



BMW Automotive Finance China

BMW AUTOMOTIVE FINANCE CHINA

UWE STADTLER, MANAGING DIRECTOR & CEO

**BMW
GROUP**

Segment Financial Services



BMW GROUP FINANCIAL SERVICES – AN ESSENTIAL PART OF OUR VALUE CHAIN.



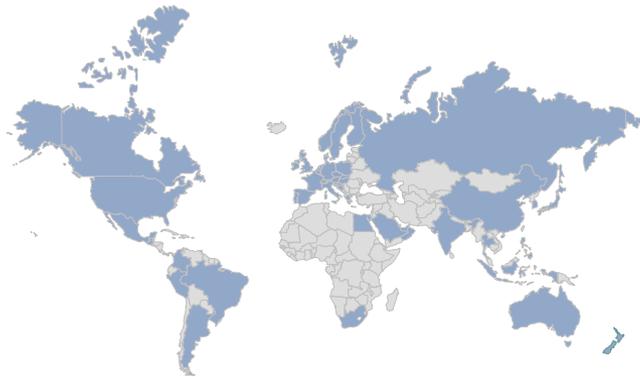
BMW Group – the World’s Leading Provider of Premium Products and Premium Services for Individual Mobility.



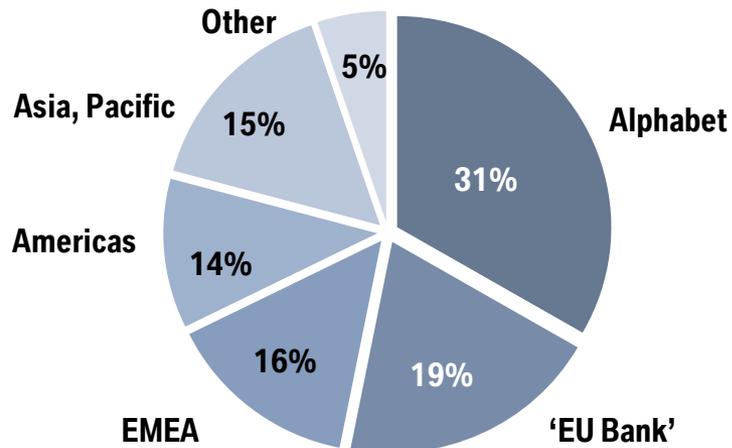
BMW GROUP FINANCIAL SERVICES AT A GLANCE.

Global Presence (year-end 2013)

Global Operations in 54 Countries



~ 6,900 Employees (76% outside Germany)



Business Lines (Portfolio Q1 2014)



Retail Finance

€ 58.4 bn.



Commercial Finance

€ 13.2 bn.



Fleet Business

€ 9.0 bn.



Multi Make Financing

€ 6.8 bn.



Insurance

2.6 Mio. Contracts



Banking

€ 9.0 bn.

STRUCTURE OF BMW AUTOMOTIVE FINANCE (CHINA) CO., LTD. (HEREINAFTER AFC).



BMW AFC PROVIDES A TAILORED SUITE OF PRODUCTS TO OUR RETAIL CUSTOMERS AND DEALERS.



Retail Cooperation Business
(with multiple Chinese Banks)

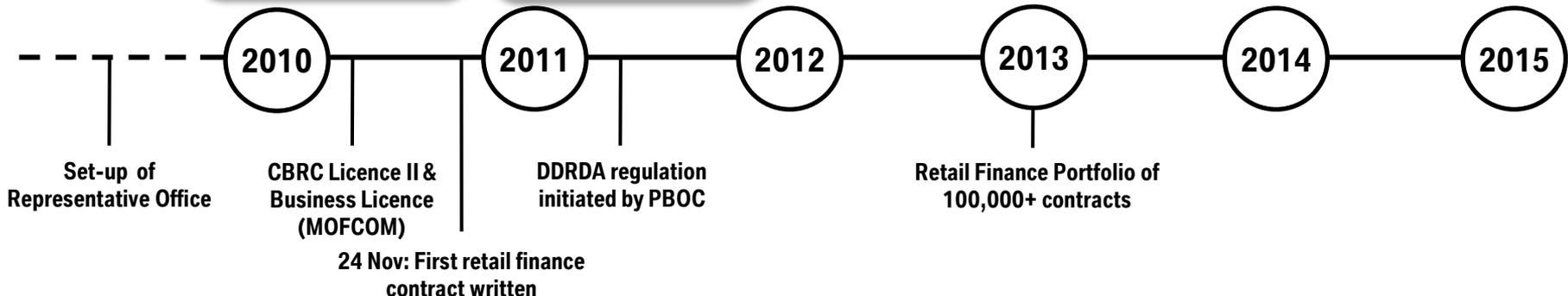
Retail Finance
(Amortizing Retail Loans & Retail Balloon Loans)

Wholesale Co-lending Business
(with major Chinese Bank)

Wholesale Finance
(Inventory Floorplan Financing for New & Demo Vehicles)

Non-asset Business/Insurance
(Motor Vehicle Insurance, Extended Warranty)

New Finance Products under Development



OUR FOCUS IS TO ACT AS A TRUE SERVICE PROVIDER FOR BMW GROUP PARTNERS AND CUSTOMERS.

Financial Services

Services Business



Risk Management



People, Systems and Processes

OUR VISION AND ROLE IS FULLY ALIGNED WITH THE GLOBAL STRATEGY OF BMW GROUP.



BMW Group Vision:
“The World’s Leading Provider of Premium Products and Premium Services for Individual Mobility.”



BMW Group Financial Services Vision:
“We turn Customers into Fans for BMW Group Mobility”



BMW Automotive Finance China Vision:
“We are the leader in China for financial mobility services: We turn Customers into fans for BMW Group mobility”

Support of Sales



Profit Contribution



Customer Interface



OUR NATIONAL FOOTPRINT COVERS ALL NATIONAL BMW DEALERS SECURING A STRONG MARKET SHARE.

Business Lines (YTD May 2014)



Retail Finance

24.7 bn. RMB*



Commercial Finance

5.5 bn. RMB*

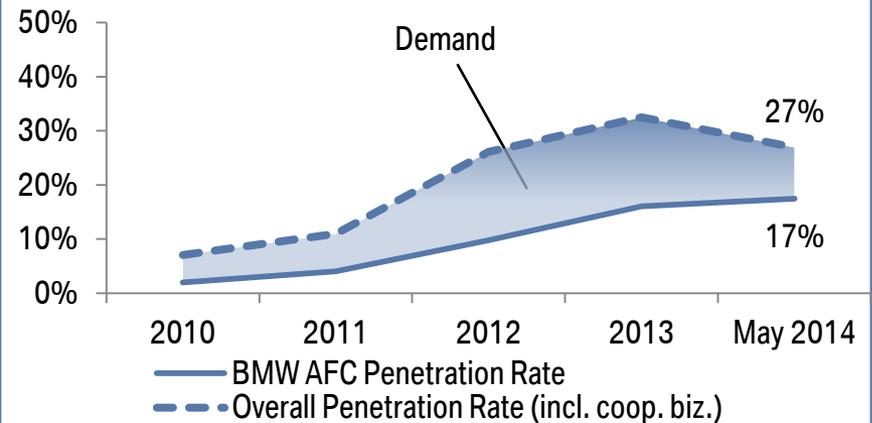


Insurance

482k contracts

* BMW AFC Serviced Portfolio

Penetration Rate & Supply Gap (YTD May 2014)



Dealer Coverage (YTD May 2014)



# of Outlets	428	97	22
Retail Finance Dealer Coverage	99%	96%	86%
Commercial Finance Dealer Coverage (approved Credit Lines)	64%	85%	81%

BMW FINANCIAL SERVICES FOCUSES ON CUSTOMER LOYALTY AND SECURES FUTURE BMW GROUP VEHICLE SALES.

Maturity Forecast



More than one million expiring contracts in the coming years require a dedicated customer life cycle management.

License Plates



More cities expected to enforce car plate restrictions until the end of the decade.

Increased importance of retention & loyalty

Joint Strategy and
Aligned Targets

IT Integration (Sales & AFC)

Increased
Dealer Empowerment

OUR SUSTAINABLE BUSINESS MODEL REQUIRES AN ACTIVE RISK MANAGEMENT APPROACH...

Financial Services

Services Business



Risk Management



People, Systems and Processes

...COVERING ALL RISK CATEGORIES TYPICAL FOR OUR INDUSTRY.

Credit Risk

The risk of customer's partial or complete inability to meet payment obligations represents the main risk for Financial Services and is directly linked to the business model (financing and leasing business).



Residual Value Risk

Losses in the expected realized market value of vehicles upon contract expiration account for the main risk for Financial Services and result from part of the business model (leasing business).



Interest Rate Risk

Negative effects due to changes in money and capital market rates are to a limited extent part of the business model.



Operational Risk

Potential losses due to the failure of internal processes, people, systems and external events, directly linked to the business model and are closely monitored.



Liquidity Risk

The business model also involves the potential risk of insolvency based on a mismatch between asset and liability maturities. This liquidity risk is covered by BMW AG.



WE ARE LEVERAGING OUR GLOBAL EXPERIENCE TO DELIVER SUSTAINABLE PERFORMANCE.



People

Leverage global footprint by sourcing experts with long-standing business experience and develop talent.



Policies and Guidelines

Global policies and guidelines adapted to local market.



High Level of Automation

IT Interfaces between Dealer Systems, Back Office Systems, Rating Engine and Credit Bureaus.



Advanced Rating Engine

*Risk Cost Calculation, *Competence Matrix, System-Integrated Rating and Policy Rules.

* Note: To be automated in 2014

OUR RISK MANAGEMENT IS FULLY INTEGRATED IN THE BMW FINANCIAL SERVICES MANAGEMENT COCKPIT.

Within our risk management strategy the limitation of our risk appetite is one of the key factors.



➔ Which risks are relevant / material?

- Risk Definition
- Risk Inventory

➔ How do we limit and cover our risks?

- Risk Assessment
- Risk Bearing Capacity

ROADMAP TO SUCCESS.

2014

Setting the Foundation



Leverage **global footprint** and experience for talent sourcing, risk management and financial stability.

2015

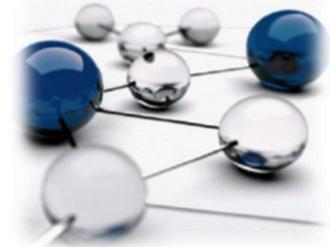
Sustainable Growth

Supporting **future growth** by a diversified financial product portfolio, an aligned sales process and smart system solutions.



2016 - 2020

Driving the Future



To become the **leader in China** for Financial Mobility Services.



Organization, Product and Operational Efficiency

Customer Loyalty and Retention

CUSTOMER CENTRICITY, A SOLID ORGANIZATION WITH SMART PROCESSES & SOPHISTICATED RISK MANAGEMENT WILL ENSURE A SUCCESSFUL FUTURE.



Customer Value

Offer a tailored, innovative and integrated product portfolio.



Customer Service

Deliver premium customer service at reasonable cost: Develop a future orientated & scalable operating model by leveraging unique & innovative technology.



Customer Centricity

Create customer-centric, cross-functional end-to-end processes to enhance operational efficiency and improve customer experience.



Risk

Manage risk with emphasis on transparency, risk ownership and governance.



People and Organization

Develop an advanced organization with highly qualified associates.



Asset-Liability Management

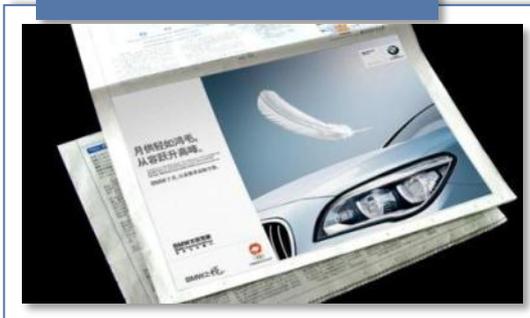
Improve loan yields and reduce funding costs by focusing on risk adjusted returns of loans and funding diversity.

THANK YOU FOR YOUR ATTENTION!



FINANCIAL SERVICE WILL FURTHER ENHANCE SALES AND PROFITABILITY FOR ALL BMW PARTNERS IN 2014.

Retail Business



Wholesale Support



Insurance Business



Credit Card



Retention / Loyalty



New IT System



BMW AUTOMOTIVE FINANCE CHINA WILL OFFER SPECIFIC PRODUCTS FOR BMW i.



New Finance / Lease Products



Insurance products

BMW Financial Services Electrify Program



**Vehicle Related Services
Extended Warranty**



**Mobility Services –
Start into a new Era**