which represents the book value of the automobile at the end of the term and thus forms the basis for calculating the monthly installments for the customer. Over the term of the contract, the internal forecast is periodically updated based on the information available at the time of re-evaluation (adjusted market prognosis, AMP).

The residual value setting process is one means of managing the residual value risks. In this regard, a working group at BMW Bank GmbH analyzes, assesses, reviews and adjusts the existing or new base residual values. In addition, the various residual values (base, CRV, AMP) constitute a basis for appropriate management of the residual value risk exposure of BMW Bank: the distinction between base residual value and CRV permits partial transfer of the residual value risk to BMW AG or to third parties (e.g. dealers) pursuant to written loss-sharing contracts (profit and loss sharing agreements, PLSA). Furthermore, AMP constitutes the basis for calculation of risk allowances. This ensures that the expected losses are reflected in the residual value risk allowance over the term of the contract.

Furthermore, the residual value risk is factored into BMW Bank GmbH's risk-bearing capacity by calculating the unexpected loss (residual value at risk – RVaR).

Unexpected losses serve to estimate potential losses under historical conditions. This analysis is supplemented by specific stress tests that calculate the effects of concentrations, volume increases, market value fluctuations, and sensitivities.

4.3.2.2 Interest rate risk

Interest rate risks reflect the potential losses from a change in market interest rates, i.e. the potential loss that BMW Bank GmbH could incur following a change in interest rates in the money and capital market. Conversely, it may be possible to take advantage of favorable market developments to generate a maturity transformation gain. In the low-interest environment of 2018, such factors were successfully used to generate net interest income under both the present-value and period-oriented methods.

Interest rate risks can arise when the fixed interest periods applicable to assets are incongruent with those for liabilities. Since BMW Bank GmbH is a non-trading-book institution within the meaning of the German Banking Act (Kreditwesengesetz), interest rate risks can arise only in the banking book.

BMW Bank GmbH enters into loan and lease agreements on the assets side and finances these facilities on the liabilities side through customer deposits, ABS transactions, intra-Group loans, and outside loans. It therefore has interest-bearing items on both sides of the balance sheet with different maturities and interest rates. Interest rate risks are integrated in the risk management process, risk reporting, and risk-bearing capacity through the interest rate value at risk (IRVaR), which is determined by means of an historical simulation process. The anticipated cash flows of asset and liabilities items are used for this purpose. In addition to measuring the present value of the risk in the form of IRVaR, there is also a periodic analysis of interest rate risks. This involves analyzing different interest rate scenarios on a going concern basis considering the interest rate strategy of the Bank's Treasury department.

While regular determinations of unexpected loss are used to estimate potential losses under historical conditions, analyses are also performed using assumptions that simulate realistic extreme events. Interest rate positions are stress tested to see how they hold up to extraordinary interest rate changes under both the present value approach and the multi-period approach. The simulated results of the stress test and the interest rate shock scenarios (+200 / -200 base points) are analyzed for high risk potentials, and action is taken if necessary.

BMW Bank GmbH hedges part of the interest rate risk from its underlying hedged items on a portfolio basis. Payer and receiver swaps are used as hedging instruments. More information on interest rate risk hedging is found in the Notes.

Given the average financing and leasing term of three years and the regular, rolling adjustment of hedges to the portfolio risk structure, the future opposite changes in value will be hedged in accordance with the Company's risk strategy. The hedging relationship is therefore expected to be highly effective.

A regression analysis is used for prospective testing to determine the effectiveness of the hedge. Retrospective testing to determine the effectiveness of the hedging relationship is based on a regression analysis as well. For accounting purposes, the changes in fair value of the hedged items are compared with those of the hedging instruments. Any net loss in the ineffective portion of the hedge resulting from a negative change in the fair value of the hedged item or the hedging instrument is recognized in income by recording a provision for an expected loss under the imparity principle of § 249 HGB.

4.3.3 Liquidity risks

BMW Bank GmbH distinguishes between the following three main types of liquidity risk: insolvency risk, refinancing cost risk, and market liquidity risk. In particular, the specific characteristics and effects of the risk types and the various time horizons are taken into account:

<table>
<tr><th colspan="4">Types of Liquidity Risks and Risk Management Approaches</th></tr>
<tr><th colspan="2">Insolvency risk</th><th>Refinancing cost risk</th><th>Market liquidity risk</th></tr>
<tr><td colspan="2">Risk of late and/or incomplete discharge of payment obligations</td><td rowspan="2">Risk of having to accept less favorable conditions in order to obtain additional financing</td><td rowspan="2">Risk that assets cannot be sold on the market, or only at a discount</td></tr>
<tr><td>Current</td><td>Medium and long-term</td></tr>
<tr><td>Liquidity at Risk (LaR)
Liquidity Coverage Ratio (LCR)</td><td>Matched Funding
Liquidity Planning</td><td>Liquidity Value at Risk (LVaR)</td><td>Haircuts</td></tr>
</table>

The liquidity at risk (LaR) approach, the liquidity coverage ratio (LCR), and the matched funding concept (which seeks to match the maturities of the assets and liabilities carried) are used to manage the operational liquidity risk (insolvency risk) and supplemented by ongoing liquidity planning.

In this connection, LaR, i.e. the liquidity required in stress situations, is calculated daily on the basis of internal assumptions and compared with the liquidity reserve. In 2018, the LaR was at all times covered by the available liquidity reserve. As of December 31, 2018, LaR amounted to EUR 821.9 million compared to a liquidity reserve of EUR 1,130.3 million. This represents 72.7% utilization of the liquidity reserve by LaR. For one thing, liquidity at risk takes account of unscheduled terminations of contracts and counterparty defaults. Secondly, a haircut is applied when counting the securities as a liquidity reserve so as not to underestimate the risk that changing market circumstances may pose for liquidity (market liquidity risk).

The LCR is calculated based on Regulation (EU) 2015/61 (EU delegated act on the liquidity coverage requirement) and then compared with qualified highly liquid assets. To ensure day-to-day LCR compliance, an approximative calculation of the LCR is performed on a daily basis. In order to cover fluctuations, a minimum target level of 110 % was introduced. In 2018, the LCR at all times exceeded the required minimum quota of 100% under regulatory law. The LCR was 131.0% as of December 31, 2018.

Risks resulting from refinancing costs are considered in the risk management processes, included in the risk reporting, and factored into the calculation of risk-bearing capacity through the liquidity value at risk (LVaR).

To ensure an adequate diversification of liabilities, BMW Bank GmbH seeks to achieve a predefined refinancing mix between the following funding sources: deposits, ABS transactions, and intercompany loans. ABS structures are completely factored into the risk-bearing capacity concept. In the event of a liquidity crisis, BMW Bank GmbH can acquire the ABS securities issued by the special purpose vehicle in order to deposit them as security at the European Central Bank in return for immediate liquidity.

As part of specific stress tests, additional liquidity requirements are calculated for the following eventualities: increased deposit withdrawals, defaults by borrowers, and limited functionality of the refinancing mix. The survival period is also calculated in each case. The impact of spread increases on the refinancing cost risk is also considered. The liquidity management of BMW Bank GmbH is also aligned with the new regulatory requirements regarding the net stable funding ratio (NSFR).

4.3.4 Operational risks

BMW Bank defines operational risk as the risk of harm caused by the inadequacy or outright failure of internal processes, individuals, and systems or by external events, including legal risks. BMW Bank defines legal risks as the risk resulting from potential non-compliance with applicable regulations or stipulations or from regulatory changes. Behavioral risks are a component of legal risks. The term "operational risks" does not include business risks and strategic risks.

As part of its management of operational risks, BMW Bank GmbH has appointed operational risk officers for each department or each material project. These are charged with ensuring that incurred losses are properly reported and recorded as well as with recognizing and reporting risk scenarios together with the probability of their occurrence, their loss level, and potential countermeasures. A periodic annual review process also exists by which existing risk scenarios are reviewed together with all operational risk officers and additional scenarios are defined where this is indicated. All losses in excess of EUR 100 thousand as a result of operational risks are reported ad hoc to management. All operational risk scenarios with an anticipated loss exceeding EUR 100 thousand are presented to the Risk Committee for confirmation, as are all legal and compliance risks. Potential countermeasures are also discussed and adopted in this connection. The Operational Risks department monitors the progress of countermeasures with a view to durable improvement in the operational risk profile of BMW Bank GmbH.

The Basel standardized approach is the basis for calculation of unexpected loss for operational risks. Under this approach, calculations are based on the three-year average value of the so-called "relevant indicator," which is derived from certain income statement items. This value is scaled to a confidence level of 99.98 % for purposes of factoring it into the risk-bearing capacity. Furthermore, estimated worst case scenario losses are considered for purposes of deriving and validating an additional risk safety margin (buffer). As part of specific stress tests, increased probabilities of occurrence are considered for various risk scenarios.

4.3.5 Other types of risk

BMW Bank GmbH defines "other types of risk" as risks that are by and large managed in the process of managing the types of risk that have been described above.

4.3.5.1 Modeling risk

BMW Bank GmbH defines modeling risk as the risk of a potential loss, a misstatement of financial results, or harm to reputation to which BMW Bank GmbH may be exposed as a consequence of decisions based on the results of internal models (e.g. as a result of flaws in the design and/or implementation of models or as a result of the improper use of or excessive reliance on models). BMW Bank GmbH considers modeling risks only for models whose results have a direct impact on business or strategic decisions made by BMW Bank GmbH and for which suitable validation processes either do not exist in the first place or have indicated the presence of modeling risks.

A model inventory process is carried out each year to prepare a model inventory list (with new models, if any). The inventory of models was carried out for the first time in fiscal year 2018 and covered BMW Bank GmbH in its entirety. Operational risk management includes procedures by which modeling risks are annually reviewed and evaluated and, if applicable, newly identified. This ensures risk management analogous to that applicable to operational risks at BMW Bank GmbH. The initial evaluation of modeling risks will be carried out in the second quarter of fiscal year 2019.

In addition, conservative model specification and calibration assumptions take implicit account of modeling risks in determining risk-bearing capacity. Furthermore, the periodic validation process ensures that the models employed are up to date.

4.3.5.2 Placement risk

Placement risk is the risk that it will prove impossible to place all newly issued securities on the markets or that the placement costs will exceed expectations.

In connection with its refinancing operations, BMW Bank GmbH issues asset-backed securities (ABS) through the special purpose vehicle Bavarian Sky S.A., Luxembourg. For BMW Bank GmbH, placement risks from ABS transactions represent refinancing cost risks, i.e. the risk of more expensive refinancing spreads. The risk management and reporting processes take account of placement risks and factor them into the calculation of risk-bearing capacity through the liquidity value at risk (LVaR).

In addition to this regular risk management, placement risks and their impact on the liquidity of BMW Bank GmbH are also considered in stress tests that probe the consequences of incomplete ABS placements and increased refinancing spreads.

4.3.5.3 Customer option exercise risk

Customer option exercise risk refers to the risk of losses from options implicit in customer contracts. With regard to BMW Bank GmbH, implicit options arise from early or late termination of contracts as well as under so-called Select contracts, which give the customer the option at the end of the contract term of returning the vehicle to BMW Bank GmbH at the contractual residual value.

By means of early termination models, the customer option exercise risks are integrated into IRVaR, LVaR, and LaR as well as into matched funding; they are thus factored into the risk management and reporting processes and the risk-bearing capacity concept. The risks arising from the right of return under Select contracts are considered when calculating RVaR.

4.3.5.4 Pension risk

Risks from pension liabilities result from changes in the rates of interest or inflation, from changes in salary trends, and from changes in the statistical life expectancy of the persons with pension entitlement and may potentially require an increase in the pension provisions.

BMW Bank GmbH records provisions reflecting the pension rights of its employees. Starting in 2018, the risks from pension liabilities and employee pension funds are considered in the risk management and reporting processes and included in the calculation of risk-bearing capacity by means of the Bank's own pension risk model. Actuarial opinions are periodically obtained on the provisions for retirement and partial retirement pensions and on the benefits for anniversaries for purposes of proper actuarial valuation of these provisions.

4.3.5.5 Business and earnings risk

The term "business and earnings risk" refers to the risk that changes in the macroeconomic environment or the competitive situation may result in the realization of profits that are below expectations. Negative divergence may for instance result from detrimental changes in business volume, margins, or costs.

Numerous factors may influence the planned profitability of BMW Bank GmbH. For this reason, divergences from the planning are regularly monitored as part of the current reporting and in the forecasting / planning process. For purposes of risk-bearing capacity, losses in the fiscal year in progress diminish the risk coverage potential on a gone concern basis. Under the going concern approach, earnings risks are considered by deductions made when determining planned earnings.

4.3.5.6 Strategic risk

BMW Bank GmbH uses the term "strategic risk" to refer to the risk resulting from fundamental strategic decisions by management that may have significant impact on the long-term development of business activities and thus on the continued existence of BMW Bank GmbH. This includes for instance a limited market presence, an inaccurate assessment: of market segments, or an excessive amount of debt.

The defined strategic goals are regularly monitored as part of the short, medium, and long term business planning. Furthermore, the introduction of new products or projects involves estimating their long-term consequences. Should the business planning indicate a negative development, the risk safety margin (buffer) defined in connection with risk appetite in addition ensures that the time needed to take corrective action can be bridged with regard to adequate equity capitalization in the sense of risk-bearing capacity.

Finally, the comprehensive stress test process also includes analyzing potential vulnerabilities in the Bank's strategic orientation and taking appropriate responsive action if needed.

4.3.5.7 Concentration risk

Concentration risk is defined as the danger to which a bank is exposed because of a lack of diversification in its receivables or payables.

As a financial service provider that is tied to a manufacturer, BMW Bank GmbH’s business model is closely linked to assuming risk concentrations. These concentrations exist primarily with respect to the sector, the products offered, and the Company’s relationship to the BMW Group; they also include income concentrations. BMW Bank GmbH consciously exposes itself to these concentration risks in order to use its specialized knowledge to obtain and extend competitive advantages.

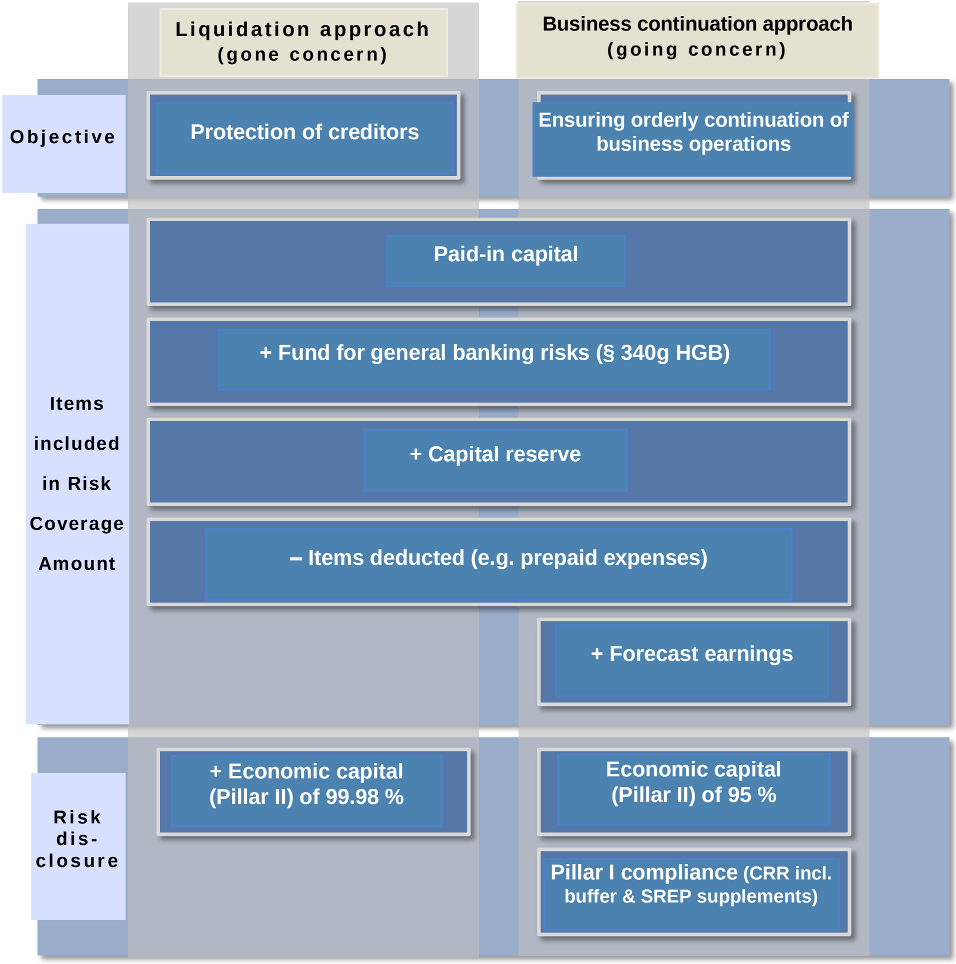
In managing individual business transactions, credit risk concentrations in dealer financing and Treasury are managed by setting and monitoring limits for the various dealers, counterparties, and issuers.

The credit portfolio model (CPM / CVaR) takes account of risk concentrations both in the country-specific dealer financing portfolios and in the risk concentration of BMW AG, Munich. The residual value at risk model (RVaR) considers risk concentration with regard to vehicle model lines. An analysis of concentrations also takes place as part of the stress tests for credit risk and residual value risk.

4.4 Risk-bearing capacity

BMW Bank GmbH primarily applies a liquidation-based gone concern approach in its management of risk-bearing capacity. The premise of this approach is the protection of creditors in the event the risks are realized. For purposes of the gone concern approach, BMW Bank GmbH uses a confidence level of 99.98 % with a holding period of one year. In addition, the risk-bearing capacity of BMW Bank GmbH is also reviewed at least every six months under a going concern approach. This approach seeks to ensure the orderly continuation of the Bank's business operations. For purposes of the going concern approach, BMW Bank GmbH uses a confidence level of 95.0 %, also with a holding period of one year. For 2019, BMW Bank GmbH intends to replace the gone concern approach and the going concern approach with the economic and normative perspectives based on the revised guideline of the Federal Financial Supervisory Authority (BaFin) on the process for assessing the adequacy of internal capital.

The following diagram illustrates the differences in the two approaches.



Views of risk-bearing capacity

The operative management of the material risks of BMW Bank GmbH takes place in a context in which its risk-bearing capacity is guaranteed at all times. This entails using the various value at risk (VaR) procedures to measure the unexpected losses and then comparing them with the existing risk coverage potential (in the form of equity). The integrated system of limits under the gone concern approach is used to monitor risk-bearing capacity on a continuous basis.

Moreover, a minimum risk safety margin (buffer) is determined in connection with defining risk appetite. This minimum buffer constitutes the minimum margin by which risk coverage potential should at all times exceed the overall value-at-risk limit. It ensures that BMW Bank GmbH has sufficient capital on hand in situations requiring adjustments to the limits during the year in progress. The additional capital on hand furthermore covers, among other things, intangible risks such as maintenance risks and provides an additional capital buffer in case of other unforeseeable developments.

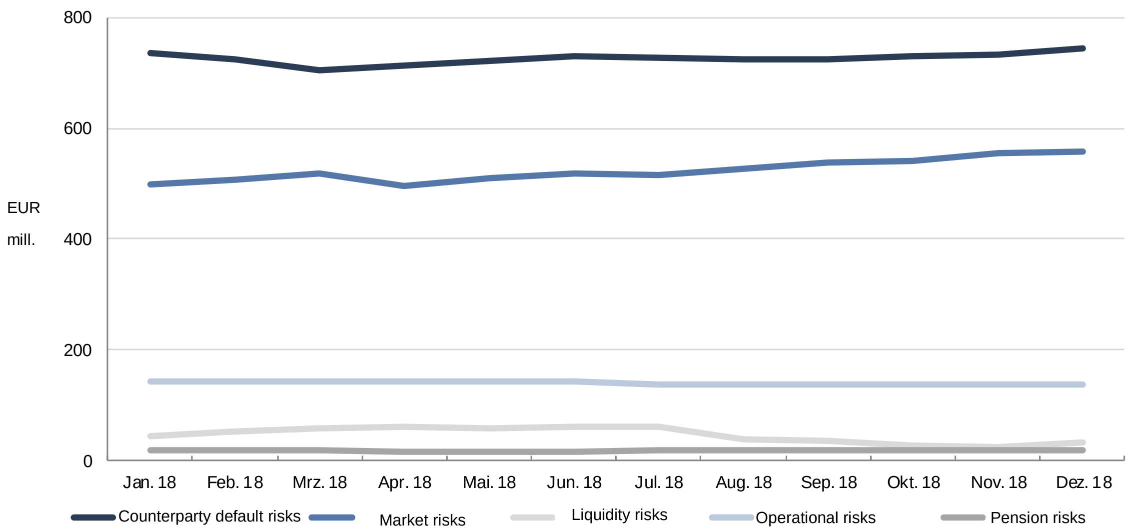
The risk-bearing capacity of BMW Bank GmbH was at all times assured in 2018.

Risk limits are set for the material types of risks: counterparty default risks, market risks, liquidity risks, operational risks, and pension risks. The extent of limit utilization on a gone concern basis is reported to the Company's management for all types of risks in a manner analogous to the following table:

	12/31/2018		12/31/2017	
Types of material risks (EUR million)	**Limit**	**Utilization**	**Limit**	**Utilization**
Counterparty default risks	856.0	743.7	1,172.0	1,009.0
Market risks	606.0	557.1	663.0	550.4
Liquidity risks	85.0	31.4	103.0	49.0
Operational risks	151.0	135.8	158.0	141.7
Pension risks	22.0	18.0	n/a	n/a
Safety margin for minor risks[1]	n/a	n/a	5.3	5.3
Total	**1,720.0**	**1,486.0**	**2,101.3**	**1,755.4**

Limit utilization of material types of risks of BMW Bank GmbH (December 31, 2017 and December 31, 2018) on gone concern basis

The following graph shows the economic risk of the material types of risk over the course of the year:



Development of the various types of risks in 2018 (utilization on gone concern basis)

The **counterparty default risks** (CVaR) remained largely constant in 2018, which is primarily due to two mutually offsetting factors. Growth in business volume caused risks to rise, while the reduction in intra-Group receivables in this time period resulted in a decline in risks. The slight increase in **market risks** is due principally to the steady increase in residual value risks (RVaR) as a result of the expanding business volume, whereas the development of interest rate risks (IRVaR) underwent certain fluctuations in the course of the year depending on the amount of the respective hedging volume. With regard to **operational risks** (OpVaR), the equity required under the Basel standardized approach remained virtually unchanged in July after adoption of the 2017 financial statements. The decline in **liquidity risks** (LVaR) in August 2018 is primarily attributable to the decrease in shorter term refinancing following the successful extension of an ABS transaction. **Pension risks** (PVaR) remained largely unchanged in 2018.

In addition, BMW Bank GmbH has implemented a multi-year capital planning process to supplement the risk-bearing capacity concept. This ensures that in the future, the Company will continue to have sufficient equity (own funds) to cover risks and that risks will continue to be monitored and planned in an appropriate

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1 Beginning in 2018, minor risks are no longer part of risk limit or utilization; they are instead considered through the minimum risk safety margin (buffer).

manner. The aim is to identify in timely fashion any capital requirements (internal and regulatory) that may arise beyond the risk planning horizon and to take appropriate action at an early stage where required. In addition to the developments anticipated in the normal course of events, adverse scenarios involving various developments that diverge from expectations are also considered. Comprehensive capital planning is carried out once annually. The results for the key planning figures in normal operations are in addition updated quarterly.

According to the results of the annual capital planning for the years 2019 - 2024, BMW Bank GmbH will under normal circumstances meet the Pillar 1 and Pillar 2 capital requirements (including the respective defined risk appetite) throughout the entire planning horizon. The capital gaps in relation to the defined risk appetite that appear under some of the adverse scenarios can be filled by the planned profits of BMW Bank GmbH. No capital measures are required at this time. The development in the adverse scenarios is being monitored.

4.5 Recovery planning

The German Federal Financial Supervisory Authority (BaFin) has classified the BMW Bank group of financial institutions as a so-called potentially system-threatening financial institution. The Bank is required to prepare a recovery plan pursuant to the German Act Regulating the Recovery and Resolution of Banks and Financial Groups (SAG). The current recovery plan for the year 2018 was submitted to the supervisory authority on January 11, 2019.

The recovery plan is intended to make banks more resilient in crisis situations by having them confront potential crisis scenarios and their impact on the bank in question at an early stage.

In light of the risk profile of the BMW Bank group of financial institutions, the recovery plan defined recovery plan indicators with regard to capital, liquidity, earnings, and asset quality as well as market-based or macroeconomic indicators. Recovery thresholds and early warning signals were set for each of the indicators. The objective is to recognize any economic instability in the position of the BMW Bank group of financial institutions early on and avert a crisis in timely fashion with the help of the thresholds and early warning signals. This involved defining options for action that affect equity capitalization, the risk profile, liquidity, and the results of operations and analyzing these options qualitatively with regard to their impact and feasibility in addition to assessing them quantitatively. The adequacy of the thresholds and early warning signals defined for purposes of the recovery plan indicators, the related escalation and decision-making processes, and the effectiveness of the options for action was demonstrated by stress analysis within four stress scenarios. The recovery plan takes account of scenarios that are purely idiosyncratic, purely market-wide, and a combination of idiosyncratic and market-wide. The stress scenarios also consider both slow-moving and fast-moving events.

The monitoring of the recovery plan indicators and the integration of the related escalation and decision-making processes from the recovery plan into the existing risk management system are matters addressed in the written rules of Overall Bank Controlling.

4.6 Monitoring and reporting

The central body within the framework of strategic risk management at BMW Bank GmbH is the Risk Committee. The Risk Committee deals with all topics relating to risk management methods, formulates requirements, and decides on necessary measures. In addition to the Risk Committee, all risk-related topics are dealt with by the Credit Committee with a view to managing specific risks.

A daily risk report informs management as to the current interest and liquidity risk. In addition, the results from the monitoring of all material risk types are reported to management in a monthly risk report. This includes, among other things, an overview of the limit utilization of all risk types in connection with the risk-bearing capacity. The risk report also includes detailed quantitative and qualitative comments on the material types of risks at the level of BMW Bank GmbH and the individual markets. Extraordinary developments trigger ad hoc reporting. The results of the stress test calculations are provided to management monthly, quarterly, or annually, depending on the planning horizon.

4.7 Legal and regulatory requirements

With respect to risk management, BMW Bank GmbH is subject primarily to the provisions of the German Banking Act (KWG) and the Minimum Requirements for Risk Management (MaRisk). The Basel III recommendations on the capital requirements of banks also apply. Material subject areas of Basel III were codified in the Capital Requirements Regulation (CRR; directly applicable EU law). These include in particular the definition of own funds, the minimum capital requirements, liquidity, and the debt-equity ratio. The minimum capital requirements under Article 92 of the Capital Requirements Regulation (CRR) are presented in the overview of net assets and financial position, as is the actual equity capitalization of BMW Bank GmbH. Changes in the relevant liquidity ratios are summarized in sec. 4.3.3 (liquidity risks).

In connection with the Capital Requirements Directive IV (CRD IV), the other subjects covered by Basel III (including capital safety margins or "buffers") were transposed into German law in an amendment to the Banking Act (KWG) and in supplementary regulations. Bank-specific capital requirements were also imposed on BMW Bank GmbH as part of the Supervisory Review and Evaluation Process (SREP). BMW Bank GmbH has adapted its processes and risk management to these requirements so as to appropriately manage and monitor material risks.

In addition, BMW Bank GmbH has routine monitoring procedures in place to identify changes in national and supranational regulatory requirements (e.g. SREP, MaRisk revision, Recovery and Resolution Act). The Bank assesses these as regards their relevance for BMW Bank GmbH and, where indicated, takes the necessary action to close compliance gaps.

BMW Bank GmbH has been authorized to use the advanced internal ratings-based approach (IRBA) to determine the amount of capital required to cover its credit risks. As of December 31, 2018, authorization had been obtained to use the Bank's own estimated risk parameters for the following rating procedures: German customer financing and German leasing business (both retail business asset class), German dealer financing (corporate asset class), and Spanish customer financing (retail business asset class). A number of far-reaching regulatory changes are pending as a result of the harmonization of the internal rating approaches across Europe. In addition to the continuous improvement of existing models and development of new ones, BMW Bank has initiated an implementation project to ensure implementation by the deadline at the end of 2020.

After the preparation of the financial statements, a separate disclosure report is published on BMW Bank GmbH's homepage to fulfill the disclosure requirements under the CRR.

5. Information pursuant to § 289b HGB (Commercial Code)

BMW Bank GmbH is included in the consolidated financial statements of the BMW Group. On its website, the BMW Group publishes a sustainable value report in conformity with Directive 2013/34/EU.

6. Information pursuant to § 289f HGB (Commercial Code)

To promote the holding of executive positions by women, new targets were set by shareholder resolution on April 28, 2017: the target for the number of seats held by women on the Management Board and the Supervisory Board was fixed at one (one woman) on each board. A deadline of 12/31/2020 was fixed for achieving these targets.

New targets were established by the Management Board on 01/31/2017 for the number of women in the top two management tiers beneath the Management Board: the target percentage is 8 % for women in tier 1 management and 30 % for women in the tier 2 management. A deadline of 12/31/2020 was fixed for achieving these targets.

7. Outlook

The quantitative and qualitative performance indicators were revised as follows for fiscal year 2019:

Performance indicators through 2018	Performance indicators starting in 2019
Number of employees	Fluctuation rate[1]
Return on equity	Return on risk adjusted capital (RORAC)[2]
New retail business lending volume	New retail business lending volume
Portfolio lending volume	Administrative expense per contract[3]
	Cost-Income Ratio[4]

The changes are to facilitate presentation of the outlook in terms that are more economically appropriate. The estimations for 2019 can accordingly be stated as follows:

Global economic growth for 2019 is currently forecast to be roughly 3.7 %. The prospects are, however, subject to a large number of uncertainties, including for example the negotiations between the EU and Great Britain on British withdrawal from the EU.

Overall economic development in the euro area is expected to remain stable in 2019, although a further decline in GDP growth from 1.9 % to 1.6 % is considered likely. In particular the threat of increasing trade protectionism is acting as a drag on growth expectations. While the expectations regarding growth are stable in Germany and the anticipated 1.6 % expansion in German GDP is on a par both with last year and with this year's European average, GDP growth in Italy is projected to drop once more from 1.0 % in 2018 to 0.8 % in 2019 as a result of structural weaknesses, political instability, and subdued private sector spending. While GDP growth in Spain and Portugal is also weaker than last year, it is still on a considerably higher plane and at 2.2 % and 1.8 % for Spain and Portugal respectively in excess of the European average.

Interest rate levels are expected to remain largely stable. The refinancing strategy of BMW Bank GmbH will in the future continue to rely on the following instruments: deposits, ABS transactions, intra-Group loans, and, to a small extent, loans from banks.

Given the weaker performance of the international automobile markets in 2018, registration figures are expected to climb worldwide in 2019 (87.3 million vehicles / +1.6 %). Only moderate growth is expected for automobile markets in Europe (15.9 million units / +1.7 %). Passenger car registrations will in all probability stagnate in Germany (3.5 million units). The situation is similar in Italy, where slight decline (1.9 million units / -0.2 %) is the best the automobile market is likely to achieve.

Consequently, based on BMW AG's sales forecasts, BMW Bank GmbH expects new retail business lending volume to be slightly under that of last year in Germany, but to remain on a par with last year in the branches. Overall, BMW Bank GmbH anticipates a **slight decline in new business lending volume**.

For credit risk purposes, no increase in defaults compared with last year is anticipated since the forecasts regarding both GDP growth and employment remain positive. The current provision for residual value risks at the close of 2018 already anticipates and appropriately accounts for further decline in residual value in 2019. However, the discussion concerning possible driving bans means that uncertainties persist in the market. With respect to the development of the branches of BMW Bank GmbH, the credit risk situation is expected to remain stable in 2019. BMW Bank GmbH nevertheless expects net operating income in fiscal year 2019 (before additions to the fund for general banking risks per § 340g HGB) to significantly exceed

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1 Employees who left the Company / Ø number of employees in the year

2 Net operating income (before addition per § 340g HGB) / Value at risk

3 Administrative expense net of income from service level agreements / Number of existing contracts

4 Administrative expense net of income from service level agreements / Net interest, leasing, and commission income (net leasing income after scheduled depreciation)

the net operating income of the previous year. This is primarily because the 2018 result includes the one-time negative impact of a regulatory fine paid in Italy. BMW Bank accordingly expects a **slight increase in RORAC**.

With respect to the efficiency indicators, **slight improvement** in **administrative expense per contract** and **cost-income ratio** is anticipated since the planned administrative costs are falling slightly and both the number of contracts and the operating result are expected to rise.

As a result of the internal Group reorganization carried out in 2018, BMW Bank GmbH expects to see a **sharp drop** in the **fluctuation rate** in 2019.

While future business performance is subject to uncertainties given the political and regulatory imponderables, in particular in light of the possible increase in trade restrictions and the threat of diesel driving bans, the positive development of BMW Bank GmbH is expected to continue with growth in business volume and net income.

Munich, March 5, 2019

The Management

[Signature]	[Signature]	[Signature]	[Signature]
Hans-Jürgen Cohrs	Hans-Peter Mathe	Dr.-Ing. Markus Walch	Thomas Weber

Balance sheet as of December 31, 2018 for BMW Bank GmbH, Munich

Assets

	12/31/2018 EUR thousand	12/31/2017 EUR thousand
1. Cash reserve		
a) Cash on hand	2	5
b) Deposits with central banks Thereof: Deutsche Bundesbank EUR 79,178 thousand; previous year EUR 44,137 thousand	79,207	44,167
	79,209	**44,172**
2. Receivables from credit institutions		
a) Due on demand	165,687	329,676
b) Other receivables	565,730	2,260,032
	731,417	**2,589,708**
3. Receivables from customers Thereof: secured by mortgage EUR 57,533 thousand; previous year EUR 58,399 thousand	**13,834,105**	**13,509,390**
4. Bonds and other fixed-income securities Bonds and debt securities		
a) From public issuers Thereof: eligible as collateral with Deutsche Bundesbank EUR 500,683 thousand; previous year EUR 505,218 thousand	505,433	510,834
b) From other issuers Thereof: eligible as collateral with Deutsche Bundesbank EUR 24,752 thousand; previous year EUR 24,751 thousand	396,293	431,534
	901,726	**942,368**
5. Shares in affiliated companies Thereof: in credit institutions EUR 257,426 thousand; previous year EUR 257,426 thousand	**257,426**	**257,426**
6. Leased assets	**10,067,058**	**8,795,320**
7. Property, plant, and equipment	**2,056**	**2,461**
8. Other assets	**452,823**	**426,250**
9. Prepaid expenses	**16,226**	**25,992**
10. Surplus of plan assets over pension liabilities	**17,716**	**18,878**
Total assets	**26,359,762**	**26,611,965**

Munich, March 5, 2019

[signature]	[signature]	[signature]	[signature]
Dr. Hans-Jürgen Cohrs	Hans-Peter Mathe	Dr.-Ing. Markus Walch	Thomas Weber

Balance sheet as of December 31, 2018 for BMW Bank GmbH, Munich

Equity and Liabilities

	12/31/2018	12/31/2017
	EUR thousand	EUR thousand
1. Liabilities to credit institutions		
a) Due on demand	13,072	31,944
b) With fixed term or withdrawal notice	122,805	50,045
	135,877	**81,989**
2. Liabilities to customers		
a) Savings deposits		
With fixed withdrawal notice of three months	3,811,994	3,644,005
b) Other liabilities		
ba) Due on demand	3,837,179	3,660,818
bb) With fixed term or withdrawal notice	7,935,315	8,464,026
	15,584,488	**15,768,849**
3. Other liabilities	**6,680,630**	**6,902,546**
4. Deferred income	**638,236**	**532,272**
5. Provisions		
a) Provisions for pensions and similar obligations	2,172	1,116
b) Tax provisions	37,125	38,135
c) Other provisions	213,490	219,314
	252,787	**258,565**
6. Fund for general banking risks	**1,080,000**	**1,080,000**
7. Equity		
a) Subscribed capital	12,300	12,300
b) Capital reserve	1,972,211	1,972,211
c) Retained earnings	3,233	3,233
	1,987,744	**1,987,744**
Total equity and liabilities	**26,359,762**	**26,611,965**

1. Contingent liabilities, Liabilities from warranties and guarantee agreements	773	35,769
2. Other obligations, Committed credit facilities	134,263	146,650

Munich, March 5, 2019

[signature]	[signature]	[signature]	[signature]
Dr. Hans-Jürgen Cohrs	Hans-Peter Mathe	Dr.-Ing. Markus Walch	Thomas Weber

Income Statement of BMW Bank GmbH, Munich,

for the Period from January 1 to December 31, 2018

	2018			2017		
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
1. Interest income						
a) From lending and money market transactions	681,276			655,599		
b) Negative int. income from lending and money mkt. trans.	-861			-1,037		
c) From fixed-income securities and debt register securities	9,894	690,309		8,849	663,411	
2. Interest expenses						
a) Interest expenses	-203,153			-210,993		
b) Positive interest expense	26	-203,127	**487,182**	73	-210,920	**452,491**
3. Leasing income		4,042,052			3,983,580	
4. Leasing expenses		-2,219,304	**1,822,748**		-2,250,637	**1,732,943**
5. Commission income		114,990			114,893	
6. Commission expenses		-239,558	**-124,568**		-215,799	**-100,906**
7. Other operating income			**230,913**			**263,626**
8. General administrative expenses						
a) Personnel expenses						
aa) Wages and salaries	-100,584			-127,144		
ab) Social security contributions, pensions and other benefits Thereof: for pensions EUR 2,095 thousand; previous year EUR 4,272 thousand	-16,905	-117,489		-22,579	-149,723	
b) Other administrative expenses		-166,858	**-284,347**		-171,060	**-320,783**
9. Writedowns and impairments						
a) On leased assets		-1,581,675			-1,493,427	
b) Intangible and tangible assets		-295	**-1,581,970**		-408	**-1,493,835**
10. Other operating expenses			**-172,972**			**-134,587**
11. Addition to the fund for general banking risks			**0**			**-50,000**
12. Writedowns and impairments for receivables and certain securities as well as additions to loan-loss provisions			**-118,855**			**-41,494**
13. Net operating income			**258,131**			**307,455**
14. Extraordinary expenses			**-263**			**-485**
15. Income taxes			**-56,227**			**-56,354**
16. Other taxes, to the extent not included in item 10			**-892**			**-1,163**
17. Profits transferred under a profit and loss transfer agreement			**-200,749**			**-249,453**
18. Net income			**0**			**0**

Munich, March 5, 2019

[signature]	[signature]	[signature]	[signature]
Dr. Hans-Jürgen Cohrs	Hans-Peter Mathe	Dr.-Ing. Markus Walch	Thomas Weber

BMW Bank GmbH, Munich
Notes to the Financial Statements for Fiscal Year 2018

A. Basis of Presentation

The financial statements of BMW Bank GmbH, Munich (BMW Bank GmbH), are prepared in accordance with the provisions of the German Commercial Code (HGB), the provisions of the German Limited Liability Company Act (GmbHG), and the provisions of the German Accounting Regulation for Banks and Financial Service Institutions (RechKredV).

BMW Bank GmbH is entered in Commercial Register B of the Munich District Court (Amtsgericht) under HRB 82381.

The sole shareholder of BMW Bank GmbH is Bayerische Motoren Werke Aktiengesellschaft, Munich (BMW AG). The consolidated financial statements are available on the shareholder's website and are also published in the electronic Federal Bulletin (Bundesanzeiger). A profit and loss transfer agreement is in place between the two companies.

B. Accounting Policies

The financial statements were prepared in accordance with the general recognition and valuation provisions of §§ 246 - 256a HGB considering the additional provisions applicable to corporations (§§ 264 ff. HGB) and the supplementary rules for banks and financial service institutions (§§ 340 ff. HGB).

Cash reserve and **receivables from credit institutions** are stated at their nominal value.

Receivables from customers are stated at their nominal value. All identifiable imminent and latent risks have been accounted for by deducting loan loss impairments, which are collected on separate offsetting asset-side impairment accounts. They are closed out at the same time as the corresponding impairment-adjusted receivable. Both specific loan loss impairments and group-based specific loan loss impairments are recognized.

The primary factors considered when determining loan loss impairments are historical experience regarding loan defaults, current data regarding delinquencies, and information on rating classes and scoring. Beginning with fiscal year 2018, these factors are augmented by forward-looking information (such as forecasts regarding economic performance indicators) where historical data indicates a relationship between such information and anticipated loan defaults.

In the customer financing business, the amount of the impairment when receivables from customers are first recorded is, as before, determined by the anticipated 12 month loan loss. Should the credit risk at the balance sheet date significantly exceed that on initial recordation, then, starting with fiscal year 2018, the impairment is measured by the loan losses expected over the remaining lifetime of the loan (residual maturity) and not just, as previously, by the expected 12 month loan loss. For receivables from operating leases, a simplified procedure is followed beginning with fiscal year 2018 whereby the amount of the loan loss impairment is measured upon initial recognition of the receivable by the credit losses expected over the period until maturity instead of, as previously, by the expected 12 month losses. This applies as well to receivables from operating leases where the credit risk has increased significantly. These situations are reflected by recognizing group-based specific loan loss impairments. An impairment based on the residual maturity is also recognized in the event of a default, but is stated as a specific loan loss impairment.

For receivables from dealer and importer financing, impairments for market counterparties with impaired credit ratings are also recognized as of fiscal year 2018 based on expected credit losses over the remaining time to maturity instead of the anticipated 12 month credit loss, as before. The 12 month credit loss now remains applicable only to non-anomalous exposures. Both are recorded as group-based specific loan loss impairments. In the case of all market counterparties that are at imminent risk of default or in default, specific loan loss impairments are recognized in the amount of expected credit losses over the remaining loan lifetime.

Because of the modifications made, the figures for receivables from customers and for writedowns and impairments for receivables are comparable only to a limited extent to the prior year figures. The modifications resulted in a more precise reflection of foreseeable credit risks and losses, hence in a more accurate presentation of net assets, financial position, and results of operations.

Bonds and other fixed-income securities are stated at adjusted historical cost. Their valuation is based on the strict principle of the lower of cost or market value. Securities from asset-backed security transactions (ABS) are initially measured at their issuing price. Valuation is based on the modified lower-of-cost-or-market principle.

Shares in affiliated companies are stated at cost and written down to their fair value if impaired permanently.

Leased assets are stated at cost less accumulated scheduled amortization and depreciation. The vehicles capitalized as leased assets are written down to their contractually calculated residual value on a straight line basis while taking account of the individual term of the underlying lease contract. Depreciation is taken on a monthly basis. If the amount realizable on sale of the leased asset is less than its projected residual carrying amount at the end of the lease term, the difference is recognized as an impairment loss. The realizable amount is the present value of the anticipated future cash flow. At each reporting date, impairment losses recognized in previous reporting periods are reviewed to determine whether they are still warranted or have declined in amount. In these cases, the carrying amount is raised to the realizable amount or the carrying amount assuming scheduled depreciation, whichever is less. Assumptions must be made concerning the realizable amount, since it represents a significant portion of future cash flow. For this purpose, account is taken of internally available data on historical experience, current market data, and the forecasts of external institutions. The assumptions are periodically validated by comparison with external data.

Property, plant and equipment are stated at cost less accumulated scheduled straight-line depreciation over the asset's expected useful life and, where required, less impairment losses, if any. Low-value fixed assets with a unit purchase price of EUR 250 or less are fully expensed in the year of acquisition. Assets with a value between EUR 250.01 and EUR 1,000 are grouped into one item, which is released on a straight-line basis over a period of five years.

Other assets are in general stated at their nominal value and consist primarily of financial claims from ABS transactions.

Prepaid expenses serve to allocate expense to the proper reporting period and are generally recognized for invoices paid in advance.

Liabilities are stated at their settlement amount.

Deferred income is recognized in particular for leasing down-payments received and sales promotions. Leasing down-payments and sales promotions are released over the term of the lease on a straight-line basis.

Provisions take account of the necessary settlement amount of all identifiable risks on the basis of reasonable commercial judgment. Provisions with a term of more than one year are discounted where this is material.

Provisions for pensions and similar obligations are measured on the basis of actuarial calculations using the projected unit credit method and taking as a basis a 3.21 % discount rate for pension benefits and a rate of 0.85 % for partial retirement benefits commitments as well as an expected wage and salary increase of 3.06 %. The calculations rely on the Heubeck mortality tables 2018 G (*Heubeck-Richttafeln*

2018 G). Pursuant to § 253 (2) sent. 2 HGB, BMW Bank GmbH uses the average market interest rate over the last ten fiscal years for purposes of discounting its pension provisions.

BMW Trust e. V., Munich, manages trust fund assets under contractual trust arrangements (CTA) in order to fulfill the obligations arising from pension benefit commitments. The plan assets are stated at their fair value and netted with the corresponding liabilities pursuant to § 246 (2) HGB. Any resulting net liability is stated in **provisions for pensions and similar obligations**. If the value of the plan assets exceeds that of the obligations, the net asset is stated as **surplus of plan assets over pension liabilities**. Distribution of the difference between current market values and the original cost of the CTA assets is prohibited by § 268 (8) HGB. Since this amount is, however, exceeded by the freely available reserves, no prohibition on transfer of profit applies.

The amount of the **fund for general banking risks** in accordance with § 340g HGB has been determined based on a reasonable commercial assessment of the financial situation; it serves to strengthen BMW Bank GmbH's equity position (own funds).

Foreign currencies are translated at the spot rate on the reporting date as calculated on a monthly basis in accordance with § 256a HGB. The cost and realization principle is not applied to items with a residual maturity of less than one year.

The interest rate risk is assessed based on an overall assessment of all interest-bearing transactions by applying the **principle of loss-free valuation**. If the assessment of the overall risk position of the banking book results in a net liability, an expected loss is accrued in accordance with § 249 (1) HGB. The assessment is based on the accounting statement IDW RS BFA 3 (new version), issued by the German Institute of Public Auditors (IDW). Taking into account risk costs and administrative expenses, as of December 31, 2018 the present value of the banking book measured over the total reporting period exceeded the carrying amount of the banking book. Therefore, as in the previous year, no provision for expected losses was required.

BMW Bank GmbH has employed the accounting method authorized by § 340c (2) HGB.

Interest from interest rate derivatives is reported on a net basis per interest rate derivative. To improve transparency, **negative interest from non-derivative transactions** is separately shown in the income statement.

C. Notes to the Balance Sheet

1. Assets

Receivables from credit institutions

Receivables from credit institutions included receivables from affiliated companies in the amount of EUR 636.3 million (previous year: EUR 2,352.2 million). The decline is attributable principally to the amortization of internal Group loans.

Receivables from customers

Receivables from customers included receivables from leasing business in the amount of EUR 1,217.1 million (previous year: EUR 1,029.4 million) as well as EUR 814.5 million (previous year: EUR 639.5 million) for receivables purchased from an affiliated company.

Bonds and other fixed-income securities

Including accrued interest, this item amounted to EUR 901.8 million (previous year: EUR 942.4 million) as of the reporting date and included in particular listed securities in an amount of EUR 530.5 (previous year:

EUR 536.0 million). An amount of EUR 371.3 million (previous year: EUR 406.4 million) was attributable to securities from ABS transactions, not all of which were exchange-listed. Six securities in an aggregate nominal amount of EUR 160.0 million will mature in the 2019 fiscal year.

The lending value of the securities that are eligible to serve as collateral with Deutsche Bundesbank amounted to EUR 525.4 million as of December 31, 2018. No funding from this source had been drawn as of December 31, 2018.

Shares in affiliated companies

BMW Bank GmbH holds a 99.99 % interest (EUR 257.4 million) in BMW Finance S.N.C., Guyancourt, France. The equity of BMW Finance S.N.C., Guyancourt, France, under IFRS totaled EUR 476.2 million as of December 31, 2018 (previous year: EUR 419.0 million). In fiscal year 2018 the company recorded an after-tax profit under IFRS of EUR 56.7 million (previous year: EUR 56.1 million).

Leased assets

As security for third-party liabilities, BMW Bank GmbH transferred title to lease vehicles in the amount of EUR 9,983.5 million (previous year EUR 8,689.6 million), partly in connection with ABS transactions (sale of future receivables from ongoing lease agreements) and partly under a loan agreement internal to the Group.

Other assets

This item broke down as follows:

	12/31/2018	12/31/2017
	EUR million	EUR million
Receivables from affiliated companies from ABS	230.6	222.6
Tax assets	115.0	76.8
Collateral deposited for OTC derivatives	41.0	47.8
Trade receivables	29.6	15.0
Other	36.6	64.0
Other assets	452.8	426.2

EUR 0.5 million in receivables from the leasing business were also included in "other assets" (previous year: EUR 0.5 million).

2. Equity and Liabilities

Liabilities to credit institutions

As of the balance sheet date, liabilities to credit institutions amounted to EUR 135.9 million (previous year: EUR 82.0 million).

Liabilities to customers

This item included EUR 6,161.3 million in amounts owed to affiliated companies (previous year: EUR 6,597.0 million). EUR 4,840.4 million of this total was secured by the transfer of title to vehicles (previous year: EUR 4,899.9 million).

Other liabilities

This item broke down as follows:

	12/31/2018 EUR million	12/31/2017 EUR million
Liabilities from ABS transactions	6,144.1	6,454.2
Trade payables	267.5	155.6
Transfer of profit to the shareholder	200.7	249.5
Tax liabilities	10.6	10.6
Other	57.7	32.6
Other liabilities	6,680.6	6,902.5

The decline in liabilities from ABS transactions results from a reduction in the number of ABS transactions from eight to seven and the amortization of the ABS transactions that are still outstanding.

The liabilities from ABS transactions were secured by assignments of receivables and transfers of title to vehicles.

Deferred income

This item broke down as follows:

	12/31/2018 EUR million	12/31/2017 EUR million
Leasing down-payments	348.3	303.7
Interest and promotion subsidies	244.0	178.9
Interest from the lending business	38.3	39.5
Other	7.6	10.2
Deferred income	638.2	532.3

Provisions for pensions and similar obligations

The cost of the assets used to fund retirement benefits amounted to EUR 59.2 million (previous year: EUR 56.8 million). The assets had a fair value of EUR 69.8 million as of the reporting date (previous year: EUR 70.5 million). Corresponding liabilities amounted to EUR 54.3 million (previous year: EUR 52.7 million). EUR 8.9 million in expenses was recognized in 2018 (previous year: EUR 9.8 million); there was no corresponding income (previous year: EUR 2.7 million).

Partial retirement commitments are covered by a bank guarantee. Liabilities in an amount of EUR 2.0 million arose (previous year: EUR 1.3 million). EUR 1.0 million in expenses was recognized in 2018 (previous year: EUR 0.4 million); there was no income (previous year: EUR 0.3 million).

The acquired plan assets were stated at their fair value and netted with the pensions and similar liabilities in accordance with § 246 (2) HGB. BMW Bank GmbH has two pension plans: "pension commitment" and "retirement capital." The plan assets are linked to the corresponding pension plan. For the "pension commitment" plan, the surplus (net asset) remaining after netting amounted to EUR 17.7 million (previous year: EUR 18.9 million). For the "retirement capital" plan, the deficit (net liability) after netting was EUR 2.2 million (previous year: EUR 1.1 million); this was included in a pension provision. The provision for partial retirement pensions amounted to EUR 2.0 million (previous year: EUR 1.3 million).

In fiscal year 2018, the discounting of pension provisions led to interest expense in an amount of EUR 6.6 million (previous year: interest expense of EUR 5.2 million).

The difference between discounting pension provisions using a 10 year average rate (EUR 54.0 million) and a 7 year average rate (EUR 65.2 million) was EUR 11.2 million. This amount is barred from distribution under § 253 (6) HGB.

Other provisions

Other provisions comprised the following items:

	12/31/2018	12/31/2017
	EUR million	EUR million
Outstanding invoices	41.2	36.1
Commissions payable	37.3	46.0
Litigation and collection costs	35.9	33.5
Personnel matters	28.8	27.3
Service-related liabilities	23.0	20.7
Other	47.3	55.7
Other provisions	213.5	219.3

Fund for general banking risks

As in the previous year, the special item "Fund for General Banking Risks" pursuant to § 340g HGB amounted to EUR 1,080.0 million.

Equity

Subscribed capital (EUR 12.3 million), capital reserve (EUR 1,972.2 million), and retained earnings (EUR 3.2 million) were unchanged compared with the previous year.

D. Notes to the Income Statement

Net interest income

The net interest income of EUR 487.2 million (previous year: EUR 452.5 million) reflected primarily (i) the income derived from customer, dealer, and importer financing, (ii) the expense of the ongoing refinancing of the asset operations including the leased assets, and (iii) the results of interest rate hedging.

Net leasing income

The EUR 1,822.8 million in net leasing income (previous year: EUR 1,733.0 million) reflected mainly the income generated from leasing contracts and service fees, the expenses from termination of leases, and service components.

Net commission income

The negative net commission income of EUR 124.6 million (previous year: EUR 100.9 million) included above all income and fees generated from customer and dealer financing, from the leasing business, and from insurance brokerage services. This revenue was offset, in particular, by commission expenses for the brokerage of customer agreements.

Other operating income

This item comprised the following sub-items:

	12/31/2018	12/31/2017
	EUR million	EUR million
Income from customer business	70.0	65.2
Claims settlement compensation receivable	57.6	48.2
Reversal of provisions	35.9	25.2
Income from service level agreements	25.9	53.9
Other	41.5	71.1
Other operating income	230.9	263.6

The decline of EUR 28.0 million in income from service level agreements is primarily attributable to the impact of a change in the German Employee Lending Act (AÜG). Through 06/30/2017, employees of BMW Bank GmbH were loaned to Alphabet Fuhrparkmanagement GmbH, Munich, pursuant to an intra-Group lending arrangement. Effective 07/01/2017, the employment relationships of these employees were transferred from BMW Bank GmbH to Alphabet Fuhrparkmanagement GmbH, Munich. Charges for HR services provided were reduced accordingly from this time on. Furthermore, the BMW Group underwent restructuring pursuant to which employment relationships were transferred effective 04/01/2018 from BMW Bank GmbH to BMW AG. The decline in other sub-items of other operating income compared with last year is due in particular to currency conversion effects.

EUR 117.1 million in income (previous year: EUR 105.4 million) was attributable to the leasing business and resulted from insurance claims settlement, from fees and maintenance, and from vehicle seizures.

Depreciation of leased assets

Depreciation expenses on leased assets amounted to EUR 1,581.7 million (previous year: EUR 1,493.4 million).

Other operating expenses

This item comprised the following sub-items:

	12/31/2018	12/31/2017
	EUR million	EUR million
Legal and collection costs	82.7	11.0
Levies and charges	32.7	29.9
Derecognition of vehicles at end of lease agrmt.	14.6	7.1
Additions to provisions	11.9	20.9
Other	31.1	65.7
Other operating expenses	173.0	134.6

The increase in legal and collection costs results in particular from a fine of EUR 71.6 million imposed by the Italian antitrust authorities. By contrast, the other components of other operating expenses fell year-on-year, in particular because of currency conversion effects.

Other operating expenses included costs of the leasing business in the amount of EUR 34.4 million (previous year: EUR 24.3 million).

Writedowns and impairments of receivables and certain securities

Income from the reversal of impairments increased by EUR 71.2 million compared with the previous year and amounted to EUR 158.5 million. The change is due in particular to the one-time effect of modifying the loan loss impairment methodology and a concomitant reversal in an amount of EUR 78.8 million. Offsetting factors included the increased provision for general banking risks (EUR 140.0 million; previous year: EUR 70.0 million) and growth in the financing portfolio, causing expense from additions to impairments to rise by EUR 136.4 million to EUR 252.0 million.

Direct write-offs of receivables amounted to EUR 24.9 million (previous year: EUR 13.4 million). Income of EUR 11.1 million (previous year 7.5 million) was recorded from receivables previously written off.

Income taxes

Taxes on income and earnings (EUR 56.2 million; previous year: EUR 56.3 million) reflected almost exclusively the income taxes of the foreign branches.

E. Other Notes

1. Amounts owed by and to the shareholder and other affiliated companies in accordance with § 42 (3) of the German Limited Liability Companies Act (GmbHG) and § 3 of the German Accounting Regulation for Banks and Financial Service Institutions (RechKredV)

The following table summarizes these items as of 12/31/2018 and 12/31/2017:

12/31/2018	Shareholder	Other affiliated companies	Total
	EUR million	EUR million	EUR million
Receivables from credit institutions	0.0	636.3	636.3
Receivables from customers	0.5	14.6	15.1
Other assets	1.0	235.0	236.0
Liabilities to customers	18.1	6,143.2	6,161.3
Other liabilities	306.5	6,186.4	6,492.9

12/31/2017	Shareholder	Other affiliated companies	Total
	EUR million	EUR million	EUR million
Receivables from credit institutions	0.0	2,352.2	2,352.2
Receivables from customers	0.7	130.5	131.2
Other assets	1.2	225.5	226.7
Liabilities to customers	48.2	6,548.8	6,597.0
Other liabilities	309.6	6,507.8	6,817.4

2. Residual maturities

Residual maturities are presented below in accordance with § 340d HGB in conjunction with § 9 (2) RechKredV (net of impairments). In accordance with § 11 RechKredV, accrued interest is not included in these residual maturities.

12/31/2018	Up to three months	More than three months and up to one year	More than one year and up to five years	More than five years	Total
	EUR million	EUR million	EUR million	EUR million	EUR million
Other receivables from credit institutions	41.0	330.5	188.5	0.0	560.0
Receivables from customers	2,127.1	3,247.8	8,324.8	134.4	13,834.1
Liabilities to credit institutions with an agreed maturity or cancellation period	49.9	0.0	0.0	0.0	49.9
Other liabilities to customers with an agreed maturity or cancellation period	1,275.4	2,465.5	4,078.6	106.6	7,926.1

12/31/2017	Up to three months	More than three months and up to one year	More than one year and up to five years	More than five years	Total
	EUR million	EUR million	EUR million	EUR million	EUR million
Other receivables from credit institutions	298.5	781.0	1,176.0	-	2,255.5
Receivables from customers	2,060.6	3,025.1	8,280.0	143.7	13,509.4
Liabilities to credit institutions with an agreed maturity or cancellation period	50.0	0.0	0.0	0.0	50.0
Other liabilities to customers with an agreed maturity or cancellation period	1,382.3	2,884.5	4,056.0	129.2	8,452.0

3. Statement of fixed assets

Changes in fixed assets are presented in the statement of fixed assets (Attachment 1 hereto).

4. Country-specific reporting pursuant to § 34 II RechKredV

The following table provides an overview of the income generated by the respective branches:

	Italy		Spain		Portugal	
	EUR million		EUR million		EUR million	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Interest income	154.2	147.1	116.3	95.7	16.8	15.1
Commission income	16.6	23.3	14.7	16.7	2.9	0.6
Other operating income	80.3	71.9	17.1	12.3	4.8	4.7

In addition, income of EUR 7.6 million (previous year: EUR 10.1 million) was also derived from financing the subsidiary BMW Finance S.N.C., Guyancourt, France. BMW Bank GmbH furthermore recorded income from worldwide financing of BMW Importers in the amount of EUR 10.1 million (previous year: EUR 9.2 million), of which EUR 5.8 million stemmed from business transacted in USD (previous year: EUR 4.9 million). Due to the low level of income derived outside the EU compared to total income, this is not disclosed separately.

5. Derivative financial instruments

BMW Bank GmbH hedges part of the interest rate risk on a portfolio basis. Swaps are the hedging instrument used for this purpose. The Company exercises the accounting option to account for this economic hedging relationship by means of a **valuation unit** in accordance with § 254 HGB and to present this valuation unit using the net method. A total of EUR 7.3 billion in hedged items on the liabilities side (amounts owed to customers) and EUR 7.3 billion on the assets side (receivables from customers) are included in a hedging valuation unit. The Company has hedged EUR 8.9 million in respect of its exposure to interest rate risk based on the EURIBOR or EONIA base rates.

Given the average financing and leasing term of three years and the regular, rolling adjustment of hedges to the portfolio risk structure, the Company's risk strategy is expected to hedge against future opposite changes in value. The hedging relationship is therefore expected to be highly effective.

A regression analysis is used for prospective testing to determine the effectiveness of the hedge. Retrospective testing to determine the effectiveness of the hedging relationship is based on a regression analysis as well. For accounting purposes, the changes in fair value of the hedged items are compared with those of the hedging instruments. Any net loss in the ineffective portion of the hedge resulting from a negative change in the fair value of the hedged items or the hedging instruments is recognized in profit or loss by recording a provision for an expected loss under the imparity principle of § 249 HGB.

Derivative financial instruments not accounted for in valuation units are summarized in the following table at the respective reporting dates:

	2018		2017	
	Nominal amount EUR million	**Fair value** EUR million	**Nominal amount** EUR million	**Fair value** EUR million
Interest rate swaps with positive fair values	2,828.9	1.6	102.5	0.1
Interest rate swaps with negative fair values	255.0	-0.1	3,271.2	- 4.7
Derivative financial positions	**3,083.9**	**1.5**	**3,373.7**	**-4.6**

The fair value of swaps was measured in line with their present value, which was calculated by discounting the variable and fixed interest payments based on the interest rate term structure at the reporting date. The negative fair values of derivative financial instruments not accounted for in valuation units are included in other provisions and had a carrying amount of EUR 0.1 million as of 12/31/2018 (previous year: EUR 4.7 million).

6. Contingent liabilities and commitments

Irrevocable loan commitments (committed credit facilities) existed to affiliated companies (EUR 28.0 million; previous year: EUR 28.0 million), for dealer financing (EUR 101.0 million; previous year: EUR 110.0 million), and for customer financing (EUR 5.3 million; previous year: EUR 5.7 million). These may be drawn on at any time.

The contingent liabilities consist of liabilities from obligations as surety / guarantor and litigation risks; they amount to EUR 0.8 million (previous year: EUR 35.8 million). The risk of having to meet these obligations is deemed minimal as there were no identifiable risks as of the reporting date.

7. Off-balance sheet transactions and other financial commitments

BMW Bank GmbH's other financial commitments amounted to EUR 65.8 million as of the reporting date (previous year: EUR 74.5 million). They consisted primarily of commitments to BMW AG. They arose largely from the invoicing of IT services (EUR 63.9 million; previous year: EUR 73.7 million). These will also be recognized in expenses in the year to follow.

8. Translation of foreign currency items

The translation of foreign currency items is summarized in the following table:

	12/31/2018		12/31/2017	
	USD million	EUR million	USD million	EUR million
Receivables from credit institutions	48.8	42.7	12.7	10.6
Receivables from importer financing	226.0	197.7	197.7	164.9
Receivables from subsidies Importer financing	0.6	0.5	0.4	0.3
Liabilities from importer financing	274.8	240.3	210.3	175.4

9. Management Board and Supervisory Board

Members of the Management Board

The members of the Management Board are as follows:

Hans-Jürgen Cohrs
Chairman of the Management Board
Head of Sales and Marketing (until 10/31/2018)

Gerald Holzmann (until 03/31/2018)
Head of Finance

Hans-Peter Mathe (since 11/01/2018)
Head of Sales and Marketing

Dr.-Ing. Markus Walch
Head of Customer Service, Processes, IT

Thomas Weber
Head of Risk Management
Head of Finance (since 04/01/2018)

The members of the Management Board received total remuneration of EUR 2.7 million for their services in the reporting year.

Members of the Supervisory Board

Dr. Thomas Wittig
Chairman of the Supervisory Board
Head of Financial Services for the BMW Group

Birgit Böhm-Wannenwetsch
Member of the Supervisory Board (since 06/15/2018)
Head of Group Finance for the BMW Group (since 04/01/2018)

Guido Boschetto
Member of the Supervisory Board
Deputy Chairman of the Supervisory Board (since 07/20/2018)
Chairman of the Central Works Council of BMW Bank GmbH, Munich (until 05/09/2018)
Member of the Works Council of BMW Bank GmbH, Munich

Horst Erik Fischer
Member of the Supervisory Board (since 07/21/2018)
Member of the Works Council of BMW Bank GmbH, Munich

Waldemar Kittler
Member of the Supervisory Board
Deputy Chairman of the Supervisory Board (until 07/20/2018)
Chairman of the Works Council of BMW Bank GmbH, Munich (until 05/09/2018)
Member of the Works Council of BMW Bank GmbH, Munich

Norbert Mayer
Member of the Supervisory Board (until 06/14/2018)
Head of Group Finance for the BMW Group (until 03/31/2018)

Heike Schneeweis
Head of Human Resources / BMW Group Senior Executives

Jonathan Townend
Head of Group Reporting & Taxes for the BMW Group
BMW Österreich Holding GmbH, Steyr*

The members of the Supervisory Board received no remuneration for their services.

* Membership in comparable domestic or foreign supervisory bodies.

10. Number of employees

The average number of employees declined to 1,150 (previous year: 1,262). The decline is due above all to BMW Group restructuring measures pursuant to which employment relationships of BMW Bank in Germany were transferred to BMW AG effective 04/01/2018. These employment relationships are no longer included in the 2018 figures in the following table.

	2018	2017
Germany, Munich	749	853
Branches		
Italy, San Donato Milanese	215	225
Spain, Madrid	140	141
Portugal, Porto Salvo	46	43
Total employees	1,150	1,262

11. Auditor's services and fees

The services rendered in fiscal year 2018 to BMW Bank GmbH by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, the statutory auditor of BMW Bank GmbH, relate to statutory audit services, other assurance services, and tax advisory services.

The statutory audit services principally comprise auditing the annual single-entity financial statements, reviewing the IFRS reporting for the Group interim consolidated financial statements of BMW AG, and auditing the IFRS reporting for the Group annual consolidated financial statements of BMW AG.

Other assurance services consist primarily of project review services and assurance services that are statutorily mandated, contractually agreed, or voluntarily commissioned.

The auditor's total fee for fiscal year 2018 is disclosed in the consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft, Munich.

12. Group accounting

BMW Bank GmbH is included in the 2018 consolidated financial statements of BMW AG, Munich, which are prepared in accordance with § 315a HGB and will be published in the electronic Federal Gazette. The Company therefore applies the exemption from preparing consolidated financial statements set out in § 291 HGB.

Munich, March 5, 2019

The Management

[Signature]	[Signature]	[Signature]	[Signature]
Hans-Jürgen Cohrs	Hans-Peter Mathe	Dr.-Ing. Markus Walch	Thomas Weber

Attachment 1

Statement of Fixed Assets of BMW Bank GmbH, Munich, for Fiscal Year 2018

	Acquisition costs					Accumulated depreciation						Carrying amounts	
	01/01/2018	Additions	Disposals	Transfer	12/31/2018	01/01/2018	Additions	Write-ups	Disposals	Transfer	12/31/2018	12/31/2018	12/31/2017
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
I. Bonds and other fixed-income securities*	406,300	75,300	110,400	-	371,200	-	-	-	-	-	-	371,200	406,300
II. Shares in affiliated companies	257,426	-	-	-	257,426	-	-	-	-	-	-	257,426	257,426
III. Leased assets	11,166,174	5,005,213	3,590,471	-	12,580,916	2,370,854	1,581,675	-	1,438,671	-	2,513,858	10,067,058	8,795,320
IV. Property, plant, and equipment	6,368	1,312	1,577	-	6,103	3,907	295	-	155	-	4,047	2,056	2,461
	11,836,268	**5,081,825**	**3,702,448**	**-**	**13,215,645**	**2,374,761**	**1,581,970**	**-**	**1,438,826**	**-**	**2,517,905**	**10,697,740**	**9,461,507**

* Only securities from ABS transactions are included in fixed assets; they are to be held until maturity.

Attachment to the Notes

Country-Specific Reporting Pursuant to § 26a (1) KWG as of 12/31/2018 for BMW Bank GmbH, Munich

Under § 26a (1) sent. 2 of the German Banking Act (KWG), CRR institutions are required to include an annex to their annual financial statements disclosing on a consolidated basis the following information for each member state of the European Union and each third country in which they have a branch:

1. names, nature of activities, and geographical location of the branches
2. turnover
3. number of employees
4. profit or loss before tax
5. taxes on profit or loss
6. public subsidies received

The core business segments of BMW Bank GmbH, Munich, are customer and dealer financing, the leasing business, and the deposit banking business. Turnover was determined based on the operating result without impairments and administrative expenses, including net interest income, net commission income, net trading income, and other operating income.

The number of employees was determined in accordance with the provisions of § 267 (5) of the Commercial Code (HGB). Persons acting pursuant to independent contracts for the management of the affairs of another (independent service level contracts) were not counted as employees.

Before tax profit is determined by increasing net income by income taxes and other taxes on a consolidated basis. Deferred taxes are disregarded for purposes of the reported taxes on profit. These represent the taxes on income for the respective fiscal year as determined from the local financial statements. Since a profit and loss transfer agreement with BMW AG, Munich, exists, the taxes on the profit of BMW Bank GmbH, Munich, are borne by BMW AG under the rules governing tax consolidation. No public subsidies were received.

BMW Finance S.N.C., Guyancourt, France, is a non-consolidated subsidiary in France. The reporting is based on IFRS figures as used by BMW Group for purposes of the consolidated financial statements because no figures under the accounting rules of the German Commercial Code exist.

The required disclosures for 2018 were as follows (in EUR million):

Name	Country	Turnover	Number of employees	Before tax profit	Taxes on profit
BMW Bank GmbH	Munich, Germany	2,061.00	749	159.44	0.05
BMW Bank GmbH Succursale Italiana	San Donato Milanese, Italy	225.88	215	27.85	36.98
BMW Bank GmbH Sucursal en Espana	Madrid, Spain	108.21	140	57.42	15.73
BMW Bank GmbH Sucursal Portuguesa	Porto Salvo, Portugal	21.20	46	13.15	3.47
BMW Finance S.N.C.	Guyancourt, France	335.83	173	81.38	15.99

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The comparison figures for 2017 were (in EUR million):

Name	Country	Turnover	Number of employees	Before tax profit	Taxes on profit
BMW Bank GmbH	Munich, Germany	2,021.58	853	115.92	0.12
BMW Bank GmbH Succursale Italiana	San Donato Milanese, Italy	219.29	225	123.16	37.84
BMW Bank GmbH Sucursal en Espana	Madrid, Spain	90.75	141	55.68	15.95
BMW Bank GmbH Sucursal Portuguesa	Porto Salvo, Portugal	16.54	43	12.21	2.44
BMW Finance S.N.C.	Guyancourt, France	335.96	169	87.53	24.73

Section 26a KWG (German Banking Act) defines return on assets as the quotient of net profit divided by the balance sheet total (total assets). Because of the profit and loss transfer agreement, the return on assets in 2018 of the group of financial institutions under BMW Bank GmbH, Munich, was 0.00 % (2017: 0.00 %).