INTERIM REPORT 30 JUNE 2022

BMW INTERNATIONAL INVESTMENT B.V.

BMW GROUP

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BMW International Investment B.V.
Interim Management Report

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Dear Ladies and Gentlemen,

The directors present their interim management report and interim financial statements for the half year ended 30 June 2022. This half-yearly financial information has been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”. The Interim Report 2022 has been prepared using the same accounting methods as those used for the preparation of the Annual Report 2021. The interim financial statements for the six months ended 30 June 2022 and the comparative period have not been audited but reviewed.

The interim financial information has been included within the interim Group Financial Statements of BMW AG, for the half year ended 30 June 2022.

This interim report may contain forward-looking statements based on current expectations of the management. Various known and unknown risks, uncertainties and other factors could lead to considerable differences between the actual future results, financial situation development and/or performance and the historical results presented. Undue reliance should not be placed on forward-looking statements which speak only as of the date of this interim report.

BMW International Investment B.V. (the “Company”) was incorporated in the Netherlands and is a wholly owned subsidiary of BMW Holding B.V. who in turn is a wholly owned subsidiary of BMW Intec Beteiligungs GmbH, a wholly owned subsidiary of BMW AG. The statutory seat of the Company is the Hague. The purpose of the Company is to assist the financing of business activities conducted by companies of the BMW Group in the United Kingdom (UK) and its affiliates and to provide financial services in connection therewith.

The Company’s activities and risk management

The core business of the Company comprises mainly financing BMW Group companies in the UK that are priced in accordance with the “at arm’s length” principle. As a consequence, the main activities are providing long-term liquidity, intercompany funding for BMW Group in the United Kingdom. Based on its activities, the Company has identified the most important risks associated with its activities. Group policies, guidelines, control systems and threshold structures are essential to making the Company’s risk appetite an intrinsic part of the business, as they help to minimize all the risks and control them at an acceptable level.

Firstly, protection against such risks is provided by so-called natural hedges that arise when the values of non-derivative financial assets and liabilities have matching maturities, amounts (netting), and other properties. Derivative financial instruments are used, such as interest rate swaps and cross currency swaps, to reduce the risk remaining after taking into account the effects of natural hedges. With regard to interest rate risk, the Company successfully implemented the financial strategy of the BMW Group, which is explained in more detail in note 12.

Non-financial risks could arise from operating risks such as the risk of fraud and compliance risk. Risk of fraud is mainly identified in the area of misappropriation of assets. The Company has aligned its internal control and risk management system on misappropriation of assets and financial reporting in accordance with the BMW Group policy. Risk management is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) model, where the relevant processes include the early identification of risks and opportunities, their measurement and the use of suitable instruments to manage and monitor risk. The Company has established an encompassing reporting system that provides decision makers with comprehensive, up-to-date information and insights into developments regarding the capital markets.

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

By regularly sharing experiences with other counterparties, we ensure that innovative ideas and approaches are included in the risk management system and that risk management is subjected to continuous improvement. The contracted staff of the Company regulary follow trainings as well as information events, which are invaluable in preparing employees for new or additional requirements. The overall risk management process within the BMW Group is managed centrally and reviewed for appropriateness and effectiveness by the BMW Group's internal audit department, which is acting upon this as an independent authority. Please refer to the BMW Group's financial statements for more detailed information.

Given the objectives of the Company, the Company is economically interrelated with the ultimate holding company, BMW AG, Germany. In assessing the solvency and general risk profile of the Company, the solvency of the BMW Group as a whole, headed by BMW AG, needs to be considered. Solvency is assured by managing and monitoring the liquidity situation on the basis of a rolling cash flow forecast. The resulting funding requirements are secured by a variety of instruments placed on the world's financial markets. The objective is to minimize risk by matching maturities for the BMW Group's financing requirements within the framework of the target debt ratio. The BMW Group has good access to capital markets as a result of its solid financial position and a diversified refinancing strategy. This is underpinned by the long-term ratings (Moody's as of March 26, 2021: A2 with stable outlook; S&P as of August 5, 2021: A with a stable outlook) and short-term ratings (Moody's as of March 26, 2021: P-1; S&P as of August 5, 2021: A-1) issued by Moddy's and S&P. The debt securities of the Company are guaranteed by BMW AG.

At present, no risks have been identified which could threaten the going concern status of the Company or which could have a materially adverse impact on the net assets, financial position, or results of operations of the Company.

Operations during the year

In the half-year under report, the health crisis caused by the coronavirus and the rising inflation continued to have a negative impact on the economy while, in contrast, the company's results were very good. The following paragraphs focus on the development of the Company's operations in the first six months of 2022.

The first half year 2022 resulted in a gross income of GBP 71.4 million (30.06.2021: gross income of GBP 19.3 million). The positive result of the Company was mainly impacted by a positive interest margin of GBP 2.6 million (30.06.2021:profit GBP 4.4 million) and its profit on financial transactions of GBP 68.9 million (30.06.2021: profit of GBP 13.6 million).

The Company presented an interest margin with a profit of GBP 2.6 million (30.06.2021: GBP 4.4 million) which developed as expected in line with its business model. The Company received a liquidity fee from BMW AG of GBP 3.7 million (30.06.2021: GBP 4.1 million) related to its business nature as a strategic liquidity provider to the BMW Group and its focus on BMW Group's financing activities, as set out in note 2. A remuneration between the Company and BMW AG is established in order to ensure that the Company earns an "at arm's length" net profit per financing business activity and based on its functional and risk profile. This matured process is nevertheless periodically reviewed from a legal and fiscal perspective by relevant internal and external stakeholders.

The increase of the Result from financial transactions to a gain of GBP 68.9 million (30.06.2021: gain of GBP 13.6 million) is related to the measurement at fair value of financial instruments. The latter was mainly impacted by fair value gain on derivatives not included in a hedge relationship, which in turn were mainly impacted by an increase in the 2-year GBP swap curve during the year 2022. The development of the Result from financial transactions is closely monitored and it is in line with the risk strategy of the Company.

The Company shows a stable balance sheet total in the first half year 2022 of GBP 9,323 million (2021: GBP 9,300 million).

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Debt Capital markets

The Euro Medium Term Note ("EMTN") Program of euro 50.0 billion together with the euro 5.0 billion Multi-Currency Commercial Paper Program has been successfully utilized during the first half year of 2022 to refinance BMW Group companies in the UK. However, the Company did not issue any new EMTN's and paid back two EMTN's with a nominal amount of GBP 450 million in the first half year 2022 (30.06.2021: issued no new debt securities and paid back one EMTN with a nominal amount of GBP 50 million).

Furthermore, the Company has not entered in any new loan agreement ("Schuldscheindarlehen") (30.06.2021: no new loan agreements) but issued three European Commercial papers for GBP 175 million (30.06.2021: no new commercial papers).

Global developments and outlook

In 2021 the easing of the COVID 19 restrictions led to an overall economic rebound. In 2022, the war in Ukraine, high energy prices chain distortions and high inflation led to downward revisions of economic growth forecasts for the near future. Pointing to the large to high uncertainties, the International Monetary Fund (IMF) in April 2022 lowered its growth projections for global GDP to 3.6% for 2022 from 4.9%. Russia's war in Ukraine is a humanitarian disaster. In addition, the economic damage is already being felt worldwide and threatens to become increasingly severe and long-lasting. Russia's invasion of Ukraine on 24 February has jeopardised the recovery of growth following the COVID 19 pandemic and caused a catastrophe throughout the region, destroying lives, homes and infrastructure. The consequences are felt worldwide. While the situation remains highly fluid and the outlook is subject to extraordinary uncertainty, the economic consequences are already seen in high energy and commodity prices. The sanctions on Russia will also have a substantial impact on the global economy, financial markets and EUR/RUB exchange rate. However, the war in Ukraine and the sanctions for Russia therewith, had no impact on the interim financial statements 2022.

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

In July 2022 the US Federal Reserve raised its benchmark interest rates again with 0.75%, bringing the reference rate to a range of 2.25% to 2.5%. The US economic outlook moved to a restrictive stance of policy with a possibility that an even more restrictive stance could be appropriate if elevated inflation pressures were to persist. At the same time, policy firming could slow economic growth for a while.

The United Kingdom is set to grow by an estimated 3.7% in 2022 (from 5%) amidst high inflation, tight labour markets and expectations of weaker investment. According to the latest IMF forecasts, the UK economy will grow more slowly than all other G7 economies next year. In April the IMF estimated the UK's GDP growth for 2023 at 1.2%, but in its latest forecast it is revised downwards to 0.5%.

In light of the economic outlook and developments in the political environment, the Company believes that it will continue to face challenges, such as interest rate changes, for the remainder of 2022, for which it is preparing through its risk management procedures and strategic guidelines. The deterioration in economic environment had an opposite, positive effect on the Company's results in the first half of 2022. No major changes are expected for the rest of the year. In addition, none of its counterparties have defaulted or been in default and there are no indications that this will happen to date.

The management of the Company does not see any threat to Company's status as going concern. As at 30 June 2022, the management's analyses do not give reason to any value or risk adjustments for the Company. The Company's financial position is stable, with liquidity requirements currently covered by available liquidity and credit lines. The Company continued to monitor the development of the pandemic and ensure that its people were safe, and its business remained strong.

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

Climate change

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

Company information

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

The Hague, 23 August 2022

W. Knopp
Managing Director

G. Ramcharan
Financial Director

P. Picker
Director

BMW International Investment B.V.
Responsibility Statement

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To the best of our knowledge and in accordance with the applicable reporting principles of the International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, the Interim Report gives a true and fair view of the assets, liabilities, financial position and profit or loss of BMW International Investment B.V. The BMW International Investment B.V. Interim Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of BMW International Investment B.V.

BMW International Investment B.V.

The Hague, 23 August 2022

W. Knopp
Managing Director

G. Ramcharan
Financial Director

P. Picker
Director

BMW International Investment B.V.
Income Statement and Statement of Comprehensive Income

in GBP thousand	Note	1 January to 30 June 2022	1 January to 30 June 2021
Interest income BMW Group companies		61,612	41,472
Interest income third parties		16	50
Interest related income		3,739	4,104
Interest and interest related income	[2]	**65,367**	**45,626**
Interest expense BMW Group companies		(45,228)	(21,087)
Interest expense third parties		(17,549)	(20,137)
Interest expense	[2]	**(62,777)**	**(41,224)**
Interest margin	[2]	**2,590**	**4,402**
Factoring commission income	[3]	–	1,522
Net commission income		**–**	**1,522**
Other financial income and expenses	[4]	83	(1)
Impairment loss on financial receivables	[5]	5	–
Result from financial transactions	[6]	68,888	13,575
Financial result		**71,566**	**19,498**
Miscellaneous income & expenses		(166)	(180)
Income/(loss) before taxation		**71,400**	**19,318**
Taxes	[7]	(18,415)	(4,829)
Net income / (loss)		**52,985**	**14,489**
Other comprehensive income:			
Items that can be reclassified to the income statement in the future			
Cost of hedging (net effect after tax)		736	820
Total comprehensive income for the period		**53,721**	**15,309**
Basic earnings per share of common stock in pound sterling from net income		2,943	805

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

The notes from page 13 to 28 form an integral part to the financial statements.

BMW International Investment B.V.
Balance Sheet at 30 June

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Before profit appropriation

Assets in GBP thousand	Note	30.6.2022	31.12.2021
Receivables from BMW Group companies	[8]	3,859,500	2,944,500
Derivative assets		116,825	50,761
Deferred tax assets		180	436
Non-current assets		**3,976,505**	**2,995,697**
Receivables from BMW Group companies	[8]	5,327,527	6,294,507
Derivative assets		19,031	10,363
Current assets		**5,346,558**	**6,304,870**
Total assets		**9,323,063**	**9,300,567**

Equity and liabilities in GBP thousand	Note	30.6.2022	31.12.2021
Issued capital		18	18
Share premium reserve		62,241	62,241
Cost of hedging reserve		(518)	(1,254)
Retained earnings		82,400	44,493
Undistributed income		52,985	37,907
Equity		**197,126**	**143,405**
Debt securities	[10]	1,577,143	1,546,720
Loans due to banks		319,964	287,478
Derivative liabilities		49,872	53,460
Non-current liabilities		**1,946,979**	**1,887,658**
Debt securities	[10]	260,616	763,318
Liabilities due to BMW Group companies		6,883,805	6,367,528
Derivative liabilities		487	2,479
Interest payables and other liabilities		17,908	126,497
Tax liabilities	[9]	16,142	9,682
Current liabilities		**7,178,958**	**7,269,504**
Total equity and liabilities		**9,323,063**	**9,300,567**

The notes from page 13 to 28 form an integral part to the financial statements.

BMW International Investment B.V.
Cash Flow Statement

in GBP thousand	1 January to 30 June 2022	1 January to 30 June 2021
Net income for the year	52,985	14,489
Adjustments for non-cash items		
Fair value measurement losses/(gains) derivatives	(93,715)	54,799
Fair value measurement losses/(gains) non-derivative financial instrument	12,250	(68,423)
Amortisation financial instruments	455	1,118
Interest income	(65,367)	(45,626)
Interest expense	62,777	41,224
Change in impairment allowance	1,806	–
Taxes	18,415	4,829
Loss on revaluation of financial instruments	992	1,093
Changes in operating assets and liabilities		
Receivables from BMW Group companies	65,721	15,443
Derivatives	13,403	(9,854)
Liabilities to BMW Group companies	(191)	1,840
Interest payables and other liabilities	12	26
Interest received	49,820	44,549
Interest paid	(45,244)	(33,508)
Taxes paid	(11,936)	(1,582)
Cash flow from operating activities	**62,183**	**20,417**
Cash flow from investing activities	**–**	**–**
Capital repayment to parent company	–	(1,426,500)
Repayment Debt securities	(449,445)	(50,000)
Proceeds from the issuance of Liabilities to BMW Group companies	17,164,917	17,766,744
Repayment Liabilities to BMW Group companies	(16,663,169)	(16,310,661)
Repayment Other Liabilities	(114,486)	–
Cash flow from financing activities	**(62,183)**	**(20,417)**
Net increase/(decrease) in cash and cash equivalents	**–**	**–**
Cash and cash equivalents at January 1	–	–
Cash and cash equivalents at June 30	**–**	**–**

The notes from page 13 to 28 form an integral part to the financial statements.

BMW International Investment B.V.
Statement of Changes in Equity

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in GBP thousand	Issued Capital	Share premium reserve	Cost of hedging reserve	Retained earnings	Undis-tributed income/(loss)	**Total**
1 January 2021	**18**	**1,488,741**	**(3,032)**	**46,319**	**(1,826)**	**1,530,220**
Net income/(loss)	–	–	–	–	14,489	**14,489**
Other comprehensive income/(expense) for the period after tax	–	–	820	–	–	**820**
Comprehensive income/(expense) 30 June 2021	**–**	**–**	**820**	**–**	**14,489**	**15,309**
Appropriation of results 2020	–	–	–	(1,826)	1,826	**–**
Capital repayment to parent company	–	(1,426,500)	–	–	–	**(1,426,500)**
30 June 2021	**18**	**62,241**	**(2,212)**	**44,493**	**14,489**	**119,029**
1 January 2022	**18**	**62,241**	**(1,254)**	**44,493**	**37,907**	**143,405**
Net income/(loss)	–	–	–	–	52,985	**52,985**
Other comprehensive income/(expense) for the period after tax	–	–	736	–	–	**736**
Comprehensive income/(expense) 30 June 2022	**–**	**–**	**736**	**–**	**–**	**53,721**
Appropriation of results 2021	–	–	–	37,907	(37,907)	**–**
30 June 2022	**18**	**62,241**	**(518)**	**82,400**	**52,985**	**197,126**

The notes from page 13 to 28 form an integral part to the financial statements.

Reporting entity

BMW International Investment B.V. (the "Company") was incorporated in the Netherlands and is a wholly owned subsidiary of BMW Holding B.V. who in turn is a wholly owned subsidiary of BMW Intec Beteiligungs GmbH, a wholly owned subsidiary of BMW AG. The statutory seat of the Company is The Hague in the Netherlands. The Company has its registered office and principal place of business in Rijswijk in the Netherlands. The Company was recorded in the Commercial Register on 14 December 2004, number 17.171.669. The Company's purpose is to assist the financing of business activities conducted by companies of the BMW Group and its affiliates and to provide financial services in connection therewith. The core business of the Company comprises mainly financing BMW Group companies in the United Kingdom (UK) that are priced in accordance with the "at arm's length" principle and to contribute to the liquidity requirements of the BMW Group.

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

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

A Supervisory Board, established in April 2016, exists and currently consists of four members.

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

Statement of compliance

The interim financial statements (Interim Report) of 30 June 2022 have been prepared in accordance with the International Accounting Standard (IAS) 34. Interim Financial Reporting has been prepared using, in all material aspects, the same accounting methods as those used for preparation of the Annual Report 2021.

The interim financial statements of 30 June 2022 have not been audited but reviewed. The June 2022 Interim Report of BMW International Investment B.V. is prepared and authorised for issuance by the Board of Directors of the Company on 23 August 2022.

Solvency

Given the objectives of the Company, the Company is economically interrelated with the ultimate holding company, BMW AG, Germany. In assessing the solvency and general risk profile of the Company, the solvency of the BMW Group as a whole, headed by BMW AG, needs to be considered. The Board of Directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements based on a forecast analysis which supports the going concern assumptions.

Basis of preparation

Functional and presentation currency

Since October 2015, the Company took the role of a treasury center for financial services denominated in British Pound Sterling for the BMW Group companies operating in the United Kingdom.

The financial statements contain the period from 1 January to 30 June 2022. The financial statements are presented in GBP which is the Company's functional currency. Items included in the financial statements are measured using the currency of the primary economic environment in which BMW International Investment B.V. operates. All financial information presented in GBP has been rounded to the nearest thousand, unless otherwise stated in the notes.

Comparison with previous year

The valuation principles and methods of determining the result are the same as those used in the previous year, with the exception of the changes in accounting policies as set out in the relevant sections.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the financial statement of financial position:

Financial assets and liabilities are measured at their fair value:

- derivative Financial instruments, and
- recognised financial assets and liabilities that are part of fair value hedge relationships are measured at fair value in respect of the risk that is hedged.

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Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

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

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make certain assumptions and judgements and to use estimations that can affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The assumptions used are continuously checked for their validity. Actual amounts could differ from the assumptions and estimations used if business conditions develop differently to the Company expectations.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods affected. Due to the current financial market conditions, the estimates contained in these financial statements concerning the operations, economic performance and financial condition of the Company are subject to known and unknown risks, uncertainties and contingencies, many of which are beyond the control of the management of the Company, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Also, the estimates are based on management's estimates of fair values and of future costs, using currently available information. Factors that could cause differences include, but are not limited to:

- risks of economic slowdown, downturn or recession
- risks inherent in changes in market interest rates and quality spreads, especially in an environment of unpredictable financial market conditions
- lending conditions to companies turning to the worse, thereby increasing the cost of borrowing
- changes in funding markets, including commercial paper and term debt
- uncertainties associated with risk management, including credit, prepayment, asset/liability, interest rate and currency risks
- changes in laws or regulations governing our business and operations, and
- changes in competitive factors

For the valuation of financial instruments, the most significant assumptions and estimates relate to the interest rates and exchanges rates used in the valuation models in the notes 11 and 12.

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

Financial Reporting Rules

(a) No significant new Standards or revised Standards were applied by the Company for the first time in the first six months of the current financial year.

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

[1] Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Foreign currency

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the individual transactions. At the end of the accounting period the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the year-end. Exchange rate differences arising on translation are recognised in the income statement. Quotations of market rates are obtained from Reuters Ltd. Real time rates are frozen on daily basis.

Financial result

The financial result comprises the Interest margin, Factoring commission income, Other financial income and expenses, Impairment loss on financial receivables and Result from financial transactions.

The Interest margin is the difference between Interest income and Interest expenses. The Interest income comprises interest income on funds invested as well as an interest remuneration between the Company and BMW AG. The latter is established in order to ensure that the Company earns an “at arm’s length” net interest result for its financing activity based on its business model and risk profile as a strategic liquidity reserve provider to BMW AG and its focus on the financing business of BMW Group. Interest expenses include interest expense on borrowings. Interest income and expense is recognised as it accrues in profit or loss, using the effective interest method.

Factoring administration charges and other fee income is recognised in profit or loss at the time the debts are factored. The discount charge is recognised in profit or loss as it accrues, considering the effective yield on the asset.

Other financial income and expenses cover the exchange rate differences of the assets and liabilities in foreign currency. Foreign currency gains and losses are reported on a net basis.

A model is used for determining the impairment losses on financial receivables which is based on expected credit losses and is comprised in the Impairment loss on financial receivables. More information on the model itself can be found under the paragraph “Impairment”.

The Result from financial transactions include changes in the fair value of financial assets at fair value through profit or loss and gains and losses on hedging instruments that are recognised in profit or loss.

Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until the Annual General Meeting of Shareholders has approved the proposal. Dividend income is recognised in profit or loss on the date that the Company’s right to receive payment is established.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates items recognised directly in equity or in other comprehensive income.

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

Deferred tax asset and liability are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset and liability are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. There is no program which dilute the number of shares outstanding.

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Financial instruments

Categories of financial assets

The categories of financial assets that are held by the Company are:

– at amortised costs, and
– financial assets at fair value through profit and loss

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

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

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

Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes. For the methods used see note 11. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Non-derivative financial assets

The Company initially recognises financial assets and deposits at fair value on the date that they are originated. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets at amortized cost

Financial assets are classified as "at amortised cost" if the following two conditions are both met:

1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
2) the contractual terms of the financial asset generate cash flows that are solely payments of principal and interest on the principal amount outstanding

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

Assets at amortised costs comprise receivables from BMW group companies, interest receivables and other receivables, and cash and cash equivalents. The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest and relevant credit spreads at the reporting date.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Non-derivative financial liabilities

The Company initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company has the following non-derivative financial liabilities: debt securities, loans due to BMW Group companies, trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The determination of the fair value of the non-derivative financial instruments which are allocated to level 1 are based on quoted prices in an active market. The fair value of non-derivative financial instruments classified at level 2 are determined using a measurement model, which takes the Group's own default risk and that of counterparties into account in the form of credit default swap (CDS) contracts which have matching terms, and which can be observed on the market.

Derivative financial instruments and hedging activities

Derivative financial instruments are used within the Company for hedging purposes. The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. All derivative financial instruments are measured at fair value. Fair values are determined on the basis of valuation models (discounted cash flow models). Observable market price, tenor and currency basis spreads are taken into account in the measurement of derivative financial instruments. Furthermore, the Company's own credit risk and that of counterparties is taken into account on the basis of credit default swap values. Interest rate and currency swaps are valued by using discounted cash flow models. The changes in the fair values of these contracts are reported in the income statement (in Result from financial transactions).

The Company applies the option to recognise credit risks arising from the fair values of a group of derivative financial assets and liabilities on the basis of their total net amount. Portfolio-based valuation adjustments (credit valuation adjustments and debit valuation adjustments) to the individual derivative financial assets and financial liabilities are allocated using the relative fair value approach (net method).

Forward foreign exchange contracts are valued by using discounted cash flow models. Changes in fair value are calculated by comparing this with the original amount calculated by using the contract forward rate prevailing at the beginning of the contract.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

When the Company holds derivative financial instruments due to risk management policies, but no hedge accounting can be applied in line with IFRS 9, then all changes in its fair value are recognised immediately in profit or loss.

Fair value hedges

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Where fair value hedge accounting is applied, changes in fair value are recognised in the income statement (in Result from financial transactions) or in other comprehensive income as a component of the Cost of hedging reserve. Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item. Hedges are mainly used to hedge interest rate risks and foreign currency risks relating to debt securities and loans due to banks. Cross currency basis spreads are not designated as part of the hedging relationship in the case of interest rate hedges accounted for as fair value hedges. Accordingly, changes in the market value of such instruments are recorded as costs of hedging within the Cost of hedging reserve. Amounts recorded in equity are reclassified to the income statement over the term of the hedging relationship.

The Company discontinues hedge accounting prospectively when the hedge no longer meets the criteria for hedge accounting. Any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins over the remaining period of the hedge relationship before discontinuing. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

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Impairment

Financial assets

The Company applies the approach described in IFRS 9 to determine impairment of financial assets. IFRS 9 requires the implementation of an 'expected credit loss' (ECL) model, which aims to be forward looking and requires to recognise an impairment loss for all financial assets as an expected expense. In accordance with this model, valuation allowances for expected credit losses on financial assets classified at amortised cost are recognised in two stages. Impairment allowances on financial assets are measured at initial recognition based on the expected 12-months credit loss. If, at subsequent balance sheet dates, the credit loss risk has increased significantly since the date of initial recognition, the impairment allowance will instead be measured based on the lifetime expected credit losses. The calculations of impairment allowances on receivables from affiliates are primarily based on information which is available in the market (e.g., ratings and probabilities of default) as well as on internal and external information on recovery rates. The Company generally assumes creditworthiness is impaired if a receivable is more than 90 days overdue. Credit-impaired assets are identified as such on the basis of this definition of default. In the case of credit-impaired assets which had not been credit-impaired at the time they were acquired or originated, an impairment allowance is recognised at an amount equal to lifetime expected credit losses (Stage 3). There were no significant changes in the assumptions or methodology applied in the assessment of expected credit losses, compared with the prior year.

Share capital

Ordinary shares are classified as equity. There is no preference share capital or compound financial instruments issued by the Company.

Cash flow statement

The cash flow statement shows how the cash and cash equivalents of the Company have changed in the course of the year as a result of cash inflows and cash outflows. In accordance with IAS 7 (Statement of Cash Flows), cash flows are classified into cash flows from operating, investing and financing activities.

The cash flows from investing and financing activities are based on actual payments and receipts. While the cash flow from operating activities is derived indirectly from the net profit for the year. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects. The changes in balance sheet positions shown in the cash flow statement do not therefore agree directly with the amounts shown in the Company balance sheets.

The Company's purpose is to assist the financing of the activities conducted by companies of the BMW Group in the United Kingdom. This assistance is considered to be an operating activity for the Company. Movements related to debt securities, loans due to banks and liabilities to BMW Group companies are considered to be operating activities. The cash flow from operating activities is computed using the indirect method, starting from the net income of the Company. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects.

Segment reporting

Under IFRS 8 the Company is required to disclose segmental information of its performance. Only one operating income could be identified. The Company derives its revenues interest income financing receivables of BMW Group companies in the United Kingdom and trading derivatives to hedge the market risks of the Company. Furthermore, the interest revenue is derived by contributing to the liquidity requirements of the BMW Group. The interest revenue streams are related to the business model of the Company.

[2] Interest income and expenses

Total interest income and expense for financial assets and liabilities comprise the following:

in GBP thousand	1 January to 30 June 2022	1 January to 30 June 2021
Interest income on financial assets at amortised cost	60,850	37,533
Interest income on financial assets included in a fair value hedge relationship	2,784	7,966
Interest income on derivatives at fair value not included in a hedge relationship	1,733	127
Interest income	**65,367**	**45,626**
Interest expense on financial liabilities at amortised cost	(44,705)	(18,124)
Interest expense on financial liabilities included in a fair value hedge relationship	(17,869)	(18,751)
Interest expense on derivatives at fair value not included in a hedge relationship	(203)	(4,349)
Interest expense	**(62,777)**	**(41,224)**
Interest margin	**2,590**	**4,402**

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

The interest income from BMW Group companies is earned on the Receivables from BMW Group companies. The interest expense from BMW Group companies is mainly incurred by loans due to BMW Group companies and derivatives. The interest expenses third parties comprise the interest expense due to activites in Debt Securities and loans due to banks.

The interest margin resulted into a profit of GBP 2.6 million (30.06.2021: GBP 4.4 million). The interest income and expenses are presented as non-cash items in the Cash flow statement.

An interest remuneration between the Company and BMW AG is established in order to ensure that the Company earns an "at arm's length" net interest result for its financing activity based on its function and risk profile as a strategic liquidity provider to the BMW Group and its focus on financing the business of the BMW Group. The Company received a liquidity fee from BMW AG of GBP 3.7 million (30.06.2021: received GBP 4.1 million). In addition, a guarantee fee was paid of GBP 2,6 million (30.06.2021: paid GBP 1.9 million). As the latter unconditionally and irrevocably guarantees the Company's issuances on the capital markets.

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[3] Factoring commission income

The factoring commission income is nil (30.06.2021: GBP 1.5 million). As the Company decided to focus primarily on the financing of BMW Group companies, it stopped purchasing factoring receivables in the fourth quarter of 2021.

[4] Other financial income and expenses

The item comprises a gain of GBP 83 thousand (30.06.2021: loss of GBP 1 thousand) due to exchange rate differences.

[5] Impairment loss on financial receivables

The Company recognised a provision for expected credit losses according to IFRS 9 in respect of Receivables from BMW Group companies measured at amortised cost. This resulted in a relief of GBP 5 thousand in the first half year 2022 (30.06.2021: nil).

[6] Result from financial transactions

in GBP thousand	1 January to 30 June 2022	1 January to 30 June 2021
Ineffective portion of financial instruments included in a hedge relationship	451	277
Revaluation of derivatives not included in a hedge relationship	68,437	13,298
Total	**68,888**	**13,575**

The profit from result from financial transactions of GBP 68.9 million (30.06.2021: gain of GBP 13.6 million) refers to the fair value measurement of financial instruments. This result was mainly related to fair value profits on derivatives, which in turn were mainly impacted by an increase in the 2-year GBP swap curve during the year 2022.

The revaluation of derivatives not included in a hedge relationship is mainly related to interest rates swaps to hedge the portfolio of receivables with a fixed rate from BMW Group companies (see note 8).

[7] Taxes

Income taxes comprise the following:

in GBP thousand	1 January to 30 June 2022	1 January to 30 June 2021
Current tax income/(expense)	(18,415)	(4,829)
Deferred tax income/(expense)	–	–
Total tax income/(expense) in income statement	**(18,415)**	**(4,829)**

Reconciliation of the effective tax rate:

in GBP thousand	1 January to 30 June 2022	1 January to 30 June 2021
Income before tax	71,400	19,318
Income tax using the domestic corporate tax rate (25,8%)	(18,421)	(4,830)
Other differences	6	–
Total tax income/(expense) in income statement	**(18,415)**	**(4,830)**
Effective tax rate	**25.8%**	**25.0%**

The Company left the fiscal unity, headed by BMW Holding B.V., per 30 June 2019. Henceforth, it has been independently liable for the payment of any tax liabilities since 1 July 2019. Followingly, the Company now calculates its taxable profit in GBP and translates the amount into euro at year-end, against the average exchange rate of the respective year.

For 2022 the applicable Dutch corporation tax rate is 25.8% (2021: 25%). For the taxable amount up to and including euro 395,000 the applicable tax rate is 15% (2021: amount up to and including euro 245,000).

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

[8] **Receivables from BMW Group companies**

in GBP thousand	30.6.2022	31.12.2021
Non-current receivables from BMW Group companies	3,859,500	2,944,500
Current receivables from BMW Group companies	5,327,527	6,294,507
Total receivables from BMW Group companies	**9,187,027**	**9,239,007**

The Company recognised an impairment loss on Receivables from BMW Group companies of GBP 0.9 million in the first half year of 2022 (2021: GBP 0.9 million) in accordance with IFRS 9. No significant changes to estimation techniques or assumptions were made during the reporting period.

From the total receivables from BMW Group Companies 72% has a fixed interest rate per 30 June 2022.

The weighted average maturity period and the weighted average effective interest rate of the receivables from BMW Group companies during the first half of the financial year 2022 are:

in GBP thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from affiliated companies	8,544,599	1.23	1.6
Inhouse Bank BMW AG	604,661	Daily	SONIA* + spread
Trade receivables from BMW Group companies	37,767	0.0	0.0
Total	**9,187,027**		

* SONIA = Sterling Overnight Index Average (per 30-06-2022: 1.1874%).

From the total receivables from BMW Group companies per 67% had a fixed interest rate per 31.12.2021.

The weighted average maturity period and the weighted average effective interest rate of the receivables from BMW Group companies during the financial year 2021 are:

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

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

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

in GBP thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
30.6.2022	5,327,527	3,859,500	–	**9,187,027**
31.12.2021	6,294,507	2,944,500	–	**9,239,007**

[9] Tax assets and liabilities

The Deferred tax receivable of GBP 180 thousand (31.12.2021: Deferred tax receivable of GBP 436 thousand) is related to the cost of hedging of derivative financial instruments included in a fair value hedge relationship. The deferred tax asset is calculated with a tax rate of 25.8%.

The tax liability of GBP 16.1 million (31.12.2021: tax receivable GBP 9.7 million), relates to the Corporate Income Tax (CIT) to be paid to the Dutch tax authority. The Company left the fiscal unity, headed by BMW Holding B.V., per 30 June 2019. Henceforth, it has been independently liable for the payment of any tax liabilities since 1 July 2019.

[10] Debt securities

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

in GBP thousand	30.6.2022	31.12.2021
Debt securities part of a fair value hedge relationship	1,837,759	2,110,038
Debt securities at amortised cost	–	200,000
Commercial paper	–	–
Total	**1,837,759**	**2,310,038**

The Bonds under the EMTN Program and other securities issued by the Company comprise per 30 June 2022:

Interest	Currency	Issue volume (in millions)	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Fixed	CHF	600	6.8	0.5
	GBP	1,300	4.1	1.3
	NOK	1,000	10.0	3.3

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

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

The Euro Medium Term Note ("EMTN") Program of euro 50.0 billion has been used in several currencies by the Company. In the first half year of 2022 there was no need for the Company to issue new notes (2021: nil). Further issuers are BMW AG, BMW US Capital LLC, BMW Finance N.V. and BMW Japan Finance Corp. Furthermore, the Company participates in the euro 5.0 billion Multi-Currency Commercial Paper Program established by BMW AG and BMW Finance N.V. The Multi-Currency Commercial Paper Program supports flexible and broad access to capital markets. Debt issuances under these programs have unconditional and irrevocable guarantees from BMW AG.

There are no outstanding balances with respect to the Euro 5.0 billion Multi-Currency Commercial Paper Program as of 30 June 2022 (31.12.2021: nil).

[11] Financial instruments

Derivative financial instruments are measured at their fair value, where the fair value is determined based on measurement models. As a consequence, there is a risk that on disposal, the calculated values could differ from realisable market prices. Furthermore, observable financial market prices are taken into account in the measurement of derivative financial instruments. The valuation considers the Company's own default risk, as well as that of counterparties, in the form of credit default swap (CDS) spreads which have appropriate terms, and which can be observed on the market.

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

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

At 30 June 2022 the financial assets and liabilities measured at fair value according to IFRS 9 are classified as follows in the measurement levels in accordance with IFRS 13:

	Level hierarchy in accordance with IFRS 13		
in GBP thousand	Level 1	Level 2	Level 3
Derivative instruments (assets)			
Fair value hedges	–	42,789	–
Other derivative instruments	–	93,067	–
Derivative instruments (liabilities)			
Fair value hedges	–	43,147	–
Other derivative instruments	–	7,212	–

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The classification of financial assets and liabilities at fair value according to IFRS 9 to measurement levels in accordance with IFRS 13 as at 31 December 2021 are as follows:

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

In the above table, Other derivative instruments are derivatives not included in a hedge relationship and are related to interest rate swaps and foreign currency swaps which hedge the portfolio of fixed rated receivables from BMW Group companies.

There were no reclassifications within the level hierarchy either in the first half of the financial year 2022 or in the financial year 2021.

Where the fair value is required for a financial instrument for disclosure purposes, the discounted cash flow method is used, taking into account the BMW Group's credit risk. These fair values are allocated as level 2.

The fair values in the financial asset and liability categories approximate their carrying values, except for the BMW Group receivables with a fixed interest rate, non-current debt securities and other (intercompany) payables with a fixed interest rate. The fair values shown are computed using market information available at the balance sheet date.

The following table shows the fair values and carrying amounts of financial assets and liabilities that are measured at amortised cost and where carrying amounts differ from their fair value. For some balance sheet items, fair value corresponds to the carrying amount due to their short maturity.

30 June 2022:

in GBP million	Note	Fair value	Carrying value	Difference
BMW Group receivables (level 2)	[8]	9,170	9,187	(17)
Non-current debt securities	[10]	1,504	1,577	(73)
whereof level 1		1,424		
whereof level 2		80		

BMW Group receivables are valued at amortised cost. The underlying changes to the fair value of these assets are therefore not recognised in the balance sheet. The Company does not apply hedge accounting to intercompany receivables with a fixed interest rate. The change of fair value of the BMW Group receivables are valued according to level 2 methodologies.

For the current debt securities, the fair value approximates the carrying value. The change of fair value of the loans due to banks are valued according to level 2 methodologies.

31 December 2021:

in GBP million	Note	Fair value	Carrying value	Difference
BMW Group receivables (level 2)	[8]	9,267	9,239	28
Non-current debt securities	[10]	1,539	1,547	(8)
whereof level 1		1,451		
whereof level 2		88		

[12] **Risk management**

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

Risk Management Framework

The formal procedures and policies operated by the Company to cover banking, foreign exchange and other treasury matters are consistent with objectives and policies for financial risk management within the BMW Group. The Company's policy is not to take positions in derivative financial instruments with the aim of profit realisation. The Company's risk management policy strives to achieve interest rate and foreign currency exposure neutrality.

The Company has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

This note presents information about the BMW Groups' exposure to each of the above risks, the BMW Groups' objectives, policies and processes for measuring and managing risk, and the BMW Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Financial Risks

Credit Risk

The Company is exposed to counterparty credit risks if an internal- or external counterparty is unable or only partially able to meet their contractual obligations. As a general rule, the Company assumes that a receivable is in default if it is more than 90 days overdue or if there are objective indications of insolvency.

The Company applies the general approach described in IFRS 9 to determine impairment of financial assets. Under the general approach, loss allowances are measured on initial recognition on the basis of the expected 12-month credit loss (stage 1). If the credit loss risk at the end of the reporting period has increased significantly since initial recognition, the impairment allowance is measured on the basis of lifetime expected credit losses (stage 2 – general approach). Further disclosures relating to the model used are provided in the explanatory note 1 in the paragraph "Impairment of financial assets".

The measurement of the change in default risk is based on a comparison of the default risk at the date of initial recognition and at the end of the reporting period. The default risk at the end of each reporting period is determined on the basis of credit checks, current key economic indicators and any overdue payments. Loss allowances on trade receivables are determined primarily on the basis of information relating to overdue amounts. The loss allowance on these assets is calculated using the input factors available on the market (i.e., Corporate Default Studies), such as ratings and default probabilities.

The amount recognised in the balance sheet of the Company for financial assets is the maximum credit risk in the case that counterparties are unable to fulfil their contractual obligations. In the case of derivative financial instruments, the Company is also exposed to credit risk, which results from the non-performance of contractual agreement on the part of the counterparty. This credit risk, for Treasury activities is mitigated by entering into such contracts only with parties of first-class credit standing. Furthermore, the Company participates in a BMW Group wide limit system that continually assesses and limits the credit exposure to any single external counterparty.

BMW AG grants the Company a guarantee on financial receivables such that the maximum loss on the receivables of Company does not exceed EUR 2 million, excluding any accrued interest of these transactions. As a result, credit risk of intergroup financial receivables is substantially mitigated.

The Company has credit risk with respect to trade receivables related to factoring activities. Management assesses the credit default risk of all debtors before a purchase of receivables (factoring) is accepted. The decisions are based on the available market information and the experience of the management. The current portfolio structure minimises the default risk of the debtors by having high credit rating debtors as e.g. BMW Group companies.

Furthermore, due to the debt monitoring collection system implemented by the Company no credit defaults were encountered in the current and previous financial year. Hence all the Company's receivables at 30 June 2022 are recoverable at their recognised amount.

The impact of the BREXIT is assessed to be limited for the Company, due to the guarantee by BMW AG. BMW AG grants the Company a guarantee on financial receivables such that the maximum loss on the receivables of Company does not ex-

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ceed EUR 2 million, excluding any accrued interest of these transactions.

During the first half year of 2022, the Company had neither write-downs nor reversals of write-downs. The Company has no loans and receivables which are overdue. There were no past dues amongst loans and receivables and there were no collaterals received.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial liabilities when they become due, at reasonable costs and in a timely manner. As a result, the Company's borrowing capacity may be influenced, and its financing costs may fluctuate. The cash and short-term lending mitigate the liquidity risk for the Company. The diversification of debt instruments for debt financing reflects the successful financial strategy of the BMW Group. BMW AG unconditionally and irrevocably guarantees all debt securities issued under the EMTN Programs.

The Company has various possibilities for liquidity facilities. A concentration of liquidity risk has not been identified.

Market risk

The Company is exposed to market risk, which comprises interest rate risk and currency risk.

Interest rate risk

Interest rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in interest rates. The Company holds a substantial volume of interest rate sensitive financial assets, liabilities and derivatives for operational, financial and investment activities. Changes in interest rates can have adverse effects on the financial position and operating result of the Company. In order to mitigate the impact of interest rate risk the Company aims in general to change fixed to floating interest rates. Furthermore, the Company continually assesses its exposure to this risk by using gap analysis, value at risk analysis, and duration analysis. Interest rate risk is managed through natural hedges and hedged through the use of derivative financial instruments, such as interest rate swaps. To manage the maturity gaps appropriate interest rate derivatives are used. The interest rate contracts used for hedging purposes comprise mainly swaps, which, if hedge accounting is applied, are accounted as fair value hedges. The economic relationship between the hedged item and the hedging instrument is based on the fact that the main parameters of the hedged item and the related hedging instrument, such as start date, term and currency, are the same.

The Company applies a value at risk-approach for internal reporting purposes and to control the frequency, extent, and size of possible losses in such a way as to provide the minimum surprise. The approach to value at risk is based on a modern historical simulation, in which the potential future fair value losses of the interest rate portfolios are compared across the BMW Group with probable amounts measured on the basis of a holding period of 250 days and a confidence level of 99.98%. Due to the aggregation of these results, a risk reduction effect due to correlations between the various portfolios is accomplished.

The Company implemented the Financial Strategy of the BMW Group. The objective of interest rate risk neutrality is accomplished when interest rate gaps are managed in manner that the economic value of the portfolio of financial instruments is immunised to a considerable degree against changes in interest rates. The Company monitors its interest rate risk exposure continuously and prepares a monthly report submitted to the BMW Group treasury department. A primary risk measure when judging the interest rate exposure of the Company is the present value of a basis point of the portfolio. This concept indicates the impact on profit and loss, representing the sum of discounted cash flows of the financial instruments, by assuming a parallel shift of the interest rate curve of a basis point.

The transition to the newly created and/or revised benchmark interest rates is being managed and monitored as part of a multidisciplinary project. The conversion will involve making changes to systems, processes, risk and valuation models, as well as dealing with the associated accounting implications. The uncertainty arising from the benchmark interest rate reform, is likely to continue to exist up to the end of 2022.

Currency risk

Currency risk or exchange rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in exchange rates. Changes in exchange rates can have adverse effects on the financial position and operating result of the Company. In order to mitigate the impact of currency risk arising from operational, financial and investment activities, the Company continually assesses its exposure to this risk. Currency risk is managed and hedged through the use of derivative instruments, such as forward contracts and cross currency swaps. The economic relationship between the hedged item and the hedging instrument is based essentially on the fact that they are denominated in the same currency, same amount and have the same maturities, hence the risk is fully hedged. A concentration of currency risk has not been identified. The company does not have any currency risk per 30 June 2022.

Non-Financial Risks

Operating and Compliance Risks

Non-financial risks could arise from operating risks. Risks mainly result from the use of IT systems and information technology. The Company uses IT systems to monitor financial positions and daily cash flows and to process payments to internal and external counterparties. System failures can, therefore, lead to delays in payment processes. Further operating risks can arise in connection with the settlement of financial transactions. The management of daily cash flows at the Company depends on the timely receipt of funds from external institutions who act as counterparties to financial transactions, such as bonds, swaps or other derivative financial instruments. To avoid negative impacts of system failures, all key systems are set up in parallel and/or backup facilities or available within the BMW Group. Likewise, the security of all IT systems is continuously and thoroughly checked, to ensure a high level of information safety is maintained at all times.

Business Continuity Management (BCM) aims to minimise the effects of emergencies and crises, and to (initially) ensure the survival of the Company at the level of an emergency operation, thus safeguarding stakeholders' interest and the organisation's reputation and value-creating activities. BCM focusses on:

- analysing threats and the business impact of emergencies and crises
- determining the strategies and solutions to be applied in the event of a crisis, such as business recovery, crisis management and IT disaster recovery planning, so as to enable continuity of business operations
- documenting and periodically assessing these strategies and solutions

Business continuity mitigation controls, such as business continuity plans, crisis management, business relocation plans and IT disaster recovery plans are in place to prepare and deal with incidents and crises threatening the continuity of critical business processes.

[13] Capital management

The Company's objectives when managing capital at an individual company level are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders. The Company has no prescribed dividend policy.

The Company's equity, as disclosed on the face of the statement of financial position, constitutes its capital. The Company maintains its level of capital by reference to its financial obligations and commitments arising from operations requirements. In view of the extent of the Company's borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the board of management of the Company.

There were no changes in the Company's approach to capital management during the first half of the year.

The Company is not subject to externally imposed capital requirements.

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[14] Related parties

Identity of related parties

A comprehensive exchange of internal services between affiliates of a multinational corporation as the BMW Group is common practice. In its responsibility to assist the financing of business activities conducted by companies of the BMW Group and its affiliates, BMW International Investment B.V. applies transfer prices for financial instruments in conformity with market levels and in accordance with national and international tax requirements (arm's length principle, principle of economic allegiance, separate entity approach, Art 9 OECD-MA Rz 126).

Key management personnel

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

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

Intercompany pricing

In principle, the transfer prices for financial instruments are determined on the basis of three components: the price for BMW Credit Default Swaps, the three months Commercial Paper Spread and a transfer pricing margin. The price for BMW Credit Default Swaps is applied for maturities >6 months, taken from Bloomberg. For uneven maturities and maturities between Overnight and six months the method of linear inter-/-extrapolation based on the available BMW Credit Default Swaps is used to calculate the appropriate credit risk with regard to market prices. To enhance efficiency and ensure consistency throughout the BMW Group, a transfer pricing sheet is provided monthly by the Mid Office, which is filled with actual data on a daily basis to calculate the credit and term spread for every transaction. Finally, a transfer pricing margin is applied to account for the running costs of the Company.

Ultimate parent company

The interest rate result was positively affected by a liquidity fee of BMW AG of GBP 3.7 million (30.06.2021: positively affected by GBP 4.1 million) related to the business model. In addition a guarantee fee was paid of GBP 1.9 million (30.06.2021: GBP 2.6 million), as the latter unconditionally and irrevocably guarantees the Company's issuances on the capital markets. The outstanding balances of the Company with its ultimate parent company are disclosed in note 8 "Receivables from BMW Group companies".

Since July 2017 the Company has signed a factoring agreement with BMW AG for buying trade receivables. In 2021, the Company stopped with the purchase of these trade receivables. Hence the related factoring commission income is nil (30.06.2021: GBP 1.5 million).

Transactions with affiliated companies

Since the nature of the Company is to act as finance company within the larger BMW Group, the majority of transactions are with related parties. These transactions are agreed in contracts between the parties involved and are proved from a statutory and tax perspective. All significant transactions are disclosed in these accounts. For details reference is made to the notes to the relevant accounts. For details reference is made to the note 8 "Receivables from BMW Group companies". The Company entered into derivative agreements with Group companies as included in the balance of GBP 135.9 million derivative assets and of GBP 50.4 million derivative liabilities.

[15] Subsequent events

No subsequent events occurred after the balance sheet date 30 June 2022.

The Hague, 23 August 2022

The Board of Directors:

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

The review report on these interim financial statements is set out on the next page.

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Review report

To: the board of directors of BMW International Investment B.V.

Introduction

We have reviewed the accompanying interim financial information for the six-month period ended 30 June 2022 of BMW International Investment B.V., ’s-Gravenhage, which comprises the balance sheet as at 30 June 2022, the income statement and statement of comprehensive income, the statement of changes in equity, the cash flow statement for the period then ended and the selected explanatory notes. The board of directors is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, ‘Interim Financial Reporting’ as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the six-month period ended 30 June 2022 is not prepared, in all material respects, in accordance with IAS 34, ‘Interim Financial Reporting’ as adopted by the European Union.

Rotterdam, 23 August 2022
PricewaterhouseCoopers Accountants N.V.

R. van der Spek RA