BMW GROUP

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 9 March 2021 on the Amendment Agreement to the Profit and Loss Transfer Agreement between Bayerische Motoren Werke Aktiengesellschaft and BMW Bank GmbH 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 Amendment Agreement dated
9 March 2021
to the Profit and Loss Transfer Agreement dated 15 March 2010

between
BMW AG and BMW Bank GmbH
(hereinafter also referred to individually as "Party" or collectively as "Parties")

1. Introduction

On 15 March 2010, the Controlling Entity and the Controlled Entity entered into a profit and loss transfer agreement (hereinafter "Profit and Loss Transfer Agreement"), under which the Controlled Entity undertook to transfer its entire profit to the Controlling Entity. In turn, the Controlling Entity undertook to compensate any losses of the Controlled Entity. The General Meeting of Shareholders of BMW AG approved the Profit and Loss Transfer Agreement on 18 May 2010, after the shareholders' meeting of the Controlled Entity had already given its approval on 18 March 2010. The Profit and Loss Transfer Agreement became effective upon entry in the Commercial Register of BMW Bank GmbH on 1 October 2010. As a result of the Profit and Loss Transfer Agreement, a fiscal unity applies in the area of corporate income tax and trade tax between BMW AG and the Controlled Entity. Changes in the legal framework have now made it necessary to adapt the Profit and Loss Transfer Agreement. For this reason, the Controlling Entity and the Controlled Entity concluded an agreement on 9 March 2021 containing amendments to individual provisions of the Profit and Loss Transfer Agreement (hereinafter "Amendment Agreement"). The Board of Management of BMW AG and the Management of the Controlled Entity jointly issue the following report on the Amendment Agreement pursuant to § 293a of the German Stock Corporation Act (AktG).

The following report explains and substantiates the conclusion and the content of the Amendment Agreement in legal and economic terms. The report serves as information for BMW AG shareholders in preparation for the Annual General Meeting on 12 May 2021.

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

BMW Bank GmbH, with its registered office in Munich, is entered in the Commercial Register of Munich District Court under HRB 82381. It has branch offices in Italy, Spain and Portugal.

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 (Kreditwesengesetz, KWG); furthermore, commercial brokering of insurance, leasing of objects of all kinds, in particular motor vehicles, as well as the provision of other services for affiliated companies.

BMW AG is the sole shareholder of BMW Bank GmbH.

The core business areas of BMW Bank GmbH are customer and dealer financing, leasing business and deposit business. It is also active in the areas of importer financing and insurance brokerage.

BMW Bank offers the following products and services in particular:

Retail business
BMW Bank GmbH offers leasing and financing solutions for new and used vehicles. The BMW Bank GmbH range of financing services includes basic and target financing of new, demonstration and used vehicles as well as recently used vehicles of the BMW and MINI brands as well as financing of used vehicles of other brands. This range is supplemented with insurance and service components for motor vehicles and motorbikes.

Dealer financing
In the area of dealer financing, BMW Bank GmbH offers loans, especially for vehicles, to dealers of the BMW Group as well as to independent dealers. BMW Bank GmbH therefore maintains business relations with a large number of dealers.

Importer financing
In addition to dealer financing, loans for BMW Group products are also extended to BMW importers. In this way, BMW Bank GmbH contributes to supporting sales in the automotive business in markets without own sales organisation.

Deposit business
In the deposit business, the range of services includes instant-access and fixed-term deposit accounts as well as savings accounts. The BMW Premium Depot offers customers the opportunity to hold and trade all securities admitted in Germany. Furthermore, credit cards for customers and BMW Corporate Cards for employees are arranged in connection with co-branding models.

Insurance
BMW Bank GmbH arranges vehicle-related customer insurance with its insurance partners via the BMW/MINI dealer network. In addition to vehicle and motorcycle insurance with various benefits packages, extended warranty products are also offered.

The Management of BMW Bank GmbH currently consists of the following members: Dr Kathrin Kerls (Chair), Mr Hans-Peter Mathe, Dr Winfried Müller, Dr Markus Walch, Mr Thomas Weber.

The Supervisory Board of BMW Bank GmbH currently has the following members: Dr Thomas Wittig (Chair), Ms Birgit Böhm-Wannenwetsch, Mr Guido Boschetto, Mr Horst Erik Fischer, Ms Heike Schneeweis, Mr Jonathan Townend.

In 2020, BMW Bank GmbH employed an average of 1,169 people, 209 of whom worked at the Italian branch, 158 at the Spanish branch and 49 at the Portuguese branch.

In the annual financial statements of BMW Bank GmbH under German commercial law as at 31 December 2019, the balance sheet total amounts to EUR 28.67 billion and the net profit before profit transfer amounts to EUR 261.37 million.

Since the conclusion of the Profit and Loss Transfer Agreement on 15 March 2010, the Controlled Entity has transferred profits to the Controlling Entity each year; there has been no compensation of losses.

Overall, from today's perspective, neither the current nor the expected net assets, financial position and results of operations based on current estimates offer any indication that the Controlled Entity might assert claims for the compensation of losses against the Controlling Entity in the fiscal years 2020 to 2022.

3. Amendment Agreement; framework data and consent requirement

The Amendment Agreement between BMW AG and BMW Bank GmbH was concluded on 9 March 2021. It will be submitted to the Annual General Meeting of BMW AG on 12 May 2021 for approval in accordance with §§ 295, 293 AktG. As the sole shareholder of BMW Bank GmbH, BMW AG is expected to approve the Amendment Agreement in notarial form in March 2021. In order to become effective, the Amendment Agreement also requires entry in the Commercial Register of BMW Bank GmbH according to analogous application of §§ 295, 294 (2) AktG.

4. Legal and economic reasons for concluding the Amendment Agreement; effects of the Amendment Agreement

Changes in the legal framework made it necessary to adjust the Profit and Loss Transfer Agreement. Firstly, an amendment to Article 28 para 3 of EU Regulation No. 575/2013 (Capital Requirements Regulation, CRR) came into force on 27 June 2019. According to this, the regulatory qualification of the equity of the Controlled Entity as "Common Equity Tier 1 capital" in case of the existence of a profit and loss transfer agreement inter alia requires the following: (i) the allocation of part or all of the profit to other revenue reserves within the meaning of § 272 (3) of the German Commercial Code (HGB) or to the special item for general banking risks within the meaning of § 340g HGB is subject to a discretionary decision by the subsidiary (Controlled Entity), and (ii) the agreement provides for a notice period according to which the agreement can only be terminated at the end of a fiscal year, which does not alter the obligation of the parent company to provide the subsidiary with full compensation for all losses incurred during the current fiscal year. Secondly, an amendment to § 10 (5) of the German Banking Act (KWG) came into force on 29 December 2020, according to which the possibility of extraordinary termination of certain inter-company agreements in accordance with § 297 (1) AktG does not apply if the purpose of a capital commitment is the lending of own funds.

In order to meet such regulatory requirements and at the same time continue to benefit from the possible tax advantages of a fiscal unity, the Parties have concluded the Amendment Agreement. The fiscal unity between the Parties for corporate

income tax and trade tax purposes, the extension of which was served by the conclusion of the Profit and Loss Transfer Agreement in 2010, can therefore continue. Therefore, based on this fiscal unity profits and losses of the Controlled Entity will continue to be directly attributed to the Controlling Entity for tax purposes in the future, and positive and negative results will be offset for tax purposes at the level of the Controlling Entity. This can result in tax benefits, depending on the taxable earnings situation of the participating companies.

The Parties have also taken the conclusion of the Amendment Agreement as an opportunity to establish clarifications and updates to the Profit and Loss Transfer Agreement (see the explanation under 6 below).

By entering into the Profit and Loss Transfer Agreement, the Controlling Entity undertook to assume the losses of the Controlled Entity in accordance with the provisions of § 302 AktG. This obligation will continue to apply after the conclusion of the Amendment Agreement. The conclusion of the Amendment Agreement does not result in any other special consequences, in particular because no compensation or settlement is payable to external shareholders.

5. Alternatives to the conclusion of the Amendment Agreement

There is no economically reasonable alternative to the conclusion of the Amendment Agreement.

An adjustment of the Profit and Loss Transfer Agreement to the altered legal framework described above is only possible by concluding the Amendment Agreement. Without such an Amendment Agreement, the equity of BMW Bank GmbH would no longer meet the requirements for recognition as “Common Equity Tier 1 capital” under banking supervisory law. This might result in BMW Bank GmbH no longer being able to fulfil its business purpose unless it terminates the Profit and Loss Transfer Agreement at the earliest possible date.

Termination of the Profit and Loss Transfer Agreement would in turn result in possible tax disadvantages to the BMW Group. In this case, the fiscal unity would no longer apply for corporate income tax and trade tax purposes between BMW AG and BMW Bank GmbH. Profits and losses of the Controlled Entity could no longer be directly attributed to BMW AG as the Controlling Entity for tax purposes. As a result, positive and negative results could no longer be offset for tax purposes at Group level. Profits of the Controlled Entity could at most be distributed to BMW AG by way of a profit distribution. In this case, under current tax law, BMW AG would be liable to pay corporate income tax and trade tax on 5% of the profit distribution.

6. Explanation of the Amendment Agreement

The Amendment Agreement amends individual provisions of the Profit and Loss Transfer Agreement.

Re. Section 1 of the Amendment Agreement (amendment of the Preamble of the Profit and Loss Transfer Agreement):

The Preamble of the Profit and Loss Transfer Agreement reads as follows prior to amendment:

"The Controlling Entity is the sole shareholder of the Controlled Entity. In continuation of an existing fiscal unity within the meaning of §§ 14, 17 KStG between the Controlled Entity and the Controlling Entity, the previously existing Profit and Loss Transfer Agreement between the Parties shall be amended as a whole as follows."

Sentence 2 of the Preamble describes the intention of the Parties to revise the Profit and Loss Transfer Agreement in 2010. This sentence is deleted for the purpose of updating the Profit and Loss Transfer Agreement.

Re. Section 2 of the Amendment Agreement (amendment of Sections 1.3, 1.4 and 1.5 of the Profit and Loss Transfer Agreement):

According to the amended Section 1.3, the Controlled Entity may allocate amounts from the net profit for the year to other revenue reserves pursuant to § 272 (3) HGB or to the special item for general banking risks pursuant to § 340g HGB insofar as this is permissible under commercial law and, to the extent that the allocation to other revenue reserves is concerned, insofar as it is economically justified based on a reasonable commercial assessment or, to the extent that the allocation to the special item for general banking risks is concerned, insofar as it is necessary based on a reasonable commercial assessment due to the special risks applicable to its business sector as a credit institution.

Art. 28 para 3 subpara 2 (d) CRR requires that the subsidiary, when preparing its annual accounts, has the discretion to reduce the amount of distributions by transferring all or part of its profits to its own reserves or allocating them to the fund for general banking risks before making a payment to its parent company.

The amended Section 1.3. reflects this by explicitly mentioning the possibility of allocation to the special item "Fund for general banking risks" pursuant to § 340g HGB in addition to the possibility of creating other revenue reserves pursuant to § 272 (3) HGB, which was already provided for the Controlled Entity prior to the amendment of the Profit and Loss Transfer Agreement. In future, the Controlled Entity can therefore decide under the above-mentioned conditions without the consent of the Controlling Entity whether and in what amount other revenue reserves

are formed or an allocation to the “Fund for general banking risks” is made before a transfer of profits to the Controlling Entity.

According to the amended Section 1.4, other revenue reserves formed in accordance with § 272 (3) HGB during the term of the Profit and Loss Transfer 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. However, the Controlled Entity is not obliged to dissolve other revenue reserves for the purpose of profit transfer if the requested profit transfer would result in it no longer having sufficient equity. The transfer of pre-contractual capital and revenue reserves is excluded.

The Amendment Agreement supplements Section 1.4 of the Profit and Loss Transfer Agreement to the extent that a release of other revenue reserves for the purpose of profit transfer is excluded if this would result in the Controlled Entity no longer having sufficient equity. This amendment complements the amendment to Section 1.3 and protects the Controlled Entity’s equity. In future, other revenue reserves formed by the Controlled Entity do not have to be dissolved at the request of the Controlling Entity for the purpose of profit transfer if this would result in the Controlled Entity’s capital base no longer being sufficient.

Furthermore, Section 1.4 is supplemented by the Amendment Agreement to the extent that the transfer of pre-contractual capital and revenue reserves is excluded. This provision serves the purpose of clarification since the Profit and Loss Transfer Agreement did not previously contain any express provision in this regard.

Section 1.5 sentence 2 of the Profit and Loss Transfer Agreement in the version dated 15 March 2010 reads: "The Controlling Entity may request an advance transfer of profits if and to the extent that an advance distribution could be paid." This sentence is deleted without replacement by the Amendment Agreement. The purpose is to meet the requirements of Art. 28 para 3 subpara 2 (d) CRR. According to this provision, when preparing its annual accounts, the subsidiary must have a discretion to reduce the amount of distributions by transferring all or part of its profits to its own reserves or by allocating them to the fund for general banking risks before making a payment to its parent company. The purpose of deleting section 1.5 sentence 2 of the Profit and Loss Transfer Agreement is to not restrict the discretion of the Controlled Entity to build up reserves or to allocate profits to the fund for general banking risks through an advance transfer of profits at the request of the Controlling Entity.

The aforementioned amendments to Sections 1.3, 1.4 and 1.5 do not prevent the existence of a fiscal unity for corporate income tax and trade tax purposes.

<u>Re. Section 3 of the Amendment Agreement (deletion of Section 2.3 of the Profit and Loss Transfer Agreement):</u>

Section 2 of the Profit and Loss Transfer Agreement regulates the assumption of losses by the Controlling Entity. Section 2.1 of the Profit and Loss Transfer

Agreement stipulates in this respect that the provisions of § 302 AktG, as amended from time to time, shall fully apply (so-called dynamic reference).

Prior to amendment by the Amendment Agreement, Section 2.3 of the Profit and Loss Transfer Agreement also stipulates that the Controlled Entity is subject to certain restrictions in analogous application of § 302 (3) AktG with regard to a waiver or settlement of the claim for loss compensation, which do not apply if the Controlling Entity is illiquid and settles with its creditors to avoid insolvency proceedings or if the obligation to pay compensation is regulated in an insolvency plan. This provision in Section 2.3 is intended to highlight the application of § 302(3) and has no separate regulatory content. It essentially reflects wording of § 302 (3) AktG valid at the time of the conclusion of the Profit and Loss Transfer Agreement on 15 March 2010, which applies anyway due to the dynamic reference to § 302 AktG in Section 2.1 of the Profit and Loss Transfer Agreement. As a result of the Act on the Further Development of Restructuring and Insolvency Law (Gesetz zur Fortentwicklung des Sanierungs- und Insolvenzrechts – SanInsFoG) of 22 December 2020 (Federal Gazette I p. 3256), the wording of § 302 (3) AktG was slightly amended with effect from 1 January 2021. Since the wording of Section 2.3 of the Profit and Loss Transfer Agreement now deviates from the wording of § 302 (3) AktG as a result of the change in the law and Section 2.3, as explained above, has no regulatory content of its own beyond the dynamic reference to § 302 AktG, Section 2.3 is deleted by the Amendment Agreement for clarification purposes.

Re. Section 3 of the Amendment Agreement (insertion of a new Section 2.3 in the Profit and Loss Transfer Agreement):

The Amendment Agreement inserts a new Section 2.3 in the Profit and Loss Transfer Agreement, according to which the claim of the Controlled Entity for loss compensation becomes due on the balance sheet date of the Controlled Entity. This provision serves the purpose of clarification, since the Profit and Loss Transfer Agreement did not previously contain any express provision in this regard.

Re. Section 4 of the Amendment Agreement (amendment of Section 3 of the Profit and Loss Transfer Agreement):

Section 3.1. sentence 3 of the Profit and Loss Transfer Agreement refers to an earlier Profit and Loss Transfer Agreement that existed prior to the conclusion of the Profit and Loss Transfer Agreement of 15 March 2010 and stipulates that it is to be replaced by the agreement of 15 March 2010. This sentence is deleted by the Amendment Agreement for the purpose of updating the Profit and Loss Transfer Agreement.

The Profit and Loss Transfer Agreement provides for a minimum term in Section 3.2, sentence 1 and 2, which expired on 31 December 2014. According to the amended provisions in Section 3.2, following the minimum term the agreement is extended for further periods of one year each unless it is terminated by one Party at least six weeks before expiry with effect from the end of a fiscal year of the Controlled Entity.

The termination does not affect the contractual obligations of the Parties, in particular the duty of the Controlling Entity to compensate losses, until the termination takes effect.

Art. 28 para 3 subpara 2 (f) CRR requires the Profit and Loss Transfer Agreement to provide for a notice period according to which the agreement can only be terminated at the end of a fiscal year – with termination coming into effect no sooner than from the beginning of the following fiscal year – which does not alter the obligation of the parent company to provide full compensation to the subsidiary for all losses incurred during the current fiscal year. The wording of Section 3.2 sentence 2 and 3 of the Profit and Loss Transfer Agreement takes these requirements into account.

Section 3.3 of the Profit and Loss Transfer Agreement, according to which each Party is entitled to terminate the agreement for good cause without notice, is deleted by the Amendment Agreement. The background is the amendment to § 10 (5) KWG which came into force on 29 December 2020, according to which the possibility of extraordinary termination of certain inter-company agreements under § 297 (1) AktG, does not apply if the purpose of a capital commitment is the lending of own funds. The existing Profit and Loss Transfer Agreement is based on this purpose. According to the new legal situation, an extraordinary termination of the Profit and Loss Transfer Agreement between the Parties is excluded, so the agreement has to be adapted accordingly. The deletion of the extraordinary right of termination does not prevent the fiscal unity from being recognised under tax law.

Re. Section 5 of the Amendment Agreement (clarification):

Section 5 clarifies that the provisions of the Profit and Loss Transfer Agreement shall continue to apply unchanged as far as they are not altered by the Amendment Agreement.

Re. Section 6 of the Amendment Agreement (effective date):

Section 6 clarifies that the Amendment Agreement is concluded subject to the approval of the General Meeting of Shareholders of the Controlling Entity and the approval of the shareholders' meeting of the Controlled Entity. It stipulates that the Amendment Agreement shall apply from the beginning of the fiscal year of the Controlled Entity in which it is entered in the Commercial Register of the Controlled Entity.

7. No compensation and no settlement, no audit of the agreement

No compensation or settlement is payable to outside shareholders, as all shares in the Controlled Entity are held by the Controlling Entity. Therefore, there is also no requirement for an audit of the Amendment Agreement by one or more experts pursuant to §§ 295, 293b et seq. AktG.

Munich, 9 March 2021

Bayerische Motoren Werke Aktiengesellschaft
The Managing Board

_____
Oliver Zipse

_____	_____
Ilka Horstmeier	Dr. Milan Nedeljkovic
_____	_____
Pieter Nota	Dr. Nicolas Peter
_____	_____
Frank Weber	Dr. Andreas Wendt

BMW Bank GmbH
Management

_____
Dr. Kathrin Kerls

_____	_____
Hans-Peter Mathe	Dr. Winfried Müller
_____	_____
Dr. Markus Walch	Thomas Weber