

Information relating to item 10 of the AGM agenda:

Joint Report of the Board of Management of Bayerische Motoren Werke Aktiengesellschaft and the Management of BMW Bank GmbH dated 18 March 2010 on the conclusion of the currently existing Profit and Loss Transfer Agreement pursuant to § 293a AktG.

**Joint Report pursuant
to § 293a German Stock Corporation Act**

**of the Board of Management of
Bayerische Motoren Werke Aktiengesellschaft, Munich,
(hereinafter also referred to as “BMW AG” or “Controlling
Entity”)**

and

**of the Management of the
BMW Bank GmbH, Munich,
(hereinafter also referred to as “Controlled Entity”)**

**on the Profit and Loss Transfer Agreement
of 18 March 2010
(hereinafter also referred to as “new Profit and Loss Transfer
Agreement”)**

**between
BMW AG and BMW Bank GmbH
(hereinafter both jointly also referred to as the “Contracting
Parties”)**

The following report explains and substantiates the conclusion and the content of the new Profit and Loss Transfer Agreement in legal and economic terms. The report serves to inform BMW AG shareholders in preparation for the Annual General Meeting on 18 May 2010.

1. General information on the Controlled Entity; relationship with BMW AG

BMW Bank GmbH, with its registered office in Munich, was founded on 2 September 1987 under the name BMW Kredit Bank GmbH and entered in the Commercial Register at the Munich District Court (HRB 82381). Since 9 May 1988, the company operates under the name of BMW Bank GmbH.

The purpose of the company is to conduct banking operations pursuant to § 1 sub-section 1, subarticles 1-5, 7-9, financial services pursuant to sub-section 1a and business pursuant to sub-section 3, subarticles 2 and 6 of the German Banking Act (KWG), furthermore commercial brokering of insurance.

On 24 July 2001, the company entered into a Profit and Loss Transfer Agreement with BMW Financial Services Holding GmbH (Munich Local Court HRB 118418) as the controlling company. As a result of the merger of BMW Financial Services Holding GmbH into BMW AG under the merger agreement dated 24 July 2001, the agreement now exists with BMW AG as the controlling entity.

BMW AG is the sole shareholder of BMW Bank GmbH.

2. Amendment to the Profit and Loss Transfer Agreement; framework data and approval requirement

The new Profit and Loss Transfer Agreement between BMW AG and BMW Bank GmbH was concluded on 18 March 2010. It is submitted to the Annual General Meeting of BMW AG on 18 May 2010 for approval in accordance with § 293 (2) German Stock Corporation Act (AktG). As the sole shareholder of BMW Bank GmbH,

BMW AG approved the new version of the agreements on 18 March 2010 in notarized form. The new version of the profit and loss transfer agreement continues to require entry in the commercial register of BMW Bank GmbH in analogous application of § 294 (2) AktG.

3. Background and purpose of the new Profit and Loss Transfer Agreement

The particular legal requirements for a tax effective fiscal unity are set out in §§ 14 et seq. of the German Corporate Income Tax Act (KStG). In case at hand, the new Profit and Loss Transfer Agreement serves the continuation of the fiscal unity for income tax purposes between BMW AG and BMW Bank GmbH in accordance with § 14 KStG and § 2 (2) sentence 2 of the German Trade Tax Act (GewStG). This agreement contains provisions regarding the profit transfer obligation of BMW Bank GmbH on the one hand and provisions regarding the loss compensation obligation of BMW AG on the other hand. Within the context of the so-called fiscal unity thereby established, this company's profits and losses can be offset.

4. Reasons for the new version of the profit and loss transfer agreement

The new version is intended to generally update the existing profit and loss transfer agreement, taking into account any amendments of the AktG, the German Commercial Code (HGB) and current pronouncements of the tax authorities, while at the same time taking into account potential future amendments to relevant provisions of the AktG by way of dynamic references to the AktG.

5. Explanation of the new Profit and Loss Transfer Agreement in detail

The new Profit and Loss Transfer Agreement is an inter-company agreement within the meaning of §§ 291 et seq. AktG, which can be concluded in the form of a private written document.

In future, the term “Controlling Entity” will be used in the Agreement for the superordinate company and the term “Controlled Entity” for the dependent company. This corresponds to the terms used in §§ 14 et seq. KStG.

Pursuant to Section 1.1 of the agreement, BMW Bank GmbH undertakes to transfer its entire profit to BMW AG. The provisions of § 301 AktG regarding the maximum amount of the profit transfer are included in the agreement in their version as amended from time to time, i.e. by means of a dynamic reference.

Section 1.2 additionally clarifies that the net profit of BMW Bank GmbH is to be reduced by any loss carried forward from the previous year as well as by the other deductions listed in § 301 AktG, as amended from time to time, to the extent that they are relevant to the Controlled Entity. As such, the wording of the agreement also takes into account possible future changes to the deduction items in § 301 and the amendment to § 301 AktG made by the German Accounting Law Modernisation Act (BilMoG). A statutory reserve pursuant to § 300 AktG is not relevant to the Controlled Entity as long as it does not change its legal form to that of a stock corporation.

The wording in Section 1.3 of the new Profit and Loss Transfer Agreement according to which the Controlled Entity may only allocate amounts from the annual net profit to the revenue reserves (§ 271 (3) HGB) – with the exception of the statutory reserves, if relevant – to the extent that this is economically justified based on a reasonable commercial assessment, is based on the wording of § 14 (1) para 4 KStG. According to § 14 (1) para 4 KStG in conjunction with § 17 sentence 1 KStG, such restriction of the formation of other revenue reserves is a requirement for the allocation of the income of the Controlled Entity to the Controlling Entity for tax purposes. The fact that other revenue reserves may only be formed within the scope of what is permissible under commercial law does not require a contractual agreement. The formation of other revenue reserves may, for example, be economically justified based on reasonable commercial assessment if plant relocations, plant renewals or capacity expansions are planned.

According to Section 1.4 of the new Profit and Loss Transfer Agreement other revenue reserves formed during the term of the agreement must be dissolved at the request of the Controlling Entity and used to offset a net loss for the year or transferred as profit. By contrast, the transfer of amounts from the dissolution of pre-contractually formed reserves cannot be demanded; this also results from the reverse conclusion from the analogously applicable § 301 (2) AktG and Section 2.2 of the new Profit and Loss Transfer Agreement.

The claim to profit transfer becomes due with the adoption of the annual financial statements of BMW Bank GmbH. However, to the extent that an advance distribution could be paid, BMW AG may request an advance transfer of profits.

In Section 2.1 of the new Profit and Loss Transfer Agreement, the claim of the Controlled Entity for loss compensation against BMW AG and the corresponding obligation of BMW AG is specified by a dynamic reference to all provisions of § 302 AktG. This takes into account a requirement for the attribution of income to the Controlling Entity for tax purposes in § 17 sentence 2 para 2 KStG and the requirements of the tax authorities.

Sections 2.2 and 2.3 of the new Profit and Loss Transfer Agreement emphasize the analogous application of § 302 (1) and (3) AktG. Section 2.2 contains the obligation of the Controlling Entity to compensate any annual loss otherwise arising during the term of the agreement, insofar as amounts that were allocated during the term of the agreement cannot be withdrawn from other revenue reserves.

According to Section 2.3, BMW Bank GmbH may, prior to the expiry of three years after the date on which the entry of the termination of this agreement in the commercial register has been announced within the meaning of § 10 HGB, neither waive the right to loss compensation nor settle on it. Exceptions to this only apply in the narrowly defined cases mentioned in sentence 2, in particular the illiquidity of BMW AG.

The reservation in Section 3.1 of the new Profit and Loss Transfer Agreement takes into account the legal requirement of approval by the Annual General Meeting of the Controlling Entity and approval by the shareholders' meeting of the Controlled Entity. According to § 294 (2) AktG, the new Profit and Loss Transfer Agreement only becomes effective upon entry in the commercial register of the Controlled Entity and then applies retroactively for the period from the beginning of the fiscal year of registration. The previous profit and loss transfer agreement is replaced by the new Profit and Loss Transfer Agreement immediately as of such date.

The term of the agreement is specified in Section 3.2. According to this, the agreement is concluded for a fixed minimum term of five years until the end of 31 December 2014. If the entry in the commercial register is not made by the end of 2010, the minimum term according to sentence 1 is extended until the expiry of five years from the beginning of the fiscal year of the Controlled Entity in which the entry is made in the commercial register of the Controlled Entity.

The minimum term complies with the tax requirements set out in § 14 (1) sentence 2 para 3 in conjunction with § 17 sentence 1 KStG.

Unless the agreement is terminated by one party six weeks before its expiry, it is extended for further periods of one calendar year each following the minimum term.

According to Section 3.3, the right of each party to terminate the Agreement for good cause without notice remains unaffected. According to § 14 (1) sentence 2 in conjunction with § 17 sentence 1 KStG, a premature termination of the agreement is harmless if it is justified by a good cause. A good cause for termination may, in particular, be the sale or contribution of the participation in the Controlled Entity by the Controlling Entity, or the merger, demerger or liquidation of the Controlling Entity or the Controlled Entity.

Finally, Section 4 contains a so-called severability clause, which is intended to ensure that the possible invalidity of individual contractual provisions or an unidentified loophole does not affect the validity of the remaining contractual provisions, so that in such cases the rest of the agreement remains in force. In such cases, insofar as a supplementary interpretation of the agreement is not possible,

the Contracting Parties shall agree on the provision which would have been agreed taking into account the purpose of the agreement if the ineffectiveness of the provision or the loophole had been known from the outset. In case of amendments to the agreement, pursuant to §§ 295(1), 293 (2) AktG, the approval of the Annual General Meeting of BMW AG and, by analogous application of §§ 295 (1), 293 (1) AktG, the approval of the shareholders of the Controlled Entity would be required.

No compensation or settlement is owed to outside shareholders, as all shares in the dependent company (Controlled Entity) are in the hands of the Controlling Entity (BMW AG). For this reason, there was likewise no need for a review of the new Profit and Loss Transfer Agreement by one or more experts (contract auditors) pursuant to §§ 293b et seq. AktG.

6. Requirements of the tax authorities regarding the contractual content of a Profit and Loss Transfer Agreement

Last year, the tax authorities specified the tax requirements for the necessary contractual content of a profit and loss transfer agreement and reaffirmed their legal opinion in February 2010 in response to several requests from companies and trade associations. In particular with regard to the application of § 302 AktG – which has since been amended – the tax authorities have issued new guidelines that apply throughout Germany.

The new wording – in particular the preceding unrestricted general clause in Section 2.1 of the new Profit and Loss Transfer Agreement (“the provisions of § 302 AktG shall apply in full as amended from time to time”) – covers the more rigorous requirements of the tax authorities. In addition, it is assumed that this wording also anticipates or prevents the future need for further adjustment.

Munich, 18 March 2010

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