

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON (AS DEFINED BELOW) OR TO ANY PERSON OR ADDRESS IN THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (this "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Circular. In accessing this Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS, ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS AND UNDER CIRCUMSTANCES DESIGNED TO PRECLUDE THE ISSUER FROM HAVING TO REGISTER UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED, OR THE "INVESTMENT COMPANY ACT".

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representations: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities offered hereunder, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act) or located in the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to the sender that you have understood and agree to the terms set out herein; that you are not a U.S. person, that the electronic mail address that you gave us and to which this email has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia; and that you consent to delivery of this Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

Under no circumstances does this Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Notes referred to in this Offering Circular in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of this Offering Circular who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the final Offering Circular. This Offering Circular may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer (as defined in this Offering Circular). The materials relating to the offering of securities do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Seller or the Joint Lead Managers (each as defined in this Offering Circular) or any person who controls them, nor any director, officer, employee nor agent or affiliate of any such person accepts any liability or responsibility

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OFFERING CIRCULAR



Bavarian Sky S.A., acting in respect of its Compartment German Auto Loans 2

(a public company incorporated with limited liability as a "société anonyme" under the laws of Luxembourg with registered number B 127 982)

€ 946,200,000 Class A Floating Rate Notes due 2021, issue price: 100 %

€ 53,800,000 Class B Floating Rate Notes due 2021, issue price: 100 %

Bavarian Sky S.A., acting in respect of its Compartment German Auto Loans 2 as defined below (the "**Issuer**"), is registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés Luxembourg*) under registration number B 127 982. Bavarian Sky S.A. is subject, as an unregulated securitisation undertaking, to the provisions of the Luxembourg law of 22 March 2004 on securitisation, as amended (the "**Luxembourg Securitisation Law**"). The exclusive purpose of Bavarian Sky S.A. is to enter into one or more securitisation transactions, each via a separate compartment ("**Compartment**") within the meaning of the Luxembourg Securitisation Law (*see* "THE ISSUER"). The Notes (as defined below) will be funding the seventh securitisation transaction ("**Transaction**") carried out by the Issuer through its seventh Compartment named Compartment German Auto Loans 2 (the "**Compartment Loans 2**") as described further herein. All documents relating to the Transaction, as more specifically described herein, are referred to as the "**Transaction Documents**".

In this Offering Circular, a reference to the Issuer in relation to the Transaction Documents, means the Issuer acting exclusively in respect and for the account of its Compartment Loans 2.

The Class A Notes and the Class B Notes (each such class, a "**Class**", and both Classes collectively, the "**Notes**") of the Issuer are backed by a portfolio of auto loan receivables (the "**Purchased Receivables**") secured by security interests in certain cars (the "**Financed Vehicles**") and certain other collateral more specifically described herein (the Financed Vehicles, the other collateral and the proceeds therefrom, the "**Loan Collateral**"). The obligations of the Issuer under the Notes will be secured by first-ranking security interests granted to U.S. Bank Trustees Limited (the "**Trustee**") acting in a fiduciary capacity for, *inter alios*, the Noteholders pursuant to a trust agreement (the "**Trust Agreement**") entered into between, *inter alios*, the Trustee and the Issuer. Although all Classes will share in the same security, upon the occurrence of an Enforcement Event, the Class A Notes will rank senior to the Class B Notes, *see* "TERMS AND CONDITIONS OF THE NOTES — Condition 9 (*Post-Enforcement Priority of Payments*)". The Issuer will apply the net proceeds from the issue of the Notes to purchase on the Issue Date (as defined below) the Purchased Receivables secured by the Loan Collateral. Certain characteristics of the Loan Receivables and the Loan Collateral are described in "ELIGIBILITY CRITERIA" and in "PURCHASED RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA".

Application has been made to the Luxembourg financial regulator (*Commission de Surveillance du Secteur Financier*) (the "**CSSF**") in its capacity as competent authority under the Luxembourg act relating to prospectuses for securities dated 10 July 2005, as amended (*loi relative aux prospectus pour valeurs mobilières* – the "**Prospectus Law 2005**") for the approval of the Offering Circular. By approving this Offering Circular, the CSSF assumes no responsibility as to the economic or financial soundness of this transaction or the quality and solvency of the Issuer in line with the provisions of article 7(7) of the Prospectus Law 2005. Application has also been made to the Luxembourg Stock Exchange for the Notes to be listed on the official list of the Luxembourg Stock Exchange on 20 August 2014 (the "**Issue Date**") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purpose of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC. This Offering Circular constitutes a prospectus under article 8 subparagraph 3 of the Prospectus Law 2005.

Bank of America Merrill Lynch and HSBC Bank plc (the "**Joint Lead Managers**") will subscribe and DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Banco Santander, S.A. and Société Générale Corporate & Investment Banking (the "**Co-Managers**", and, together with the Joint Lead Managers, the "**Managers**") will procure the subscription of the Notes on the Issue Date and will offer the Notes, from time to time, in negotiated transactions or otherwise, at varying prices to be determined at the time of sale.

For a discussion of certain significant factors affecting investments in the Notes, see "RISK FACTORS". An investment in the Notes is suitable only for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result from such investment.

For reference to the definitions of capitalised terms appearing in this Offering Circular, see "MASTER DEFINITIONS SCHEDULE".

Joint Bookrunners

Bank of America Merrill Lynch

HSBC

Arranger

Bank of America Merrill Lynch

Joint Lead Managers

Bank of America Merrill Lynch

HSBC

Co-Managers

DZ BANK AG

**Santander Global Banking &
Markets**

**Société Générale Corporate &
Investment Banking**

The date of this Offering Circular is 18 August 2014.

The Notes will be governed by the laws of Germany.

Each of the Class A Notes and the Class B Notes will be initially represented by a temporary global note in bearer form (each, a "**Temporary Global Note**") and in new global note ("**NGN**") form without coupons attached. Each Temporary Global Note will be exchangeable, as described herein (*see* "TERMS AND CONDITIONS OF THE NOTES — Condition 2(c) (*Form and Denomination*)") for a permanent global note in bearer form (each a "**Permanent Global Note**", and together with the Temporary Global Notes, the "**Global Notes**" and each a "**Global Note**") without coupons attached. Each Global Note is recorded in the records of Euroclear Bank S.A./NV as the operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream Luxembourg**", and, together with Euroclear, the "**Clearing Systems**"). Each Temporary Global Note will be exchangeable not earlier than forty (40) calendar days after the Issue Date, upon certification of non-U.S. beneficial ownership, for interest in a Permanent Global Note. Each of the Global Notes representing the Class A Notes and the Class B Notes, respectively, will be deposited with a common safekeeper (the "**Common Safekeeper**") appointed by Euroclear and Clearstream Luxembourg on or prior to the Issue Date. The Common Safekeeper will hold the Global Notes representing the Notes in custody for Clearstream Luxembourg and Euroclear. The Notes represented by Global Notes may be transferred in book-entry form only. The Notes will be issued in denomination of EUR 100,000. The Global Notes will not be exchangeable for definitive notes. *See* "TERMS AND CONDITIONS OF THE NOTES — Condition 2(c) (*Form and Denomination*)".

The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Class A Notes are intended upon issue to be deposited with one of the ICSDs as Common Safekeeper and does not necessarily mean that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

THE NOTES REPRESENT OBLIGATIONS OF THE ISSUER ONLY AND DO NOT REPRESENT AN INTEREST IN OR OBLIGATION OF THE MANAGERS, THE JOINT BOOKRUNNERS, THE ARRANGER, THE SELLER, THE SERVICER (IF NOT THE SELLER), THE SWAP COUNTERPARTY, THE TRUSTEE, THE DATA TRUSTEE, THE ACCOUNT BANK, THE INTEREST DETERMINATION AGENT, THE PAYING AGENT, THE CALCULATION AGENT, THE CORPORATE ADMINISTRATOR, THE LISTING AGENT, THE COMMON SAFEKEEPER OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OTHER PARTY (OTHER THAN THE ISSUER) TO THE TRANSACTION DOCUMENTS. IT SHOULD BE NOTED FURTHER THAT THE NOTES WILL ONLY BE CAPABLE OF BEING SATISFIED AND DISCHARGED FROM THE ASSETS OF COMPARTMENT LOANS 2 OF THE ISSUER AND NOT FROM ANY OTHER COMPARTMENT OF THE ISSUER OR FROM ANY OTHER ASSETS OF THE ISSUER. NEITHER THE NOTES NOR THE UNDERLYING PURCHASED RECEIVABLES WILL BE INSURED OR GUARANTEED BY ANY GOVERNMENTAL AUTHORITY OR BY THE MANAGERS, THE ARRANGER, THE SELLER, THE SERVICER (IF DIFFERENT FROM THE SELLER), THE CALCULATION AGENT, THE SWAP COUNTERPARTY, THE TRUSTEE, THE DATA TRUSTEE, THE ACCOUNT BANK, THE INTEREST DETERMINATION AGENT, THE PAYING AGENT, THE CORPORATE ADMINISTRATOR, THE LISTING AGENT, THE COMMON SAFEKEEPER OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OTHER PARTY (OTHER THAN THE ISSUER) TO THE TRANSACTION DOCUMENTS OR BY ANY OTHER PERSON OR ENTITY EXCEPT AS DESCRIBED HEREIN.

Class	Class Outstanding Notes Balance as of Issue Date	Interest Rate	Issue Price	Expected Ratings	Legal Final Maturity Date	ISIN Code	Common Code
A	€ 946,200,000	1-Month-EURIBOR + 0.28% per annum	100 %	AAA (sf) by DBRS AAA (sf) by Fitch Aaa (sf) by Moody's	20 August 2021	XS1083297421	108329742

B	€ 53,800,000	1-Month- EURIBOR + 0.68% per annum	100 %	A (high) (sf) by DBRS AA- (sf) by Fitch A2 (sf) by Moody's	20 August 2021	XS1083303419	108330341
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Interest on the Notes will accrue on the Outstanding Note Balance of each Note at a per annum rate equal to the sum of the European Interbank Offered Rate (EURIBOR) for one (1) month and a margin of 0.28% per annum in the case of the Class A Notes and 0.68% per annum in the case of the Class B Notes. Interest will be payable in euro by reference to successive interest accrual periods (each, an "**Interest Period**") monthly in arrear on the 20th day of each calendar month, unless such date is not a Business Day, in which case the payment date shall be the next succeeding Business Day (each, a "**Payment Date**"). The first of such Payment Dates will be 22 September 2014. "**Business Day**" means any day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in London, Munich, Frankfurt am Main and Luxembourg and on which the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 operates. See "TERMS AND CONDITIONS OF THE NOTES — Condition 7 (*Payment of Interest and Principal*)".

If any withholding or deduction for or on account of taxes should at any time be required by law or its interpretation in respect of payment of interest or principal in respect of the Notes, payments under the Notes will be made subject to such withholding or deduction. The Notes will not provide for any gross-up or other payments in the event that payments under the Notes become subject to any such withholding or deduction on account of taxes. See "TERMS AND CONDITIONS OF THE NOTES — Condition 12 (*Taxation*)".

Amortisation of the Notes will commence on the first Payment Date. See "CREDIT STRUCTURE AND FLOW OF FUNDS — Sequential amortisation" and "TERMS AND CONDITIONS OF THE NOTES — Condition 8.1 (*Amortisation*)".

The Notes will mature on the Payment Date falling on 20 August 2021 (the "**Legal Final Maturity Date**"), unless previously redeemed in full. The Notes will be subject to partial redemption, early redemption and/or optional redemption before the Legal Final Maturity Date in specific circumstances and subject to certain conditions. See "TERMS AND CONDITIONS OF THE NOTES — Condition 8 (*Redemption*)".

Each Class of Notes is expected, on the Issue Date, to be rated by DBRS Ratings Limited ("**DBRS**"), Fitch Ratings Limited ("**Fitch**") and Moody's Investors Service Limited ("**Moody's**", together with DBRS and Fitch, the "**Rating Agencies**"). It is a condition to the issue of each Class of Notes that such relevant Class of Notes is assigned the ratings indicated in the above table.

Each of DBRS, Fitch and Moody's is established in the European Community and according to the press release from the European Securities and Markets Authority ("**ESMA**") dated 31 October 2011, DBRS, Fitch and Moody's have been registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EU) No 513/2011 and by Regulation (EU) No 462/2013. Reference is made to the list of registered or certified credit rating agencies as last updated on 21 May 2014 published by ESMA under <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.

The Rating Agencies' rating of any Class of Notes addresses the likelihood that the holders of the Notes (the "**Noteholders**" and each a "**Noteholder**") of such Class will receive all payments to which they are entitled, as described herein. The rating of "Aaa (sf)" is the highest rating that Moody's assigns to long-term debt obligations. The rating of "AAA (sf)" is the highest rating that Fitch assigns to long-term obligations. The rating of "AAA (sf)" is the highest rating that DBRS assigns to long-term obligations. See "RISK FACTORS — Factors that may affect the Issuer's ability to fulfil its obligations under the Notes — Structural and other credit risks — Ratings of each Class of Notes".

However, the ratings assigned to any Class of Notes do not represent any assessment of the likelihood or level of principal prepayments. The ratings do not address the possibility that the Noteholders might suffer a lower than expected yield due to prepayments or early amortisation or may fail to recoup their initial investments. Prepayments may for example occur in the event of a clean-up call (see "TRANSACTION OVERVIEW — Clean-Up Call Option — Early Redemption" and "TERMS AND CONDITIONS OF THE NOTES —

Condition 8.3 (*Clean-Up Call*"), or in the event that the Seller breached the Eligibility Criteria (*see "TERMS AND CONDITIONS OF THE NOTES — Condition 8.1 (Amortisation)"*).

The ratings assigned to any Class of Notes should be evaluated independently against similar ratings of other types of securities. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the Rating Agencies at any time.

The Issuer has not requested a rating of any Class of Notes by any rating agency other than the Rating Agencies. There can be no assurance as to whether any other rating agency will rate any Class of Notes or, if it does, what rating would be assigned by such other rating agency. The rating assigned to any Class of Notes by such other rating agency could be lower than the respective ratings assigned by the Rating Agencies.

The Seller will retain for the life of the Transaction a material net economic interest of not less than 5 per cent. (5 %) in the Transaction in accordance with Article 405 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as currently in effect, (the "**CRR**") and Section 5 of Chapter III or "Section 5" of the Commission Delegated Regulation 231/2013 of 19 December 2012, as currently in effect, or "**AIFMR**" supplementing the Alternative Investment Fund Managers Directive 2011/61/EU of the European Parliament and the Council of 22 July 2013 on alternative investment fund managers or "**AIFMD**". As of the Issue Date and for the life of the Transaction, such interest will in accordance with Article 405 paragraph 1, sub (c) of the CRR and Article 51 paragraph 1 (c) of the AIFMD be comprised of an interest in randomly selected exposures equivalent to no less than 5 per cent. (5 %) of the nominal amount of the securitised exposures. However, if there are any future changes to the current CRR and AIFMD regulations, the Issuer does not guarantee compliance.

After the Issue Date, the Issuer will prepare monthly investor reports wherein relevant information with regard to the Purchased Receivables will be disclosed publicly together with an overview of the retention of the material net economic interest by the Seller for the purpose of which the Seller will provide the Issuer with all information required with a view to comply with Article 409 of the CRR and Article 52 (g) of the AIFMD.

Investors should make themselves aware of the requirements of Article 405 of the CRR and the requirements of Section 5 of the AIFMD, where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. None of the Issuer, the Seller (in its capacity as the Seller and the Servicer) or the Managers makes any representation that the information described above is sufficient in all circumstances for such purposes. In addition, all Noteholders should ensure that they comply, where relevant, with the implementing provisions in respect of Article 405 of the CRR and Section 5 of the AIFMD, respectively, in their relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction should seek guidance from their regulator. The Seller accepts responsibility for the information set out in this paragraph and in the preceding two paragraphs.

Responsibility for the Contents of this Offering Circular

The Issuer accepts full responsibility for the information contained in this Offering Circular except that:

- (i) only the Seller and the Servicer are responsible for the information in this Offering Circular relating to the Purchased Receivables, the Loan Collateral, the disclosure of servicing related risk factors, risk factors relating to the Purchased Receivables, the information contained in "EXPECTED MATURITY AND AVERAGE LIFE OF NOTES AND ASSUMPTIONS" on page 123 *et seq.*, "PURCHASED RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA" on page 127 *et seq.*, "CREDIT AND COLLECTION POLICY" on page 154 *et seq.* and "THE SELLER AND SERVICER" on page 161 *et seq.*;
- (ii) only the Swap Counterparty is responsible for the information in this Offering Circular contained in "THE SWAP COUNTERPARTY" on page 163 *et seq.*;
- (iii) only the Trustee is responsible for the information in this Offering Circular contained in "THE TRUSTEE" on page 166;
- (iv) only the Data Trustee is responsible for the information in this Offering Circular contained in "THE DATA TRUSTEE" on page 168 *et seq.* relating to it;
- (v) only the Account Bank is responsible for the information in this Offering Circular contained in "THE ACCOUNT BANK, THE CALCULATION AGENT, THE PAYING AGENT AND THE INTEREST DETERMINATION AGENT" on page 167 *et seq.* relating to it;
- (vi) only the Calculation Agent, the Paying Agent and the Interest Determination Agent are responsible for the information in this Offering Circular contained in "THE ACCOUNT BANK, THE CALCULATION AGENT, THE PAYING AGENT AND THE INTEREST DETERMINATION AGENT" on page 167 *et seq.* relating to them; and
- (vii) only the Corporate Administrator is responsible for the information in this Offering Circular contained in "THE CORPORATE ADMINISTRATOR" on page 169,

provided that, with respect to any information included herein and specified to be sourced from a third party (i) the Issuer confirms that any such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information available to it from such third party, no facts have been omitted, the omission of which would render the reproduced information inaccurate or misleading and (ii) the Issuer has not independently verified any such information and accepts no responsibility for the accuracy thereof.

The Issuer hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Issuer is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Seller and the Servicer hereby declare that, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Seller and the Servicer are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Swap Counterparty hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Swap Counterparty is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Trustee hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Trustee is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each of the Data Trustee, the Account Bank, the Calculation Agent, the Paying Agent and the Interest Determination Agent hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Data Trustee, the Account

Bank, the Calculation Agent, the Paying Agent or the Interest Determination Agent is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Corporate Administrator hereby declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), all information contained herein for which the Corporate Administrator is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representations, other than those contained in this Offering Circular, in connection with the issue, offering, subscription or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Seller, the Servicer (if different), the Data Trustee and the Trustee (all as defined below) or by the financial institutions shown on the cover page (the "**Arranger**", the "**Joint Bookrunners**", the "**Joint Lead Managers**" and the "**Co-Managers**") or by any other party mentioned herein.

Neither the delivery of this Offering Circular nor any offering, sale or delivery of any Notes shall, under any circumstances, create any implication (i) that the information in this Offering Circular is correct as of any time subsequent to the date hereof, or, as the case may be, subsequent to the date on which this Offering Circular has been most recently amended or supplemented, or (ii) that there has been no adverse change in the financial situation of the Issuer or with respect to the Seller since the date of this Offering Circular (or, as the case may be, subsequent to the date on which this Offering Circular has been most recently amended or supplemented) or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Offering Circular or (iii) that any other information supplied in connection with the issue of the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No action has been taken by the Issuer or the Managers that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular (nor any part hereof) nor any information memorandum, offering circular, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in compliance with applicable laws, orders, rules and regulations, and the Issuer and the Managers have represented that all offers and sales by them have been made and will be made on such terms.

This Offering Circular may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, the prospective investors agree to these restrictions. The distribution of this Offering Circular (or of any part thereof) and the offering and sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular (or any part thereof) may come are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions.

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF US PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. EACH MANAGER HAS REPRESENTED AND AGREED THAT IT HAS NOT OFFERED AND SOLD THE NOTES, AND WILL NOT OFFER AND SELL THE NOTES (I) AS PART OF ITS DISTRIBUTION AT ANY TIME OR (II) OTHERWISE UNTIL 40 CALENDAR DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL NOTES ONLY IN ACCORDANCE WITH RULE 903 OF REGULATION S UNDER THE SECURITIES ACT. NEITHER ANY MANAGER, ITS RESPECTIVE AFFILIATES NOR ANY PERSONS ACTING ON ITS OR THEIR BEHALF HAVE ENGAGED OR WILL ENGAGE IN ANY DIRECTED SELLING EFFORTS WITH RESPECT TO THE NOTES, AND IT AND THEY HAVE COMPLIED AND WILL COMPLY WITH THE OFFERING RESTRICTIONS REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT. AT OR PRIOR TO CONFIRMATION OF SALE OF NOTES, IT WILL HAVE SENT TO EACH DISTRIBUTOR, DEALER OR PERSON RECEIVING A SELLING CONCESSION, FEE OR OTHER REMUNERATION THAT PURCHASES NOTES FROM IT DURING THE RESTRICTED PERIOD A CONFIRMATION OR NOTICE TO SUBSTANTIALLY THE FOLLOWING EFFECT:

"THE SECURITIES COVERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS BY ANY PERSON REFERRED TO IN RULE 903(B)(2)(III) (X) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (Y) OTHERWISE UNTIL 40 CALENDAR DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF THE SECURITIES AS DETERMINED AND CERTIFIED BY THE MANAGERS, EXCEPT IN EITHER CASE IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT. TERMS USED ABOVE HAVE THE MEANING GIVEN TO THEM BY REGULATIONS UNDER THE SECURITIES ACT."

TERMS USED IN THE FOREGOING PARAGRAPH HAVE THE MEANING GIVEN TO THEM BY REGULATIONS UNDER THE SECURITIES ACT.

FURTHER, EACH MANAGER HAS REPRESENTED AND AGREED THAT:

- (A) EXCEPT TO THE EXTENT PERMITTED UNDER U.S. TREAS. REG. SECTION 1.163-5 (C)(2)(I)(D) (THE "**TEFRA D RULES**" OR ANY SUCCESSOR RULES IN SUBSTANTIALLY THE SAME FORM AS THE TEFRA D RULES, AS APPLICABLE, FOR PURPOSES OF SECTION 4701 OF THE U.S. INTERNAL REVENUE CODE), (X) IT HAS NOT OFFERED OR SOLD, AND DURING THE RESTRICTED PERIOD WILL NOT OFFER OR SELL, DIRECTLY OR INDIRECTLY, NOTES IN BEARER FORM TO A PERSON WHO IS WITHIN THE UNITED STATES OR ITS POSSESSIONS OR TO A UNITED STATES PERSON, AND (Y) IT HAS NOT DELIVERED AND WILL NOT DELIVER, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR ITS POSSESSIONS DEFINITIVE NOTES IN BEARER FORM THAT ARE SOLD DURING THE RESTRICTED PERIOD;
- (B) IT HAS AND THROUGHOUT THE RESTRICTED PERIOD WILL HAVE IN EFFECT PROCEDURES REASONABLY DESIGNED TO ENSURE THAT ITS EMPLOYEES OR AGENTS WHO ARE DIRECTLY ENGAGED IN SELLING NOTES IN BEARER FORM ARE AWARE THAT SUCH NOTES MAY NOT BE OFFERED OR SOLD DURING THE RESTRICTED PERIOD TO A PERSON WHO IS WITHIN THE UNITED STATES OR ITS POSSESSIONS OR TO A UNITED STATES PERSON, EXCEPT AS PERMITTED BY THE TEFRA D RULES;
- (C) IF IT WAS CONSIDERED A UNITED STATES PERSON, THAT IT IS ACQUIRING THE NOTES FOR PURPOSES OF RESALE IN CONNECTION WITH THEIR ORIGINAL ISSUANCE AND AGREES THAT IF IT RETAINS NOTES IN BEARER FORM FOR ITS OWN ACCOUNT, IT WILL ONLY DO SO IN ACCORDANCE WITH THE REQUIREMENTS OF U.S. TREAS. REG. SECTION 1.63-5 (C)(2)(I)(D)(6); AND
- (D) WITH RESPECT TO EACH AFFILIATE THAT ACQUIRES FROM IT NOTES IN BEARER FORM FOR THE PURPOSE OF OFFERING OR SELLING SUCH NOTES DURING THE RESTRICTED PERIOD THAT IT WILL EITHER (I) REPEAT AND CONFIRM THE REPRESENTATIONS AND AGREEMENTS CONTAINED IN SUB-CLAUSES (A), (B) AND (C); OR (II) OBTAIN FROM SUCH AFFILIATE FOR THE BENEFIT OF THE ISSUER THE REPRESENTATIONS AND AGREEMENTS CONTAINED IN SUB-CLAUSES (A), (B) AND (C).

TERMS USED IN THE FOREGOING PARAGRAPH HAVE THE MEANINGS GIVEN TO THEM BY THE U.S. INTERNAL REVENUE CODE AND REGULATIONS THEREUNDER, INCLUDING THE TEFRA D RULES.

EACH MANAGER HAS REPRESENTED, WARRANTED AND AGREED THAT:

- (A) IT HAS ONLY COMMUNICATED OR CAUSED TO BE COMMUNICATED AND WILL ONLY COMMUNICATE OR CAUSE TO BE COMMUNICATED ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE UNITED KINGDOM FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "**FSMA**")) RECEIVED BY IT IN CONNECTION WITH THE ISSUE OF THE NOTES IN CIRCUMSTANCES IN WHICH SECTION 21 (1) OF THE FSMA DOES NOT APPLY TO THE ISSUER, AND

- (B) IT HAS COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY IT IN RELATION TO THE NOTES IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

IN THE FOREGOING PARAGRAPH, "UNITED KINGDOM" SHALL MEAN THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND.

EACH MANAGER HAS REPRESENTED, WARRANTED AND AGREED THAT IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER OR SELL, DIRECTLY OR INDIRECTLY, NOTES TO THE PUBLIC IN FRANCE WITHIN THE MEANING OF ARTICLE L.411-1 OF THE FRENCH MONETARY AND FINANCIAL CODE (*CODE MONÉTAIRE ET FINANCIER*), AND THAT IT HAS NOT DISTRIBUTED OR CAUSED TO BE DISTRIBUTED AND WILL NOT DISTRIBUTE OR CAUSE TO BE DISTRIBUTED TO THE PUBLIC IN FRANCE THIS OFFERING CIRCULAR OR ANY OTHER OFFERING MATERIAL RELATING TO THE NOTES AND SUCH OFFERS, SALES AND DISTRIBUTIONS HAVE BEEN AND WILL BE MADE IN FRANCE ONLY TO (A) PROVIDERS OF INVESTMENT SERVICES RELATING TO PORTFOLIO MANAGEMENT FOR THE ACCOUNT OF THIRD PARTIES (*PERSONNES FOURNISSANT LE SERVICE D'INVESTISSEMENT DE GESTION DE PORTEFEUILLE POUR COMPTE DE TIERS*), AND/OR (B) QUALIFIED INVESTORS (*INVESTISSEURS QUALIFIÉS*) INVESTING FOR THEIR OWN ACCOUNT AND/OR (C) A RESTRICTED CIRCLE OF INVESTORS (*CERCLE RESTREINT D'INVESTISSEURS*) INVESTING FOR THEIR OWN ACCOUNT, AS DEFINED IN AND IN ACCORDANCE WITH ARTICLES L.411-1, L.411-2 AND D.411-1 TO D.411-4 OF THE FRENCH MONETARY AND FINANCIAL CODE (*CODE MONÉTAIRE ET FINANCIER*).

EACH MANAGER HAS REPRESENTED, WARRANTED AND AGREED THAT IT HAS NOT AND WILL NOT, OFFER OR SELL THE NOTES TO THE PUBLIC IN LUXEMBOURG, DIRECTLY OR INDIRECTLY, AND NEITHER THIS OFFERING CIRCULAR NOR ANY PROSPECTUS, FORM OF APPLICATION, ADVERTISEMENT, COMMUNICATION OR OTHER MATERIAL MAY BE DISTRIBUTED, OR OTHERWISE MADE AVAILABLE, IN OR FROM OR PUBLISHED, IN LUXEMBOURG, EXCEPT (I) FOR THE SOLE PURPOSE OF THE ADMISSION TO TRADING OF THE NOTES ON THE REGULATED MARKET AND THE LISTING OF THE NOTES ON THE OFFICIAL LIST OF THE LUXEMBOURG STOCK EXCHANGE AND (II) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE A PUBLIC OFFER OF SECURITIES PURSUANT TO THE PROVISIONS OF THE PROSPECTUS LAW 2005.

This Offering Circular may only be used for the purposes for which it has been published. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of any offer to buy any of the securities offered hereby in any circumstances in which such offer or solicitation is unlawful. This Offering Circular does not constitute, and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Offering Circular (or of any part thereof), see "SUBSCRIPTION AND SALE".

An investment in these Notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any Losses which may result from such investment.

It should be remembered that the price of securities and the income deriving from them may increase as well as decrease.

Prospective investors of the Notes should conduct such independent investigation and analysis as they deem appropriate to evaluate the merits and risks of an investment in the Notes. If you are in doubt about the contents of this Offering Circular, you should consult your stockbroker, bank manager, legal adviser, accountant or other financial adviser. None of the Managers or the Arranger makes any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied by the Issuer in connection with the Notes and accept any responsibility or liability therefore. None of the Managers or the Arranger undertakes to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Managers or the Arranger.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "€", "EUR" and "euros" are to the lawful currency of the Member States of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March, 1957), as amended from time to time, including by the Treaty on European Union (signed in Maastricht on 7 February 1992), by the Treaty of Amsterdam (signed in Amsterdam on 2 November 1997), by the Treaty of Nice (signed in Nice on 26 February 2001) and by the Lisbon Treaty (signed in Lisbon on 13 December 2007) (the "**EC Treaty**").

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language to ensure that the correct technical meaning may be ascribed to them under applicable law.

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RISK FACTORS

THE PURCHASE OF NOTES MAY INVOLVE SUBSTANTIAL RISKS AND BE SUITABLE ONLY FOR INVESTORS WHO HAVE THE KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS NECESSARY TO ENABLE THEM TO EVALUATE THE RISKS AND THE MERITS OF AN INVESTMENT IN THE NOTES. PRIOR TO MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY AND IN LIGHT OF THEIR OWN FINANCIAL CIRCUMSTANCES AND INVESTMENT OBJECTIVES ALL THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR AND, IN PARTICULAR, THE CONSIDERATIONS SET FORTH BELOW. PROSPECTIVE INVESTORS SHOULD (A) MAKE SUCH INQUIRIES AND INVESTIGATIONS AS THEY DEEM APPROPRIATE AND NECESSARY AND (B) REACH THEIR OWN VIEWS PRIOR TO MAKING ANY INVESTMENT DECISIONS WITHOUT RELYING ON THE ISSUER OR THE ARRANGER OR ANY MANAGER OR ANY OTHER PARTY REFERRED TO HEREIN.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. These factors are contingencies which may or may not occur, and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Notes will be solely contractual obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any of the Seller, the Servicer (if different), any substitute Servicer, the Trustee, the Swap Counterparty, the Data Trustee, the Interest Determination Agent, the Paying Agent, the Calculation Agent, the Corporate Administrator, the Managers, the Arranger, the Account Bank, the Common Safekeeper, the Listing Agent or any of their respective Affiliates or any Affiliate of the Issuer or any other party (other than the Issuer) to the Transaction Documents or any other third Person or entity other than the Issuer. Furthermore, no Person other than the Issuer will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

In addition, certain factors which are material for the purpose of assessing the market risks associated with Notes are also described below.

The Issuer believes that the risks described herein are a list of risks which are specific to the situation of the Issuer and/or the Notes and which are material for taking investment decisions by the potential Noteholders. Although the Issuer believes that the various structural elements described in this document mitigate some of these risks for Noteholders, there can be no assurance that these measures will be sufficient to ensure payment to Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all. Additional risks and uncertainties not presently known to the Issuer or that the Issuer currently believes to be immaterial could also have a material impact on the Issuer's financial strength in relation to this Transaction.

Factors that may affect the Issuer's ability to fulfil its obligations under the Notes

Various factors that may affect the Issuer's ability to fulfil its obligations under the Notes are categorised below as either (i) risks relating to the Purchased Receivables, (ii) risks relating to the Transaction Parties, (iii) legal risks, (iv) tax risks and (v) structural and other credit risks. Several risks may fall into more than one of these five categories and investors should therefore not conclude from the fact that a risk factor is discussed under a specific category that such risk factor could not also fall and be discussed under one or more other categories.

Risks relating to the Purchased Receivables

Non-existence of Purchased Receivables

The Issuer retains the right to bring indemnification claims against, and is entitled to demand payment of Deemed Collections from, the Seller, but from no other Person, if Purchased Receivables do not exist or cease to exist (*Bestands- und Veritätshaftung*) in accordance with the Receivables Purchase Agreement. If a Loan Agreement relating to a Purchased Receivable proves not to have been legally valid as of the Issue Date, the Seller will, pursuant to the Receivables Purchase Agreement, pay to the Issuer Deemed Collections in an amount equal to the Outstanding Principal Balance of such Purchased Receivable (including, for the avoidance of doubt, in case only a portion of such Purchased Receivable is affected).

The same applies if a Debtor uses its right of withdrawal (*Widerrufsrecht*). Such withdrawals are legally permissible even after the expiry of the regular two (2) week time period for withdrawals if the instruction in respect of the withdrawal rights (*Widerrufsbelehrung*) by the Seller or the counterparty of a linked contract (*verbundener Vertrag*) within the meaning of Section 358 of the German Civil Code does not comply with the relevant legal requirements. The interpretation of the legal requirements applicable to instructions in respect of the withdrawal rights is under constant review by the German courts. See "— Legal Risks — German consumer loan legislation".

Credit risk of the Debtors

If the Seller does not receive the full amounts due from the Debtors in respect of the Purchased Receivables, the Noteholders are at risk to receive less than the full principal amount of their Notes and interest payable thereon. Consequently, the Noteholders are exposed to the credit risk of the Debtors. Neither the Seller nor the Issuer guarantees or warrants the full and timely payment by the Debtors of any sums payable under the Purchased Receivables. The ability of any Debtor to make timely payments of amounts due under the relevant Loan Agreement will mainly depend on his or her assets and liabilities as well as his or her ability to generate sufficient income to make the required payments. The Debtors' ability to generate income may be adversely affected by a large number of factors.

There is no assurance that the then current value of the Purchased Receivables will at any time be equal to or greater than the principal amounts outstanding of the Notes.

Risk of Losses in respect of the Purchased Receivables

Losses in respect of the Purchased Receivables may result in Losses for the Noteholders.

The risk to the Class A Noteholders that they will not receive the amount due to them under the Class A Notes as stated on the cover page of this Offering Circular is mitigated (i) by the excess spread, (ii) by the amount of funds credited to the Cash Reserve Ledger which is funded by the Subordinated Loan granted by the Subordinated Lender as of the Issue Date and an amount equal to the amount by which the net proceeds from the issue of the Notes exceeds the aggregate Purchase Prices for the Acquisition of certain Receivables, together with the Loan Collateral as of the Issue Date, and (iii) by the subordination of the Class B Notes and the Subordinated Loan to the Class A Notes.

There is no assurance that the Class A Noteholders will receive for each Class A Note the Note Principal Amount plus interest as set forth in the Conditions.

The risk to the Class B Noteholders that they will not receive the amount due to them under the Class B Notes as stated on the cover page of this Offering Circular is mitigated (i) by the excess spread, (ii) by the amount of funds credited to the Cash Reserve Ledger which is funded by the Subordinated Loan granted by the Subordinated Lender as of the Issue Date and an amount equal to the amount by which the net proceeds from the issue of the Notes exceeds the aggregate Purchase Prices for the Acquisition of certain Receivables, together with the Loan Collateral as of the Issue Date, and (iii) by the subordination of the Subordinated Loan to the Class B Notes.

There is no assurance that the Class B Noteholders will receive for each Class B Note the Note Principal Amount plus interest as set forth in the Conditions.

Historical data, forecasts and estimates

The historical information set out in this Offering Circular including in particular in "PURCHASED RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA" is based on the past experience and present procedures of the Seller. None of the Issuer, the Account Bank, the Subordinated Lender, the Corporate Administrator, the Swap Counterparty, the Arranger, the Managers, the Trustee, the Interest Determination Agent, the Paying Agent, the Calculation Agent and the Listing Agent has undertaken or will undertake any investigation or review of, or search to verify, such historical information. There can be no assurance as to the future performance of the Purchased Receivables.

Estimates of the weighted average lives of the Class A Notes and of the Class B Notes, respectively, included in this Offering Circular together with any other projections, forecasts and estimates are supplied for information only and are forward-looking statements. Such projections, forecasts and estimates are speculative in nature, and it can be expected that some or all of the underlying assumptions may differ or may prove substantially different

from the actually realised figures. Consequently, the actual results might differ from the projections and such differences may be significant.

Reliance on Eligibility Criteria

If the Seller has breached any Eligibility Criterion as of the first Cut-Off Date, this shall constitute a breach of contract under the Receivables Purchase Agreement, and the Issuer will have contractual remedies against the Seller. In the case of any breach of any Eligibility Criterion as of the first Cut-Off Date, the Seller will be required to pay Deemed Collections to the Issuer (*see* the definition of Deemed Collections in "MASTER DEFINITIONS SCHEDULE — Deemed Collections").

Reliance on Credit and Collection Policy

The Servicer will carry out the administration, collection and enforcement of the Purchased Receivables and the Loan Collateral in accordance with the Servicing Agreement and the Credit and Collection Policy. Accordingly, the Noteholders are relying on the business judgment and practices of the Servicer as to the enforcement of claims in respect of the Purchased Receivables against the Debtors and with respect to enforcement of the Loan Collateral. *See* "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Servicing Agreement" and "CREDIT AND COLLECTION POLICY".

Information regarding the policies and procedures of the Seller

The Seller has internal policies and procedures in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation. The policies and procedures of the Seller in this regard broadly include the following:

- (a) criteria for the granting of credit and the process for approving, amending, renewing and re-financing credits, as to which please see the information set out earlier in this section of this Offering Circular headed "*Credit and Collection Policy*" and "*The Servicing Agreement*";
- (b) systems in place to administer and monitor the various credit-risk bearing portfolios and exposures, as to which we note that the Purchased Receivables will be serviced in line with the usual servicing procedures of the Seller – please see further the section of this Offering Circular headed "*The Servicing Agreement*";
- (c) adequate diversification of credit portfolios given the Seller's target market and overall credit strategy, as to which, in relation to the Purchased Receivables, please see the section of this Offering Circular headed "*Purchased Receivables Characteristics and Historical Data*"; and
- (d) policies and procedures in relation to risk mitigation techniques, as to which please see further the section of this Offering Circular headed "*The Servicing Agreement*" and the section of this Offering Circular headed "*Credit and Collection Policy*".

No independent investigation and limited information

None of the Managers, the Arranger, the Trustee, the Issuer or any other Person referred to herein (other than the Seller, but only as explicitly described herein) has undertaken or will undertake any investigations, searches or other actions to verify any details in respect of the Purchased Receivables or the Loan Agreements or to establish the creditworthiness of any Debtor or any party to the Transaction Documents. Each of the aforementioned Persons will rely solely on the accuracy of the representations and warranties and the financial information given by the Seller to the Issuer in the Receivables Purchase Agreement in respect of, *inter alia*, the Purchased Receivables, the Debtors, the Loan Agreements underlying the Purchased Receivables and the Loan Collateral, including, without limitation, security interests in the Financed Vehicles. The benefit of the representations and warranties given to the Issuer will be transferred by the Issuer to the Trustee for the benefit of the Secured Parties under the Trust Agreement.

The Seller is under no obligation and will not provide the Managers, the Arranger, the Trustee or the Issuer with the names or the identities of or any other information specific to the individual Debtors and copies of certain Loan Agreements and legal documents underlying and in respect of the relevant Purchased Receivable and the Loan Collateral. The Managers and the Issuer will only be supplied with general information in relation to the

aggregate of the Debtors, the Purchased Receivables and the underlying Loan Agreements and the legal documents underlying the Loan Collateral. Furthermore, none of the Managers, the Arranger, the Trustee or the Issuer will have any right to inspect the Records of the Seller. However, pursuant to the terms of the Data Trust Agreement, the Issuer, the Servicer and the Trustee may in certain circumstances set out in the Data Trust Agreement, demand that the Data Trustee provide the Information Decryption Key to decrypt any encrypted Portfolio Information containing personal data with respect to individual Debtors to the Trustee or the successor Servicer or any agent thereof.

The primary remedy of the Trustee and the Issuer for breaches of any representation or warranty with respect to the enforceability of the Purchased Receivables, the existence of the Loan Collateral, the absence of material litigation with respect to the Seller, the transfer of free title to the Issuer and the compliance of the Purchased Receivables with the Eligibility Criteria will be to require the Seller to pay Deemed Collections in an amount equal to the then Outstanding Principal Balance of such Purchased Receivable (including, for the avoidance of doubt, in case only a portion of such Purchased Receivable is affected). With respect to breaches of representations or warranties under the Receivables Purchase Agreement generally, the Seller is obliged to indemnify the Issuer against any liability, losses and damages directly resulting from such breaches.

Risks relating to the Transaction Parties

Replacement of the Servicer

If the appointment of the Servicer is terminated, the Issuer has the right to appoint a successor Servicer pursuant to the Servicing Agreement. Any substitute servicer which may replace the Servicer in accordance with the terms of the Servicing Agreement would have to be able to administer the Purchased Receivables and the Loan Collateral in accordance with the terms of the Servicing Agreement, be duly qualified and licensed to administer finance contracts in Germany such as the Loan Agreements and may be subject to certain residence and/or regulatory requirements. Further, while the Seller acting as Servicer is not entitled to a Servicing Fee, it should be noted that any substitute servicer (other than a (direct or indirect) subsidiary of the Seller or of a parent of the Seller to which the servicing and collection of the receivables and the related collateral of the Seller is outsourced) will be entitled to a Servicing Fee which ranks senior to the Notes according to the applicable Priority of Payments. Even though Structured Finance Management (Luxembourg) S.A. has agreed that it will facilitate the appointment of a suitable entity with all necessary facilities available to act as successor servicer and will use reasonable efforts to ensure that such entity enters into a successor servicing agreement, the terms of which are similar to the terms of the Servicing Agreement, with the parties to the Servicing Agreement upon receipt of notice by the Servicer of the occurrence of a Servicer Termination Event, there is no assurance that an appropriate successor Servicer can be found and hired in the required time span as set forth in the Servicing Agreement and that this does not have a negative impact on the amount and the timing of the Collections.

Creditworthiness of Parties to the Transaction Documents, in particular the Servicer

The ability of the Issuer to meet its obligations under the Notes depends, in whole or in part, on the performance of each Transaction Party of its duties under the Transaction Documents.

No assurance can be given that the creditworthiness of the Transaction Parties, in particular the Servicer, the Swap Counterparty and the Account Bank, will not deteriorate in the future. This may affect the performance of their respective obligations under the respective Transaction Documents. In particular, it may affect the administration, collection and enforcement of the Purchased Receivables by the Servicer in accordance with the Servicing Agreement.

However, the credit risk associated with the Transaction Parties is mitigated by certain credit sensitive triggers. For example, it shall constitute a Servicer Termination Event if, *inter alia*, with respect to the Servicer or the Seller, an Insolvency Event occurs or the Servicer fails to perform a material obligation which is not remedied within twenty (20) Business Days of written notice from the Issuer or the Trustee. In addition, the Swap Counterparty has to be an Eligible Swap Counterparty and the Account Bank has to be an Eligible Counterparty.

Risk of late forwarding of payments received by the Servicer, commingling risk and risk of Servicer Shortfalls

During the life of the Transaction and prior to the occurrence of a Servicer Termination Event and the termination of the appointment of the Servicer under the Servicing Agreement, the Seller in its capacity as Servicer is entitled to commingle any Collections from the Purchased Receivables, including proceeds from the disposition of any Financed Vehicle, with its own funds during each Monthly Period and will only be required to transfer the Collections to the Operating Ledger of the Issuer Account on each Payment Date. Commingled

funds may be used or invested by the Seller at its own risk and for its own benefit until the relevant Payment Date.

Upon the occurrence of an Insolvency Event with respect to the Seller or the Servicer or a Servicer Termination Event in particular, commingling risks and risks of Servicer Shortfalls may occur. For covering the outlined potential commingling risks and risks of Servicer Shortfalls, the Seller in its capacity as Servicer has undertaken to indemnify the Issuer against any liabilities, costs, claims and expenses resulting from its failure to pay the Issuer any Collections in accordance with the Servicing Agreement, except those penalties and interest surcharges that are due to the gross negligence (*grobe Fahrlässigkeit*) or wilful misconduct (*Vorsatz*) of the Issuer and to provide the Required Commingling Reserve Amount upon the occurrence of a Commingling Reserve Trigger Event.

Conflicts of interest

In connection with the Transaction, the Seller will also act as Servicer, and the Account Bank will also act as the Interest Determination Agent and the Paying Agent. These Transaction Parties will have only those duties and responsibilities agreed to in the relevant Transaction Documents, and will not, by virtue of their or any of their Affiliates' acting in any other capacity, be deemed to have any other duties or responsibilities or be deemed to be held to a standard of care other than those provided in the Transaction Documents to which they are a party. To the best knowledge and belief of the Issuer, these are the sole relevant conflicts of interest of the Transaction Parties. However, all Transaction Parties (including Bavarian Sky S.A. in respect of Compartments other than Compartment Loans 2) may enter into other business dealings with each other (including Bavarian Sky S.A. in respect of Compartments other than Compartment Loans 2) from which they may derive revenues and profits without any duty to account therefor in connection with this Transaction.

The Servicer may hold or service claims (for third parties) against the Debtors other than the Purchased Receivables. The Corporate Administrator may provide corporate, administrative or other services to other entities.

The wider interests or obligations of the afore-mentioned Transaction Parties may therefore conflict with the interests of the Noteholders.

The afore-mentioned Transaction Parties may engage in commercial relations, in particular, hold assets in other securitisation transactions as trustee, be a lender, provide general banking, investment and other financial services to the Debtors, the Seller, the Servicer, the Issuer (in respect of Compartments other than Compartment Loans 2), other parties to this Transaction and other third parties.

In such functions, the afore-mentioned Transaction Parties are not obliged to take into account the interests of the Noteholders. Accordingly, potential conflicts of interest may arise in respect of this Transaction.

Legal risks

No right in Loan Agreements

The ownership of a Note does not confer any right to, or interest in, any Loan Agreement or any right against the Debtor or any third party under or in connection with the Loan Agreement or against the Seller or the Servicer.

Insolvency law

Under German insolvency law, in insolvency proceedings of a debtor, a creditor who is secured by the assignment of receivables by way of security will have a preferential right to such receivables (*Absonderungsrecht*). Enforcement of such preferential right is subject to the provisions set forth in the German Insolvency Code (*Insolvenzordnung*). In particular, the secured creditor may not enforce its security interest itself. Instead, the insolvency administrator appointed in respect of the estate of the debtor will be entitled to enforcement. The insolvency administrator is obliged to transfer the proceeds from such enforcement to the creditor. The insolvency administrator may, however, deduct from the enforcement proceeds fees which amount to 4 % of the enforcement proceeds for assessing such preferential rights plus up to 5 % of the enforcement proceeds as compensation for the costs of enforcement. In case the enforcement costs are considerably higher than 5 % of the enforcement proceeds, the compensation for the enforcement costs may be higher.

Accordingly, the Issuer would have to share in the costs of any insolvency proceedings of the Seller in Germany, reducing the amount of money available upon enforcement of the Note Collateral to repay the Notes if the sale

and assignment of the Purchased Receivables by the Seller to the Issuer were to be regarded as a secured loan rather than a receivables sale ("true" sale) by a court.

However, the Transaction is structured to qualify under German law as an effective (true) sale of the Receivables under the Receivables Purchase Agreement and not as a secured loan. Accordingly, the Issuer has been advised that the transfer of the Purchased Receivables would be construed such that the risk of the insolvency of the Debtors lies with the Issuer and that, therefore, the Issuer would have the right to segregation (*Aussonderungsrecht*) of the Purchased Receivables from the estate of the Seller in the event of its insolvency and that, consequently, the cost sharing provisions described above would not apply with respect thereto.

It should be noted, however, that such right of segregation will not apply with respect to the Loan Collateral transferred to the Issuer, including the security interest created in respect of the Financed Vehicles relating to the Purchased Receivables if insolvency proceedings are instituted in respect of the relevant Debtor in Germany. In that case, the cost sharing provisions will apply.

Furthermore, even in the event that the sale and assignment of the Purchased Receivables were to be qualified as a secured loan, it is likely that the security granted to the Issuer would not be subject to an enforcement right of the insolvency administrator to the effect that the cost sharing provisions described above would not apply. This is based on the expectation that an assignment for security purposes in respect of the Receivables would qualify as "financial collateral" within the meaning of Article 1(1) of Directive 2002/47/EC of the European Parliament and the Council of 6 June 2002 (as amended by Directive 2009/44/EC of the European Parliament and the Council of 6 May 2009) and Section 1 (17) of the German Banking Act and hence would benefit from the privileged treatment of financial collateral under the German Insolvency Code. The Receivables constitute credit claims within the meaning of Article 2 (1) no. (o) of the aforementioned directive because they originate from loans granted by the Seller which is a credit institution within the meaning of Article 4 (1) no. (a)(i) of Directive 2006/48/EC of the European Parliament and the Council of 14 June 2006. Consequently, their assignment for security purposes by the Seller to a legal entity, such as the Issuer, should satisfy the requirements of the provision of financial collateral within the meaning of the directive and statute referred to in the second sentence of this paragraph. Pursuant to Section 166 (3) no. 3 of the German Insolvency Code, financial collateral is not subject to the enforcement right of the insolvency administrator.

Enforceability of the flip clause

See "— Factors which are material for the purpose of assessing the market risk associated with the Notes — Interest Rate Hedging".

Assignability of Purchased Receivables

As a general rule under German law, receivables are assignable unless their assignment is excluded either by mutual agreement or by the nature of the receivables to be assigned. Except as stated below under the heading "Banking Secrecy", there is no published court precedent of the German Federal Court of Justice (*Bundesgerichtshof*) or any German Higher Regional Court (*Oberlandesgericht*) holding that receivables arising out of consumer loan contracts or other credit contracts are not assignable, either generally or in a refinancing transaction or an asset-backed securitisation transaction.

The Loan Agreements under which the Purchased Receivables have been originated are based on certain standard forms. These standard forms do not specifically prohibit the Seller from transferring its rights under the relevant Loan Agreement to a third party for refinancing purposes. It is an Eligibility Criterion that the Loan Agreements under which the Purchased Receivables arise are valid and that the relevant Receivables are assignable and can be transferred by way of assignment without the consent of the relevant Debtor.

Notice of assignment; defences of the Debtors and set-off rights of the Debtors

The assignment of the Purchased Receivables and the assignment and transfer of the Loan Collateral is in principle "silent" (i.e. without notification to the Debtors) and may only be disclosed to the relevant Debtors in accordance with the Servicing Agreement or where the Seller otherwise agrees to such disclosure. Until the relevant Debtors have been notified of the assignment of the relevant Purchased Receivables, they may pay with discharging effect to the Seller or enter into any other transaction with regard to such Purchased Receivables with the Seller which will have binding effect on the Issuer and the Trustee. Each Debtor may further raise defences against the Issuer and the Trustee arising from its relationship with the Seller which are existing (*begründet*) at the time of the assignment of the Purchased Receivables.

With respect to a Purchased Receivable assigned by the Seller to the Issuer in fulfilment of the Receivables Purchase Agreement, the Issuer's claim to payment may, in addition to possible defences and objections resulting from consumer credit legislation (as described below under "— German consumer credit legislation") be subject to defences and set-off rights of the Debtors of such Purchased Receivable, provided that such rights (i) were in existence and due at the time of the assignment of such Purchased Receivable (Section 404 of the German Civil Code) or (ii) were acquired by the Debtor after such assignment without such Debtor having knowledge of the assignment at the time of acquiring the right or at the time when the right falls due (in cases where the right's maturity falls beyond the maturity of the respective claim under the Purchased Receivable) (Section 406 of the German Civil Code).

Each Debtor is entitled to set-off against the Issuer and the Trustee its claims, if any, against the Seller, unless such Debtor has knowledge of the assignment upon acquiring such claims or such claims become due only after the Debtor acquires such knowledge and after the relevant Purchased Receivables themselves become due. These risks are mitigated because, as of the relevant Issue Date, the Seller represents and warrants to the Issuer that it is not aware that any Debtor has asserted any lien, right of rescission, counterclaim, set-off, right to contest or defence against the Seller in relation to any Loan Agreement. In the case of any misrepresentation of the Seller, however, Noteholders would become exposed to the risk that the Seller may be unable to pay Deemed Collections or perform any other remedy in full. *See* "— Risk relating to the Purchased Receivables — Reliance on Eligibility Criteria" above.

For the purpose of notification of the Debtors in respect of the assignment of the Purchased Receivables, the Issuer or the Trustee or any successor servicer or substitute servicer will require data which are in the possession of the Data Trustee. Under the Data Trust Agreement, the Issuer or the Trustee is entitled to request delivery of the Portfolio Decryption Key required to decrypt the required information from the Data Trustee under certain conditions if a Debtor Notification Event has occurred. However, the Issuer or the Trustee, or any successor servicer might not be able to obtain such data in a timely manner as a result of which the notification of the Debtors may be considerably delayed. Until such notification has occurred, the Debtors may pay with discharging effect to the Seller or enter into any other transaction with regard to the Purchased Receivables which will have a binding effect on the Issuer and the Trustee.

Banking secrecy

On 27 February 2007, the German Federal Court of Justice issued a ruling (docket no. XI ZR 195/05) confirming the traditional view – which had previously been challenged by a ruling of the Higher Regional Court (*Oberlandesgericht*) in Frankfurt am Main dated 25 May 2004 – that a breach of the banking secrecy duty by the bank does not render the sale and assignment invalid but may only give rise to defences (including damage claims) against the assignor. The ruling relates to a mortgage loan agreement which included terms allowing for the assignment of the loan receivables and collateral thereunder for refinancing purposes. As a general matter, the court held that banking secrecy duties do not create an implied restriction on the assignability of loan receivables and that the German Federal Data Protection Act (*Bundesdatenschutzgesetz*) (*see* "— German Federal Data Protection Act (*Bundesdatenschutzgesetz*)" below) does not constitute a statutory restriction on the assignability of loan receivables.

In accordance with circular 4/97 of the predecessor authority of the German Federal Financial Supervisory Authority (BaFin) which was expressly referred to by the German Federal Court of Justice in its 2007 ruling, the court also stated that a breach of the banking secrecy duty may be avoided by using a data trustee who keeps all data relating to the identity and address of each borrower in safe custody and discloses such data only upon insolvency or material violation of the seller in respect of its obligations towards the purchaser. Here, the Issuer, the Seller and the Data Trustee have agreed that the Portfolio Decryption Key required to decrypt the required personal data including the identity and address of each Debtor and provider of Loan Collateral is not to be sent to the Issuer on the Issue Date but only to the Data Trustee. Under the Data Trust Agreement, the Data Trustee will safeguard the Portfolio Decryption Key and may provide the Portfolio Decryption Key to any substitute servicer or the Trustee only upon the occurrence of certain events (*see* "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Data Trust Agreement").

German Federal Data Protection Act (Bundesdatenschutzgesetz)

According to the German Federal Data Protection Act, a transfer of a customer's personal data is permitted if (a) the relevant customer has consented to such transfer, (b) such transfer is required or permitted by law. Pursuant to section 28 para. 1 sent. 1 No. 2 of the German Federal Data Protection Act, a transfer shall be lawful as far as (i) necessary in order to safeguard legitimate interests of the data controller and (ii) there is no reason to

assume that the data subject has an overriding legitimate interest in ruling out the possibility of the transfer. The Issuer is of the view that the transfer of the Debtors' personal data in connection with the assignment of the rights under the Purchased Receivables relating to the Loan Collateral is in compliance with this legal justification and is necessary to maintain the legitimate interests of the Seller, the Issuer and the Trustee. In addition, the Issuer is of the view that the protection mechanisms provided for in the Data Trust Agreement and the Receivables Purchase Agreement take into account the legitimate interests of the Debtors to prevent the processing and use of personal data by any of the Seller, the Issuer and the Trustee.

German consumer loan legislation

The provisions of the German Civil Code which incorporate the provisions of the former German Consumer Credit Act (*Verbraucherkreditgesetz*) into the German Civil Code apply to some of the Purchased Receivables. Consumers are defined as individuals acting for purposes relating neither to their commercial nor independent professional activities. Similarly the German consumer loan legislation also applies to entrepreneurs who enter into the Loan Agreements to take up a trade or self-employed occupation, unless the net loan amount or the cash price exceeds EUR 75,000. About 71.62 % of the Loan Agreements underlying the Purchased Receivables will qualify as consumer loan contracts and will therefore be subject to the consumer loan provisions of the German Civil Code (in particular Sections 491 *et seqq.*). Because the Purchased Receivables were originated on or after 11 June 2010, the amended provisions in the German Civil Code on consumer loans and linked contracts (*verbundene Verträge*) that have been enacted in order to implement the EU Consumer Credit Directive 2008/48/EC into German law apply. The Loan Agreements are not all subject to the same, but to varying provisions of the German Civil Code regarding consumer loans and linked contracts and, in particular, as regards the required instructions on a Debtor's right of withdrawal (*Widerrufsrecht*).

Under the above-mentioned provisions, if the borrower is a consumer (or an entrepreneur who enters into the Loan Agreements to take up a trade or self-employed occupation, unless the net loan amount or the cash price exceeds EUR 75,000), the borrower has the right to withdraw his or her consent to a consumer loan contract for a period of two weeks commencing with the receipt of a written notice providing certain information including information regarding such right of withdrawal (*Widerrufsrecht*) (Sections 495, 355 of the German Civil Code as applicable). In the event that a consumer is not properly notified of his or her right of withdrawal or, in some cases, has not been provided with certain information about the lender and the contractual relationship created under the consumer loan, the consumer may withdraw his or her consent at any time during the term of the consumer loan contract. German courts have adopted strict standards with regard to the information and the notice to be provided to the consumer. Due to the strict standards applied by the courts, it cannot be excluded that a German court could consider the language and presentation used in certain Loan Agreements as falling short of such standards. Should a Debtor withdraw the consent to the relevant Loan Agreement, the Debtor would be obliged to prepay the Purchased Receivable. Hence, the Issuer would receive interest under such Purchased Receivable for a shorter period of time than initially anticipated. In this instance, the Issuer's claims with regard to the prepayment of the Purchased Receivable would not be secured by the Loan Collateral granted therefor if the related security purpose agreement does not extend to such claims. In addition, depending on the specific circumstances, a Debtor may be able to successfully reduce the amount to be prepaid if it can be proven that the interest he or she would have paid to another lender had the relevant Loan Agreement not been made (i.e., that the market interest rate was lower at that time), would have been lower than the interest paid under the relevant Loan Agreement until the Debtor's withdrawal of its consent to the relevant Loan Agreement (*see also* "— Prepayment of Loans" below).

If a Debtor is a consumer (or an entrepreneur who enters into the Loan Agreements to take up a trade or self-employed occupation, unless the net loan amount or the cash price exceeds EUR 75,000) and the relevant vehicle or other goods or related services are financed in whole or in part by the Loan Agreement, such Loan Agreement and the related purchase agreement or other agreement may constitute linked contracts (*verbundene Verträge*) within the meaning of Section 358 of the German Civil Code (as applicable). As a result, if such Debtor has any defences against the supplier of such vehicles or other goods or related services, such defences may also be raised as a defence against the Issuer's claim for payment under the relevant Loan Agreement and, accordingly, the Debtor may deny the repayment of such part of the Loan Instalments as relates to the financing of the related vehicle or other goods or related services (Section 359 of the German Civil Code, as applicable). Further, the withdrawal of the Debtor's consent to one of the contracts linked (*verbunden*) to the Loan Agreement may also extend to such Loan Agreement and such withdrawal may be raised as a defence against such Loan Agreement. The notice providing information about the right of withdrawal must contain information about the aforementioned legal effect of linked contracts. In the event that a consumer is not properly notified of its right of withdrawal and such legal effect of linked contracts, the consumer may withdraw its consent to any of these contracts at any time during the term of these contracts (and may also raise such withdrawal as a defence against

the relevant Loan Agreement). If, for example, the purchase agreement for vehicles or other goods or the related services linked to a Loan Agreement is invalid or has been rescinded, the Debtor has the right to refuse further payments under the relevant Loan Agreement (Section 359 of the German Civil Code, as applicable) and may in certain circumstances also request repayment of the amount already paid under the Loan Agreement. In addition, Section 359a (1) of the German Civil Code (as applicable) states that Section 358 (1) of the German Civil Code applies also to those loan contracts where the loan contract is not linked (*verbunden*) to another contract but specifies the relevant goods or services (as the case may be) under such other contract which is subject to a withdrawal. Thus, the withdrawal extends then also to the Loan Agreement and the Debtor may raise the withdrawal of its consent to such other contract as a defence against its obligations under the Loan Agreement.

This risk also applies to insurance policies (including, but not limited to, any payment protection insurance policy (*Restschuldversicherung*)) even though the relevant insurance policy is entered into by the Seller as policy holder (*Versicherungsnehmer*) and the Debtor merely accedes to it as insured person (*versicherte Person*), since in such case, it could be argued that the Debtor should benefit from the same consumer protection as if the relevant insurance policy and the related Loan Agreement constituted linked contracts (to the extent the premiums to the relevant insurance have been financed by the Loan Agreement). This would in particular imply that defences may be invoked by the Debtor against the Loan Agreements on the basis of rights and claims the Debtor or the Seller may have under the relevant insurance policies.

In addition, there is legal uncertainty as to the interpretation of Section 359a (1) of the German Civil Code (as applicable) regarding the question whether the above described legal consequences can be triggered in relation to a relevant insurance policy which is neither linked nor (on the basis of the line of arguments outlined in the preceding paragraph) treated as if it was linked to a Loan Agreement but which is sufficiently specified in such Loan Agreement. If such consequences were triggered, it would be uncertain whether the Loan Agreement would only be affected to the extent it finances the relevant insurance policy or on the whole.

Further, the Loan Agreements provide for an obligation of the Debtor to pay a handling fee (*Bearbeitungsgebühr*) which is directly included in the Loan Agreement (i.e., the itemisation of the loan data). To date, German courts have rendered conflicting rulings and it is disputed among legal commentators whether the obligation of a borrower to pay a handling fee to the lender under the loan is void if the relevant loan agreement constitutes general business terms (*Allgemeine Geschäftsbedingungen*) used by the lender. There are several rulings of Higher Regional Courts (*Oberlandesgerichte*) including the Higher Regional Courts in Celle (14 October 2011, docket no. 3 W 86/11), Dresden (29 September 2011, docket no. 8 U 562/11, WM 2011, 2320), Bamberg (4 August 2010, docket no. 3 U 78/10, BKR 2010, 436, WM 2010, 2072) and Zweibrücken (21 February 2011, docket no. 4 U 174/10, MDR 2011, 1125) which hold that the obligation to pay the handling fee is void because it constitutes an unreasonable disadvantage to the borrower. According to the conclusion of the courts, the handling fee is neither a compensation for the main service under a loan (i.e., making advances available to the borrower) nor for any other service by the lender to the borrower but constitutes an ancillary price element and, as part of the ancillary terms of the loan agreement, is subject to judicial review (and potentially invalidation) under statutory principles of good faith (Section 307 (1) and (2) no. 1 of the German Civil Code). Unlike in the documentation of the Loan Agreements, the handling fee referred to in the aforementioned court cases was set out in a schedule containing pricing and cost information separate from the loan agreement. However, the German Federal Court of Justice (*Bundesgerichtshof*) has only recently also ruled on the matter (13 May 2014, docket no. XI ZR 405/12 and XI ZR 170/13). In its ruling, the German Federal Court of Justice (*Bundesgerichtshof*) approves the analysis according to which the Debtor's obligation to pay the handling fee under a Loan Agreement is invalid. Furthermore, the German Federal Court of Justice (*Bundesgerichtshof*) states that this applies even if the handling fee is set out in a separate pricing schedule or in a field in the loan application form that is completed by the Seller. On this basis, it is likely that the Debtor is entitled to claim a repayment of the handling fee from the Seller. As a result, the Debtor would be entitled to set off its claim towards the Seller for repayment of the handling fee against any payment claims of the Issuer under the relevant Purchased Receivable.

Pursuant to the Receivables Purchased Agreement and with respect to the Purchased Receivables, the Seller shall reimburse the Issuer for any losses resulting from any Debtor having (i) made a claim for repayment of the handling fee (*Bearbeitungsgebühr*), (ii) set off its claim for repayment of the handling fee (*Bearbeitungsgebühr*) against any Purchased Receivable or any other payment obligation owed by such Debtor under the respective Loan Agreement, or (iii) not paid a handling fee (*Bearbeitungsgebühr*) claimed under the respective Loan Agreement which fee is being held invalid by German courts. As such, the set-off risk arising from potential repayment claims of Debtors for paid handling fees is mitigated by the Required Set-Off Reserve Amount.

Prepayment of loans

Pursuant to Section 500 (2) of the German Civil Code, the borrower may in case of a consumer loan contract prepay the loan (*vorzeitige Rückzahlung*) in whole or in part at any time. In addition, the borrower may terminate the loan agreement at any time without observing a notice period for good cause (*aus wichtigem Grund*). In the event of a prepayment, the Issuer would receive interest on such loan for a shorter period of time than initially anticipated.

The Loan Agreements provide for an obligation of the Debtor to pay a prepayment penalty (*Vorfälligkeitsentschädigung*) in accordance with Section 502 of the German Civil Code. In the event of a termination and prepayment of a loan, the Issuer would therefore be entitled to claim compensation from the Debtor for the interest which would have been payable by the Debtor on the prepaid amount had such amount been outstanding for the remainder of the term of the loan pursuant to and as provided for in Section 502 of the German Civil Code. In accordance with Section 502 (1) sentence 2 of the German Civil Code such prepayment penalty may not exceed the following amounts: (i) 1 per cent. or, if the period between the prepayment and the agreed repayment date (*vereinbarte Rückzahlung*) is no longer than one year, 0.5 per cent. of the prepaid amount; and (ii) the amount of interest that the borrower would have paid for the period between the prepayment and the agreed repayment date. The prepayments of loans would, *inter alia*, reduce the excess spread following such prepayments.

Non-petition and limited recourse clauses

Non-petition, exclusion of liability and limited recourse clauses may be held invalid in certain circumstances under German law. Liability arising out of wilful misconduct (*Vorsatz*) and/or, in certain circumstances, gross negligence (*grobe Fahrlässigkeit*) or, insofar as material obligations and duties are concerned, other negligent breaches of duty cannot be validly excluded or limited in advance. In addition, where the relevant limited recourse, exclusion of liability and non-petition clause is directly contrary to the purpose of the contract, the relevant clauses could, in such circumstances, be declared void. Furthermore, in relation to the procedural rights of the parties, a general prohibition for one of the parties to sue the other party might be held to contravene bonos mores (*sittenwidrig*) and might therefore be declared void. In principle, non-petition, exclusion of liability and limited recourse clauses must not be the result of disparity of bargaining power or economic resources of the parties.

The Issuer has been advised that a disparity of bargaining power does not apply in securitisation transactions in which all parties involved are corporate entities with sufficient economic and intellectual resources and that the non-petition clauses reinforce the intended transactional mechanics of the Transaction and the intended allocation of risk. The relevant limited recourse, exclusion of liability and non-petition clauses are in the interest of all Transaction Parties who are parties to agreements containing limited recourse, exclusion of liability and non-petition clauses and should not lead to an imbalance of benefits as between the Transaction Parties which would be required for holding such clauses null and void.

The Luxembourg Securitisation Law recognizes non-petition and limited recourse clauses. As a consequence, the rights of the Transaction Parties are limited to the assets allocated to Compartment Loans 2. The Issuer will not be obliged to make any further payments to any Transaction Party in excess of the amounts received upon the realization of the assets allocated to Compartment Loans 2. In case of any shortfall, the claims of the Transaction Parties will be extinguished. No such party will have the right to petition for the winding-up, the liquidation or the bankruptcy of the Issuer as a consequence of any shortfall.

The Noteholders may be exposed to competing claims of other creditors of the Issuer, the claims of which have not arisen in connection with the creation, the operation or the liquidation of Compartment Loans 2, if foreign courts, which have jurisdiction over assets of the Issuer allocated to Compartment Loans 2, do not recognize the segregation of assets as provided for in the Luxembourg Securitization Law.

Over-collateralisation of loans

According to German law, the granting of security for a loan may be held invalid and the security or part of the security may have to be released if the loan is over-collateralised (*übersichert*). Over-collateralisation occurs where the creditor is granted collateral the value of which excessively exceeds the value of the secured obligations or if the granting of security leads to an inappropriate disadvantage for the debtor. Although there is no direct legal authority on point, the Issuer is of the view that the Purchased Receivables are not over-collateralised, although it cannot be ruled out that a German court would hold otherwise. In the Receivables

Purchase Agreement, the Seller has warranted to the Issuer that the Loan Collateral relating to the Purchased Receivables is legal, valid, binding and enforceable.

Change of law

The Loan Agreements underlying the Purchased Receivables and the agreements underlying the Loan Collateral, the Trust Agreement, the Receivables Purchase Agreement, the other Transaction Documents and the issue and structure of the Notes as well as the ratings which are to be assigned to the Notes are based on the laws in effect as of the date of this Offering Circular and as applied by the courts and other competent authorities in the relevant jurisdictions. No assurance can be given as to the impact of any possible change of law or its interpretation or judicial or administrative practice after the date of this Offering Circular.

Termination for good cause

As a general principle of German law, a contract may always be terminated for good cause (*aus wichtigem Grund*) and such right may not be totally excluded nor may it be made subject to unreasonable restrictions or the consent from a third party. This may also have an impact on several limitations of the right of the parties to the Transaction Documents to terminate for good cause.

Resolutions of Noteholders

The Notes provide for resolutions of Noteholders of any Class to be passed by vote taken without meetings. Each Noteholder is subject to the risk of being outvoted. As resolutions properly adopted are binding on all Noteholders of such Class, certain rights of such Noteholder against the Issuer under the Conditions may be amended or reduced or even cancelled.

Noteholder's Representative

If the Noteholders of any Class appoint a Noteholders' representative (as such term is defined in the Conditions) by a majority resolution of the Noteholders, it is possible that a Noteholder may lose, in whole or in part, its individual right to pursue and enforce its rights under the Conditions against the Issuer, such right passing to the Noteholders' representative who is then exclusively responsible to claim and enforce the rights of all the Noteholders of such Class.

Limitation of time

Claims arising from a bearer note (*Inhaberschuldverschreibung*), i.e. claims to interest and principal, cease to exist with the expiration of five (5) years after the Legal Final Maturity Date, unless the bearer note is submitted to the Issuer for redemption prior to the expiration of five (5) years after the Legal Final Maturity Date. In the case of such a submission, the claims will be time-barred in two (2) years beginning with the end of the period for presentation (ending five (5) years after the Legal Final Maturity Date in accordance with the Conditions). The commencement of judicial proceedings in respect of the claim arising from a bearer note has the same effect as a presentation of such bearer note.

Risks from reliance on certification by True Sale International GmbH

True Sale International GmbH (TSI) grants a certificate which is a registered certification label if a special purpose vehicle complies with certain conditions of TSI. These conditions aim to ensure that securitisations involving a special purpose vehicle which is domiciled within the European Union adhere to certain quality standards. The label "CERTIFIED BY TSI – DEUTSCHER VERBRIEFUNGSSTANDARD" thus indicates that standards based on the conditions established by TSI have been met. Nonetheless, the TSI certification is not a recommendation to buy, sell or hold securities. Certification is granted on the basis of the Seller's or the Issuer's undertaking given as of the date of this Offering Circular to comply with the main quality criteria of the label "CERTIFIED BY TSI – DEUTSCHER VERBRIEFUNGSSTANDARD", in particular with the lending and servicing standards and disclosure requirements, as defined as of the Issue Date, throughout the duration of this Transaction. As of the date of this Offering Circular, TSI has certified that the Issuer has complied with the standards required by TSI, including the reporting and disclosure requirements of TSI. The certification does not represent any assessment of the expected performance of the Purchased Receivables or the Notes.

For a more detailed explanation *see* "CERTIFICATION BY TSI" below.

TSI has carried out no other investigations or surveys in respect of the Issuer or the Notes concerned and disclaims any responsibility for monitoring the Issuer's continued compliance with the TSI standards or any other aspect of the Issuer's activities or operations.

Investors should therefore not evaluate their investment in the Notes on the basis of this certification.

PCS Label

The Issuer may make an application to Prime Collateralised Securities (PCS) UK Limited for the Class A Notes to receive the Prime Collateralised Securities label (the "**PCS Label**"). There can be no assurance that the Class A Notes will in fact be granted the PCS Label (either prior to the issuance of the Class A Notes or at any time thereafter) and, should the Class A Notes be granted the PCS Label, there can be no assurance that the PCS Label will not be withdrawn at a later date.

The PCS Label is awarded to the most senior tranche of asset backed transactions that fully meet the criteria that are set down by PCS. The relevant criteria seek to capture some of the aspects of securities that are indicative of simplicity, asset quality and transparency and reflect some of the best practices available in Europe.

The PCS Label is not a recommendation to buy, sell or hold securities. It is not investment advice whether generally or as defined under the Markets in Financial Instruments Directive (2004/39/EC) and it is not a credit rating, neither generally nor as defined under the CRA Regulation or Section 3(a) of the United States Securities Exchange Act of 1934 (as amended by the Credit Agency Reform Act of 2006). Prime Collateralised Securities (PCS) UK Limited is not an "expert" as defined in the Securities Act.

By awarding the PCS Label to certain securities, no views are expressed about the creditworthiness of these securities or their suitability for any existing or potential investor or as to whether there will be a ready, liquid market for these securities. Investors should conduct their own research regarding the nature of the PCS Label.

Investors should conduct their own research regarding the nature of the PCS Label and must read the information set out in <http://pcsmarket.org>. The website <http://pcsmarket.org> shall not form part of this Offering Circular.

Tax risks

German taxation

The following should be read in conjunction with "TAXATION — German Taxation".

German income tax

Investors should be aware that with respect to the Issuer's liability for income tax, there is no assurance that the German tax authorities will treat the Issuer as having its place of effective management and control (*Geschäftsleitung*) outside Germany. In contrast, German tax authorities may treat the Issuer as having its place of management and control (*Geschäftsleitung*) in Germany. As a consequence, the Issuer would be subject to German resident taxation with its worldwide income, unless certain branch income is tax-exempt according to the provision of any applicable tax treaty. A foreign corporation has its effective place of management and control in Germany if the substantial decisions of the day-to-day business are made in Germany. Such decisions are related to all functions performed by the Issuer in Germany in contrast to the decisions related to functions performed outside of Germany. The functions performed by the Servicer in Germany involve decisions to be made in relation to the management of the Purchased Receivables and in particular in relation to the collection of such receivables. Consequently, the functions performed by the Servicer in Germany on behalf of the Issuer must not be of relative economic significance in comparison to functions performed in Luxembourg and elsewhere, either by the Issuer itself or Persons acting on its behalf as the Corporate Administrator. Such assessment cannot be made with scientific accuracy and involves a judgment with which reasonable people may disagree. There are good and valid reasons to treat the Issuer as not being managed and controlled in Germany, but if the Issuer were treated as so managed and controlled, against its expectation, the Issuer's corporate income tax base would have to be determined on an accrual basis. As a result, business expenditure incurred by the Issuer should generally be deductible when it arises such that the Issuer's taxable income would be expected to be close to zero or relatively low. This means that, losses for the Noteholders due to "tax leakage" should generally be relatively low. According to the income determination rules of German income tax law, such liabilities that only have to be honoured if and to the extent income or profits are generated in the future may not be accrued before the relevant income or profits have actually been generated. This limitation to accrue liabilities applies if the payment claim of the creditor exclusively extends on future, currently unavailable assets of the debtor. Moreover, please note that the limitations on interest deductibility as described below (*Zinsschranke*) would be applicable to the Issuer.

Even if the Issuer does not have its place of effective management and control in Germany, the German tax authorities may treat the Issuer as maintaining a permanent establishment or having a permanent representative in Germany. The Issuer does not maintain any business premises or office facilities in Germany, thus it cannot be expected that the Issuer has a permanent establishment in Germany. In addition, the Issuer qualifies for protection under the Double Taxation Treaty of 23 April 2012 between Luxembourg and Germany which overrules German domestic law with respect to the determination of a permanent establishment in Germany. The German Ministry of Finance has expressed its view that the mere collection activity carried out by the Seller on behalf of the Issuer does not result in the Issuer having a permanent establishment (*Betriebsstätte*) in Germany (see Finanznachrichten 22/2001 as of 19 September 2001, p. 5). However, it cannot be excluded that the German tax authorities will treat the Servicer as being a permanent representative of the Issuer in Germany. In the latter case, all income attributable to the functions rendered by the Servicer is subject to German taxation. Such income might include all refinancing income and expenses of the Issuer and, therefore, the earnings-stripping rule (*Zinsschranke*) might apply to the interest payable on the issued Notes, the consequences of which can be described as follows:

The Federal Ministry of Finance states in the earnings-stripping rules decree (Federal Gazette I 2008, page 718, margin no. 67) that the earnings-stripping rules are only applicable to securitisation vehicles which can be consolidated into the group financial statements of the Seller by using the control principle of IAS 27. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities (IAS 27 para 4). The Seller, however, does not control the Issuer within the meaning of IAS 27. The decree further states that certain entities such as special purpose vehicles used in securitization transactions are regarded as non-consolidated entities for the purpose of the interest stripping rules if the entity is exclusively consolidated because of economic considerations taking into account the allocation of benefits and risks (cf. SIC 12). Since - if at all - the Issuer could exclusively be consolidated by virtue of such economic considerations, the interest stripping rules should not apply to the Issuer, if these considerations were still applicable. However, whether this is still the case has become doubtful when the German GAAP were amended by the Accounting Modernisation Act (*Bilanzrechtsmodernisierungsgesetz*), which is generally applicable for accounting periods starting in 2010. Under the amended German GAAP special purpose vehicles used in securitization transactions might have to be consolidated on an obligatory (statutory) basis. However, the new consolidation rule stipulated in Section 290 (2) no. 4 of the German Commercial Code (*Handelsgesetzbuch*) is principally also based on economic considerations taking into account the allocation of benefits and risks; therefore, the considerations included in the abovementioned earnings-stripping rules decree should still apply to the Issuer such that the Issuer should still be eligible under the exemption provided for in this decree (and thus the *Zinsschranke* should not apply to the Issuer).

In case the Issuer were nevertheless regarded as being subject to the earnings-stripping rules, interest payable by the Issuer would only be deductible as follows:

- (1) Interest payable is fully deductible up to the amount of interest income (*Zinserträge*) received in the respective fiscal year of the Issuer.
- (2) Interest payable exceeding the amount of interest income is deductible if below EUR 3 million in a calendar year.
- (3) If the interest payable exceeds the amount of interest income by EUR 3 million or more in a calendar year, the amount exceeding the interest income would only be deductible up to an amount of 30 per cent of the Issuer's annual EBITDA as determined pursuant to German tax rules.

German trade tax

The Issuer is subject to German trade tax (*Gewerbesteuer*) if its effective place of management and control is in Germany or if the Issuer maintains a permanent establishment in Germany.

As outlined above, there are good and valid reasons to treat the Issuer as not being managed and controlled in Germany. However, it cannot be excluded that the German tax authorities treat the Issuer as being effectively managed and controlled from within Germany. In this case, trade tax will, in principle, be levied on business profits derived by the Issuer. In that case, pursuant to Section 8 no. 1 of the German Trade Tax Act (*GewStG — Gewerbesteuerengesetz*) generally an add-back will occur in the amount of 25 % of the interest payments. This applies to all kinds of interest payments. It should, however, be noted that the add-back does not apply if the Issuer benefits from the exception to the add-back rule contained in Section 19 para. 3 no. 2 of the German Trade Tax Application Directive (*Gewerbesteuerdurchführungsverordnung - "GewStDV"*). The exception applies

where businesses exclusively (i) acquire certain credit receivables (*Kredite*) or (ii) assume certain credit risks (*Kreditrisiken*) pertaining to loans originated by credit institutions (*Kreditinstitute*) within the meaning of Section 1 of the German Banking Act (*Kreditwesengesetz*) and refinance, in the case of (i) the Acquisition of the acquired receivables, and in the case of (ii), the provision of a security in respect of the assumed credit risks, by way of issuing debt instruments (*Schuldtitel*). Pursuant to the transaction documents, the Acquisition of the Purchased Receivables relates to the Seller's banking business and, consequently, the Issuer acquires credit receivables (*Kredite*) within the meaning of Section 19 para. 3 no. 2 alternative 1 GewStDV. Since the Issuer issues the Notes as debt instruments in order to refinance the Acquisition of the Purchased Receivables, Section 19 para. 3 no. 2 alternative 1 GewStDV should be satisfied. Furthermore, the Issuer should meet the criterion of exclusively acquiring credit receivables or assuming credit risks and refinance such acquisition by means of issuing debt instruments. Therefore, the 25 % add-back of interest payments should not be applicable to the Issuer. This means that if trade tax applies to the Issuer, the trade tax base should be identical to the tax base for corporate income tax purposes.

Luxembourg Taxation

Payments under the Notes will only be made after any mandatory requirements for withholding or deductions on account of tax have been met. The Issuer will not be required to pay additional amounts in respect of any such withholding or other deduction for or on account of any present or future taxes, duties or charges of whatever nature. See "TERMS AND CONDITIONS OF THE NOTES — Condition 12 (*Taxation*)". In such event, subject to certain conditions, the Issuer will be entitled (but will have no obligation) to redeem the Notes in whole but not in part at their then Outstanding Note Balance. See "TERMS AND CONDITIONS OF THE NOTES — Condition 8.4 (*Optional Tax Redemption*)".

The Issuer has been advised that under the existing laws of Luxembourg:

- (a) all payments of interest and principal by the Issuer under the Notes can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or tax authority thereof or therein, provided that Interest paid to the Noteholders who are individuals resident in an EU Member State may be subject to withholding as explained below in "EU Savings Tax Directive";
- (b) a holder of a Note who derives income from a Note or who realises a gain on the disposal or redemption of a Note will not be subject to Luxembourg taxation on income or capital gains unless:
 - (i) the holder is, or is deemed to be, a resident of Luxembourg for the purpose of the relevant provisions; or
 - (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;
- (c) Luxembourg net worth tax will not be levied on a holder of a Note unless:
 - (i) the holder is, or is deemed to be, a resident company in Luxembourg for the purpose of the relevant provisions; or
 - (ii) such Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;
- (d) Luxembourg gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder unless:
 - (i) the holder is, or is deemed to be, resident of Luxembourg for the purpose of the relevant provisions at the time of the transfer; or
 - (ii) the gift is registered in Luxembourg;
- (e) there is no Luxembourg registration tax, capital tax, stamp duty or any other similar tax or duty payable in Luxembourg in respect of or in connection with the issue of the Notes or in respect of the payment of principal or interest under the Notes or the transfer of the Notes. If any documents in respect of the Notes are required to be registered in Luxembourg, they will be subject to a fixed registration duty;

- (f) there is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of a Note; and
- (g) a holder of a Note will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of a Note or the execution, performance, delivery and/or enforcement of the Note.

EU Savings Tax Directive

Under the EU Council Directive 2003/48/EC dated 3 June 2003 on taxation of savings income in the form of interest payments (the "**EU Savings Tax Directive**"), which is applicable as from 1 July 2005, each EU Member State must require paying agents (within the meaning of such directive) established within its territory to provide to the competent authority of this state details of the payment of interest made to any individual resident in another EU Member State as the beneficial owner of the interest. The competent authority of the EU Member State of the paying agent (within the meaning of the EU Savings Tax Directive) is then required to communicate this information to the competent authority of the EU Member State of which the beneficial owner of the interest is a resident (the "**Disclosure of Information Method**").

For a transitional period, Austria and Luxembourg may opt instead to withhold tax from interest payments within the meaning of the EU Savings Tax Directive at a rate of 35 % from 1 July 2011. In conformity with the prerequisites for the application of the EU Savings Tax Directive, a number of non-EU countries and territories, including Switzerland, have agreed to apply measures equivalent to those in the directive (a withholding system in the case of Switzerland).

In Germany, provisions for implementing the EU Savings Tax Directive have been enacted by legislative regulations of the German Federal Government. These provisions apply since 1 July 2005.

On 24 March 2014 EU Council Directive 2014/48/EU was adopted amending the EU Savings Tax Directive. Member States shall adopt and publish, by 1 January 2016, the laws, regulations and administrative provisions necessary to comply with the new directive. Furthermore, the Member States shall apply those provisions from the first day of the third calendar year following the calendar year in which the new directive enters into force (January 1, 2017).

In his annual State of the Nation speech on 10 April 2013, Luxembourg former Prime Minister Jean-Claude Juncker announced that Luxembourg will apply the automatic exchange of information foreseen in the Savings Directive with effect as from 1 January 2015. This has been confirmed with the submission to the Luxembourg Parliament of the bill of law 6668 on 18 March 2014, which aims at abolishing as from 1 January 2015 the withholding tax option with respect to interest payments within the meaning and in the framework of the EU Savings Tax Directive.

The attention of prospective Noteholders is drawn to Condition 12 of the Notes (*Taxation*) stating that no gross-up will be available with respect to any taxes to be withheld or deducted by the Issuer.

No gross-up for Taxes

If required by law, any payments under the Notes will only be made after deduction of any applicable withholding taxes and other deductions. The Issuer will not be required to pay additional amounts in respect of any withholding or other deduction for or on account of any present or future taxes or other duties of whatever nature. See "Terms and Conditions of the Notes — Taxation". In such event, subject to certain conditions, the Issuer will be entitled (but will have no obligation) to redeem the Notes in whole but not in part at their then Aggregate Outstanding Notes Balance of the Notes. See "TERMS AND CONDITIONS OF THE NOTES — Redemption — Optional Tax Redemption".

Transactions on the Notes could be subject to the European financial transaction tax, if adopted

On 14 February 2013, the EU Commission adopted a proposal for a Council Directive (the "**Draft Directive**") on a common financial transaction tax ("**FTT**"). On 24 June 2013, the European Parliament's Committee on Economic and Monetary Affairs published a revised proposal for the Draft Directive. On 6 May 2014 the ministers of Member States participating in enhanced cooperation in the area of financial transaction tax (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia and Spain, together "Participating Member States") signed a joint statement to declare that the commitment to the introduction of a

FTT would remain strong. Due to complex issues that have arisen, the Participating Member States stress that more technical work still needs to be conducted. Within that context, according to the joint statement, the first step should be implemented at the latest on 1 January 2016.

The proposed FTT has very broad potential extraterritorial scope. Pursuant to the Draft Directive, the FTT shall be payable on financial transactions provided at least one party to the financial transaction is established or deemed established in a Participating Member State and there is a financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction, or the financial instrument which is subject to the transaction is issued in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Member State in a broad range of circumstances. The FTT shall, however, not apply to (*inter alia*) primary market transactions referred to in Article 5 (c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The rates of the FTT shall be fixed by each Participating Member State of the taxable amount, but for transactions involving financial instruments other than derivatives shall amount to at least 0.1 per cent. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer. The FTT shall be payable by each financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, acting in the name of a party to the transaction or where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to a financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT due.

Prospective investors should therefore note, in particular, that any sale, purchase or exchange of the Notes will be subject to the FTT at a minimum rate of 0.1 per cent., provided the abovementioned prerequisites are met. The Noteholder may be liable to pay this charge or reimburse a financial institution for the charge, and/or the charge may affect the value of the Notes. However, the issuance of the Notes itself should not be subject to the FTT.

There are ongoing discussions in the European Union regarding the imposition of FTT on financial institutions transacting business in the European Union, and it is unclear whether and when such a tax will be imposed and, if so, what the scope of the tax could be. The Draft Directive is still subject to negotiation between the Participating Member States and therefore may be changed at any time. Moreover, once the Draft Directive has been adopted (the "**Directive**"), it will need to be implemented into the respective domestic laws of the Participating Member States and the domestic provisions implementing the Directive might deviate from the Directive itself.

Prospective holders of the Notes should consult their own tax advisers in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Notes.

New U.S. Tax Law

On 18 March 2010, the Hiring Incentives to Restore Employment Act (the "**HIRE Act**") was enacted in the United States. The HIRE Act includes provisions known as the Foreign Account Tax Compliance Act ("**FATCA**"). Final regulations under FATCA were issued by the United States Internal Revenue Service (the "**IRS**") on 17 January 2013 and were subsequently modified (as modified, the "**FATCA Regulations**"). FATCA generally imposes a 30% U.S. withholding tax on "withholdable payments" (which include (i) U.S.-source dividends, interest, rents and other "fixed or determinable annual or periodical income" paid after 30 June 2014 and (ii) certain U.S.-source gross proceeds paid after 31 December 2016, but does not include payments that are effectively connected with the conduct of a trade or business in the United States) paid to (a) "foreign financial institutions" ("**FFIs**") unless they are exempt from FATCA withholding under the FATCA Regulations or an applicable IGA (defined below), or they agree to disclose information regarding their direct and indirect U.S. owners to the IRS, or to the governmental authorities in their jurisdiction pursuant to an applicable IGA, and (b) "non-financial foreign entities" ("**NFFE**s") (i.e., foreign entities that are not FFIs) unless (x) an NFFE is exempt from withholding as an "excepted NFFE" or an "exempt beneficial owner" (as such terms are defined in the FATCA Regulations) or (y) an NFFE provides to the IRS or a withholding agent a certification that it has or does not have "substantial U.S. owners" (i.e., certain U.S. persons that own, directly or indirectly, more than 10% of the stock (by vote or value) of a non-U.S. corporation, or more than 10% of the profits interests or capital interests in a partnership). FATCA does not replace the existing U.S. withholding tax regime. However, the FATCA Regulations contain coordination provisions to avoid double withholding on U.S.-source income.

The United States Department of Treasury is in discussions with a number of non-U.S. governments with respect to alternative approaches to FATCA implementation, including the negotiation of intergovernmental agreements ("IGAs") that, for example, would require FFIs located in a foreign jurisdiction to (i) report U.S. account information to the tax authorities in such jurisdiction (instead of directly to the IRS), which the tax authorities would in turn provide to the IRS, or (ii) report U.S. account information directly to the IRS in a manner consistent with the FATCA Regulations, except as expressly modified by the relevant IGA.

The FATCA rules described above do not apply to any payments made under an obligation that is outstanding on 1 July 2014 (provided such obligation is not materially modified subsequent to such date) and any gross proceeds from the disposition of such obligation. An obligation for this purpose includes a debt instrument and any agreement to extend credit for a fixed term (e.g., a line of credit or a revolving credit facility), provided that the agreement fixes the material terms at the issue date. A material modification is any significant modification of a debt instrument as determined under the U.S. tax regulations.

Under FATCA, non-U.S. entities that do not disclose information about their U.S. owners or that otherwise do not cooperate with certain documentation requests may be subject to a 30% U.S. withholding tax on their receipt of "passthru payments" from an FFI that complies with FATCA (a "**Participating FFI**"). "Passthru payments" from a Participating FFI include withholdable payments or other payments to the extent attributable to withholdable payments. Passthru payments also include certain non-U.S. source payments known as "foreign passthru payments." FATCA withholding on passthru payments does not begin until 2017. Moreover, the FATCA Regulations have currently reserved on the issue of passthru payments, and the IRS is expected to issue guidance on these types of payments.

The Issuer believes that none of the payments it receives with respect to the Purchased Receivables, investment earnings on cash reserves and other investments it holds, or payments it receives from the Swap Counterparty, will constitute U.S. source income or withholdable payments within the meaning of FATCA. However, there can be no assurance that payments received by the Issuer will not be subject to withholding under FATCA. U.S. withholding tax, to the extent applicable, will reduce the cash available to the Issuer to make payments on the Notes and therefore will impact the amounts received by an investor.

If the Issuer determines that it is an FFI and agrees to comply with FATCA, the Issuer will be required to register its FFI status with the IRS and provide to the Luxembourg tax authorities certain information on direct or indirect U.S. ownership of Notes pursuant to the United States - Luxembourg IGA and any implementing legislation enacted by the Luxembourg government. The Issuer may be required either to (i) redeem Notes held directly or indirectly by U.S. persons to the extent such persons refuse to waive bank secrecy protections in order to allow the Issuer to report information to the IRS or (ii) risk being subject to the FATCA withholding tax. Moreover, any disclosure of information by the Issuer under FATCA could result in an audit of a Noteholder or its direct or indirect owners. Such an audit could result in an examination of tax items unrelated to the Notes and could result in the imposition of additional taxes, penalties and interest. The Issuer is not responsible for providing representation for any Noteholder or its direct or indirect owners in the event of an IRS audit. Noteholders or their owners would be required to retain and pay their own counsel in connection with an audit and would bear any costs associated with such audit.

In accordance with the Trust Agreement, the Issuer is permitted, subject to the consent of the Trustee, to make any modifications to the provisions of the Trust Agreement and the Transaction Documents in order to minimise or eliminate any withholding tax imposed on the Issuer as a result of FATCA. The Issuer is also permitted, subject to the consent of the Trustee, to take the necessary steps to comply with FATCA. However, if an amount in respect of such withholding tax were to be deducted or withheld either from amounts due to the Issuer or from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the Terms and Conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

Prospective holders of the Notes should consult their own tax advisor with respect to the FATCA rules and the application of FATCA to such holder in light of such holder's individual circumstances.

Exchange controls

Except in limited embargo circumstances, there are no legal restrictions in Germany on international capital movements and foreign exchange transactions. However, for statistical purposes only, every individual or corporation residing in Germany must report to the German Central Bank (*Deutsche Bundesbank*), subject to

certain exceptions, any payment received from or made to an individual or a corporation resident outside of Germany if such payment exceeds EUR 12,500 (or the equivalent in a foreign currency).

Structural and other credit risks

Liability under the Notes

The Notes will be contractual obligations of the Issuer solely in respect of Compartment Loans 2 of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any of the Seller, the Servicer (if different), the Trustee, the Swap Counterparty, the Data Trustee, the Account Bank, the Interest Determination Agent, the Paying Agent, the Calculation Agent, the Joint Bookrunners, the Arranger, the Managers, the Common Safekeeper, the Listing Agent or any of their respective Affiliates or any Affiliate of the Issuer or any other party to the Transaction Documents (other than the Issuer solely in respect of its Compartment Loans 2) or any other third person or entity other than the Issuer. Furthermore, no person other than the Issuer solely in respect of Compartment Loans 2 will accept any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes. The Issuer will not be liable whatsoever to the Noteholders in respect of any of its Compartments (or assets relating to such Compartments) other than Compartment Loans 2.

All payment obligations of the Issuer under the Notes constitute exclusively obligations to pay out the Available Distribution Amount or, as relevant, the Available Post-Enforcement Funds in accordance with the applicable Priority of Payments. If, following enforcement of the Security, the Available Post-Enforcement Funds prove ultimately insufficient, after payment of all claims ranking in priority to amounts due under the Notes, to pay in full all principal and interest and other amounts whatsoever due in respect of the Notes, any shortfall arising will be extinguished and the Noteholders will neither have any further claim against the Issuer in respect of any such amounts nor have recourse to any other person for the Loss sustained. The enforcement of the Security by the Trustee is the only remedy available to the Noteholders for the purpose of recovering amounts payable in respect of the Notes. Such assets and the Available Post-Enforcement Funds will be deemed to be "ultimately insufficient" at such time as no further assets are available and no further proceeds can be realised therefrom to satisfy any outstanding claim of the Noteholders, and neither assets nor proceeds will be so available thereafter.

Limited resources of the Issuer

The Issuer is a special purpose entity organised under and governed by the Luxembourg Securitisation Law and, in respect of Compartment Loans 2, with no business operations other than the issue of the Notes, the purchase and financing of the Purchased Receivables secured by the Loan Collateral as well as the entry into related Transaction Documents. Assets and proceeds of the Issuer in respect of Compartments other than Compartment Loans 2 will not be available for payments under the Notes. Therefore, the ability of the Issuer to meet its obligations under the Notes is conditional and will depend, *inter alia*, upon receipt of:

- (a) the amounts standing to the credit of the Cash Reserve Ledger as of the relevant Cut-Off Date and the relevant Payment Date;
- (b) any Collections received by the Servicer during the Monthly Period ending on such Cut-Off Date;
- (c) any Swap Net Cashflow payable by the Swap Counterparty to the Issuer on the Payment Date immediately following the relevant Cut-Off Date;
- (d) any tax payment made by the Seller and/or Servicer to the Issuer in accordance with the Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period;
- (e) any interest earned (if any) on the amount credited to the Issuer Account during such Monthly Period;
- (f) prior to the appointment of a substitute Servicer, the amounts standing to the credit of the Commingling Reserve Ledger upon (i) the occurrence and continuance of a Commingling Reserve Trigger Event as of such Cut-Off Date and (ii) the occurrence and continuance of a Servicer Termination Event as of such Cut-Off Date, to the extent necessary to cover any Servicer Shortfall caused on the part of BMW Bank as Servicer; and
- (g) the amounts (if any) standing to the credit of the Set-Off Reserve Ledger upon (i) the occurrence and continuance of a Set-Off Reserve Trigger Event as of such Cut-Off Date and (ii) the occurrence and continuance of a Servicer Termination Event as of such Cut-Off Date, but only to the extent necessary

for the fulfilment on the relevant Payment Date of the payment obligations of the Issuer under items *first to ninth* (inclusive) of the Pre-Enforcement Priority of Payments (but excluding any fees and other amounts due to the Seller in its capacity as Servicer under item *third* of the Pre-Enforcement Priority of Payments) provided, however, that, with respect to amounts standing to the credit of the Set-Off Reserve Ledger, such amounts shall only be included in the Available Distribution Amount if and to the extent that (i) any amounts that would otherwise have to be transferred to the Issuer as Deemed Collections within the meaning of item (iv)(x) of the definition of Deemed Collections for the Monthly Period ending on the relevant Cut-Off Date were not received by the Seller as a result of any of the actions described in item (iv)(x) of the definition of Deemed Collections, and (ii) the Issuer does not have a right of set-off against the Seller or (if different) the Servicer with respect to such amounts on the relevant Payment Date; and provided further, however, that with respect to amounts standing to the credit of the Set-Off Reserve Ledger, such amounts shall only be included in the Available Distribution Amount if and to the extent that the Seller has not fulfilled its obligation under Clause 16.6 of the Receivables Purchase Agreement.

Other than the foregoing, the Issuer will have no funds available to meet its obligations under the Notes.

Insolvency of Bavarian Sky S.A.

Although Bavarian Sky S.A. will contract on a "limited recourse" and "non-petition" basis as noted above, it cannot be excluded as a risk that the assets of Bavarian Sky S.A. (that is, its aggregate assets allocated to its Compartments plus any other assets it may own) will become subject to bankruptcy proceedings.

Bavarian Sky S.A. is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg, has its centre of main interest (*centre des intérêts principaux*) (for the purposes of Council Regulation (EC) No. 1346/2000 of 20 May 2000 on insolvency proceedings, as amended) in Luxembourg, has its registered office in Luxembourg and is managed by its board of directors, each of which is professionally residing in Luxembourg. Accordingly, bankruptcy proceedings with respect to Bavarian Sky S.A. may proceed under, and be governed by, the insolvency laws of Luxembourg.

Under Luxembourg law, a company is bankrupt ("*en faillite*") when it is unable to meet its current liabilities and when its creditworthiness is impaired. In particular, under Luxembourg bankruptcy law, certain payments made, as well as other transactions concluded or performed by the bankrupt party during the so-called "suspect period" (*période suspecte*) may be subject to cancellation by the bankruptcy court. Whilst the cancellation is compulsory in certain cases, it is optional in other cases. The "suspect period" is the period that lapses between the date of cessation of payments (*cessation de paiements*), as determined by the bankruptcy court, and the date of the court order declaring the bankruptcy. The "suspect period" cannot exceed six months.

Under Article 445 of the Luxembourg Code of Commerce: (a) a contract for the transfer of movable or immovable property entered into or carried out without consideration, or a contract or transaction entered into or carried out with considerably insufficient consideration for the insolvent party; (b) a payment, whether in cash or by transfer, assignment, sale, set-off or otherwise for debts not yet due, or a payment other than in cash or bills of exchange for debts due or (c) a contractual or judiciary mortgage, pledge, or charge on the debtor's assets for previously contracted debts, would each be unenforceable against the bankruptcy estate if carried out during the suspect period or ten days preceding the suspect period.

According to Article 61(4) second paragraph of the Luxembourg Securitisation Law and without prejudice to the provisions of the law of 5 August 2005 on financial collateral arrangements, the validity and perfection of each of the security interests mentioned under item (c) in the above paragraph cannot be challenged by a bankruptcy receiver with respect to Article 445 of the Luxembourg Code of Commerce and such security interests are hence enforceable even if they were granted by the company during the suspect period or ten days preceding the suspect period. However, Article 61(4) second paragraph of the Luxembourg Securitisation Law is only applicable if (i) the articles of incorporation of the company granting the security interests are governed by the Luxembourg Securitisation Law and (ii) the company granted the respective security interest no later than the issue date of the securities or at the conclusion of the agreements secured by such security interest.

Under Article 446 of the Luxembourg Code of Commerce, any payments made by the bankrupt debtor for matured debt in the suspect period may be rescinded if the creditor was aware of the cessation of payment of the debtor.

Under Article 448 of the Luxembourg Code of Commerce, transactions entered into by the bankrupt debtor with the intent to deprive its creditors are null and void (Article 448 of the Code of Commerce) and can be challenged by a bankruptcy receiver without limitation of time.

Bavarian Sky S.A. can be declared bankrupt upon petition by a creditor of Bavarian Sky S.A. or at the initiative of the court or at the request of Bavarian Sky S.A. in accordance with the relevant provisions of Luxembourg insolvency laws. The conditions for opening bankruptcy proceedings are the stoppage of payments ("*cessation des paiements*") and the loss of commercial creditworthiness ("*ébranlement du crédit commercial*"). The failure of controlled management proceedings may also constitute grounds for opening bankruptcy proceedings. If the above mentioned conditions are satisfied, the Luxembourg court will appoint a bankruptcy receiver ("*curateur*") who shall be the sole legal representative of Bavarian Sky S.A. and obliged to take such action as it deems to be in the best interests of Bavarian Sky S.A. and of all creditors of Bavarian Sky S.A. Certain preferred creditors of Bavarian Sky S.A. (including the Luxembourg tax authorities) may have a privilege that ranks senior to the rights of the Noteholders in such circumstances. Other bankruptcy proceedings under Luxembourg law include controlled management and moratorium of payments ("*gestion contrôlée et sursis de paiement*") of Bavarian Sky S.A., composition proceedings ("*concordat*") and judicial liquidation proceedings ("*liquidation judiciaire*").

Consequences of bankruptcy proceedings

If Bavarian Sky S.A. fails for any reason to meet its obligations or liabilities (that is, if Bavarian Sky S.A. is unable to pay its debts and may obtain no further credit), a creditor, who has not (and cannot be deemed to have) accepted non petition and limited recourse provisions in respect of Bavarian Sky S.A., will be entitled to make an application for the commencement of insolvency proceedings against Bavarian Sky S.A. In that case, such creditor would, however, not have recourse to the assets of any Compartment but would have to exercise its rights on the general assets of Bavarian Sky S.A. unless its rights would arise in connection with the "creation, operation or liquidation" of a Compartment, in which case, the creditor would have recourse to the assets allocated to that Compartment but he would not have recourse to the assets of any other Compartment. Furthermore, the commencement of such proceedings may – under certain conditions – entitle creditors (including the relevant counterparties) to terminate contracts with Bavarian Sky S.A. and claim damages for any loss created by such early termination. Bavarian Sky S.A. will seek to contract only with parties who agree not to make application for the commencement of winding-up, liquidation and bankruptcy or similar proceedings against Bavarian Sky S.A. Legal proceedings initiated against Bavarian Sky S.A. in breach of these provisions shall, in principle, be declared inadmissible by a Luxembourg court.

Subordination of the Class B Notes

Prior to the occurrence of an Enforcement Event, the Class B Notes bear a greater risk than the Class A Notes because payment of principal on the Class B Notes is subordinated to the payment of principal on the Class A Notes in accordance with the Pre-Enforcement Priority of Payments as further described in this Offering Circular.

Prior to the occurrence of an Enforcement Event, the Class B Notes bear a greater risk than the Class A Notes because payment of principal and interest on the Class B Notes is subordinated to the payment of principal and interest on the Class A Notes in accordance with the Post-Enforcement Priority of Payments as further described in this Offering Circular.

See "CREDIT STRUCTURE AND FLOW OF FUNDS – Sequential amortisation", "TERMS AND CONDITIONS OF THE NOTES — Condition 7.6 (*Pre-Enforcement Priority of Payments*)" and "TERMS AND CONDITIONS OF THE NOTES — Condition 9 (*Post-Enforcement Priority of Payments*)".

Subordination to the Swap Agreement

The Issuer's obligations under the Swap Agreement will be secured by the Security and such obligations (excluding termination payments due to the Swap Counterparty because of an event of default relating to it) will rank, in respect of payment and security upon the occurrence of an Enforcement Event, senior to the Issuer's obligations under the Notes. See "TERMS AND CONDITIONS OF THE NOTES — Condition 7.6 (*Pre-Enforcement Priority of Payments*)" and "TERMS AND CONDITIONS OF THE NOTES — Condition 9 (*Post-Enforcement Priority of Payments*)".

Ratings of each Class of Notes

The ratings assigned to any Class of Notes by any Rating Agency take into consideration the structural, legal, tax and Issuer-related aspects associated with any Class of Notes and the underlying Purchased Receivables, the credit quality of the Purchased Receivables and the Loan Collateral, the extent to which the Debtors' payments under the Purchased Receivables are adequate to make the payments required under the Notes as well as other relevant features of the structure, including, *inter alia*, the credit situation of the Swap Counterparty, the Account Bank, the Seller and the Servicer (if different). Each Rating Agency's rating reflects only the view of that Rating Agency. Each rating assigned to the Notes addresses the likelihood of full and timely payment to the Noteholders of all payments of interest on the Notes on each Payment Date and the ultimate payment of principal on the Legal Final Maturity Date of the Notes. In particular, the Moody's rating of any Class of Notes addresses the risk of expected loss in proportion to the Note Principal Amount of the Notes posed to the holders of such Notes by the Legal Final Maturity Date. The Moody's rating addresses only the credit risks associated with this Transaction.

The Issuer has not requested a rating of any Class of Notes by any rating agency other than the Rating Agencies. However, rating organisations other than the Rating Agencies may seek to rate any Class of Notes and, if such "shadow ratings" or "unsolicited ratings" are lower than the comparable ratings assigned to any Class of Notes by the Rating Agencies, such shadow or unsolicited ratings could have an adverse effect on the value of the Notes. Future events, including events affecting the Swap Counterparty, the Account Bank, the Seller and the Servicer (if different) could also have an adverse effect on the ratings of any Class of Notes. Such risk, however, is partly mitigated, as each of the Swap Counterparty and the Account Bank is obliged to transfer its obligations to another eligible third party with the required ratings if it ceases to be an Eligible Swap Counterparty or an Eligible Counterparty (as the case may be) which will have an adverse effect on the ratings of any Class of Notes.

A rating in respect of certain securities is not a recommendation to buy, sell or hold such securities and may be subject to revision or withdrawal at any time by the relevant rating organisation. The ratings assigned to any Class of Notes should be evaluated independently from similar ratings on other types of securities. There is no assurance that the ratings of any Class of Notes will continue for any period of time or that they will not be lowered, reviewed, suspended or withdrawn by the Rating Agencies. In the event that the ratings initially assigned to any Class of Notes by the Rating Agencies are subsequently withdrawn or lowered for any reason (including, without limitation, any subsequent change of the rating methodologies and/or criteria applied by the relevant Rating Agency), no person or entity is obliged to provide any additional support or credit enhancement to the Notes.

CRA III

On 31 May 2013, the finalised text of Regulation (EU) No 462/2013 ("**CRAIII**") of the European Parliament and of the European Council amending Regulation (EC) No 1060/2009 ("**CRA**") on credit rating agencies was published in the Official Journal of the European Union. The majority of CRAIII became effective on 20 June 2013 (the "**CRAIII Effective Date**") although certain provisions will not apply until later. CRAIII provides for certain additional disclosure requirements which are applicable in relation to structured finance instruments. Such disclosures will need to be made via a website to be set up by the European Securities and Markets Authority ("**ESMA**"). The precise scope and manner of such disclosure will be subject to regulatory technical standards (the "**CRAIII RTS**") prepared by ESMA.

Although the obligation to publish such information is effective from the CRAIII Effective Date, the CRAIII RTS have not yet been published by ESMA and no such website is currently publicly available. The final draft CRAIII RTS was published in draft form on 20 June 2014 by ESMA and was submitted to the European Commission. Subsequently, the draft CRAIII RTS will be subject to a consultation period of three months. It is not possible for the Issuer or any other party to comply with the disclosure requirements until such time as both the website and the final CRAIII RTS are made publicly available.

Additionally, CRAIII has introduced a requirement that where an issuer or related third parties (which term includes sponsors and originators) intends to solicit a credit rating of a structured finance instrument it will appoint at least two credit rating agencies to provide ratings independently of each other; and should consider appointing at least one rating agency having not more than a 10 per cent. total market share (as measured in accordance with Article 8d(3) of the CRA (as amended by CRAIII)) (a small CRA), provided that a small CRA is capable of rating the relevant issuance or entity. In order to give effect to those provisions of Article 8d of CRA III, the European Securities and Markets Authority (ESMA) is required to annually publish a list of

registered CRAs, their total market share, and the types of credit rating they issue. The Issuer has appointed a small CRA for this Transaction.

Sharing of proceeds with other Secured Parties

The proceeds of collection and enforcement of the Security created by the Issuer in favour of the Trustee will be distributed in accordance with the applicable Priority of Payments to satisfy claims of all Secured Parties thereunder. If the proceeds are not sufficient to satisfy all obligations of the Issuer, certain parties that rank more junior in the applicable Priority of Payments will suffer a Loss. See "TERMS AND CONDITIONS OF THE NOTES — Condition 7.6 (*Pre-Enforcement Priority of Payments*)" and "TERMS AND CONDITIONS OF THE NOTES — Condition 9 (*Post-Enforcement Priority of Payments*)".

Basel Capital Accord and regulatory capital requirements

The regulatory capital framework published by the Basel Committee on Banking Supervision (the "**Basel Committee**") in 2006 (the "**The Basel II framework**") has not been fully implemented in all participating countries. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Notes for investors who are or may become subject to capital adequacy requirements that follow the framework. The Basel Committee approved significant changes to the Basel II framework (such changes being commonly referred to as "**Basel III**"), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. In particular, the changes refer to, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**"). The Basel Committee published the full text of the revised Liquidity Coverage Ratio following endorsement on 6 January 2013 by its governing body, the Group of Central Bank Governors and Heads of Supervision. The changes to the definition of the Liquidity Coverage Ratio, developed and agreed by the Basel Committee over the past two years, include an expansion in the range of assets eligible as high quality liquid assets and some refinements to the assumed inflow and outflow rates to better reflect actual experience in times of stress. Specifically, the Liquidity Coverage Ratio will be introduced as planned on 1 January 2015, but the minimum requirement will begin at 60%, rising in equal annual steps of 10 percentage points to reach 100% on 1 January 2019. Furthermore, member countries will be required to implement the new Liquidity Funding Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The European authorities have introduced the Basel III framework into European law through Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Capital Requirements Directive "**CRD**") and the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation "**CRR**") known as "**CRD IV Package**" which has entered into force in the EU on 1 January 2014. Particularly the CRR has immediate and direct effect, as it does not require to be implemented into national law. Under Article 460 of the CRR, the liquidity coverage ratio shall be introduced in 2015 with the minimum requirement of 60% and will reach 100% as from 1 January 2018. In addition, the risk-retention rules have been re-cast in Article 405 of the CRR (with the remainder of the risk-retention provisions set out through Article 410 of the CRR). The changes under the CRD IV Package may have an impact on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences to and effect on them of any changes to the Basel II framework (including the Basel III changes described above) and by the CRD IV Package in particular and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

Article 405 of the CRR places an obligation on a credit institution that is subject to the CRD which assumes exposure to the credit risk of a securitisation (as defined in Article 242 of the CRR) to ensure that the originator, sponsor or original lender has explicitly disclosed that it will retain a material net economic interest of not less than 5 per cent. in the securitisation, and has a thorough understanding of all structural features of a securitisation transaction that would materially impact the performance of their exposures to the transaction. Furthermore, Article 405 of the CRR restricts an EU regulated credit institution from investing in asset-backed securities unless the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an ongoing basis, a net economic interest of

not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures as contemplated by Article 405 of the CRR. Failure to comply with one or more of the requirements set out in Article 405 of the CRR will result in the imposition of a penal capital charge on the notes acquired by the relevant investor.

Investors should therefore make themselves aware of the requirements of Article 405 of the CRR as well as the respective national implementation legislation, where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes.

With respect to the commitment of the Seller to retain a material net economic interest in the securitisation as contemplated by Article 405 of the CRR, the Seller will retain, for the life of the Transaction, such net economic interest through retention of randomly selected "exposures" (i.e. Receivables), equivalent to no less than 5 per cent. of the nominal amount of the "securitised exposures" (i.e. the Purchased Receivables) at the Issue Date, where such exposures would otherwise have been securitised in the securitisation, provided that the number of potentially securitised exposures is no less than 100 at origination.

The outstanding balance of the retained exposures may be reduced over time by, amongst other things, amortisation, allocation of losses or defaults on the underlying Loan Receivables. The monthly investor reports will also set out monthly confirmation as to the Seller's continued holding of the original retained exposures. It should be noted that there is no certainty that references to the retention obligations of the Seller in this Offering Circular will constitute explicit disclosure (on the part of the Seller) or adequate due diligence (on the part of the Noteholders) for the purposes of Article 406 of the CRR.

Article 406 of the CRR also places an obligation on credit institutions that are subject to the CRD, before investing in a securitisation and thereafter, to analyse, understand and stress test their securitisation positions, and monitor on an ongoing basis and in a timely manner performance information on the exposures underlying their securitisation positions. After the Issue Date, the Seller or the Servicer will prepare monthly investor reports wherein relevant information with regard to the Purchased Receivables will be disclosed publicly together with an overview of the retention of the material net economic interest by the Seller with a view to complying with Article 409 of the CRR.

Where the relevant retention requirements are not complied with in any material respect and there is negligence or omission in the fulfilment of the due diligence obligations on the part of a credit institution that is investing in the Notes, a proportionate additional risk weight of no less than 250 per cent. of the risk weight (with the total risk weight capped at 1250 per cent.) which would otherwise apply to the relevant securitisation position shall be imposed on such credit institution, progressively increasing with each subsequent infringement of the due diligence provisions. Noteholders should make themselves aware of the provisions of the CRD IV Package and make their own investigation and analysis as to the impact of the CRD IV Package on any holding of Notes.

If the Seller does not comply with its obligations under CRD IV Package, the ability of the Noteholders to sell and/or the price investors receive for, the Notes in the secondary market may be adversely affected.

Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with CRD IV Package and none of the Issuer, the Seller, the Corporate Services Provider, the Joint Lead Managers, the Co-Arrangers, the Bookrunners, nor the Managers makes any representation that the information described above is sufficient in all circumstances for such purposes.

Article 405 CRR has come into force as of 1 January 2014. EBA has published on 22 May 2013 a consultation paper on the draft technical standards to be made under the re-cast risk retention and due diligence requirements which do not largely replicate the previous CEBS guidelines. On 13 March 2014 the European Commission published final draft of the Delegated Regulation supplementing CRR by way of regulatory technical standards specifying the requirements for investor, sponsor, original lenders and originator institutions relating to exposures to transferred credit risk. This Delegated Regulation has been published on the Official Journal of the EU and has entered into force on 3 July 2014. In addition, this Delegated Regulation replaces the previous CEBS guidelines. The Delegated Regulation does not differ significantly from the version submitted to the European Commission by the EBA, but there are some key additions and changes. Noteholders should take their own advice on compliance with, and the application of, the provisions of the CRD IV Package and Article 405 of the CRR in particular.

Investors should also be aware of Section 5 of Chapter III of the Commission Delegated Regulation (EU) No 231/2013 implementing the EU Alternative Investment Fund Managers Directive (2011/61/EC) ("**Section 5**"). The provisions of Section 5 introduced risk retention and due diligence requirements (which took effect from 22 July 2013 in general) in respect of alternative investment fund managers that are required to become authorised under the EU Alternative Investment Fund Managers Directive and which assume exposure to the credit risk of a securitisation on behalf of one or more alternative investment funds. While the requirements under Section 5 are similar to those which apply under Article 405 of the CRR *et seqq.* (including in relation to the requirement to disclose to alternative investment fund managers that the originator, sponsor or original lender will retain, on an ongoing basis, a net economic interest of not less than 5% in respect of certain specified credit risk tranches or asset exposures), they are not identical. In particular, the retention requirements under Section 5 require alternative investment fund managers to ensure that the sponsor or originator of a securitisation meets certain underwriting and originating criteria in granting credit, and imposes more extensive due diligence requirements on alternative investment fund managers investing in securitisations than are imposed on credit institutions under the CRR. Furthermore, alternative investment fund managers who discover after the assumption of a securitisation exposure that the retained interest does not meet the requirements, or subsequently falls below 5% of the economic risk, are required to take such corrective action as is in the best interests of investors. It remains to be seen how this last requirement is expected to be addressed by AIFMs should those circumstances arise. The retention requirements under Section 5 apply to new securitisations issued on or after 1 January 2011.

There can be no guarantee that the regulatory capital treatment of the Notes for investors will not be affected by any future implementation of and changes to the CRD IV Package, Section 5 or other regulatory or accounting changes.

Eurosystem eligibility

The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Class A Notes are intended upon issue to be deposited with one of Euroclear or Clearstream Luxembourg as Class A Notes Common Safekeeper under the new global note structure (NGN) and does not necessarily mean that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will, *inter alia*, depend upon satisfaction of the Eurosystem eligibility criteria set out in the Guideline of the European Central Bank on monetary policy instruments and procedure of the Eurosystem (ECB/2000/7), as amended from time to time.

In addition, on 15 December 2010 the Governing Council of the ECB has decided to establish loan-by-loan information requirements for asset-backed securities in the Eurosystem collateral framework. On 28 November 2012, in Guideline of the ECB of 26 November 2012 amending Guideline ECB/2011/14 on monetary policy instruments and procedures of the Eurosystem (ECB/2012/25), the ECB has laid down the reporting requirements related to the loan-level data for asset-backed securities. For asset-backed securities to become or to remain eligible for Eurosystem monetary policy operations, the Eurosystem requires comprehensive and standardised loan-level data on the pool of cash flow generating assets underlying an asset-backed security to be submitted by the relevant parties in the asset-backed security, as set out in appendix 8 (loan-level data reporting requirements for asset-backed securities) of the Guideline of the European Central Bank of 20 September 2011 on monetary policy instruments and procedures of the Eurosystem (recast) (ECB/2011/14) as amended and applicable from time to time. Non-compliance with the provision of loan-level data will lead to suspension of or refusal to grant eligibility to the asset-backed security transaction in question. For asset-backed securities where the cash flow generating assets comprise auto loans, consumer finance loans, or lease receivables, the loan-by-loan information requirements have applied from 1 January 2014 and the nine-month transition period ends on 30 September 2014.

If the Class A Notes do not satisfy the criteria specified by the European Central Bank, or if the Servicer fails to submit the loan-level data, there is a risk that the Class A Notes will not be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations. Neither the Issuer, the Managers nor the Arranger gives any representation, warranty, confirmation or guarantee to any investor in the Class A Notes that the Class A Notes will, either upon issue, or at any or all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem eligible collateral. Any potential investor in the Class A Notes should make their own conclusions and seek their own advice with respect to whether or not the Class A Notes constitute Eurosystem eligible collateral at any point of time during the life of the Class A Notes.

EMIR

Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, known as the European Market Infrastructure Regulation ("**EMIR**") came into force on 16 August 2012.

On 19 December 2012, the European Commission adopted nine of ESMA's Regulatory Technical Standards (the "**Adopted RTS**") and Implementing Technical Standards (the "**Adopted ITS**") on OTC Derivatives, CCPs and Trade Repositories (the Adopted RTS and Adopted ITS together being the "**Adopted Technical Standards**"), which included technical standards on clearing, reporting and risk mitigation (see further below). The Adopted ITS were published in the Official Journal of the European Union on 21 December 2012 and entered into force on 10 January 2013 (although certain of the provisions thereof will only take effect once the associated regulatory technical standards enter into force). The Adopted RTS were published in the Official Journal of the European Union on 23 February 2013 and entered into force on 15 March 2013.

EMIR introduces certain requirements in respect of OTC derivative contracts applying to financial counterparties ("**FCPs**"), such as investment firms, credit institutions and insurance companies and certain non-financial counterparties ("**Non-FCPs**"). Such requirements include, amongst other things, the mandatory clearing of certain OTC derivative contracts (the "**Clearing Obligation**") through an authorised central counterparty (a "**CCP**"), the reporting of OTC derivative contracts to a trade repository (the "**Reporting Obligation**") and certain risk mitigation requirements in relation to derivative contracts which are not centrally cleared.

The Clearing Obligation applies to FCPs and certain Non-FCPs which have positions in OTC derivative contracts exceeding specified 'clearing thresholds'. Such OTC derivative contracts also need to be of a class of derivative which has been designated by ESMA as being subject to the Clearing Obligation. On the basis of the Adopted Technical Standards, it is likely that the Issuer will be treated as a Non-FCP for the purposes of EMIR, and the swap transactions to be entered into by it on the Closing Date will not exceed the "clearing threshold".

A CCP will be used to meet the Clearing Obligation by interposing itself between the counterparties to the eligible OTC derivative contracts. For the purposes of satisfying the Clearing Obligation, EMIR requires derivative counterparties to become clearing members of a CCP, a client of a clearing member or to otherwise establish indirect clearing arrangements with a clearing member. Each derivative counterparty will be required to post both initial and variation margin to the clearing member (which in turn will itself be required to post margin to the CCP). EMIR requires CCPs to only accept highly liquid collateral with minimal credit and market risk, which is defined in the Adopted Technical Standards as cash, gold and highly rated government bonds.

The Reporting Obligation applies to all types of counterparties and covers the entry into, modification or termination of cleared and non-cleared derivative contracts which were entered into (i) before 16 August 2012 and which remain outstanding on 16 August 2012, or (ii) on or after 16 August 2012. The details of all such derivative contracts are required to be reported to a trade repository. It will therefore apply to the Swap Agreement and any replacement swap agreement.

FCPs and Non-FCPs which enter into non-cleared derivative contracts must ensure that appropriate procedures and arrangements are in place to measure, monitor and mitigate operational and counterparty credit risk. Such procedures and arrangements include, amongst other things, the timely confirmation of the terms of a derivative contract and formalised processes to reconcile trade portfolios, identify and resolve disputes and monitor the value of outstanding contracts. In addition, FCPs and those Non-FCP which exceed the specified clearing thresholds must also mark-to-market the value of their outstanding derivative contracts on a daily basis and have risk-management procedures that require the timely, accurate and appropriately segregated exchange of collateral.

The EU regulatory framework and legal regime relating to derivatives is set not only by EMIR but also by the proposals to amend the existing Markets in Financial Instruments Directive ("**MiFID II**"). In particular, MiFID II is expected to require all transactions in OTC derivatives to be executed on a trading venue. In this respect, it is difficult to predict the full impact of these regulatory requirements on the Issuer.

Prospective investors should be aware that the regulatory changes arising from EMIR and MiFID II may in due course significantly raise the costs of entering into derivative contracts and may adversely affect the Issuer's ability to engage in transactions in OTC derivatives. As a result of such increased costs or increased regulatory requirements, investors may receive less interest or return, as the case may be. Investors should be aware, however, that such risks are material and that the Issuer could be materially and adversely affected thereby. As

such, investors should consult their own independent advisers and make their own assessment about the potential risks posed by EMIR, technical standards made thereunder (including the Adopted Technical Standards) and the MIFID II, in making any investment decision in respect of the Notes.

In addition, given that the application of some of the EMIR provisions and given that additional technical standard or amendments to the existing EMIR provisions may come into effect in due course, prospective investors should be aware that the relevant Transaction Documents may need to be amended during the course of the Transaction, without the consent of any Noteholder, to ensure that the terms thereof and the parties obligations thereunder are in compliance with EMIR and/or the then subsisting EMIR technical standards.

Economic conditions in the Euro-zone

Concerns relating to credit risks (including that of sovereigns and those of entities which are exposed to sovereigns) have recently intensified. In particular, concerns have been raised with respect to current economic, monetary and political conditions in the Euro-zone. If such concerns persist and/or such conditions further deteriorate (including as may be demonstrated by any relevant credit rating agency action, any default or restructuring of indebtedness by one or more states or institutions and/or any changes to, including any break-up of, the Euro-zone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect one or more of the Transaction Parties (including the Seller, the Servicer and/or the Swap Counterparty) and any Debtor in respect of the Purchased Receivables. Given the current uncertainties and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and, in particular, no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Early redemption of the Notes and effect on yield

The yield to maturity of any Note of each Class will depend on, *inter alia*, the amount and timing of payment of principal and interest on the Purchased Receivables and the price paid by the Noteholder for such Note.

On any Payment Date on which the Aggregate Outstanding Principal Balance is less than 10 % of the Aggregate Principal Balance, the Seller may, subject to certain conditions, repurchase all outstanding Purchased Receivables (together with any Loan Collateral) at the then current value of such Purchased Receivables plus any interest accrued thereon. *See* "TERMS AND CONDITIONS OF THE NOTES — Condition 8.3 (*Clean-Up Call*)". Such Clean-Up Call may adversely affect the yield on each Class of Notes.

In addition, the Issuer may, subject to certain conditions, redeem all of the Notes if under applicable law the Issuer is required to make a deduction or withholding for or on account of tax (*see* "TERMS AND CONDITIONS OF THE NOTES — Condition 8.4 (*Optional Tax Redemption*)". This may adversely affect the yield on each Class of Notes.

Factors which are material for the purpose of assessing the market risk associated with the Notes

Limited secondary market liquidity and market value of Notes

Although application has been made to admit the Notes to trading on the regulated market of the Luxembourg Stock Exchange and to list the Notes on the official list of the Luxembourg Stock Exchange, liquidity of a secondary market for the Notes is limited. There can be no assurance that there will be bids and offers and that a liquid secondary market for the Notes will develop or that a market will develop for all Classes of Notes or, if it develops, that it provides sufficient liquidity to absorb any bids, or that it will continue for the whole life of the Notes.

Limited liquidity in the secondary market for asset-backed securities has had a serious adverse effect on the market value of asset-backed securities. Limited liquidity in the secondary market may continue to have a serious adverse effect on the market value of asset-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors.

In addition, prospective investors should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), the market values of the Notes may fluctuate with changes in market conditions. Any such fluctuation may be significant and could result in significant losses to investors in the Notes. Consequently, any sale of Notes by Noteholders in any secondary market transaction may be at a

discount to the original purchase price of such Notes. Accordingly, investors should be prepared to remain invested in the Notes until the Legal Final Maturity Date.

Interest rate risk

Payments made to the Seller by any Debtor under a Loan Agreement comprise monthly amounts calculated on the basis of fixed interest rates. However, payments of interest on the Notes are calculated on the basis of EURIBOR. To ensure that the Issuer will not be exposed to interest rate risks, the Issuer and the Swap Counterparty have entered into the Swap Agreement under which the Issuer will owe payments by reference to a fixed rate and the Swap Counterparty will owe payments by reference to EURIBOR, in each case calculated with respect to the Swap Notional Amount which is equal to the Outstanding Note Balance on the immediately preceding Payment Date. Payments under the Swap Agreement will be made on a net basis.

During periods in which floating rate interest amounts payable by the Swap Counterparty under the Swap Agreement are greater than the fixed rate interest amounts payable by the Issuer under such Swap Agreement, the Issuer will be more dependent on receiving net payments from the Swap Counterparty in order to make interest payments on the Notes. Consequently, a default by the Swap Counterparty on its obligations under the Swap may lead to the Issuer not having sufficient funds to meet its obligations to pay interest on the Notes.

Interest rate hedging

If the Swap Counterparty defaults in respect of its obligations under the Swap Agreement which results in a termination of the Swap Agreement, the Issuer will be obligated to enter into a replacement arrangement with another Eligible Swap Counterparty or to take other appropriate steps as defined in the Swap Agreement. Any failure to enter into such a replacement arrangement or to take other appropriate action may result in the Issuer becoming exposed to substantial interest rate risk and a downgrading of the rating of any Class of Notes. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Swap Agreement".

During periods in which floating rates interests payable by the Swap Counterparty under the Swap Agreement are less than the fixed rates interests payable by the Issuer under such Swap Agreement, the Issuer will be obligated under such Swap Agreement to make a net payment to such Swap Counterparty. The Swap Counterparty's claims for payment (including certain termination payments required to be made by the Issuer upon a termination of a Swap Agreement) under the Swap Agreement will rank higher in priority than all payments on the Notes. If a payment under a Swap Agreement is due to a Swap Counterparty on any Payment Date, the Available Distribution Amount may be insufficient to make the required payments to the Swap Counterparty and to the Noteholders so that the Noteholders may experience delays and/or reductions in the interest and principal payments on the Notes.

The Swap Counterparty may terminate the Swap Agreement if the Issuer becomes insolvent, if the Issuer fails to make a payment under the Swap Agreement when due and such failure is not remedied within three local business days after notice of such failure being given, if performance of the Swap Agreement becomes illegal, or if an Enforcement Event occurs under the Trust Agreement. The Issuer may terminate a Swap Agreement if, among other things, the Swap Counterparty becomes insolvent, the Swap Counterparty fails to make a payment under the Swap Agreement when due and such failure is not remedied within three Business Days after the notice of such failure being given, performance of the Swap Agreement becomes illegal or payments to the Issuer are reduced or payments from the Issuer are increased due to tax for a period of time.

The Issuer is exposed to the risk that the Swap Counterparty may become insolvent. In the event that the Swap Counterparty suffers a rating downgrade, the Issuer may terminate the Swap Agreement if the Swap Counterparty fails, within a set period of time, to take certain actions intended to mitigate the effects of such downgrade. Such actions could include the Swap Counterparty collateralising its obligations as a referenced amount, transferring its obligations to a replacement Swap Counterparty or procuring a guarantee. However, in the event the Swap Counterparty is downgraded, there can be no assurance that an eligible guarantor or replacement Swap Counterparty will be available or that the amount of collateral will be sufficient to meet the Swap Counterparty's obligations.

In the event that the Swap Agreement is terminated by either party, then, depending on the market value of the swap, a termination payment may be due to the Issuer or to the Swap Counterparty. Any such termination payment could be substantial. In certain circumstances, termination payments required to be made by the Issuer to the Swap Counterparty will rank higher in priority than all payments on the Notes. In such an event, the

Available Distribution Amount may be insufficient to make the required payments on the Notes and the Noteholders may experience delays and/or reductions in the interest and principal payments on the Notes.

In the event that the Swap Agreement is terminated by either party or the Swap Counterparty becomes insolvent, the Issuer may not be able to enter into the Swap Agreement with a replacement Swap Counterparty immediately or at a later date. If a replacement Swap Counterparty cannot be contracted, the amount available to pay principal of and interest on the Notes will be reduced if the floating rates-based interest on Notes exceeds the fixed rate-based interest that the Issuer would have been required to pay the Swap Counterparty under the terminated Swap Agreement. In these circumstances, the Available Distribution Amount may be insufficient to make the required payments on the Notes and the Noteholders may experience delays and/or shortfalls in the interest and principal payments on the Notes.

The enforceability of a contractual provision which alters the priorities of payments to subordinate the claim of a swap counterparty (to the claims of other creditors of its counterparty) upon the occurrence of an insolvency of or other default by the swap counterparty (a so-called "flip clause") has been challenged in the English and U.S. courts. The hearings have arisen due to the insolvency of a swap counterparty and have considered whether the payment priorities breach the "anti-deprivation" principle under English and U.S. insolvency law. This principle prevents a party from agreeing to a provision that deprives its creditors of an asset upon its insolvency. It was argued that where a secured creditor subordinates itself to the noteholders in the event of its insolvency, that secured creditor effectively deprives its own creditors. In England, the Court of Appeal in *Perpetual Trustee Company Limited & Anor v BNY Corporate Trustee Services Limited & Ors* [2009] EWCA Civ 1160, dismissed this argument and upheld the validity of similar priorities of payment, stating that the anti-deprivation principle was not breached by such provisions.

The Supreme Court of the United Kingdom in *Belmont Park Investments PTY Limited (Respondent) v BNY Corporate Trustee Services Limited and Lehman Brothers Special Financing Inc.* [2011] UK SC 38 unanimously upheld the decision of the Court of Appeal in dismissing this argument and upholding the validity of similar priorities of payment, stating that, provided that such provisions form part of a commercial transaction entered into in good faith which does not have as its predominant purpose, or one of its main purposes the deprivation of the property of one of the parties on bankruptcy, the anti-deprivation principle was not breached by such provisions. However, the leading judgements delivered in the Supreme Court referred to the difficulties in establishing the outer limits of the anti-deprivation principle.

In parallel proceedings in New York, Judge Peck of the U.S. Bankruptcy Court for the Southern District of New York granted Lehman Brothers Special Finance Inc's motion for summary judgement on the basis that the effect was that the provisions do infringe the anti-deprivation principle in a U.S. insolvency. Judge Peck acknowledged that this resulted in the U.S. courts coming to a decision "directly at odds with the judgement of the English Courts". Whilst leave to appeal was granted, the case was settled before an appeal was heard.

Given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents include terms providing for the subordination of certain payments under the Swap Agreement, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may adversely affect the Issuer's ability to make payments on the Notes and/or the market value of the Notes and result in negative rating pressure in respect of the Notes. If any rating assigned to any of the Notes is lowered, the market value of such Notes may reduce.

Non-availability of the Subordinated Loan

After the Issue Date, the Issuer will not be entitled to any further drawings under the Subordinated Loan to fill or re-fill the Cash Reserve Ledger up to the Required Cash Reserve Amount or otherwise to make payments in respect of principal or interest on the Notes. *See* "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Subordinated Loan Agreement".

THE ISSUER BELIEVES THAT THE RISKS DESCRIBED HEREIN ARE A LIST OF RISKS WHICH ARE SPECIFIC TO THE SITUATION OF THE ISSUER AND/OR THE NOTES AND WHICH ARE MATERIAL FOR TAKING INVESTMENT DECISIONS BY THE POTENTIAL NOTEHOLDERS. ALTHOUGH THE ISSUER BELIEVES THAT THE VARIOUS STRUCTURAL ELEMENTS DESCRIBED IN THIS DOCUMENT MITIGATE SOME OF THESE RISKS FOR NOTEHOLDERS, THERE CAN BE NO ASSURANCE THAT THESE MEASURES WILL BE SUFFICIENT TO ENSURE PAYMENT TO NOTEHOLDERS OF INTEREST, PRINCIPAL OR ANY OTHER AMOUNTS ON OR IN CONNECTION WITH THE NOTES ON A TIMELY BASIS OR AT ALL. ADDITIONAL RISKS

AND UNCERTAINTIES NOT PRESENTLY KNOWN TO THE ISSUER OR THAT THE ISSUER CURRENTLY BELIEVES TO BE IMMATERIAL COULD ALSO HAVE A MATERIAL IMPACT ON THE ISSUER'S FINANCIAL STRENGTH IN RELATION TO THIS TRANSACTION.

INTRODUCTION TO THE STRUCTURE OF THE TRANSACTION

On the Issue Date, the Seller will sell and assign to the Issuer, against payment of the aggregate Purchase Prices (EUR 1,025,649,999.60), certain loan receivables (the "**Purchased Receivables**") originated by the Seller as lender and owed by customers located in Germany together with the Loan Collateral by means of and pursuant to the Receivables Purchase Agreement. The Purchased Receivables will be selected according to the eligibility criteria (the "**Eligibility Criteria**") set out in "ELIGIBILITY CRITERIA".

The Loan Collateral (as defined below) transferred to the Issuer consists of, *inter alia*, (i) security title to the Financed Vehicles and (ii) claims of the Seller against the respective Debtor in relation to the Purchased Receivables under the relevant Loan Agreement(s). The title to the Financed Vehicles has been transferred as security to the Issuer. Pursuant to the Servicing Agreement, the Servicer will be obligated to enforce the Loan Collateral upon a Purchased Receivable becoming a Defaulted Receivable in accordance with the Credit and Collection Policy and the relevant Loan Agreement. The Issuer will be entitled to receive the enforcement proceeds relating to such Financed Vehicle which relates to the relevant Defaulted Receivable. Under the Security Documents, the Issuer will create security over substantially all of its assets, rights, claims and interests in respect of Compartment Loans 2 (together the "**Security**", as more specifically defined in "MASTER DEFINITIONS SCHEDULE"), comprising primarily the Purchased Receivables, the Loan Collateral and other claims of the Issuer under the Transaction Documents for the benefit of the Trustee who in turn will hold the Security for the benefit of the Noteholders and the other Secured Parties.

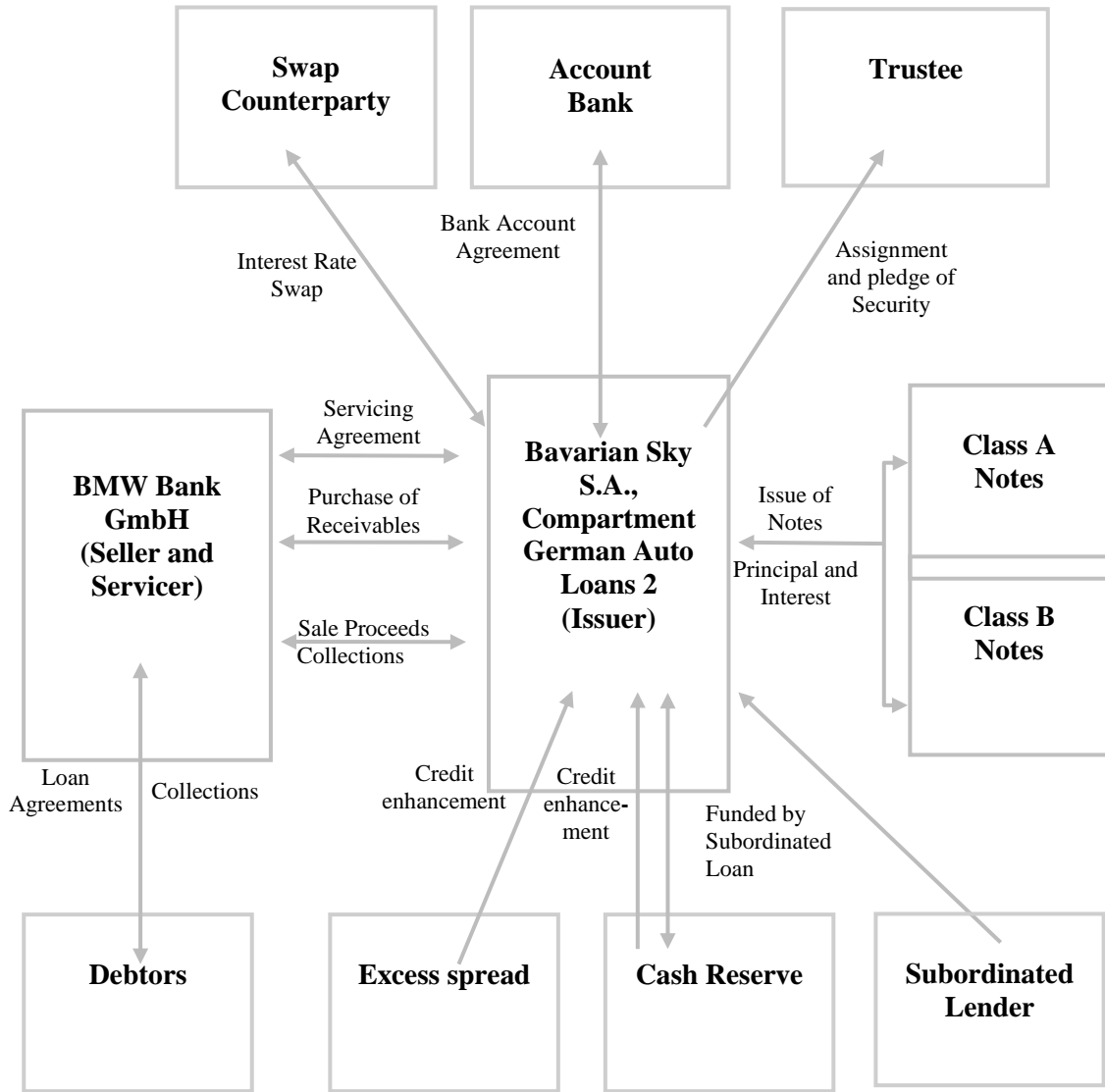
The Class A Notes are expected, on the Issue Date, to be rated AAA (sf) by DBRS, AAA (sf) by Fitch and Aaa (sf) by Moody's. The Class B Notes are expected, on the Issue Date, to be rated A (high) (sf) by DBRS, AA-(sf) by Fitch and A2 (sf) by Moody's. Each of DBRS, Fitch and Moody's is established in the European Community and according to the press release from European Securities Markets Authority ("**ESMA**") dated 31 October 2011, each of DBRS, Fitch and Moody's is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EU) No 513/2011 and by Regulation (EU) No 462/2013. Reference is made to the list of registered or certified credit rating agencies published by ESMA on the webpage <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> as last updated on 21 May 2014. The assignment of ratings to the Notes or an outlook on these ratings is not a recommendation to invest in the Notes and may be revised, suspended or withdrawn at any time.

The Issuer will enter into a Swap Agreement with the Swap Counterparty which will enable the Issuer to exchange a fixed interest rate into EURIBOR. The Swap Counterparty and its successor, as the case may be, must be an Eligible Swap Counterparty.

The Seller in its capacity as Servicer will service, collect and administer the Purchased Receivables and the Loan Collateral on behalf of the Issuer pursuant to a servicing agreement (the "**Servicing Agreement**") using the same degree of care and diligence as it would use if the Purchased Receivables and the Loan Collateral were its own property.

STRUCTURE DIAGRAM

This structure diagram of the Transaction is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Offering Circular.



PARTIES TO THE TRANSACTION

Issuer

Bavarian Sky S.A., acting in respect of its Compartment German Auto Loans 2, is an unregulated securitisation undertaking within the meaning of the Luxembourg Securitisation Law, incorporated as a public limited liability company (*société anonyme*), with registered office at 9B, Boulevard Prince Henri, L-1724 Luxembourg registered with the Luxembourg trade and companies register under number B 127982. Bavarian Sky S.A. is subject, as an unregulated securitisation undertaking, to the provisions of the Luxembourg Securitisation Law and has been established to operate as a multi-issuance, multi-seller securitisation conduit for the purposes of purchasing assets, directly or via intermediary purchasing entities, from several selling entities, or assuming the credit risk in respect of assets in any other way, and funding such purchases or risk assumptions in particular in the structured finance markets (*see* "THE ISSUER – Corporate purpose of the Issuer"). Each such securitisation transaction can be structured as a singular or as a revolving purchase of assets (or other assumption of credit risk) and will be separate from all other securitisations entered into by Bavarian Sky S.A. To that end, Bavarian Sky S.A. will ensure that each such securitisation transaction will be entered into in respect of a separate Compartment (*see* below).

Under the Luxembourg Securitisation Law, Bavarian Sky S.A. can segregate its assets, liabilities and obligations into ring-fenced separate compartments (each a "**Compartment**"). The assets of each Compartment are by operation of the Luxembourg Securitisation Law only available to satisfy the liabilities and obligations of Bavarian Sky S.A. which are incurred in relation to such Compartment. The liabilities and obligations of the Issuer incurred or arising in connection with the Notes and the other Transaction Documents, and all matters connected therewith, will only be satisfied or discharged against the assets allocated to Compartment Loans 2. The assets allocated to Compartment Loans 2 will be exclusively available to satisfy the rights of the Noteholders, the other Secured Parties and the other creditors of the Issuer in respect of the Transaction Documents and all matters connected therewith, and no other creditors of Bavarian Sky S.A. (unless related to the Transaction) will have any recourse against the assets allocated to Compartment Loans 2. In case of any further securitisation transactions of Bavarian Sky S.A., the transactions will not be cross-collateralised or cross-defaulted. *See* "THE ISSUER".

Foundation

Stichting Andesien, a Dutch foundation (*stichting*) established under the laws of The Netherlands whose statutory seat is in Amsterdam and whose registered office is at Boeielann 7, 1083 HJ Amsterdam, The Netherlands (the "**Foundation**"). The Foundation owns all of the issued shares of Bavarian Sky S.A. The Foundation does not have any shareholders.

Compartment Loans 2

Compartment German Auto Loans 2, the seventh Compartment of Bavarian Sky S.A. relating to the Notes issued on 20 August 2014 which has been created by a decision of the board of directors of Bavarian Sky S.A. on 2 June 2014 and to which the Notes, the Purchased Receivables and the Loan Collateral are allocated.

Seller

BMW Bank GmbH ("**BMW Bank**"), acting through its office at Heidemannstraße 164, 80939 Munich, Germany, is a wholly-

owned subsidiary of Bayerische Motoren Werke Aktiengesellschaft ("**BMW AG**"). See "THE SELLER AND SERVICER".

Debtor	In respect of a Receivable, a Person (including consumers and businesses) to whom the Seller has made available a loan to finance one or more vehicles on the terms of the relevant Loan Agreement(s).
Servicer	BMW Bank, unless the engagement of BMW Bank as servicer of the Issuer in respect of Compartment Loans 2 of the Issuer is terminated upon the occurrence of a Servicer Termination Event in which case the Servicer will mean the successor Servicer (if any). See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Servicing Agreement". See also "THE SELLER AND SERVICER".
Swap Counterparty	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Platz der Republik, 60265 Frankfurt am Main, Germany. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Swap Agreement". See also "THE SWAP COUNTERPARTY".
Trustee	U.S. Bank Trustees Limited, 125 Old Broad Street, Fifth Floor, London EC2N 1AR, United Kingdom. See "MATERIAL TERMS OF THE TRUST AGREEMENT". See also "THE TRUSTEE".
Secured Parties	The Noteholders, the Trustee, the Seller, the Servicer (if different from the Seller), the Subordinated Lender, the Managers, the Swap Counterparty, the Paying Agent, the Interest Determination Agent, the Listing Agent, the Calculation Agent, the Account Bank, the Data Trustee and the Corporate Administrator.
Joint Lead Managers	Merrill Lynch International, 2 King Edward Street, London EC1A 1HQ, United Kingdom, and HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Subscription Agreement".
Co-Managers	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, a public company incorporated with limited liability (<i>Aktiengesellschaft</i>) under the laws of the Federal Republic of Germany, registered in the commercial register of the local court (<i>Amtsgericht</i>) in Frankfurt am Main under registration number HRB 45651 and having its registered office at Platz der Republik, 60265 Frankfurt am Main, Federal Republic of Germany, Banco Santander, S.A., a banking entity incorporated under the laws of Spain, authorised by the Bank of Spain under number 0049, with registered address in Santander (Spain), Paseo de Pereda 9-12, Spain and Société Générale S.A., a public company incorporated with limited liability (<i>société anonyme</i>) under the laws of the Republic of France, registered in the Paris Trade Register under registration no. 552 120 222 and having its registered office at 29 Boulevard Haussmann, 75009 Paris, Republic of France, acting through its London branch and namely, its Société Générale Corporate and Investment Banking department, at SG House, 41 Tower Hill, London EC3N 4SG, United Kingdom. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Subscription Agreement".

Subordinated Lender	BMW Bank. <i>See</i> "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Subordinated Loan Agreement".
Account Bank	Elavon Financial Services Limited, UK Branch, 125 Old Broad Street, Fifth Floor, London EC2N 1AR, United Kingdom, a wholly owned subsidiary of U.S. Bancorp. <i>See</i> "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Bank Account Agreement". <i>See</i> also "THE ACCOUNT BANK, THE CALCULATION AGENT, THE PAYING AGENT AND THE INTEREST DETERMINATION AGENT".
Data Trustee	Structured Finance Management (Luxembourg) S.A., acting through its office at 9B, Boulevard Prince Henri, L-1724 Luxembourg. <i>See</i> "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Data Trust Agreement". <i>See</i> also "THE DATA TRUSTEE".
Calculation Agent	Elavon Financial Services Limited, UK Branch, 125 Old Broad Street, Fifth Floor, London EC2N 1AR, United Kingdom, a wholly owned subsidiary of U.S. Bancorp. <i>See</i> "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Calculation Agency Agreement". <i>See</i> also "THE ACCOUNT BANK, THE CALCULATION AGENT, THE PAYING AGENT AND THE INTEREST DETERMINATION AGENT".
Paying Agent	Elavon Financial Services Limited, UK Branch, 125 Old Broad Street, Fifth Floor, London EC2N 1AR, United Kingdom, a wholly owned subsidiary of U.S. Bancorp. <i>See</i> "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Agency Agreement". <i>See</i> also "THE ACCOUNT BANK, THE CALCULATION AGENT, THE PAYING AGENT AND THE INTEREST DETERMINATION AGENT".
Interest Determination Agent	Elavon Financial Services Limited, UK Branch, 125 Old Broad Street, Fifth Floor, London EC2N 1AR, United Kingdom, a wholly owned subsidiary of U.S. Bancorp. <i>See</i> "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Agency Agreement". <i>See</i> also "THE ACCOUNT BANK, THE CALCULATION AGENT, THE PAYING AGENT AND THE INTEREST DETERMINATION AGENT".
Listing Agent	Société Générale Bank & Trust, 11 avenue Emile Reuter, L-2420 Luxembourg, a directly wholly owned subsidiary of the Société Générale Group.
Corporate Administrator	Structured Finance Management (Luxembourg) S.A., acting through its office at 9B, Boulevard Prince Henri, L-1724 Luxembourg. <i>See</i> "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Corporate Administration Agreement". <i>See</i> also "THE CORPORATE ADMINISTRATOR".
Rating Agencies	DBRS, Fitch and Moody's.

TRANSACTION OVERVIEW

This section "Transaction Overview" must be read as an introduction to this Offering Circular and any decision to invest in any Notes should be based on a consideration of this Offering Circular as a whole. The following Transaction Overview is qualified in its entirety by the remainder of this Offering Circular. In the event of any inconsistency between this Transaction Overview and the information provided elsewhere in this Offering Circular, the latter shall prevail.

General Description

On the Issue Date, the Seller will sell and assign to the Issuer, against payment of the aggregate Purchase Prices (EUR 1,025,649,999.60), Receivables originated by the Seller as lender together with the Loan Collateral pursuant to the Receivables Purchase Agreement. The Purchased Receivables are owed by the respective Debtors to the Seller and include any obligation of the respective Debtors to pay principal, interest, fees (other than any reminder charges (*Mahngebühren*)), costs, prepayment penalties (if any) and default interest owed under the respective Loan Agreements. The Purchased Receivables have been selected according to the Eligibility Criteria (*see* "ELIGIBILITY CRITERIA"). The Eligibility Criteria are to be fulfilled as of the first Cut-Off Date.

Bavarian Sky S.A. is a public limited liability company (*société anonyme*), subject, as an unregulated securitisation undertaking, to the provisions of the Luxembourg Securitisation Law. The sole shareholder of Bavarian Sky S.A. is the Foundation. Bavarian Sky S.A. will enter into the Transaction Documents to which it is a party by acting in respect of its Compartment German Auto Loans 2.

The Loan Collateral will consist, *inter alia*, of (i) security title to the Financed Vehicles and (ii) certain claims of the Seller against the respective Debtor in relation to the Purchased Receivables under the relevant Loan Agreement(s). Pursuant to the Servicing Agreement, the Servicer will be obligated to enforce the Loan Collateral upon a Purchased Receivable becoming a Defaulted Receivable in accordance with the Credit and Collection Policy and the relevant Loan Agreement. The Issuer will be entitled to receive the enforcement proceeds relating to such Financed Vehicle which relates to the relevant Defaulted Receivable. The Issuer will create the security interests over the assets allocated to Compartment Loans 2 for the benefit of the Trustee who in turn will hold the Security for the benefit of the Noteholders and the other Secured Parties under the Trust Agreement and the Deed of Security Assignment thereby securing the respective payment claims of the Secured Parties.

On the Issue Date, each Class of Notes will be issued to investors, be listed and carry three ratings from the Rating Agencies. The Class A Notes are expected to be rated AAA (sf) by DBRS, AAA (sf) by Fitch and Aaa (sf) by Moody's. The Class B Notes are expected to be rated A (high) (sf) by DBRS, AA- (sf) by Fitch and A2 (sf) by Moody's.

Each of DBRS, Fitch and Moody's is established in the European Community and according to the press release

from the European Securities and Markets Authority ("ESMA") dated 31 October 2011, DBRS, Fitch and Moody's have been registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EU) No 513/2011 and by Regulation (EU) No 462/2013. Reference is made to the list of registered or certified credit rating agencies as last updated on 21 May 2014 published by ESMA under <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.

The Issuer will enter into an interest rate swap with the Swap Counterparty (the "**Swap Agreement**") which will enable the Issuer to exchange a fixed interest rate into EURIBOR. The Swap Counterparty and its successor, as the case may be, must be an Eligible Swap Counterparty.

The Notes have the benefit of credit enhancement through (i) the excess spread (*i.e.*, an amount equal to the difference between the interest due with respect to the Loan Instalments of the Purchased Receivables during the Monthly Period immediately preceding a Payment Date and the sum of the senior expenses due and payable by the Issuer under the applicable Priority of Payments on such Payment Date and providing the first loss protection to the Notes), (ii) the amount credited to the Cash Reserve Ledger, (iii) the subordination as to payment of the Class B Notes to the Class A Notes and (iv) the subordination as to the repayment of the Subordinated Loan to the Notes. The amount credited to the Cash Reserve Ledger will be funded, as of the Issue Date, with EUR 38,470,625 borrowed by the Issuer through the Subordinated Loan and an amount equal to an amount by which the net proceeds from the issue of the Notes exceeds the aggregate Purchase Prices for the Acquisition of certain Receivables, together with the Loan Collateral. *See* "CREDIT STRUCTURE AND FLOW OF FUNDS — Credit Enhancement".

Under the Servicing Agreement, the Servicer will, on behalf of the Issuer, conduct the servicing of the Purchased Receivables and the Loan Collateral on the basis of its Credit and Collection Policy and will apply the same degree of care and diligence as it would use if the Purchased Receivables and the Loan Collateral were its own property.

Aggregate Purchase Prices

EUR 1,025,649,999.60.

Cut-Off Date

The Cut-Off Date is the last day of each calendar month, and the Cut-Off Date with respect to each Payment Date is the Cut-Off Date immediately preceding such Payment Date, provided that the first Cut-Off Date was 31 July 2014.

Issue Date

20 August 2014.

The Notes

The Notes are the Class A Notes and the Class B Notes. *See* "TERMS AND CONDITIONS OF THE NOTES".

Class A Notes

The EUR 946,200,000 Class A floating rate notes due 2021, consisting of 9,462 notes, each in the nominal amount of

EUR 100,000. The Class A Notes will rank senior to the Class B Notes and to the Subordinated Loan in accordance with the applicable Priority of Payments.

Class B Notes

The EUR 53,800,000 Class B floating rate notes due 2021, consisting of 538 notes, each in the nominal amount of EUR 100,000. The Class B Notes will rank senior to the Subordinated Loan in accordance with the applicable Priority of Payments.

Use of Proceeds

The aggregate net proceeds from the issue of the Notes amounting to EUR 1,000,000,000 will be used by the Issuer to purchase, on the Issue Date, Eligible Receivables together with the Loan Collateral. Residual amounts, if any, will be credited to the Cash Reserve Ledger of the Issuer Account with the Account Bank and will earn interest in accordance with the Bank Account Agreement.

Trust Agreement

The Issuer has entered into a trust agreement (the "**Trust Agreement**") with, *inter alios*, the Trustee pursuant to which the Issuer has appointed the Trustee to act as trustee for the Noteholders and the other Secured Parties and the Issuer has separately undertaken to the Trustee to duly make all payments owed to the Noteholders and the other Secured Parties (the "**Trustee Claim**").

Form and Denomination

Each Class of Notes will initially be represented by a Temporary Global Note in bearer New Global Note form, without coupons attached. Each Temporary Global Note will be exchangeable not earlier than forty (40) calendar days after the Issue Date, upon certification of non-U.S. beneficial ownership, for a Permanent Global Note in bearer New Global Note form, without coupons attached. The Global Notes representing the Notes will be deposited with the Common Safekeeper appointed by Euroclear Bank S.A./NV as the operator of Euroclear and Clearstream Luxembourg and registered in the name of a nominee of the Common Safekeeper. The Notes will be transferred in book-entry form only. The Notes will be issued in a denomination of EUR 100,000. The Global Notes representing the Notes will not be exchangeable for definitive notes. The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. *See* "TERM AND CONDITIONS OF THE NOTES — Condition 2 (*Form and Denomination*)".

Status of the Notes

The Notes are issued (*begeben*) pursuant to the terms of a subscription agreement (the "**Subscription Agreement**") dated as of the Signing Date between the Issuer, the Seller, the Managers and the Trustee. The Notes are secured by the Security pursuant to the Trust Agreement and the Deed of Security Assignment. In point of security and as to the payment of both interest and principal, the Class A Notes rank in priority to the Class B Notes in accordance with the applicable Priority of Payments. Prior to the occurrence of an Enforcement Event, principal on the Class A Notes and the Class B Notes will be redeemed, on each Payment Date, on a sequential basis with the Class A Notes being redeemed prior to the Class B Notes. *See* "CREDIT STRUCTURE AND FLOW OF FUNDS — Sequential

amortisation". Subject to the application of the Available Post-Enforcement Funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Priority of Payments, the Trustee will have regard (i) as long as any of the Class A Notes are outstanding, only to the interests of the Class A Noteholders and (ii) if no Class A Notes remain outstanding, only to the interests of the Class B Noteholders and (iii) if no Notes remain outstanding, only to the interests of the Secured Party ranking highest in the Post-Enforcement Priority of Payments to whom any amounts are owed, as regards the exercise and performance of all powers, trusts, authorities, duties and discretions of the Trustee in respect of the Trust Property (as defined in Clause 7.1 of the Trust Agreement) under the Trust Agreement, the other Security Documents or under any other documents the rights or benefits of which are comprised in the Trust Property (except where expressly provided otherwise).

The Notes are direct, secured and unconditional obligations of the Issuer in relation to its Compartment Loans 2 only. See "RISK FACTORS — Liability under the Notes".

Payment Date

In respect of the first Payment Date 22 September 2014 and thereafter the 20th of each calendar month, provided that if any such day is not a Business Day, the relevant Payment Date will fall on the next following Business Day. Any reference to a Payment Date relating to a given Monthly Period will be a reference to the Payment Date falling in the calendar month following such Monthly Period.

Legal Final Maturity Date

The Payment Date falling on 20 August 2021.

Presentation Period

The presentation period for the Global Notes will end five (5) years after the Legal Final Maturity Date.

Interest on the Notes

The interest rate applicable to the Notes for each Interest Period will be:

- (a) in the case of the Class A Notes, EURIBOR plus 0.28% per annum; and
- (b) in the case of the Class B Notes, EURIBOR plus 0.68% per annum;

EURIBOR (Euro Interbank Offered Rate) means the rate determined by the Interest Determination Agent for deposits in euro for a period of one (1) month which appears on Reuters 3000 page EURIBOR 01 (or such other page as may replace such page on that service for the purpose of displaying inter-bank offered rate quotations of major banks) as of 11:00 a.m. in Brussels on the second Business Day immediately preceding the first day of such Interest Period (see "TERMS AND CONDITIONS OF THE NOTES — Condition 7.3 (*Interest Rate*)"). Interest is payable in euro on each Payment Date for each Interest Period in arrear on the respective Outstanding Note Balance. Each Interest Period begins on (and includes) a Payment Date (or, in the case of the first Interest Period, the Issue Date) and ends on (but excludes) the next Payment

Date. The last Interest Period will end on (but exclude) the Legal Final Maturity Date or, if earlier, the date on which all Notes are redeemed in full.

Interest payments will be made subject to withholding or deduction tax (if any) required by law or its interpretation as applicable to the Notes without the Issuer or the Paying Agent being obliged to pay additional amounts as a consequence of any such withholding or deduction.

Collections

"**Collections**" means, with respect to any Purchased Receivable during the relevant period, any amounts, proceeds, interest, late payment or similar charges and any other cash or financial benefits received on or in connection with such Purchased Receivable and related Loan Collateral including, without limitation:

- (a) all collections of the Loan Instalments that have been paid by the Debtors;
- (b) the Deemed Collections, if any, paid in respect of such Purchased Receivable;
- (c) all proceeds of any Loan Collateral, including, without limitation, all proceeds received by means of realisation of the Financed Vehicles and all proceeds from any Instalment Protection Insurances;
- (d) any proceeds from the sale of Defaulted Receivables (together with the Loan Collateral) received by the Servicer on behalf of the Issuer from any third party and any amounts after realisation of the Loan Collateral to which the Issuer is entitled under the relevant Loan Agreement (for the avoidance of doubt, including Recoveries);

in each case which is irrevocable and final (provided that any direct debit (*Lastschriftinzug*) will constitute a Collection irrespective of any subsequent valid return thereof (*Lastschriftrückbelastung*)), less any amount previously received but required to be repaid on account of a valid return of a direct debit (*Lastschriftrückbelastung*), provided that, for the avoidance of doubt, any Collection which is less than the amount then outstanding and due from the relevant Debtor will be applied in accordance with Sections 366 *et seq.* of the German Civil Code.

Monthly Period

With respect to the first Monthly Period, the period commencing on (but excluding) the first Cut-Off Date and ending on (and including) 31 August 2014 and with respect to each following Monthly Period the period commencing on a Cut-Off Date (excluding) and ending on the immediately following Cut-Off-Date (including).

Deemed Collections

Pursuant to the provisions of the Receivables Purchase Agreement, the Seller will have to pay Deemed Collections if one of the following events occurs:

- (i) a Purchased Receivables proves to be in breach of any of the Eligibility Criteria as of the first Cut-Off Date, unless such non-compliance is fully remedied by the Seller to the satisfaction of the Trustee; or
- (ii) a Purchased Receivable remains unpaid solely as a result of a breach of the Servicer's obligations under the Servicing Agreement and the Credit and Collection Policy (for as long as the Seller and the Servicer are identical); or
- (iii) a Purchased Receivable is reduced or affected due to any modification or amendment to the relevant Loan Agreement or early termination of the relevant Loan Agreement agreed upon by the parties thereto, other than in accordance with the Credit and Collection Policy; or
- (iv) such Purchased Receivable is reduced or affected due to any modification to the cash flow or payment plan of the relevant Loan Agreement; or
- (v) any reduction of the Outstanding Principal Balance of such Purchased Receivable or any other amount owed by a Debtor due to (x) any set-off against the Seller due to a counterclaim of the Debtor or any set-off or equivalent action against the relevant Debtor by the Seller or (y) any discount or other credit in favour of the Debtor, in each case as of the date of such reduction for such Purchased Receivable,

provided that, for the avoidance of doubt, no Deemed Collection will be payable in respect of Eligible Receivables if the Debtor fails to make due payments solely as a result of its lack of funds or insolvency (*Delkredererisiko*).

Any such Deemed Collection will be in an amount equal to the Outstanding Principal Balance of the relevant Purchased Receivable (including, for the avoidance of doubt, in case only a portion of such Purchased Receivable is affected) outstanding as of the Cut-Off Date falling in the Monthly Period during which the event resulting in such Deemed Collection occurs. The Deemed Collections will be collected by the Servicer from the Seller if the Servicer and the Seller are not the same Person.

Clean-Up Call Option

As of any Payment Date on which the Aggregate Outstanding Principal Balance is less than 10 % of the Aggregate Principal Balance, the Seller will (provided that on the relevant Payment Date no Enforcement Event has occurred) have the option under the Receivables Purchase Agreement to demand from the Issuer the resale of all outstanding Purchased Receivables (together with any Loan Collateral) on the Clean-Up Call Settlement Date (the "**Clean-Up Call Option**") if the Clean-Up Call Conditions are satisfied.

"**Clean-Up Call Conditions**" means (i) the proceeds

distributable as a result of the repurchase of all outstanding Purchased Receivables (together with any Loan Collateral) (after the Seller has rightfully exercised the Clean-Up Call Option) will, together with funds credited to the Cash Reserve Ledger, be at least equal to the sum of (x) the Aggregate Outstanding Notes Balance of the Notes plus (y) accrued but unpaid interest thereon plus (z) all claims of any creditors of the Issuer in respect of Compartment Loans 2 ranking prior to the claims of the Noteholders according to the Pre-Enforcement Priority of Payments; (ii) the Seller will have notified the Issuer and the Trustee of its intention to exercise the Clean-Up Call Option at least 10 days prior to the contemplated settlement date of the Clean-Up Call Option which will be a Payment Date (the "**Clean-Up Call Settlement Date**"); and (iii) the repurchase price to be paid by the Seller will be equal to the then current value (*aktueller Wert*) of all Purchased Receivables plus any interest accrued until and outstanding on the Clean-Up Call Settlement Date.

Available Distribution Amount

"**Available Distribution Amount**" means, with respect to any Cut-Off Date and the Monthly Period ending on such Cut-Off Date, the lower of (x) the funds available on the Issuer Account on the Payment Date immediately following such Cut-Off Date and (y) an amount calculated by the Servicer pursuant to the Servicing Agreement as of such Cut-Off Date and notified to the Issuer, the Account Bank, the Corporate Administrator, the Trustee, the Calculation Agent and the Paying Agent no later than on the Reporting Date preceding the Payment Date immediately following such Cut-Off Date as the sum of:

- (i) the amounts standing to the credit of the Cash Reserve Ledger as of such Cut-Off Date;
- (ii) any Collections received by the Servicer during the Monthly Period ending on such Cut-Off Date;
- (iii) any Swap Net Cashflow payable by the Swap Counterparty to the Issuer on the Payment Date immediately following such Cut-Off Date;
- (iv) any tax payment made by the Seller and/or Servicer to the Issuer in accordance with the Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period;
- (v) any interest earned (if any) on the amounts credited to the Issuer Account during such Monthly Period;
- (vi) prior to the appointment of a substitute Servicer, the amounts standing to the credit of the Commingling Reserve Ledger upon (i) the occurrence and continuance of a Commingling Reserve Trigger Event as of such Cut-Off Date and (ii) the occurrence and continuance of a Servicer Termination Event as of such Cut-Off Date, to the extent necessary to cover any Servicer Shortfall caused on the part of BMW Bank as Servicer; and

- (vii) the amounts (if any) standing to the credit of the Set-Off Reserve Ledger upon (i) the occurrence and continuance of a Set-Off Reserve Trigger Event as of such Cut-Off Date and (ii) the occurrence and continuance of a Servicer Termination Event as of such Cut-Off Date, but only to the extent necessary for the fulfilment on the relevant Payment Date of the payment obligations of the Issuer under items *first* to *ninth* (inclusive) of the Pre-Enforcement Priority of Payments (but excluding any fees and other amounts due to the Seller in its capacity as Servicer under item *third* of the Pre-Enforcement Priority of Payments), provided, however, that, with respect to amounts standing to the credit of the Set-Off Reserve Ledger, such amounts will only be included in the Available Distribution Amount if and to the extent that (i) any amounts that would otherwise have to be transferred to the Issuer as Deemed Collections within the meaning of item (iv)(x) of the definition of Deemed Collections for the Monthly Period ending on the relevant Cut-Off Date were not received by the Seller as a result of any of the actions described in item (iv)(x) of the definition of Deemed Collections, and (ii) the Issuer does not have a right of set-off against the Seller or (if different) the Servicer with respect to such amounts on the relevant Payment Date; and provided further, however, that with respect to amounts standing to the credit of the Set-Off Reserve Ledger, such amounts shall only be included in the Available Distribution Amount if and to the extent that the Seller has not fulfilled its obligation under Clause 16.6 of the Receivables Purchase Agreement.

For the avoidance of doubt, any balance credited to the Counterparty Downgrade Collateral Account shall not form part of the Available Distribution Amount.

Applicable Priority of Payments

The Issuer and, upon enforcement, the Trustee will make payments to the Noteholders and other parties on the basis of two different priorities of payments (each a "**Priority of Payments**"): (i) prior to the occurrence of an Enforcement Event, the Issuer will pay, *inter alia*, taxation and administration expenses, Swap Net Cashflow payable to the Swap Counterparty and interest and principal on the Notes in accordance with the Pre-Enforcement Priority of Payments (*see* "TERMS AND CONDITIONS OF THE NOTES — Condition 7.6 (*Pre-Enforcement Priority of Payments*)") and (ii) subsequent to the occurrence of an Enforcement Event, the Trustee will, on behalf of the Issuer, make all distributions of Available Post-Enforcement Funds (or procure that all such distributions be made) in accordance with the Post-Enforcement Priority of Payments (*see* "TERMS AND CONDITIONS OF THE NOTES — Condition 9 (*Post-Enforcement Priority of Payments*)").

Pre-Enforcement Priority of Payments

On each Payment Date prior to the occurrence of an Enforcement Event, the Available Distribution Amount as of the Cut-Off Date immediately preceding such Payment

Date (and, if the Clean-Up Call Option is rightfully exercised as of the Clean-Up Call Settlement Date, the proceeds from such repurchase) will be allocated in the following manner and priority:

- (a) *first*, amounts payable by the Issuer in respect of taxes under any applicable law (if any) provided that (i) 100% of all taxes payable exclusively in respect of Compartment Loans 2 will be allocated under this item *first* and (ii) a *pro rata* share of all other taxes will be allocated under this item *first* according to the proportion that the Aggregate Outstanding Notes Balance of the Notes bears to the aggregate outstanding financing liabilities of Bavarian Sky S.A.;
- (b) *second*, all fees, including legal fees, costs, expenses, other remuneration, indemnity payments and other amounts payable to the Trustee under the Security Documents (other than the Trustee Claim);
- (c) *third*, on a *pari passu* basis, amounts payable to (i) the Data Trustee under the Data Trust Agreement, (ii) the Rating Agencies in respect of the monitoring fees, (iii) the Servicer under the Servicing Agreement, (iv) the Corporate Administrator under the Corporate Administration Agreement, (v) the Calculation Agent under the Calculation Agency Agreement and the Servicing Agreement, (vi) the Interest Determination Agent and the Paying Agent under the Agency Agreement, (vii) the Account Bank under the Bank Account Agreement, (viii) listing fees, costs and expenses, (ix) auditor fees and (x) any fees reasonably required (in the opinion of the Corporate Administrator) and properly incurred for the filing of annual tax returns;
- (d) *fourth*, (i) Swap Net Cashflow payable by the Issuer to the Swap Counterparty and (ii) swap termination payments due to the Swap Counterparty under the Swap Agreement except in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Swap Agreement due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement) due to a downgrade of the Swap Counterparty;
- (e) *fifth*, on a *pari passu* basis, accrued and unpaid interest (including any Interest Shortfall) payable to the Class A Noteholders;
- (f) *sixth*, on a *pari passu* basis, accrued and unpaid interest (including any Interest Shortfall) payable to the Class B Noteholders;
- (g) *seventh*, to the Cash Reserve Ledger, until the amount credited to the Cash Reserve Ledger is equal to the Required Cash Reserve Amount;

- (h) *eighth*, on a *pari passu* basis, to the Class A Noteholders in respect of principal until the Class A Notes are redeemed in full;
- (i) *ninth*, on a *pari passu* basis, to the Class B Noteholders in respect of principal until the Class B Notes are redeemed in full;
- (j) *tenth*, any amount due to the Swap Counterparty under the Swap Agreement upon the termination of the Swap Agreement in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Swap Agreement due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement) due to a downgrade of the Swap Counterparty and any other amount payable to the Swap Counterparty under the Swap Agreement;
- (k) *eleventh*, accrued and unpaid interest payable to the Subordinated Lender under the Subordinated Loan Agreement;
- (l) *twelfth*, principal payable to the Subordinated Lender under the Subordinated Loan Agreement until the Subordinated Loan has been redeemed in full;
- (m) *thirteenth*, prior to the occurrence of a Servicer Termination Event or a Debtor Notification Event, to pay any amounts owed by the Issuer to the Seller due and payable under the Receivables Purchase Agreement in respect of (i) any valid return of a direct debit (*Lastschriftrückbelastung*) (to the extent such returns do not reduce the Collections for the Monthly Period ending on such Cut-Off Date), or (ii) any tax credit, relief, remission or repayment received by the Issuer on account of any tax or additional amount paid by the Seller; and
- (n) *fourteenth* all remaining excess to the Seller,

provided that any payment to be made by the Issuer under item *first* (with respect to taxes) will be made on the Business Day on which such payment is then due and payable using any amounts then credited to the Issuer Account and, if applicable, the Commingling Reserve Ledger, the Set-Off Reserve Ledger or the Cash Reserve Ledger, and *provided further that* outside of such order of priority, any swap collateral due to be transferred or paid by the Issuer to the Swap Counterparty pursuant to the terms and conditions of the Swap Agreement will be transferred or paid (as applicable) to the Swap Counterparty, and *provided further that* outside of such order of priority any Commingling Reserve Excess Amount will be paid to the Seller.

Post-Enforcement Priority of Payments

After the occurrence of an Enforcement Event, the Trustee

will distribute Available Post-Enforcement Funds in the following manner and priority:

- (a) *first*, amounts payable by the Issuer in respect of taxes (if any), provided that (i) 100% of all taxes payable exclusively in respect of Compartment Loans 2 will be allocated under this item *first* and (ii) a *pro rata* share of all other taxes will be allocated under this item *first* according to the proportion that the Aggregate Outstanding Notes Balance of the Notes bears to the aggregate outstanding financing liabilities of Bavarian Sky S.A.;
- (b) *second*, all fees (including legal fees), costs, expenses, other remuneration, indemnity payments and other amounts payable by the Issuer to the Trustee under the Security Documents (other than the Trustee Claim);
- (c) *third*, on a *pari passu* basis, amounts payable by the Issuer to (i) the Data Trustee under the Data Trust Agreement, (ii) the Rating Agencies in respect of the monitoring fees, (iii) the Servicer under the Servicing Agreement, (iv) the Corporate Administrator under the Corporate Administration Agreement, (v) the Calculation Agent under the Calculation Agency Agreement and the Servicing Agreement, (vi) the Interest Determination Agent and the Paying Agent under the Agency Agreement, (vii) the Account Bank under the Bank Account Agreement, (viii) listing fees, costs and expenses, (ix) auditor fees and (x) any fees reasonably required and properly incurred for the filing of annual tax returns;
- (d) *fourth*, (i) Swap Net Cashflow payable by the Issuer to the Swap Counterparty and (ii) swap termination payments due to the Swap Counterparty under the Swap Agreement except in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Swap Agreement due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement) due to a downgrade of the Swap Counterparty;
- (e) *fifth*, on a *pari passu* basis, accrued and unpaid interest (including any Interest Shortfall) payable by the Issuer to the Class A Noteholders;
- (f) *sixth*, on a *pari passu* basis, amounts payable by the Issuer to the Class A Noteholders in respect of principal until the Class A Notes are redeemed in full;
- (g) *seventh*, on a *pari passu* basis, accrued and unpaid interest (including any Interest Shortfall) payable by the Issuer to the Class B Noteholders;

- (h) *eighth*, on a *pari passu* basis, amounts payable by the Issuer to the Class B Noteholders in respect of principal until the Class B Notes are redeemed in full;
- (i) *ninth*, any amount due to the Swap Counterparty under the Swap Agreement upon the termination of the Swap Agreement in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Swap Agreement due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement) due to a downgrade of the Swap Counterparty and any other amount payable to the Swap Counterparty under the Swap Agreement;
- (j) *tenth*, accrued and unpaid interest payable to the Subordinated Lender under the Subordinated Loan Agreement;
- (k) *eleventh*, as from the date on which all Notes are irrevocably redeemed in full, any amount payable to the Subordinated Lender in respect of principal under the Subordinated Loan Agreement;
- (l) *twelfth*, to pay any amounts owed by the Issuer to the Seller due and payable under the Receivables Purchase Agreement in respect of (i) any valid return of a direct debit (*Lastschriftückbelastung*) (to the extent such returns do not reduce the Collections for the Monthly Period ending on such Cut-Off Date), or (ii) any tax credit, relief, remission or repayment received by the Issuer on account of any tax or additional amount paid by the Seller; and
- (m) *thirteenth*, all remaining excess to the Seller,

provided that any payment to be made by the Issuer under item *first* (with respect to taxes) will be made on the Business Day on which such payment is then due and payable using any Available Post-Enforcement Funds, and *provided further that* outside of such order of priority, any swap collateral due to be transferred or paid by the Issuer to the Swap Counterparty pursuant to the terms and conditions of the Swap Agreement will be transferred or paid (as applicable) to the Swap Counterparty.

"**Available Post-Enforcement Funds**" means, from time to time, all moneys standing to the credit of the Issuer Account, including, without limitation, any enforcement proceeds in respect of the Security credited to the Issuer Account and/or to any account of the Trustee or receiver appointed by the Trustee upon the occurrence of an Enforcement Event, any balances credited to the Commingling Reserve Ledger and the Set-Off Reserve Ledger; and excluding for the avoidance of doubt, any amount credited to the Counterparty Downgrade Collateral Account which shall be returned directly to the Swap

Counterparty,

Amortisation

The amortisation of the Notes starts on the first Payment Date. Unless an Enforcement Event has occurred on the relevant Payment Date, the Available Distribution Amount for that Payment Date will be applied to redeem the Class A Notes and the Class B Notes on a sequential basis subject to the Pre-Enforcement Priority of Payments so that the Available Distribution Amount will be applied to redeem principal first in respect of the Class A Notes, then in respect of the Class B Notes as described further herein.

See "CREDIT STRUCTURE AND FLOW OF FUNDS — Amortisation" and "TERMS AND CONDITIONS OF THE NOTES — Condition 8.1 (Amortisation)".

If at any time an Enforcement Event has occurred, Available Post-Enforcement Funds will be applied for the redemption of the Notes on a sequential basis as set forth in and subject to the Post-Enforcement Priority of Payments. *See "TERMS AND CONDITIONS OF THE NOTES — Condition 9 (Post-Enforcement Priority of Payments)".*

Early Redemption

The actual amortisation of the Notes may differ from the expected amortisation of the Notes, especially a faster amortisation may occur (but not only) if one of the following events occurs:

- (a) in the event of a breach of the Eligibility Criteria, the Seller is required to pay the Issuer certain Deemed Collections (at the then current Outstanding Principal Balances of the affected Purchased Receivables) which, when received by the Issuer, the Issuer has to use to redeem the Notes prematurely in accordance with and subject to the applicable amortisation method (*see above "Amortisation Methods"*); and
- (b) if the Seller, provided that no Enforcement Event has occurred, rightfully exercised the Clean-Up Call Option. (*See "Clean-Up Call Option" above and "TERMS AND CONDITIONS OF THE NOTES — Condition 8.3 (Clean-Up Call)" and "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Receivables Purchase Agreement"*).

Furthermore, the Issuer will in the circumstances described in Condition 8.4 (*Optional Tax Redemption*) be entitled to redeem the Notes, in whole but not in part, early for tax reasons. For the purposes of the Swap Agreement, any early redemption described in this paragraph "Early Redemption" will constitute a (partial) no cost termination event with no termination payments being payable by either party.

Final Redemption

On the Legal Final Maturity Date, the Issuer will, subject to the applicable Priority of Payments, redeem the then Aggregate Outstanding Notes Balance of the Notes and pay interest accrued thereon.

Limited Recourse

The Notes will be limited recourse obligations of the Issuer. If in accordance with the applicable Priority of Payments available funds are not sufficient, after payment of all other claims ranking in priority to the relevant Notes, to cover all payments due in respect of such Notes, the available funds will be applied in accordance with the applicable Priority of Payments and no other assets of the Issuer will be available for payment of any shortfall. After the enforcement of all Security and the distribution of all Available Post-Enforcement Funds, claims in respect of any remaining shortfall will be extinguished in accordance with the Conditions. *See* "TERMS AND CONDITIONS OF THE NOTES — Condition 4.2 (*Limited recourse*)".

Subordinated Loan

The Subordinated Lender will grant the Subordinated Loan in a total amount of EUR 38,470,625 to the Issuer under the Subordinated Loan Agreement entered into by, *inter alios*, the Issuer, the Subordinated Lender and the Trustee. The Issuer will use the Subordinated Loan to (i) fund the initial Required Cash Reserve Amount of EUR 12,820,625 as of the Issue Date; and/or (ii) purchase part of the Receivables as of the Issue Date.

Credit Enhancement

The Notes have the benefit of credit enhancement provided through (i) the excess spread, (ii) the amount credited to the Cash Reserve Ledger, (iii) the subordination as to payment of the Class B Notes to the Class A Notes and (iv) the subordination as to the repayment of the Subordinated Loan to the Notes. *See* "CREDIT STRUCTURE AND FLOW OF FUNDS — Credit Enhancement".

Resolutions of Noteholders

In accordance with the German Act on Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen - SchVG*), the Notes contain provisions pursuant to which the Noteholders of any Class may agree by resolution to amend the Conditions and to decide upon certain other matters regarding the Notes including, without limitation, the appointment or removal of a common representative for the Noteholders of any Class. Resolutions of Noteholders of any Class properly adopted, by vote taken without a meeting in accordance with the Conditions, are binding upon all Noteholders of such Class. Resolutions which do not provide for identical conditions for all Noteholders of any Class are void, unless Noteholders of such Class which are disadvantaged expressly consent to their being treated disadvantageously. In no event, however, may any obligation to make any payment or render any other performance be imposed on any Noteholder of any Class by resolution. As set out in the Conditions, resolutions providing for certain material amendments to the Conditions require a majority of not less than 75 per cent. of the votes cast. Resolutions regarding other amendments are passed by a simple majority of the votes cast. *See* "TERMS AND CONDITIONS OF THE NOTES — Condition 14 (*Resolutions of Noteholders*)" and "SUMMARY OF RULES REGARDING RESOLUTIONS OF NOTEHOLDERS".

Issuer Account

For the purpose of this Transaction, the Issuer will be opening and maintaining the Issuer Account. The Issuer

will, during the life of the Transaction, maintain the Issuer Account with a bank or financial institution that is an Eligible Counterparty.

Ledgers of the Issuer Account

The Issuer will keep four (4) ledgers to the Issuer Account: the Operating Ledger, the Cash Reserve Ledger, the Commingling Reserve Ledger, the Set-Off Reserve Ledger.

Swap Collateral

In the event that the Swap Counterparty should post any collateral to the Issuer in connection with the Swap Agreement, the Issuer will hold such collateral in the Counterparty Downgrade Collateral Account opened with the Account Bank which will bear interest and which is a separate account from the Issuer Account and from the general cash flow of the Issuer. Collateral deposited in the Counterparty Downgrade Collateral Account will not constitute Collections. They will secure solely the payment obligations of the Swap Counterparty to the Issuer under the Swap Agreement and will not secure any obligations of the Issuer.

Purchased Receivables and Loan Collateral

The Purchased Receivables and the Loan Collateral (as described below) will support, *inter alia*, the payments in respect of the Class A Notes and the Class B Notes and the Subordinated Loan.

Purchased Receivables

On the Issue Date, the Issuer will purchase from the Seller certain Receivables originated by the Seller as lender against customers located in Germany together with the Loan Collateral pursuant to the Receivables Purchase Agreement. Each Purchased Receivable is owed by the respective Debtor (together, the "**Debtors**"). The Purchased Receivables are euro-denominated as set forth in the relevant Loan Agreements. Collections under each Purchased Receivable will be payable on a monthly instalment basis. If a Purchased Receivable should partially or totally fail to conform as of the first Cut-Off Date with any Eligibility Criterion, the Seller will be obliged to pay Deemed Collections in respect thereof. *See* "Deemed Collections" above.

Pursuant to the Servicing Agreement, the Servicer will be authorised to modify the terms of a Loan Agreement underlying the relevant Purchased Receivable only in accordance with the Credit and Collection Policy (applicable as of the date of such modification); for the avoidance of doubt, the Servicer shall not modify the cash flow or payment plan of the relevant Loan Agreement.

Loan Collateral

The Loan Collateral includes with respect to any Purchased Receivable:

- (a) any accessory security rights (*akzessorische Sicherheiten*) for such Purchased Receivable,
- (b) security title (*Sicherungseigentum*) to the Financed Vehicles or any other moveable objects granted as collateral in favour of the Seller to secure the payment of such Purchased Receivable,

- (c) any and all other present and future claims and rights under the respective Loan Agreement (other than in respect of reminder charges (*Mahngebühren*)) or in respect of the Financed Vehicles and any sureties, guarantees, and any and all present and future rights and claims under insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Purchased Receivable whether pursuant to the Loan Agreement relating to such Receivable or otherwise, including, without limitation,
 - (i) claims against comprehensive insurers (*Kaskoversicherer*) taken with respect to the relevant specified Financed Vehicles except for claims for partial refund of the premium in the event of early termination of the insurance,
 - (ii) any and all present and future rights and claims under any Instalment Protection Insurance (*Ratenschutzversicherung*) entered into in connection with the financing of the Acquisition of the relevant specified Financed Vehicles, and
 - (iii) damage compensation claims based on contracts or torts against the respective Debtors or against third parties (including comprehensive insurers (*Kaskoversicherer*)) due to damage to, or loss of, the Financed Vehicles,
- (d) any other ownership interests, liens, charges, encumbrances, security interest or other rights or claims in favour of the Seller on any property from time to time securing the payment of such Purchased Receivable,
- (e) any claims to receive proceeds which arise from the disposal of or recourse to the Loan Collateral, provided that any costs incurred by the Seller or (if different) the Servicer in connection with such disposal or recourse and any amounts which are due to the relevant Debtor in accordance with the relevant Loan Agreement will be deducted from such proceeds, and
- (f) all Records relating to the Purchased Receivables and/or the Loan Collateral under items (a) through (e).

Pursuant to the Servicing Agreement, the Servicer will be obligated to enforce the Loan Collateral in accordance with the Credit and Collection Policy and the relevant Loan Agreement. The Issuer will be entitled to receive the enforcement proceeds relating to such Financed Vehicle which relates to the relevant Defaulted Receivable.

Under the Receivables Purchase Agreement, the Issuer and the Seller have agreed on the re-transfer of the Loan Collateral related to a Purchased Receivable to the Seller subject to the condition precedent of (i) the full and final payment of the relevant Purchased Receivable or (ii) any other event set out in the Credit and Collection Policy (the "**Release Condition**").

Servicing Agreement

Under the Servicing Agreement, the Servicer has agreed (i) to administer the Purchased Receivables and the Loan Collateral and in particular to collect the Purchased Receivables in accordance with the Credit and Collection Policy, (ii) to enforce the Loan Collateral in accordance with the Credit and Collection Policy, (iii) to release, on behalf of the Issuer, Loan Collateral in accordance with the Credit and Collection Policy (as further described in "Loan Collateral" above), and (iv) to perform other tasks incidental to the above.

Pursuant to the terms of the Servicing Agreement, Structured Finance Management (Luxembourg) S.A. has agreed that, upon the occurrence of a Servicer Termination Event, it will facilitate the appointment of a suitable entity with all necessary facilities available to act as successor servicer and will use reasonable efforts to ensure that such entity enters into a successor servicing agreement, the terms of which are similar to the terms of the Servicing Agreement, with the parties to the Servicing Agreement upon receipt of notice by the Servicer of the occurrence of a Servicer Termination Event.

Pursuant to the provisions of the Servicing Agreement, if a Debtor Notification Event occurs, the Servicer will promptly send Debtor Notification Event Notices to any relevant Debtors and, if the Servicer fails to deliver such Debtor Notification Event Notices within five (5) Business Days after the Debtor Notification Event, each of the Issuer and the Trustee will have the right to deliver or to instruct a successor Servicer or an agent that is compatible with the Secrecy Rules to deliver on its behalf such Debtor Notification Event Notices to the relevant Debtors and any other relevant debtors to the extent known to it (in particular, comprehensive insurers (*Kaskoversicherer*), life insurers and employers), provided that, subject always to the Secrecy Rules and in accordance with the terms of the Data Trust Agreement, the Data Trustee will, at the request of the Issuer, the Servicer or the Trustee, have to despatch the Portfolio Decryption Key to the Issuer, the Trustee or any successor Servicer (succeeding in the event of termination of the appointment of the existing Servicer). The Data Trustee will, pursuant to the Data Trust Agreement, fully co-operate with the Issuer and the Trustee and any of the Issuer's and the Trustee's agents and will in particular use its best endeavours to ensure that the Portfolio Decryption Key is duly and swiftly delivered to the successor Servicer or its agent. *See* "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Servicing Agreement" and "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Data Trust

Agreement".

Data Trust Agreement

Pursuant to the terms of the Data Trust Agreement, the Seller and/or the Servicer will deliver to the Data Trustee the Portfolio Decryption Key relating to the encrypted Portfolio Information received by the Issuer from the Seller and/or Servicer under the Receivables Purchase Agreement and/or Servicing Agreement, respectively. The Data Trust Agreement has been structured to comply with the Secrecy Rules. Pursuant to the Data Trust Agreement, the Data Trustee will keep the Portfolio Decryption Key in safe custody and will protect it against unauthorised access by third parties. It will only be obliged to release the Portfolio Decryption Key under certain conditions and subject always to the Secrecy Rules in order to permit the timely collection, enforcement or realisation of the Purchased Receivables and Loan Collateral. *See* "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Data Trust Agreement".

Taxation

All payments of principal and interest on the Notes will be made free and clear of, and without any withholding or deduction for, or on account of, tax (if any) applicable to the Notes under any applicable jurisdiction, unless such withholding or deduction is required by law or its interpretation. If any such withholding or deduction is imposed, the Issuer will not be obligated to pay any additional or further amounts as a result thereof. *See* "TAXATION".

Security

The Security will comprise, *inter alia*, the Purchased Receivables, the Loan Collateral, the Issuer's claims against the Swap Counterparty under the Swap Agreement, any claims the Issuer might have against the Seller under the Receivables Purchase Agreement and against other parties under certain other Transaction Documents and the Issuer's interests in the Issuer Account. The Security with respect to the Issuer's claims in respect of German Transaction Documents and German law governed accounts has been created in favour of the Trustee under the Trust Agreement and the Issuer's claims against the Swap Counterparty under the Swap Agreement have been assigned and charged to the Trustee under the Deed of Security Assignment. The Trustee will hold the Security created under all Security Documents for itself and for the Noteholders and the other Secured Parties as beneficiaries.

Funding of the Issuer

The Issuer will fund the purchase of the Purchased Receivables from the Seller by (i) utilising the net proceeds of the issue of the Notes for the payment of the aggregate Purchase Prices (EUR 1,025,649,999.60); and (ii) part of the Subordinated Loan for the Acquisition of the Purchased Receivables. To fund the Cash Reserve Ledger with the Required Cash Reserve Amount, the Issuer will obtain funding under the Subordinated Loan from the Subordinated Lender. In addition, an amount equal to the amount by which the net proceeds from the issue of the Notes exceed the aggregate Purchase Prices for the Acquisition of certain Receivables, together with the Loan Collateral will be credited to the Cash Reserve Ledger.

Cash Reserve

On the Issue Date, the Issuer will credit an amount of EUR 12,820,625 into the Cash Reserve Ledger which will be held and maintained by the Account Bank. In addition, an amount equal to the amount by which the net proceeds from the issue of the Notes exceed the aggregate Purchase Prices for the Acquisition of certain Receivables, together with the Loan Collateral, will be credited to the Cash Reserve Ledger. The balance credited to the Cash Reserve Ledger will, as part of the Available Distribution Amount, provide limited protection against shortfalls in the amounts required to pay the Interest Amount, the Principal Amount and other payment obligations of the Issuer under the Notes in accordance with the applicable Priority of Payments. See "CREDIT STRUCTURE AND FLOW OF FUNDS — Credit Enhancement — Subordinated Loan and Cash Reserve" and "TERMS AND CONDITIONS OF THE NOTES — Condition 7.6 (*Pre-Enforcement Priority of Payments*)".

Prior to the occurrence of an Enforcement Event, on each Payment Date, the Cash Reserve Ledger will be replenished up to the Required Cash Reserve Amount in accordance with item *seventh* of the Pre-Enforcement Priority of Payments. "TERMS AND CONDITIONS OF THE NOTES — Condition 7.6 (*Pre-Enforcement Priority of Payments*)".

Required Cash Reserve Amount

The Required Cash Reserve Amount will be (i) EUR 12,820,625; or (ii) zero of the earlier of (a) the Legal Final Maturity Date and (b) the amounts credited to the Cash Reserve are equal or exceed the Aggregate Outstanding Notes Balance.

Commingling Reserve

Only upon (i) the occurrence and continuance of a Commingling Reserve Trigger Event and (ii) the occurrence and continuance of a Servicer Termination Event, the Notes will have the benefit of a commingling reserve which will provide limited protection against the commingling risk in respect of the Seller acting as the Servicer. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Servicing Agreement — Commingling Reserve".

Upon the occurrence of a Commingling Reserve Trigger Event and for so long as such event continues, the Servicer will, within fourteen (14) calendar days (the "**Performance Period**"), (i) transfer and deposit the Required Commingling Reserve Amount 1 to the Commingling Reserve Ledger or (ii) transfer and deposit the Required Commingling Reserve Amount 2 to the Commingling Reserve Ledger and transfer the received Collections to the Operating Ledger of the Issuer Account on a bi-weekly basis.

Set-Off Reserve

Only upon (i) the occurrence and continuance of a Set-Off Reserve Trigger Event and (ii) the occurrence and continuance of a Servicer Termination Event, the Notes will have the benefit of a Required Set-Off Required Reserve Amount which will provide limited protection against the set-off risk in respect of the Seller relating to the Purchased

Receivables resulting from any Debtor having (i) made a claim for repayment of the handling fee (*Bearbeitungsgebühr*), (ii) set off its claim for repayment of the handling fee (*Bearbeitungsgebühr*) against any Purchased Receivable or any other payment obligation owed by such Debtor under the respective Loan Agreement, or (iii) not paid a handling fee (*Bearbeitungsgebühr*) claimed under the respective Loan Agreement which fee is being held invalid by German courts *See* "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Receivables Purchase Agreement — Set-Off Reserve relating to handling fees (*Bearbeitungsgebühren*)".

Swap Agreement

As the Purchased Receivables carry interest at a fixed rate, but the Class A Notes and the Class B Notes will bear interest at a floating rate calculated by reference to EURIBOR, the Issuer will effect on each Payment Date an exchange of the swap fixed interest rate for EURIBOR on the Swap Notional Amount. To this end, the Issuer has entered into a Swap Agreement with the Swap Counterparty (the "**Swap Agreement**"). The notional amount of the swap will be equal to the Aggregate Outstanding Notes Balance of the Notes. On each Payment Date, the Issuer pays to or receives, as applicable, from the Swap Counterparty the net swap amount being the difference between the Swap Fixed Interest Rate and 1-Month EURIBOR calculated on the Swap Notional Amount.

The Swap Agreement will terminate on the Swap Termination Date (unless terminated previously by reason of the occurrence of an event of default or termination event). If the Swap Counterparty ceases to be an Eligible Swap Counterparty, the Swap Counterparty will use its reasonable endeavours, *inter alia*, to (A) post eligible collateral in accordance with the terms of the Swap Agreement, or (B) transfer as soon as practicable following such down-grade, at its own costs, all the Swap Counterparty's rights and obligations under the Swap Agreement to another Eligible Swap Counterparty in accordance with the terms of the Swap Agreement or (C) take other remedial action in accordance with the terms of the Swap Agreement, provided that, if the Swap Counterparty fails to do so, the Issuer will be entitled to terminate the Swap Agreement. *See* "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Swap Agreement".

Corporate Administration Agreement

Pursuant to the Corporate Administration Agreement, the Corporate Administrator will perform (in respect of Compartment Loans 2) certain corporate and administrative services to Bavarian Sky S.A.

Transaction Documents

The Notes, the Trust Agreement, the Subscription Agreement, the Agency Agreement, the Bank Account Agreement, the Calculation Agency Agreement, the Receivables Purchase Agreement, the Servicing Agreement, the Data Trust Agreement and the Subordinated Loan Agreement will be governed by and construed in accordance with the laws of Germany. The Swap

Agreement and the Deed of Security Assignment (charging the Issuer's claims under the Swap Agreement for the benefit of the Trustee) will be governed by and construed in accordance with English law. The Corporate Administration Agreement will be governed by and construed in accordance with the laws of Luxembourg. All Transaction Documents (save for the Corporate Administration Agreement) relate to Compartment Loans 2 only.

Law governing the Notes	The Notes are governed by and are to be construed in accordance with the laws of Germany.
Tax Status of the Notes	See "TAXATION".
Selling Restrictions	See "SUBSCRIPTION AND SALE — Selling Restrictions".
Listing and Admission to Trading	Application will be made to list the Notes on the official list of the Luxembourg Stock Exchange and to admit them to trading on the regulated market of the Luxembourg Stock Exchange.
ICSDs	Euroclear Bank S.A. / N.V. of 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium and Clearstream Banking, <i>société anonyme</i> of 42 Avenue John F. Kennedy, L-1855 Luxembourg (see "GENERAL INFORMATION — ICSDs").
Ratings	<p>Class A: AAA (sf) by DBRS, AAA (sf) by Fitch and Aaa (sf) by Moody's.</p> <p>Class B: A (high) (sf) by DBRS, AA- (sf) by Fitch and A2 (sf) by Moody's.</p> <p>Each of DBRS, Fitch and Moody's is established in the European Community and according to the press release from the European Securities and Markets Authority ("ESMA") dated 31 October 2011, DBRS, Fitch and Moody's have been registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EU) No 513/2011 and by Regulation (EU) No 462/2013. Reference is made to the list of registered or certified credit rating agencies as last updated on 21 May 2014 published by ESMA under http://www.esma.europa.eu/page/List-registered-and-certified-CRAs</p>
Risk Factors	Prospective investors in the Notes should consider, among other things, certain risk factors in connection with the purchase of the Notes. Such risk factors as described below may influence the ability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes. The risks in connection with the investment in the Notes include, <i>inter alia</i> , risks relating to the assets and the Transaction Documents, risks relating to the Notes and risks relating to the Issuer. These risk factors represent a list of risks which are specific to the situation of the Issuer and/or the Notes and which are material for taking

investment decisions by the potential Noteholders. Although the Issuer believes that the various structural elements described in this document mitigate some of these risks for Noteholders, there can be no assurance that these measures will be sufficient to ensure payment to Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all. *See* "RISK FACTORS".

CERTIFICATION BY TSI

True Sale International GmbH ("TSI") granted the Issuer a certificate entitled "CERTIFIED BY TSI – DEUTSCHER VERBRIEFUNGSSTANDARD", which the Issuer may use as a quality label for the Notes.

The certification label has been officially registered as a trademark and is usually licensed to an issuer of securities if the securities meet, *inter alia*, the following conditions:

- compliance with specific requirements regarding the special purpose vehicle;
- transfer of the shares to non-profit foundations (*Stiftungen*);
- use of a special purpose vehicle which is domiciled within the European Union;
- the issuer and/or the seller must agree to the general certification conditions, including the annexes, and must pay a certification fee;
- the issuer must accept TSI's disclosure and reporting standards, including the publication of the investor reports, Offering Circular and the originator's or issuer's declaration of undertaking on the website of TSI (www.true-sale-international.de);
- the issuer and/or the seller must confirm that the main quality criteria of the label "CERTIFIED BY TSI – DEUTSCHER VERBRIEFUNGSSTANDARD", particularly with regard to lending and servicing standards, are maintained throughout the duration of the transaction.

The certification by TSI is not a recommendation to buy, sell or hold any Notes. TSI's certification label is issued on the basis of a declaration of undertaking given to TSI by the Issuer and/or the Seller, as of the date of this Offering Circular, that, throughout the duration of the Transaction, the Issuer and/or the Seller (as applicable) will comply with:

- (a) the reporting and disclosure requirements of TSI; and
- (b) the main quality criteria of the label "CERTIFIED BY TSI – DEUTSCHER VERBRIEFUNGSSTANDARD", in particular regarding the loan and servicing standards, as defined as of the Issue Date.

TSI has relied on the above-mentioned declaration of undertaking and has not made any investigations or examinations in respect of the declaration of undertaking, any Transaction Party or any Notes, and disclaims any responsibility for monitoring continuing compliance with these standards by the parties concerned or any other aspect of their activities or operations.

PCS LABEL

Application has been made to Prime Collateralised Securities (UK) Limited for the Class A Notes to receive the Prime Collateralised Securities label (the "**PCS Label**"). The PCS Label is not a recommendation to buy, sell or hold securities. There can be no assurance that the Class A Notes will receive the PCS Label (either before issuance or at any time thereafter) and if the Class A Notes do receive the PCS Label, there can be no assurance that the PCS Label will not be withdrawn from the Class A Notes at a later date. It is not investment advice whether generally or as defined under Markets in Financial Instruments Directive (2004/39/EC) and it is not a credit rating whether generally or as defined under the Credit Rating Agency Regulation (1060/2009/EC) or Section 3(a) of the United States Securities Exchange Act of 1934 (as amended by the Credit Agency Reform Act of 2006). Prime Collateralised Securities (PCS) UK Limited is not an "expert" as defined in the United States Securities Acts of 1933 (as amended).

By awarding the PCS Label to certain securities, no views are expressed about the creditworthiness of these securities or their suitability for any existing or potential investor or as to whether there will be a ready, liquid market for these securities. To understand the nature of the PCS Label, you must read the information set out in www.pcsmarket.org.

CREDIT STRUCTURE AND FLOW OF FUNDS

Loan Instalments of the Purchased Receivables

The Receivables which will be purchased by the Issuer include annuity loans under which instalments are calculated on the basis of equal monthly periods during the life of each loan and balloon loans under which the final instalment may be higher than the previous instalments. Each instalment is comprised of a portion allocable to interest and a portion allocable to principal under such loan. In general, the interest portion of each instalment under annuity loans decreases in proportion to the principal portion over the life of such loan whereas towards maturity of such loan a greater part of each monthly instalment is allocated to principal. The Purchased Receivables shall not include any amounts owed under or in connection with the Loan Agreements other than the Loan Instalments. The Loan Instalments in respect of each Purchased Receivable will be payable on a monthly basis. See "PURCHASED RECEIVABLES CHARACTERISTICS AND DATA".

Collection arrangements

Payments by the Debtors of Loan Instalments under the Purchased Receivables are scheduled to become due and payable on a monthly basis, generally on the first (1st), fifth (5th), tenth (10th), fifteenth (15th), twentieth (20th), twenty-fifth (25th) and thirtieth (30th) calendar day of each month, interest being payable in arrear. Prior to a Servicer Termination Event, all Collections received from the Debtors in a Monthly Period will be paid by the Servicer to the Operating Ledger of the Issuer Account maintained by the Issuer with the Account Bank no later than on the Payment Date relating to the relevant Monthly Period, see "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Servicing Agreement".

The Servicer will identify all amounts paid into the Issuer Account by crediting such amounts to ledgers established for such purposes. The Issuer will keep four (4) ledgers relating to the Issuer Account in order to record amounts held in respect thereof: (i) the Operating Ledger, (ii) the Cash Reserve Ledger, (iii) the Commingling Reserve Ledger, and (iv) the Set-Off Reserve Ledger.

Available Distribution Amount

The Available Distribution Amount will be calculated by the Servicer as at each Cut-Off Date with respect to the Monthly Period ending on such Cut-Off Date for the purposes of determining the amounts payable in accordance with the Pre-Enforcement Priority of Payments on the immediately following Payment Date. For the definition of the Available Distribution Amount, see "MASTER DEFINITIONS SCHEDULE — Available Distribution Amount".

The amounts credited to the Commingling Reserve Ledger will, prior to the appointment of a substitute Servicer, constitute part of the Available Distribution Amount upon (i) the occurrence and continuance of a Commingling Reserve Trigger Event and (ii) the occurrence and continuance of a Servicer Termination Event if and only to the extent that the Servicer has, as of the relevant Payment Date, failed to transfer to the Issuer any Collections or indemnity payments in relation to the commingling risk in relation to the Seller received by or payable by the Servicer or the Seller during, or with respect to, the Monthly Period ending as of such Cut-Off Date or any previous Monthly Periods, and only to the extent necessary for the fulfilment on the relevant Payment Date of the payment obligations of the Issuer (but excluding any fees and other amounts due to the Servicer under item *third* of the Pre-Enforcement Priority of Payments so long as no substitute Servicer is appointed in accordance with the Servicing Agreement). The balances credited to the Set-Off Reserve Ledger will constitute part of the Available Distribution Amount upon the occurrence and continuance of a Set-Off Reserve Trigger Event and the occurrence and continuance of a Servicer Termination Event, if and only to the extent necessary to cover any shortfalls with respect to items *first to ninth* of the Pre-Enforcement Priority of Payments (but excluding any fees and other amounts due to the Servicer under item *third* of the Pre-Enforcement Priority of Payments), provided, however, that, with respect to amounts standing to the credit of the Set-Off Reserve Ledger, such amounts will only be included in the Available Distribution Amount if and to the extent that (i) any amounts that would otherwise have to be transferred to the Issuer as Deemed Collections within the meaning of item (iv)(x) of the definition of Deemed Collections for the Monthly Period ending on the relevant Cut-Off Date were not received by the Seller as a result of any of the actions described in item (iv)(x) of the definition of Deemed Collections, and (ii) the Issuer does not have a right of set-off against the Seller or (if different) the Servicer with respect to such amounts on the relevant Payment Date; and provided further, however, that with respect to amounts standing to the credit of the Set-Off Reserve Ledger, such amounts shall only be included in the Available Distribution Amount if and to the extent that the Seller has not fulfilled its obligation under Clause 16.6 of the Receivables Purchase Agreement.

Bank account used for the Transaction

No later than on the Issue Date, the Issuer will have established the Issuer Account with the Account Bank which must be an Eligible Counterparty.

The Required Cash Reserve Amount as of the Issue Date will be an amount equal to EUR 12,820,625, such amount will be funded by the Subordinated Loan under the Subordinated Loan Agreement and credited to the Cash Reserve Ledger. In addition, an amount equal to the amount by which the net proceeds from the issue of the Notes exceeds the aggregate Purchase Prices for the Acquisition of certain Receivables, together with the Loan Collateral, will be credited to the Cash Reserve Ledger. Prior to the occurrence of an Enforcement Event, the Cash Reserve Ledger will be replenished up to the Required Cash Reserve Amount in accordance with item *seventh* of the Pre-Enforcement Priority of Payments. During the life of the Transaction, the amount standing to the credit of the Cash Reserve Ledger will, as part of the Available Distribution Amount, be used to cover any shortfalls in the amounts payable (i) under items *first* through *sixth*, or (ii) under items *first* through *thirteenth* upon the earlier of (a) the Legal Final Maturity Date and (b) the amounts credited to the Cash Reserve are equal or exceed the Aggregate Outstanding Notes Balance in accordance with the Pre-Enforcement Priority of Payments. After the occurrence of an Enforcement Event, the amounts standing to the credit of the Cash Reserve Ledger will, together with all other Available Post-Enforcement Funds, be available to make payments in accordance with the Post-Enforcement Priority of Payments.

To the extent that no obligations of the Issuer are due and payable, the Issuer is authorised and obliged to invest the credit with the Account Bank on the Issuer Account in Permitted Investments. The Account Bank has, pursuant to the terms of the Bank Account Agreement and upon receipt of a respective instruction from the Issuer, agreed to arrange for such Permitted Investments to be made on behalf of the Issuer.

If at any time the Account Bank ceases to be an Eligible Counterparty, the Account Bank shall, at its own cost, (in case of a downgrade of the Account Bank by Fitch, Moody's or DBRS within thirty (30) days) (i) procure the transfer of the Issuer Account to an Eligible Counterparty, or (ii) find an irrevocable and unconditional guarantor with (x) an unsecured and unsubordinated short-term rating of at least P-1 (or its equivalent) from Moody's; and (y) an unsecured and unsubordinated short-term rating of at least F1 (or its equivalent) from Fitch and an unsecured and unsubordinated long-term rating of at least A from Fitch; and (z) an unsecured and unsubordinated long-term rating of at least A from DBRS or, in each case such other ratings as is otherwise acceptable to the relevant Rating Agency from time to time as would maintain the then current rating of the Notes rated by it, or (iii) take any other action in order to maintain the rating of the Notes or to restore the rating of any Notes. In each case of (i) or (ii) above, the Account Bank shall continue to provide services under the Bank Account Agreement in any case until and unless an Eligible Counterparty as successor Account Bank is validly appointed.

Pre-Enforcement Priority of Payments

On each Payment Date, the Available Distribution Amount will be available for payments to the Noteholders in accordance with, and subject to, the Pre-Enforcement Priority of Payments. See "TERMS AND CONDITIONS OF THE NOTES — Condition 7.6 (*Pre-Enforcement Priority of Payments*)". The cash flow pursuant to the Pre-Enforcement Priority of Payments will vary during the life of the Transaction as a result of, *inter alia*, possible variations in the amount of Collections received by the Issuer during the Monthly Period immediately preceding the relevant Payment Date, the amounts standing to the credit of the Cash Reserve Ledger for that Monthly Period, the Swap Net Cashflow paid by or to the Swap Counterparty and certain costs and expenses of the Issuer relating to Compartment Loans 2. The amount of Collections received by the Issuer with respect to the Purchased Receivables will vary during the life of the Notes as a result of the amount of delinquencies, defaults, terminations and prepayments in respect of the Purchased Receivables. The effect of such variations could lead to drawings from and replenishment of the Cash Reserve Ledger.

Interest rate hedging

The Purchased Receivables are purchased at their Aggregate Principal Balance and the Debtors have to pay interest on the Purchased Receivables on the basis of fixed interest rates. The interest rate payable by the Issuer with respect to the Notes is calculated as the sum of EURIBOR and the margins as set out in Condition 7.3 (*Interest Rate*). To ensure that the Issuer will not be exposed to fixed-to-floating interest rate risk, the Issuer and the Swap Counterparty entered into the Swap Agreement under which the Issuer will owe payments by reference to a fixed rate and the Swap Counterparty will owe payments by reference to EURIBOR, in each case calculated with respect to the Swap Notional Amount.

Under the Swap Agreement, on each Payment Date, the Issuer will pay the Swap Counterparty a fixed rate applied to the Swap Notional Amount, and the Swap Counterparty will pay a floating rate equal to EURIBOR as determined by the ISDA Calculation Agent applied to the same Swap Notional Amount which is equal to the Aggregate Outstanding Notes Balance of the Notes on the immediately preceding Payment Date. Payments under the Swap Agreement will be made on a net basis. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Swap Agreement".

Pursuant to the Swap Agreement, if the Swap Counterparty ceases to be an Eligible Swap Counterparty, then the Swap Counterparty will be obliged to mitigate the resulting credit risk, unless this would not result in the then current rating of any Class of Notes being downgraded, for the Noteholders by, *inter alia*, posting eligible collateral, transferring all its rights and obligations to a replacement third party that is an Eligible Swap Counterparty or taking other agreed remedial action. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Swap Agreement" and "THE SWAP COUNTERPARTY".

Credit enhancement

The Notes have the benefit of credit enhancement provided through (i) the excess spread, (ii) the amount credited to the Cash Reserve Ledger, (iii) subordination as to payment of the Class B Notes to the Class A Notes and (iv) the subordination as to the repayment of the Subordinated Loan to the Notes. The excess spread with respect to any Payment Date will constitute an amount equal to the difference between the interest due with respect to the Loan Instalments of the Purchased Receivables during the immediately preceding Monthly Period and the sum of the senior expenses due and payable by the Issuer under the applicable Priority of Payments on such Payment Date and will provide the first loss protection to the Notes.

Subordinated Loan and Cash Reserve

The Subordinated Lender will have made available to the Issuer, on or prior to the Issue Date, the Subordinated Loan in the principal amount of EUR 38,470,625. The Issuer will use the Subordinated Loan to (i) fund the initial Required Cash Reserve Amount of EUR 12,820,625 which will, no later than the Issue Date, be paid into the Cash Reserve Ledger by the Issuer; and/or (ii) purchase the Receivables as of the Issue Date. The payment obligations of the Issuer under the Subordinated Loan are subordinated to the payment obligations of the Issuer under the Notes. The Subordinated Loan will amortise in accordance with the applicable Priority of Payments.

The amounts standing to the credit of the Cash Reserve Ledger, as part of the Available Distribution Amount, will be available to satisfy, on the Cut-Off Date immediately preceding any Payment Date, all claims (i) under items *first* through *sixth*, or (ii) under items *first* through *fourteenth* upon the earlier of (a) the Legal Final Maturity Date and (b) the amounts credited to the Cash Reserve are equal or exceed the Aggregate Outstanding Notes Balance in accordance with the Pre-Enforcement Priority of Payments, including payments to the Subordinated Lender in the order of priority, see "TERMS AND CONDITIONS OF THE NOTES — Condition 7.6 (*Pre-Enforcement Priority of Payments*)".

Prior to the occurrence of an Enforcement Event, the Cash Reserve will be replenished on each Payment Date up to the Required Cash Reserve Amount in accordance with item *seventh* of the Pre-Enforcement Priority of Payments, see "TERMS AND CONDITIONS OF THE NOTES — Condition 7.6 (*Pre-Enforcement Priority of Payments*)".

Upon the occurrence of an Enforcement Event, the amounts standing to the credit of the Cash Reserve Ledger will, together with all other Available Post-Enforcement Funds, be available to make payments in accordance with the Post-Enforcement Priority of Payments.

After all amounts due and payable in respect of the Notes and the Subordinated Loan have been fully paid, all remaining amounts standing to the credit of the Cash Reserve Ledger will be released to BMW Bank.

Subordination

Upon enforcement of the Security, the Class A Noteholders benefit from subordination, both as to the payment of interest and principal, of the Class B Notes (provided that, prior to the occurrence of an Enforcement Event, interest and principal payments to the holders of the Class A Notes and the Class B Notes are paid on a sequential basis).

Amortisation

Unless an Enforcement Event has occurred on or before the relevant Payment Date, the Available Distribution Amount for that Payment Date shall be applied to redeem the Class A Notes and the Class B Notes on a sequential basis subject to the Pre-Enforcement Priority of Payments. As a result, during the life of the Transaction, the credit enhancement to the Notes will increase steadily. Additionally, the excess spread is available to the Issuer to fulfil the Issuer's payment obligations under the Notes. See "TERMS AND CONDITIONS OF THE NOTES — Condition 8.1 (*Amortisation*)".

If at any time an Enforcement Event has occurred, the Available Post-Enforcement Funds will be applied in redemption of the Notes on a sequential basis as set forth in and subject to the Post-Enforcement Priority of Payments. See "TERMS AND CONDITIONS OF THE NOTES — Condition 9 (*Post-Enforcement Priority of Payments*)".

TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Notes are set out below. Appendix A to the Conditions sets out the "MASTER DEFINITIONS SCHEDULE" as set out in Schedule 1 of the Incorporated Terms Memorandum (*see* page 182 *et seqq.*), Appendix B to the Conditions sets out the Trust Agreement (excluding its Schedules) (*see* "MATERIAL TERMS OF THE TRUST AGREEMENT" (*see* page 95 *et seqq.*)), Appendix C to the Conditions sets out the "ELIGIBILITY CRITERIA" (*see* page 125 *et seq.*) and Appendix D to the Conditions sets out the "CREDIT AND COLLECTION POLICY" (*see* page 154 *et seqq.*).

1. Appendixes

Appendix A, Appendix B, Appendix C and Appendix D to the Conditions form integral parts of the Conditions.

2. Form and Denomination

- (a) On the Issue Date, Bavarian Sky S.A., an unregulated securitisation undertaking within the meaning of the Luxembourg Securitisation Law, incorporated as a public limited liability company (*société anonyme*), with registered office at 9B, Boulevard Prince Henri, L-1724 Luxembourg, registered with the Luxembourg trade and companies register under number B 127982, acting in respect of its Compartment German Auto Loans 2 (the "**Issuer**") will issue (*begeben*) the following classes of floating rate amortising asset-backed notes in bearer form (*Inhaberschuldverschreibungen*) (each, a "**Class**" and collectively, the "**Notes**") pursuant to these terms and conditions (the "**Conditions**"):
- (i) The class A notes due August 2021 (the "**Class A Notes**") which are issued in an initial aggregate principal amount of EUR 946,200,000 and divided into 9,462 Notes, each having a principal amount of EUR 100,000; and
- (ii) The class B notes due August 2021 (the "**Class B Notes**") which are issued in the aggregate principal amount of EUR 53,800,000 and divided into 538 Notes, each having a principal amount of EUR 100,000.

All Notes shall be issued in New Global Note form. The holders of the Notes are referred to as the "**Noteholders**" and each a "**Noteholder**".

- (b) Each Class of Notes shall be initially represented by a temporary global bearer note (each a "**Temporary Global Note**") without coupons attached. The Temporary Global Notes shall be exchangeable, as provided in paragraph (c) below, for permanent global bearer notes which are recorded in the records of the ICSDs (the "**Permanent Global Notes**"), without coupons attached, representing each such Class and each bearing the personal signature of two duly authorized directors of Bavarian Sky S.A. Each Permanent Global Note and each Temporary Global Note is also referred to herein as a "**Global Note**" and, together, as "**Global Notes**". Each Global Note representing the Class A Notes and the Class B Notes, respectively, shall be deposited with an entity appointed as common safekeeper (the "**Common Safekeeper**") by Euroclear Bank S.A./NV as the operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream Luxembourg**", and, together with Euroclear, the "**Clearing Systems**").
- (c) The Temporary Global Notes shall be exchanged for the Permanent Global Notes to be recorded in the records of the ICSDs, on a date (the "**Exchange Date**") not earlier than forty (40) calendar days after the Issue Date upon delivery by the relevant participants to the ICSDs, as relevant, and by an ICSD to the Paying Agent, of certificates in the form which forms part of the Temporary Global Notes and are available from the Paying Agent for such purpose, to the effect that the beneficial owner or owners of the Notes represented by the relevant Temporary Global Note is not a U.S. person or are not U.S. persons other than certain financial institutions or certain persons holding through such financial institutions. Each Permanent Global Note delivered in exchange for the relevant Temporary Global Note shall be delivered only outside of the United States. The Notes represented by Global Notes may be transferred in book-entry form only. The Global Notes will not be exchangeable for definitive notes. Upon an exchange of a portion only of the Notes represented by the Temporary Global Note, the Issuer shall procure that details of such exchange shall be entered pro rata in the records of the ICSDs.

"**United States**" means, for the purposes of this Condition 2(c), the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands). Any exchange of a Temporary Global Note pursuant to this Condition 2(c) shall be made free of charge to the Noteholders.

- (d) Payments of interest or principal on the Notes represented by a Temporary Global Note shall be made only after delivery by the relevant participants to the ICSDs, as relevant, and by an ICSD to the Paying Agent of the certifications described in paragraph (c) above.
- (e) Each Global Note shall be manually signed by two duly authorized directors of the Issuer or on behalf of the Issuer and shall be authenticated by the Paying Agent and, in respect of each Global Note representing the Class A Notes, effectuated by the Class A Notes Common Safekeeper on behalf of the Issuer and, in respect of each Global Note representing the Class B Notes, effectuated by the Class B Notes Common Safekeeper on behalf of the Issuer.
- (f) The aggregate nominal amount of the Notes represented by the Global Notes shall be the aggregate amount from time to time entered in the records of both ICSDs. Absent errors, the records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the aggregate nominal amount of Notes represented by the Global Notes and, for these purposes, a statement issued by an ICSD stating the aggregate nominal amount of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or payment of an instalment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by the Global Notes, the Issuer shall procure that details of any such redemption, payment or purchase and cancellation (as the case may be) in respect of the Global Notes shall be entered pro rata in the records of the ICSDs and, upon any such entry being made, the aggregate nominal amount of the Notes recorded in the records of the ICSDs and represented by the Global Notes shall be reduced by the aggregate nominal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalments so paid.

- (g) The provisions set out in Schedule 3 of the Agency Agreement between the Paying Agent, the Interest Determination Agent, the Issuer, the Seller, the Servicer and the Trustee which primarily contain the procedural provisions regarding resolutions of Noteholders shall hereby be fully incorporated into these Conditions. The Issuer shall specify, by means of a notification in accordance with Condition 15 (*Form of Notices*), at any time, but no later than upon publication of a convening notice for a Noteholders' meeting, a website for the purpose of publications under such procedural provisions. Such notification shall hereby be fully incorporated into these Conditions upon publication or delivery thereof in accordance with Condition 15 (*Form of Notices*).
- (h) Copies of the Global Notes are available free of charge at the main offices of the Issuer and, as long as the Notes are listed on the Luxembourg Stock Exchange, from the Paying Agent (as defined in Condition 11(a) (*Agents; Determinations Binding*)) in electronic form only.
- (i) Capitalised terms not defined but used herein shall have the same meanings herein as in Appendix A, Appendix B, Appendix C or Appendix D to these Conditions ("**Appendix A**", "**Appendix B**" and "**Appendix C**", and "**Appendix D**", respectively).
- (j) The Notes are subject to the provisions of a trust agreement relating to Compartment Loans 2 (the "**Trust Agreement**") between the Issuer, the Paying Agent, the Swap Counterparty, the Managers, the Data Trustee, the Calculation Agent, the Account Bank, the Interest Determination Agent, the Corporate Administrator, the Seller, the Servicer, the Subordinated Lender and the Trustee dated as of the Signing Date. The main provisions of the Trust Agreement (excluding its Schedules I and II) are set out in Appendix B to these Conditions. Capitalised terms defined in the Trust Agreement shall have the same meanings when used herein.

3. Status and Priority

- (a) The Notes constitute direct, secured and (subject to Condition 4.2 (*Limited recourse*)) unconditional obligations of the Issuer in respect of its Compartment Loans 2.
- (b) The obligations of the Issuer under the Class A Notes rank *pari passu* amongst themselves without any preference among themselves in respect of priority of payments or security. With respect to the other obligations of the Issuer, the obligations of the Issuer under the Class A Notes rank in accordance with the applicable Priority of Payments as set out in Conditions 7.6 (*Pre-Enforcement Priority of Payments*), Condition 8.1 (*Amortisation*) and Condition 9 (*Post-Enforcement Priority of Payments*). The obligations of the Issuer under the Class B Notes rank *pari passu* amongst themselves without any preference amongst themselves in respect of priority of payments or security. With respect to the other obligations of the Issuer, the obligations of the Issuer under the Class B Notes rank in accordance with the applicable Priority of Payments as set out in Conditions 7.6 (*Pre-Enforcement Priority of Payments*), and Condition 9 (*Post-Enforcement Priority of Payments*).

4. Provision of Security; Limited Payment Obligation; Issuer Event of Default

4.1 Security

Pursuant to the provisions of the Trust Agreement, the Issuer has transferred or pledged to the Trustee all its rights, claims and interests in the Purchased Receivables and the Loan Collateral (that was transferred by the Seller to it under the Receivables Purchase Agreement), all of its rights, claims and interests arising under certain Transaction Documents to which the Issuer is a party and certain other rights specified in the Trust Agreement as security for the Issuer's obligations under the Notes and the obligations owed by the Issuer to the other Secured Parties. In addition, the Issuer has granted a security interest to the Trustee in respect of all present and future rights, claims and interests to which the Issuer is or becomes entitled from or in relation to the Swap Counterparty and/or any other party pursuant to or in respect of the Swap Agreement as security for the payment and/or discharge on demand of all monies and liabilities due by the Issuer to the Trustee in accordance with an English law governed deed of security assignment dated as of the Signing Date (the "**Deed of Security Assignment**") (such collateral as created pursuant to Clause 8 (*Creation of Security*) and the other provisions of the Trust Agreement and/or the Deed of Security Assignment collectively, the "**Security**").

4.2 Limited recourse

- (a) All payments of principal, interest or any other amount to be made by the Issuer in respect of each Class of Notes will be payable only from, and to the extent of, the sums paid to, or recovered by or on behalf of, the Issuer or the Trustee in respect of the Security and only in accordance with the applicable Priority of Payments. If the proceeds of the Security are not sufficient to pay any amounts due in respect of the relevant Class, no other assets of the Issuer, in particular no assets relating to another Compartment of Bavarian Sky S.A., will be available to meet such insufficiency. The Noteholders of such Class will rely solely on such sums and the rights of the Issuer in respect of the Security for payments to be made by the Issuer in respect of such Class. The obligations of the Issuer to make payments in respect of the Notes will be limited to such sums (in the case of the Noteholders) following realisation of the Security and applied in accordance with the applicable Priority of Payments, and the Trustee and the Noteholders will have no further recourse to the Issuer in respect thereof.

- (b) *Extinguishment of Claims*

Having realised the Security and distributed all Available Post-Enforcement Funds in accordance with the Post-Enforcement Priority of Payments, neither the Trustee nor the Noteholders shall have any further claims and/or take any further steps against the Issuer to recover any sum still unpaid and any remaining obligations to pay such amount shall be extinguished.

4.3 Enforcement of Payment Obligations

The enforcement of the payment obligations under the Notes shall only be effected by the Trustee for the benefit of all Noteholders, provided that each Noteholder shall be entitled to proceed directly against the Issuer in the event that the Trustee, after having become obliged to enforce the Security and having

been given notice thereof, fails to do so within a reasonable time period and such failure continues. The Trustee shall enforce the Security upon the occurrence of an Enforcement Event on the conditions and in accordance with the terms of the Trust Agreement, including, in particular, Clause 14.2 (*Procedure*) of the Trust Agreement.

4.4 *Obligations of the Issuer only*

The Notes represent obligations of the Issuer in respect of its Compartment Loans 2 only and do not represent an interest in or obligation of the Trustee, any other party to the Transaction Documents or any other third party.

4.5 *Enforcement Event and Issuer Event of Default*

"**Enforcement Event**" means the event that (in the sole judgment of the Trustee) an Issuer Event of Default has occurred and the Trustee has served an Enforcement Notice upon the Issuer.

An "**Issuer Event of Default**" means in respect of the Notes any of the following events:

- (a) subject to the Available Distribution Amount and in accordance with the Pre-Enforcement Priority of Payment, a default occurs in the payment of interest on any Payment Date (and such default is not remedied within two (2) Business Days of its occurrence) or the payment of principal on the Legal Final Maturity Date (and such default is not remedied within two (2) Business Days of its occurrence) in respect of the most senior class of Notes;
- (b) the Issuer fails to perform or observe any of its other material obligations under the Conditions or the Transaction Documents (other than the Subordinated Loan Agreement) and, in each such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of thirty (30) days following the service by the Trustee on the Issuer of a notice requiring the same to be remedied;
- (c) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Class A Notes, the Class B Notes or any other Transaction Document (other than the Subordinated Loan Agreement); or
- (d) an Insolvency Event has occurred with respect to the Issuer and such event is not discontinued or discharged within thirty (30) calendar days.

5. General Covenants of the Issuer

5.1 *Restriction on activities*

As long as the Notes remain outstanding, the Issuer shall not be permitted to issue further securities in respect of Compartment German Loans 2, or to enter into related transaction documents, unless the board of directors of the Issuer shall have approved the issuance of such securities and the entry into such related transaction documents and the Issuer shall have notified the Rating Agencies in writing of such approval. In case of any further securitisation transactions of Bavarian Sky S.A., the transactions shall not be cross-collateralised or cross-defaulted.

5.2 *Appointment of Trustee*

As long as any Notes are outstanding, the Issuer shall ensure that a trustee is appointed at all times who undertakes to perform substantially the same functions and obligations as the Trustee pursuant to these Conditions and the Trust Agreement.

6. Payments on the Notes

6.1 *Payment Dates*

Payments of interest and, in accordance with the provisions herein, principal in respect of the Notes to the Noteholders shall become due and payable monthly on each 20th day of each calendar month or, if such day is not a Business Day, on the next following Business Day unless such date would thereby fall

into the next calendar month, in which case the payment will be made on the immediately preceding Business Day, commencing on 22 September 2014 (each such day, a "**Payment Date**").

6.2 **Outstanding Note Balance**

Payments of principal and interest on each Note as of any Payment Date shall be calculated on the basis of the Outstanding Note Balance of such Note. The "**Outstanding Note Balance**" of any Note as of any date shall equal the initial note principal amount of EUR 100,000 ("**Note Principal Amount**") as reduced by all amounts paid in accordance with the applicable Priority of Payments prior to such date on such Note in respect of principal. On the Issue Date, the aggregate outstanding Note Principal Amount of all Class A Notes is EUR 946,200,000, and of all the Class B Notes EUR 53,800,000. The aggregate amount of the Outstanding Note Balance of the Class A Notes and/or the Class B Notes, as applicable, on a Payment Date (taking into account the principal redemption on such Payment Date) is referred to herein as the "**Aggregate Outstanding Notes Balance**".

6.3 **Payments and Discharge**

- (a) Payments of principal and interest in respect of the Notes shall be made from the Available Distribution Amount by the Issuer, through the Paying Agent, on each Payment Date to, or to the order of, the ICSDs, as relevant, for credit to the relevant participants in the ICSDs and subsequent transfer to the Noteholders.

"**Available Distribution Amount**" means, with respect to any Cut-Off Date and the Monthly Period ending on such Cut-Off Date, the lower of (x) the funds available on the Issuer Account on the Payment Date immediately following such Cut-Off Date and (y) an amount calculated by the Servicer pursuant to the Servicing Agreement as of such Cut-Off Date and notified to the Issuer, the Account Bank, the Corporate Administrator, the Trustee, the Calculation Agent and the Paying Agent no later than on the Reporting Date preceding the Payment Date immediately following such Cut-Off Date, as the sum of:

- (i) the amounts standing to the credit of the Cash Reserve Ledger as of such Cut-Off Date;
- (ii) any Collections received by the Servicer during the Monthly Period ending on such Cut-Off Date;
- (iii) any Swap Net Cashflow payable by the Swap Counterparty to the Issuer on the Payment Date immediately following such Cut-Off Date;
- (iv) any tax payment made by the Seller and/or Servicer to the Issuer in accordance with the Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period;
- (v) any interest earned (if any) on the amounts credited to the Issuer Account during such Monthly Period;
- (vi) prior to the appointment of a substitute Servicer, the amounts standing to the credit of the Commingling Reserve Ledger upon (i) the occurrence and continuance of a Commingling Reserve Trigger Event as of such Cut-Off Date and (ii) the occurrence and continuance of a Servicer Termination Event as of such Cut-Off Date, to the extent necessary to cover any Servicer Shortfall caused on the part of BMW Bank as Servicer; and
- (vii) the amounts (if any) standing to the credit of the Set-Off Reserve Ledger upon (i) the occurrence and continuance of a Set-Off Reserve Trigger Event as of such Cut-Off Date and (ii) the occurrence and continuance of a Servicer Termination Event as of such Cut-Off Date, but only to the extent necessary for the fulfilment on the relevant Payment Date of the payment obligations of the Issuer under items *first* to *ninth* (inclusive) of the Pre-Enforcement Priority of Payments (but excluding any fees and other amounts due to the Seller in its capacity as Servicer under item *third* of the Pre-Enforcement Priority of Payments), provided, however, that, with respect to amounts

standing to the credit of the Set-Off Reserve Ledger, such amounts shall only be included in the Available Distribution Amount if and to the extent that (i) any amounts that would otherwise have to be transferred to the Issuer as Deemed Collections within the meaning of item (iv)(x) of the definition of Deemed Collections for the Monthly Period ending on the relevant Cut-Off Date were not received by the Seller as a result of any of the actions described in item (iv)(x) of the definition of Deemed Collections, and (ii) the Issuer does not have a right of set-off against the Seller or (if different) the Servicer with respect to such amounts on the relevant Payment Date; and provided further, however, that with respect to amounts standing to the credit of the Set-Off Reserve Ledger, such amounts shall only be included in the Available Distribution Amount if and to the extent that the Seller has not fulfilled its obligation under Clause 16.6 of the Receivables Purchase Agreement.

For the avoidance of doubt, any balance credited to the Counterparty Downgrade Collateral Account shall not form part of the Available Distribution Amount.

- (b) Payments in respect of interest on any Note represented by a Temporary Global Note shall be made to, or to the order of, the ICSDs, as relevant, for credit to the relevant participants in the ICSDs for subsequent transfer to the relevant Noteholders upon due certification as provided in Condition 2(c) (*Form and Denomination*).
- (c) All payments made by the Issuer to, or to the order of, the ICSDs, as relevant, shall discharge the liability of the Issuer under the relevant Notes to the extent of the sums so paid. Any failure to make the entries in the records of the ICSDs referred to in Condition 6.2 (*Outstanding Note Balance*) shall not affect the discharge referred to in the preceding sentence.

7. Payment of Interest and Principal

7.1 Interest calculation

- (a) Subject to the limitations set forth in Condition 4.2 (*Limited recourse*) and subject to Condition 7.6 (*Pre-Enforcement Priority of Payments*) and, upon the occurrence of an Enforcement Event, the Post-Enforcement Priority of Payments, each Note shall bear interest on its Outstanding Note Balance from the Issue Date until the close of the day preceding the day on which such Note has been redeemed in full.
- (b) The amount of interest payable by the Issuer in respect of each Note on any Payment Date (including any Interest Shortfall) (the "**Interest Amount**") shall be calculated by the Calculation Agent on the relevant Interest Determination Date by applying such Interest Rate (Condition 7.3 (*Interest Rate*)) for the relevant Interest Period (Condition 7.2 (*Interest Period*)) to the Outstanding Note Balance during the relevant Interest Period prior to the relevant Payment Date and multiplying the result by the actual number of days in the relevant Interest Period divided by 360 and rounding the result to the nearest EUR 0.01 (with EUR 0.005 being rounded upwards).

7.2 Interest Period

"**Interest Period**" means, in respect of the first Payment Date, the period commencing on (and including) the Issue Date and ending on (but excluding) the first Payment Date, and in respect of any subsequent Payment Date, the period commencing on (and including) the respective previous Payment Date and ending on (but excluding) the relevant Payment Date, provided that the last Interest Period shall end on (but exclude) the Legal Final Maturity Date or, if earlier, the date on which all Notes are redeemed in full.

7.3 Interest Rate

- (a) The applicable rate of interest payable on the Notes for each Interest Period (each, an "**Interest Rate**") shall be:
 - (i) in the case of the Class A Notes, EURIBOR plus 0.28% per annum, and

- (ii) in the case of the Class B Notes, EURIBOR plus 0.68% per annum.
- (b) "**EURIBOR**" (Euro Interbank Offered Rate) means the rate determined by the Interest Determination Agent for deposits in euro for a period of one (1) month which appears on Reuters 3000 page EURIBOR 01 (or such other page as may replace such page on that service for the purpose of displaying inter-bank offered rate quotations of major banks) as of 11:00 a.m. in Brussels on the second Business Day immediately preceding the first day of such Interest Period (each, an "**Interest Determination Date**"). If Reuters 3000 page EURIBOR 01 is not available or if no such quotation appears thereon, in each case as at such time, the Interest Determination Agent shall determine EURIBOR on the basis of such other screen rate the Interest Determination Agent shall determine in good faith. If no such screen rate is available, the Interest Determination Agent shall request the principal Euro-zone office of the Reference Banks selected by it to provide the Interest Determination Agent with its offered quotation (expressed as a percentage rate per annum) for one month deposits in euro at approximately 11:00 a.m. in Brussels on the relevant Interest Determination Date to prime banks in the Euro-zone inter-bank market for the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time. If two or more of the selected Reference Banks provide the Interest Determination Agent with such offered quotations, EURIBOR for such Interest Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one thousandth of a percentage point, with 0.000005 being rounded upwards). If on the relevant Interest Determination Date less than two of the selected Reference Banks provide the Interest Determination Agent with such offered quotations, EURIBOR for such Interest Period shall be the rate per annum which the Interest Determination Agent determines as being the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.000005 being rounded upwards) of the rates communicated to (and at the request of) the Interest Determination Agent by major banks in the Euro-zone, selected by the Interest Determination Agent, at approximately 11:00 a.m. in Brussels on such Interest Determination Date for loans in euros to leading European banks for such Interest Period and in an amount that is representative for a single transaction in that market at that time.

In the event that the Interest Determination Agent is on any Interest Determination Date required but unable to determine EURIBOR for the relevant Interest Period in accordance with the above, EURIBOR for such Interest Period shall be EURIBOR as determined on the previous Interest Determination Date.

- (c) This Condition 7.3 shall be without prejudice to the application of any higher interest under applicable mandatory law.

7.4 Interest Shortfall

Accrued interest not paid on any Payment Date related to the Interest Period in which it accrued, including but not limited to any accrued interest resulted from correction of any miscalculation of interest payable on a Note related to the last Interest Period immediate prior to the Payment Date, shall be an "**Interest Shortfall**" with respect to the relevant Note. An Interest Shortfall shall become due and payable on the next Payment Date and on any following Payment Date (subject to Condition 4.2 (*Limited Recourse*)) until it is reduced to zero. Interest shall not accrue on Interest Shortfalls at any time. For the avoidance of doubts and subject to the Available Distribution Amount and in accordance with the Pre-Enforcement Priority of Payment, in respect of the most senior Class of Notes a default occurs in the payment of interest on any Payment Date (and such default is not remedied within two (2) Business Days of its occurrence) will constitute an Issuer Event of Default.

7.5 Notifications

The Paying Agent shall, as soon as practicable either on each Interest Determination Date or on the Business Day immediately following each Interest Determination Date but no later than 11 a.m. Frankfurt time on such Business Day, determine with respect to the Payment Date immediately following such Interest Determination Date and in respect to each Class of Notes the relevant Interest Periods, Applicable Interest Rate, Interest Amount, Principal Amount and notify such information (i) to the Issuer, the Servicer, the Corporate Administrator, the Calculation Agent, the Trustee and, on behalf of the Issuer, by means of notification in accordance with Condition 15 (*Form of Notices*), the

Noteholders; and (ii) as long as any Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, to the Luxembourg Stock Exchange and the Listing Agent and if any Notes are listed on any other stock exchange, subject to the prior written consent of the Issuer, such other stock exchange. In the event that such notification is required to be given to the Luxembourg Stock Exchange and the Listing Agent, this notification, together with any completed forms required by the Luxembourg Stock Exchange, shall be given no later than the close of the first Business Day following the relevant Interest Determination Date.

7.6 Pre-Enforcement Priority of Payments

The payment of the relevant Interest Amounts and Principal Amounts on each Payment Date to the Class A Noteholders and the Class B Noteholders shall, prior to the occurrence of an Enforcement Event, be subject to the following priority of payments ("**Pre-Enforcement Priority of Payments**"). After the occurrence of an Enforcement Event, the payment of the relevant Interest Amounts and Principal Amounts shall be subject to the Post-Enforcement Priority of Payments as set out in Condition 9 (*Payment of interest and redemption after the occurrence of an Enforcement Event*). Pursuant to the Pre-Enforcement Priority of Payments, on each Payment Date, the Available Distribution Amount as of the Cut-Off Date immediately preceding such Payment Date (and, if the Clean-Up Call Option is rightfully exercised as of the Clean-Up Call Settlement Date, the proceeds from such repurchase) shall be allocated in the following manner and priority:

- (a) *first*, amounts payable by the Issuer in respect of taxes under any applicable law (if any) provided that (i) 100% of all taxes payable exclusively in respect of Compartment Loans 2 shall be allocated under this item *first* and (ii) a *pro rata* share of all other taxes shall be allocated under this item *first* according to the proportion that the Aggregate Outstanding Notes Balance of the Notes bears to the aggregate outstanding financing liabilities of Bavarian Sky S.A.;
- (b) *second*, all fees (including legal fees), costs, expenses, other remuneration, indemnity payments and other amounts payable to the Trustee under the Security Documents (other than the Trust Claim);
- (c) *third*, on a *pari passu* basis, amounts payable to (i) the Data Trustee under the Data Trust Agreement, (ii) the Rating Agencies in respect of the monitoring fees, (iii) the Servicer under the Servicing Agreement, (iv) the Corporate Administrator under the Corporate Administration Agreement, (v) the Calculation Agent under the Calculation Agency Agreement and the Servicing Agreement, (vi) the Interest Determination Agent and the Paying Agent under the Agency Agreement, (vii) the Account Bank under the Bank Account Agreement, (viii) listing fees, costs and expenses, (ix) auditor fees and (x) any fees reasonably required (in the opinion of the Corporate Administrator) and properly incurred for the filing of annual tax returns;
- (d) *fourth*, the sum of (i) the Swap Net Cashflow payable by the Issuer to the Swap Counterparty and (ii) any swap termination payments due to the Swap Counterparty under the Swap Agreement except in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Swap Agreement due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement) due to a downgrade of the Swap Counterparty;
- (e) *fifth*, on a *pari passu* basis, accrued and unpaid interest (including any Interest Shortfall) payable to the Class A Noteholders;
- (f) *sixth*, on a *pari passu* basis, accrued and unpaid interest (including any Interest Shortfall) payable to the Class B Noteholders;
- (g) *seventh*, to the Cash Reserve Ledger, until the amount credited to the Cash Reserve Ledger is equal to the Required Cash Reserve Amount;
- (h) *eighth*, on a *pari passu* basis, to the Class A Noteholders in respect of principal until the Class A Notes are redeemed in full;

- (i) *ninth*, on a *pari passu* basis, to the Class B Noteholders in respect of principal until the Class B Notes are redeemed in full;
- (j) *tenth*, any amount due to the Swap Counterparty under the Swap Agreement upon the termination of the Swap Agreement in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Swap Agreement due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement) due to a downgrade of the Swap Counterparty and any other amount payable to the Swap Counterparty under the Swap Agreement;
- (k) *eleventh*, accrued and unpaid interest payable to the Subordinated Lender under the Subordinated Loan Agreement;
- (l) *twelfth*, principal payable to the Subordinated Lender under the Subordinated Loan Agreement until the Subordinated Loan has been redeemed in full;
- (m) *thirteenth*, prior to the occurrence of a Servicer Termination Event or a Debtor Notification Event, to pay any amounts owed by the Issuer to the Seller due and payable under the Receivables Purchase Agreement in respect of (i) any valid return of a direct debit (*Lastschriftrückbelastung*) (to the extent such returns do not reduce the Collections for the Monthly Period ending on such Cut-Off Date), or (ii) any tax credit, relief, remission or repayment received by the Issuer on account of any tax or additional amount paid by the Seller; and
- (n) *fourteenth*, all remaining excess to the Seller,

provided that any payment to be made by the Issuer under item *first* (with respect to taxes) shall be made on the Business Day on which such payment is then due and payable using any amounts then credited to the Issuer Account and, if applicable, the Commingling Reserve Ledger, the Set-Off Reserve Ledger or the Cash Reserve Ledger, and *provided further that* outside of such order of priority, any swap collateral due to be transferred or paid by the Issuer to the Swap Counterparty pursuant to the terms and conditions of the Swap Agreement shall be transferred or paid (as applicable) to the Swap Counterparty, and *provided further that* outside of such order of priority any Commingling Reserve Excess Amount shall be paid to the Seller.

8. Redemption

8.1 Amortisation

Subject to the limitations set forth in Condition 4.2 (*Limited recourse*), on each Payment Date, the Available Distribution Amount for the relevant Payment Date shall be applied towards the redemption of the Notes in accordance with the applicable Priority of Payments.

8.2 Final Redemption

On the Payment Date falling on 20 August 2021 (the "**Legal Final Maturity Date**"), each Class A Note shall, unless previously redeemed or purchased and cancelled, be redeemed in full at the then Outstanding Note Balance and, after all Class A Notes have been redeemed in full, each Class B Note shall, unless previously redeemed or purchased and cancelled, be redeemed in full at the then Outstanding Note Balance, in each case subject to the limitations set forth in Condition 4.2 (*Limited recourse*). The Issuer shall be under no obligation to make any payment under the Notes after the Legal Final Maturity Date.

8.3 Clean-Up Call

- (a) With respect to any Payment Date on which the Aggregate Outstanding Principal Balance is less than 10 % of the Aggregate Principal Balance, the Seller shall (provided that on the relevant Payment Date no Enforcement Event has occurred) have the option under the Receivables Purchase Agreement to demand from the Issuer the resale of all outstanding Purchased Receivables (together with any Loan Collateral) on the Clean-Up Call Settlement

Date (*see below*) (the "**Clean-Up Call Option**"), subject to the following requirements (the "**Clean-Up Call Conditions**"):

- (i) the proceeds distributable as a result of such repurchase of all outstanding Purchased Receivables (together with any Loan Collateral) (after the Seller has rightfully exercised the Clean-Up Call Option) shall, together with funds credited to the Cash Reserve Ledger, be at least equal to the sum of (x) the Aggregate Outstanding Notes Balance of the Notes plus (y) accrued but unpaid interest thereon plus (z) all claims of any creditors of the Issuer in respect of Compartment Loans 2 ranking prior to the claims of the Noteholders according to the Pre-Enforcement Priority of Payments;
 - (ii) the Seller shall have notified the Issuer and the Trustee of its intention to exercise the Clean-Up Call Option at least 10 days prior to the contemplated settlement date of the Clean-Up Call Option which shall be a Payment Date (the "**Clean-Up Call Settlement Date**"); and
 - (iii) the repurchase price to be paid by the Seller shall be equal to the then current value (*aktueller Wert*) of all Purchased Receivables plus any interest accrued until and outstanding on the Clean-up Call Settlement Date.
- (b) Upon payment in full of the amounts specified in Condition 8.3(a)(i) to, or for the order of, the Noteholders, no Noteholders shall be entitled to receive any further payments of interest or principal.

8.4 Optional Tax Redemption

If the Issuer is or becomes at any time required by law to deduct or withhold in respect of any payment under the Notes current or future taxes, levies or governmental charges, regardless of their nature, which are imposed under any applicable system of law or in any country which claims fiscal jurisdiction by, or for the account of, any political subdivision thereof or Governmental Authorities therein authorised to levy taxes, the Issuer shall determine within twenty (20) calendar days of such circumstance occurring whether it would be practicable to arrange for the substitution of the Issuer in accordance with Condition 13 (*Substitution of the Issuer*) or to change its tax residence to another jurisdiction approved by the Trustee. The Trustee shall not give such approval unless it has been demonstrated to the satisfaction of the Trustee that such substitution or change of the tax residence of the Issuer would not adversely affect, or result in a downgrading or withdrawal of, the current rating of any Class of Notes. If the Issuer determines that any of such measures would be practicable, it shall effect such substitution in accordance with Condition 13 (*Substitution of the Issuer*) or (as relevant) such change of tax residence within sixty (60) calendar days from such determination. If, however, it determines within twenty (20) calendar days of such circumstance occurring that none of such measures would be practicable or if, having determined that any of such measures would be practicable, it is unable so to avoid such deduction or withholding within such further period of sixty (60) calendar days, then the Issuer shall be entitled at its option (but shall have no obligation) to fully redeem all (but not some only) of the Notes, upon not more than sixty (60) calendar days' nor less than thirty (30) calendar days' notice of redemption given to the Trustee, to the Paying Agent and, in accordance with Condition 15 (*Form of Notices*), to the Noteholders at their then Aggregate Outstanding Notes Balance of the Notes, together with accrued but unpaid interest (if any) to the date (which must be a Payment Date) fixed for redemption. Any such notice shall be irrevocable, must specify the Payment Date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem. For the avoidance of doubt, the Issuer shall be entitled to sell all remaining Purchased Receivables in the open market, with a right of first refusal for the Seller, provided that such sale generates sufficient cash proceeds required (i) to redeem all outstanding Notes as set forth in the immediately preceding sentence and (ii) to pay all amounts to the Issuer's creditors in respect of Compartment Loans 2 ranking prior to the Noteholders in the applicable Priority of Payments.

9. Post-Enforcement Priority of Payments

After the occurrence of an Enforcement Event, the Trustee shall distribute the Available Post-Enforcement Funds in the following manner and priority ("**Post-Enforcement Priority of Payments**"):

- (a) *first*, amounts payable by the Issuer in respect of taxes (if any) provided that (i) 100% of all taxes payable exclusively in respect of Compartment Loans 2 shall be allocated under this item *first* and (ii) a *pro rata* share of all other taxes shall be allocated under this item *first* according to the proportion that the Aggregate Outstanding Notes Balance of the Notes bears to the aggregate outstanding financing liabilities of Bavarian Sky S.A.;
- (b) *second*, all fees (including legal fees), costs, expenses, other remuneration, indemnity payments and other amounts payable by the Issuer to the Trustee under the Security Documents (other than the Trustee Claim);
- (c) *third*, on a *pari passu* basis, amounts payable by the Issuer to (i) the Data Trustee under the Data Trust Agreement, (ii) the Rating Agencies in respect of the monitoring fees, (iii) the Servicer under the Servicing Agreement, (iv) the Corporate Administrator under the Corporate Administration Agreement, (v) the Calculation Agent under the Calculation Agency Agreement and the Servicing Agreement, (vi) the Interest Determination Agent and the Paying Agent under the Agency Agreement, and (vii) the Account Bank under the Bank Account Agreement, (viii) listing fees, costs and expenses, (ix) auditor fees and (x) any fees reasonably required and properly incurred for the filing of annual tax returns;
- (d) *fourth*, the sum of (i) the Swap Net Cashflow payable by the Issuer to the Swap Counterparty and (ii) any swap termination payments due to the Swap Counterparty under the Swap Agreement except in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Swap Agreement due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement) due to a downgrade of the Swap Counterparty;
- (e) *fifth*, on a *pari passu* basis, accrued and unpaid interest (including any Interest Shortfall) payable by the Issuer to the Class A Noteholders;
- (f) *sixth*, on a *pari passu* basis, any amount payable to the Class A Noteholders in respect of principal until the Class A Notes are redeemed in full;
- (g) *seventh*, on a *pari passu* basis, accrued and unpaid interest (including any Interest Shortfall) payable by the Issuer to the Class B Noteholders;
- (h) *eighth*, on a *pari passu* basis, any amount payable to the Class B Noteholders in respect of principal until the Class B Notes are redeemed in full;
- (i) *ninth*, any amount due to the Swap Counterparty under the Swap Agreement upon the termination of the Swap Agreement in circumstances where the Swap Counterparty is the defaulting party (as defined in the Swap Agreement) or where there has been a termination of the Swap Agreement due to a termination event with the Swap Counterparty being the affected party (as defined in the Swap Agreement) due to a downgrade of the Swap Counterparty and any other amount payable to the Swap Counterparty under the Swap Agreement;
- (j) *tenth*, accrued and unpaid interest payable to the Subordinated Lender under the Subordinated Loan Agreement;
- (k) *eleventh*, as from the date on which all Notes have been redeemed in full, any amount payable to the Subordinated Lender in respect of principal under the Subordinated Loan Agreement;
- (l) *twelfth*, to pay any amounts owed by the Issuer to the Seller due and payable under the Receivables Purchase Agreement in respect of (i) any valid return of a direct debit (*Lastschriftrückbelastung*) (to the extent such returns do not reduce the Collections for the Monthly Period ending on such Cut-Off Date), or (ii) any tax credit, relief, remission or repayment received by the Issuer on account of any tax or additional amount paid by the Seller; and
- (m) *thirteenth*, all remaining excess to the Seller,

provided that any payment to be made by the Issuer under item *first* (with respect to taxes) shall be made on the Business Day on which such payment is then due and payable using any Available Post-Enforcement Funds, and *provided further that* outside of such order of priority, any swap collateral due to be transferred or paid by the Issuer to the Swap Counterparty pursuant to the terms and conditions of the Swap Agreement shall be transferred or paid (as applicable) to the Swap Counterparty.

10. Notifications

With respect to each Payment Date, on the Interest Determination Date preceding such Payment Date, the Paying Agent (as specified below) shall notify the Issuer, the Corporate Administrator, the Calculation Agent, the Swap Counterparty, the Trustee and, on behalf of the Issuer, by means of notification in accordance with Condition 15 (*Form of Notices*), the Noteholders, and for so long as any of the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and listed on the Luxembourg Stock Exchange, the Luxembourg Stock Exchange and the Listing Agent and if any Notes are listed on any other stock exchange, subject to the prior written consent of the Issuer, such other stock exchange, as follows:

- (i) in respect of the Interest Rate for the Interest Period commencing on that Payment Date pursuant to Condition 7.3 (*Interest Rate*);
- (ii) in respect of the amount of principal payable in respect of each Class A Note and each Class B Note pursuant to Condition 8 (*Redemption*) and the Interest Amount pursuant to Condition 7.1 (*Interest Calculation*) to be paid on such Payment Date;
- (iii) in respect of the Outstanding Note Balance of each Class A Note and each Class B Note and the Class A Outstanding Notes Balance and the Class B Outstanding Notes Balance as from such Payment Date and the amount of the Servicer Shortfalls for such Payment Date, if any;
- (iv) in the event of the final payment in respect of the Notes of any Class pursuant to Condition 8.2 (*Final Redemption*), about the fact that such is the final payment; and
- (v) in the event of the payment of interest and redemption after the occurrence of an Enforcement Event, in respect of the amounts of interest and principal paid in accordance with Condition 9 (*Post-Enforcement Priority of Payments*).

11. Agents; Determinations Binding

- (a) The Issuer has appointed (i) Elavon Financial Services Limited, UK Branch as paying agent (in such capacity the "**Paying Agent**"), (ii) Elavon Financial Services Limited, UK Branch as calculation agent (in such capacity the "**Calculation Agent**"), (iii) Elavon Financial Services Limited, UK Branch as interest determination agent (in such capacity the "**Interest Determination Agent**"), together with the Paying Agent and the Calculation Agent, the "**Agents**") and (iv) Société Générale Bank & Trust as the initial Listing Agent (in such capacity the "**Listing Agent**").
- (b) The Issuer shall procure that for as long as any Notes are outstanding there shall always be (i) a paying agent and an interest determination agent to perform the functions assigned to the Paying Agent and the Interest Determination Agent, respectively, in the Agency Agreement and these Conditions and (ii) a calculation agent to perform the functions assigned to the Calculation Agent in the Calculation Agency Agreement and these Conditions. The Issuer may at any time, by giving not less than thirty (30) calendar days' notice by publication in accordance with Condition 15 (*Form of Notices*), replace any Agent by one or more other banks or other financial institutions that are Eligible Counterparties and which assume such functions, provided that (i) the Issuer shall maintain at all times a paying agent having a specified office in the European Union for as long as any Notes are listed on the official list of the Luxembourg Stock Exchange and (ii) no agent located in the United States will be appointed. Each Agent shall act solely as agents for the Issuer and shall not have any agency, fiduciary or trustee relationship with the Noteholders. The Issuer shall procure that for as long

as any Notes are listed on the official list of the Luxembourg Stock Exchange, there shall be a Listing Agent.

- (c) All calculations and determinations made by the Interest Determination Agent, the Calculation Agent or the Paying Agent (as applicable) for the purposes of these Conditions shall, in the absence of manifest error, be final and binding.

12. Taxation

Payments shall only be made by the Issuer after the deduction and withholding of current or future taxes, levies or governmental charges, regardless of their nature, which are imposed, levied or collected, (collectively, "**taxes**") under any applicable system of law or in any country which claims fiscal jurisdiction by, or for the account of, any political subdivision thereof or government agency therein authorised to levy taxes, to the extent that such deduction or withholding is required by law. The Issuer shall account for the deducted or withheld taxes with the competent government agencies and shall, upon request of a Noteholder, provide proof thereof. The Issuer is not obliged to pay any additional amounts as compensation for taxes deducted or withheld in accordance with this Condition 12 (*Taxation*).

13. Substitution of the Issuer

- (a) If, in the determination of the Issuer with the consent of the Trustee (who may rely on one or more legal opinions from reputable law firms), as a result of any enactment of or supplement or amendment to, or change in, the laws of any relevant jurisdiction or as a result of an official communication of previously not existing or not publicly available official interpretation, or a change in the official interpretation, implementation or application of such laws that becomes effective on or after the Issue Date:

- (i) any of the Issuer, the Seller, the Servicer, the Paying Agent, the Calculation Agent or the Swap Counterparty would, for reasons beyond its control, and after taking reasonable measures (such measures not involving any material additional payment or other expenses), be materially restricted from performing any of its obligations under the Notes or the other Transaction Documents to which it is a party; or
- (ii) any of the Issuer, the Seller, the Servicer or the Swap Counterparty would, for reasons beyond its control, and after taking reasonable measures (such measures not involving any material additional payment or other expenses), (x) be required to make any tax withholding or deduction in respect of any payments on the Notes and/or the other Transaction Documents to which it is a party or (y) would not be entitled to relief for tax purposes for any amount which it is obliged to pay, or would be treated as receiving for tax purposes an amount which it is not entitled to receive, in each case under the Notes or the other Transaction Documents;

then the Issuer shall inform the Trustee accordingly and shall, in order to avoid the relevant event described in paragraph (i) or (ii) above, use its reasonable endeavours to arrange the substitution of the Issuer (in respect of Compartment Loans 2), as soon as practicable, with a company incorporated in another jurisdiction in accordance with Condition 13(b) or to effect any other measure suitable to avoid the relevant event described in paragraph (i) or (ii) above.

- (b) The Issuer is entitled to substitute in its place another company (the "**New Issuer**") as debtor for all obligations arising under and in connection with the Notes only subject to the provisions of Condition 13(a) and the following conditions:
 - (i) the New Issuer assumes all rights and duties of the Issuer (in respect of Compartment Loans 2) under or pursuant to the Notes and the Transaction Documents pursuant to an agreement with the Issuer and/or the other parties to the Transaction Documents, and that the Security created in accordance with Condition 4.1 (*Security*) is held by the Trustee for the purpose of securing the obligations of the New Issuer upon the Issuer's substitution;

- (ii) no additional expenses or taxes or legal disadvantages of any kind arise for the Noteholders or the Swap Counterparty from such assumption of debt and the Issuer has obtained a tax opinion to this effect from a reputable firm of lawyers or accountants in the relevant jurisdiction which can be examined at the offices of the Issuer;
- (iii) the New Issuer provides proof satisfactory to the Trustee that it has obtained all of the necessary governmental and other necessary approvals in the jurisdiction in which it has its registered address and that it is permitted to fulfil all of the obligations arising under or in connection with the Notes without discrimination against the Noteholders in their entirety and the Trustee has consented to the proposed substitution (provided that the Trustee may not unreasonably withhold or delay its consent);
- (iv) the Issuer (in respect of Compartment Loans 2) and the New Issuer enter into such agreements and execute such documents necessary for the effectiveness of the substitution; and
- (v) each Rating Agency has been notified of such substitution and such substitution will not adversely affect or result in a downgrading or withdrawal of the then current ratings of any Class of Notes.

Upon fulfilment of the aforementioned conditions, the New Issuer shall in every respect substitute the Issuer (in respect of Compartment Loans 2) and the Issuer (in respect of Compartment Loans 2) shall, *vis-à-vis* the Noteholders, be released from all obligations relating to the function of issuer under or in connection with the Notes.

- (c) Notice of such substitution of the Issuer (in respect of Compartment Loans 2) shall be given in accordance with Condition 15 (*Form of Notices*).
- (d) In the event of such substitution of the Issuer, each reference to the Issuer (in respect of Compartment Loans 2) in these Conditions shall be deemed to be a reference to the New Issuer.

14. Resolutions of Noteholders

- (a) The Noteholders of any Class may agree by majority resolution to amend these Conditions, provided that no obligation to make any payment or render any other performance shall be imposed on any Noteholder by majority resolution.
- (b) Majority resolutions shall be binding on all Noteholders of the relevant Class. Resolutions which do not provide for identical conditions for all Noteholders of the relevant Class are void, unless the Noteholders of such Class who are disadvantaged have expressly consented to their being treated disadvantageously.
- (c) Noteholders of any Class may in particular agree by majority resolution in relation to such Class to the following:
 - (i) the change of the due date for payment of interest, the reduction, or the cancellation, of interest;
 - (ii) the change of the due date for payment of principal;
 - (iii) the reduction of principal;
 - (iv) the subordination of claims arising from the Notes of such Class in insolvency proceedings of the Issuer;

- (v) the conversion of the Notes of such Class into, or the exchange of the Notes of such Class for, shares, other securities or obligations;
 - (vi) the exchange or release of security;
 - (vii) the change of the currency of the Notes of such Class;
 - (viii) the waiver or restriction of Noteholders' rights to terminate the Notes of such Class;
 - (ix) the substitution of the Issuer;
 - (x) the appointment or removal of a common representative for the Noteholders of such Class; and
 - (xi) the amendment or rescission of ancillary provisions of the Notes.
- (d) Resolutions shall be passed by simple majority of the votes cast. Resolutions relating to material amendments to these Conditions, in particular to provisions relating to the matters specified in Condition 14 (*Resolutions of Noteholders*) (c) items (i) through (xi) above, require a majority of not less than 75 per cent. of the votes cast (*qualifizierte Mehrheit* (qualified majority)).
- (e) Noteholders of the relevant Class shall pass resolutions by vote taken without a meeting.
- (f) Each Noteholder participating in any vote shall cast votes in accordance with the nominal amount or the notional share of its entitlement to the outstanding Notes of the relevant Class. As long as the entitlement to the Notes of the relevant Class lies with, or the Notes of the relevant Class are held for the account of, the Issuer or any of its affiliates (Section 271(2) of the German Commercial Code (*Handelsgesetzbuch*)), the right to vote in respect of such Notes shall be suspended. The Issuer may not transfer Notes, of which the voting rights are so suspended, to another person for the purpose of exercising such voting rights in the place of the Issuer; this shall also apply to any affiliate of the Issuer. No person shall be permitted to exercise such voting right for the purpose stipulated in sentence 3, first half sentence, herein above.
- (g) No person shall be permitted to offer, promise or grant any benefit or advantage to another person entitled to vote in consideration of such person abstaining from voting or voting in a certain way.
- (h) A person entitled to vote may not demand, accept or accept the promise of, any benefit, advantage or consideration for abstaining from voting or voting in a certain way.
- (i) The Noteholders of any Class may by qualified majority (*qualifizierte Mehrheit*) resolution appoint a common representative (*gemeinsamer Vertreter*) (the "**Noteholders' Representative**") to exercise rights of the Noteholders of such Class on behalf of each Noteholder. Any natural person having legal capacity or any qualified legal person may act as Noteholders' Representative. Any person who:
- (i) is a member of the management board, the supervisory board, the board of directors or any similar body, or an officer or employee, of the Issuer or any of its affiliates;
 - (ii) holds an interest of at least 20 per cent. in the share capital of the Issuer or of any of its affiliates;
 - (iii) is a financial creditor of the Issuer or any of its affiliates, holding a claim in the amount of at least 20 per cent. of the outstanding Notes of such Class, or is a member of a corporate body, an officer or other employee of such financial creditor; or
 - (iv) is subject to the control of any of the persons set forth in sub-paragraphs (i) to (iii) above by reason of a special personal relationship with such person,

must disclose the relevant circumstances to the Noteholders of such Class prior to being appointed as a Noteholders' Representative. If any such circumstances arise after the appointment of a Noteholders' Representative, the Noteholders' Representative shall inform the Noteholders of the relevant Class promptly in appropriate form and manner.

If the Noteholders of different Classes appoint a Noteholders' Representative, such person may be the same person as is appointed Noteholders' Representative of such other Class.

- (j) The Noteholders' Representative shall have the duties and powers provided by law or granted by majority resolution of the Noteholders of the relevant Class. The Noteholders' Representative shall comply with the instructions of the Noteholders of the relevant Class. To the extent that the Noteholders' Representative has been authorized to assert certain rights of the Noteholders of the relevant Class, the Noteholders of such Class shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant majority resolution. The Noteholders' Representative shall provide reports to the Noteholders of the relevant Class on its activities.
- (k) The Noteholders' Representative shall be liable for the performance of its duties towards the Noteholders of the relevant Class who shall be joint and several creditors (*Gesamtgläubiger*); in the performance of its duties it shall act with the diligence and care of a prudent business manager. The liability of the Noteholders' Representative may be limited by a resolution passed by the Noteholders of the relevant Class. The Noteholders of the relevant Class shall decide upon the assertion of claims for compensation of the Noteholders of such Class against the Noteholders' Representative.
- (l) The Noteholders' Representative may be removed from office at any time by the Noteholders of the relevant Class without specifying any reasons. The Noteholders' Representative may demand from the Issuer to furnish all information required for the performance of the duties entrusted to it. The Issuer shall bear the costs and expenses arising from the appointment of the Noteholders' Representative, including reasonable remuneration of the Noteholders' Representative.

15. Form of Notices

- (a) All notices to the Noteholders hereunder, and in particular the notifications mentioned in Condition 10 (*Notifications*) shall be either (i) made available for a period of not less than thirty (30) calendar days but in any case only as long as any Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange on the website of the Luxembourg Stock Exchange (www.bourse.lu) or (ii) delivered to the ICSDs for communication by them to the Noteholders.
- (b) Any notice referred to under Condition 15(a)(i) above shall be deemed to have been given to all Noteholders on the day on which it is made available on the website of the Luxembourg Stock Exchange (www.bourse.lu), provided that if so made available after 4:00 p.m. (Frankfurt time) it shall be deemed to have been given on the immediately following calendar day. Any notice referred to under Condition 15(a)(ii) above shall be deemed to have been given to all Noteholders on the seventh (7th) calendar day after the day on which such notice was delivered to the ICSDs.
- (c) If any Notes are, subject to the prior written consent of the Issuer, listed on any stock exchange other than the Luxembourg Stock Exchange, all notices to the Noteholders shall be published in a manner conforming to the rules of such stock exchange. Any notice shall be deemed to have been given to all Noteholders on the date of such publication conforming to the rules of such stock exchange.

16. Miscellaneous

16.1 *Presentation Period*

The presentation period for the Global Notes shall end five (5) years after the Legal Final Maturity Date in accordance with Section 801 (1), first sentence, of the German Civil Code.

16.2 *Replacement of Global Notes*

If any of the Global Notes is lost, stolen, damaged or destroyed, it may be replaced by the Issuer upon payment by the claimant of the costs arising in connection therewith. As a condition of replacement, the Issuer may require the fulfilment of certain conditions, the provision of proof regarding the existence of indemnification and/or the provision of adequate collateral. In the event of any of the Global Notes being damaged, such Global Note shall be surrendered before a replacement is issued. If any Global Note is lost or destroyed, the foregoing shall not limit any right to file a petition for the annulment of such Global Note pursuant to the provisions of the laws of Germany.

16.3 *Governing Law*

The form and content of the Notes and all of the rights and obligations of the Noteholders and the Issuer under the Notes shall be governed in all respects by the laws of Germany. The provisions of articles 86 to 97 of the Luxembourg law dated 10 August 1915 on commercial companies, as amended, shall not apply.

16.4 *Jurisdiction*

The non-exclusive place of jurisdiction for any action or other legal proceedings arising out of or in connection with the Notes shall be the district court I of Munich (*Landgericht München I*). The Issuer hereby submits to the jurisdiction of such court. The German courts shall have exclusive jurisdiction over the annulment of the Global Notes in the event of their Loss or destruction.

SUMMARY OF RULES REGARDING RESOLUTIONS OF NOTEHOLDERS

Pursuant to the Conditions of the Notes, the Noteholders of any Class may agree to amendments or decide on other matters relating to the Notes of any Class by way of resolution to be passed by taking votes without a meeting.

In addition to the provisions included in the Conditions of the Notes, the rules regarding the solicitation of votes and the conduct of the voting by Noteholders, the passing and publication of resolutions as well as their implementation and challenge before German courts are set out in Schedule 3 to the Agency Agreement which is incorporated by reference into the Conditions (*see* Condition 2(g) of the Conditions). Under the German Act on Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen - SchVG*), these rules are largely mandatory, although they permit in limited circumstances supplementary provisions set out in or incorporated into the Conditions.

Specific rules on the taking of votes without a meeting

The following is a brief summary of some of the statutory rules regarding the solicitation and conduct of the voting, the passing and publication of resolutions as well as their implementation and challenge before German courts.

The voting shall be conducted by the person presiding over the taking of votes (the "**Chairperson**") who shall be (i) a notary appointed by the Issuer, (ii) the Noteholders' representative if such a representative has been appointed and has solicited the taking of votes, or (iii) a person appointed by the competent court.

The notice for the solicitation of votes shall specify the period within which votes may be cast. Such period shall not be less than 72 hours. During such period, the Noteholders may cast their votes to the Chairperson. The notice for the solicitation of votes shall give details as to the prerequisites which must be met for votes to qualify for being counted.

The Chairperson shall determine each Noteholder's entitlement to vote on the basis of evidence presented and shall prepare a roster of the Noteholders entitled to vote. If a quorum is not reached, the Chairperson may convene a Noteholders' meeting. Each Noteholder who has taken part in the vote may request from the Issuer, for up to one year following the end of the voting period, a copy of the minutes for such vote and any annexes thereto.

Each Noteholder who has taken part in the vote may object in writing to the result of the vote within two weeks following the publication of the resolutions passed. The objection shall be decided upon by the Chairperson. If the Chairperson remedies the objection, the Chairperson shall promptly publish the result. If the Chairperson does not remedy the objection, the Chairperson shall promptly inform the objecting Noteholder in writing.

The Issuer shall bear the costs of the vote and, if the court has convened a meeting or appointed or removed the Chairperson, also the costs of such proceedings.

Rules on noteholders' meetings under the German Act on Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen - SchVG*)

In addition to the aforementioned rules, the statutory rules applicable to noteholders' meetings apply *mutatis mutandis* to any taking of votes by noteholders without a meeting. The following summarises some of such rules.

Meetings of noteholders may be convened by the issuer and the noteholders' representative if such a representative has been appointed. Meetings of noteholders must be convened if one or more noteholders holding 5 per cent. or more of the outstanding notes so require for specified reasons permitted by statute.

Meetings may be convened not less than fourteen (14) days before the date of the meeting. Attendance and voting at the meeting may be made subject to prior registration of noteholders. The convening notice will provide what proof will be required for attendance and voting at the meeting. The place of the meeting in respect of a German issuer is the place of the issuer's registered office, provided, however, that where the relevant notes

are listed on a stock exchange within the European Union or the European Economic Area, the meeting may be held at the place of such stock exchange.

The convening notice must include relevant particulars and must be made publicly available together with the agenda of the meeting setting out the proposals for resolution.

Each noteholder may be represented by proxy. A quorum exists if noteholders representing by value not less than 50 per cent. of the outstanding notes are present or represented at the meeting. If the quorum is not reached, a second meeting may be called at which no quorum will be required, provided that where a resolution may only be adopted by a qualified majority, a quorum requires the presence of at least 25 per cent. of the principal amount of outstanding notes.

All resolutions adopted must be properly published. Resolutions which amend or supplement the terms and conditions of notes certificated by one or more global notes must be implemented by supplementing or amending the relevant global note(s).

In insolvency proceedings instituted in Germany against the issuer, the noteholders' representative, if appointed, is obliged and exclusively entitled to assert the noteholders' rights under the notes, and any resolutions passed by the noteholders are subject to the provisions of the German Insolvency Code (*Insolvenzordnung*).

If a resolution constitutes a breach of the statute or the terms and conditions of the notes, noteholders may bring an action to set aside such resolution. Such action must be filed with the competent court within one (1) month following the publication of the resolution.

MATERIAL TERMS OF THE TRUST AGREEMENT

The following is the text of the material terms of the Trust Agreement. The text of the Trust Agreement, excluding the Schedules I and II thereto, is attached as Appendix B to the Conditions and constitutes an integral part of the Conditions. In case of any overlap or inconsistency in the definitions of a term or expression in the Trust Agreement and elsewhere in the Offering Circular, the definitions and expressions in the Trust Agreement will prevail. For the purpose of this Offering Circular, the following Schedules to the Trust Agreement have been omitted: Schedule 1 which contains the definition of the Pre-Enforcement Priority of Payments, Schedule 2 which contains the definition of the Post-Enforcement Priority of Payments, Schedule 3 which contains a form of the Deed of Security Assignment and Schedule 4 which contains a form of accession agreement.

The descriptions in this section refer to certain material terms of the Trust Agreement. These descriptions do not purport to be complete and are subject to, and are qualified in their entirety by, the detailed provisions of the Trust Agreement.

The Trust Agreement is made on or before the Issue Date between the Issuer, U.S. Bank Trustees Limited as the Trustee, BMW Bank as the Seller and the Servicer, BMW Bank as the Subordinated Lender, Merrill Lynch International and HSBC Bank plc as the Joint Lead Managers, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Banco Santander, S.A. and Société Générale S.A. as the Co-Managers, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main as the Swap Counterparty, Elavon Financial Services Limited, U.K. Branch as the Account Bank, the Interest Determination Agent, the Paying Agent and the Calculation Agent, and Structured Finance Management (Luxembourg) S.A. as the Data Trustee and the Corporate Administrator.

1. Definitions, Interpretation and Common Terms

1.1 Definitions

- (a) Unless otherwise defined herein or the context requires otherwise, capitalised terms used in this Agreement have the meanings ascribed to them in Clause 1 of the Master Definitions Schedule (the "**Master Definitions Schedule**") set out in Schedule 1 of the Incorporated Terms Memorandum (the "**Incorporated Terms Memorandum**") which is dated on or about the date of this Agreement and signed for the purpose of identification by each of the Transaction Parties. The terms of the Master Definitions Schedule are hereby expressly incorporated into this Agreement by reference.
- (b) In the event of any conflict between the Master Definitions Schedule and this Agreement, this Agreement shall prevail.

1.2 Construction

Terms in this Agreement, except where otherwise stated or where the context otherwise requires, shall be construed in the same way as set forth in Clause 2 of the Master Definitions Schedule.

1.3 Common Terms

(a) Incorporation of Common Terms

Except as provided below, the Common Terms as set out in Schedule 2 of the Incorporated Terms Memorandum apply to this Agreement and shall be binding on the Transaction Parties to this Agreement as if set out in full in this Agreement.

(b) Common Terms and Applicable Priority of Payments

If there is any conflict between the provisions of the Common Terms and the provisions of this Agreement, the provisions of this Agreement shall prevail, subject always to compliance with Clause 6 (Non-Petition and Limited Recourse) of the Common Terms. Nothing in this Agreement shall be construed as to prevail over or otherwise alter the applicable Priority of Payments.

(c) Governing Law and Jurisdiction

This Agreement and all matters (including non-contractual duties and claims) arising from or connected with it shall be governed by German law in accordance with Clause 25 (*Governing Law*) of the Common Terms. Clause 26 (*Jurisdiction*) of the Common Terms applies to this Agreement as if set out in full in this Agreement.

2. Rights, Obligations and Powers of the Trustee, Binding Effect of Conditions

- 2.1 This Agreement sets out, *inter alia*, the rights and obligations of the Trustee to the Secured Parties and the legal relationship between the Issuer and the Trustee.
- 2.2 The Trustee shall exercise its rights and perform its obligations under this Agreement, the Conditions and the other Transaction Documents to which it is a party as trustee for the benefit of the Secured Parties subject to Clauses 2.3 and 2.4.
- 2.3 Notwithstanding the fact that a Noteholder may not be a party to this Agreement, the Trustee agrees (i) that each Noteholder may demand performance by the Trustee of its obligations under this Agreement and (ii) to give effect to sub-clause (i), that this Agreement shall, in respect of each Noteholder, be construed as an agreement for the unrestricted benefit of third parties (*echter Vertrag zugunsten Dritter*), provided that each Noteholder may claim performance by the Trustee only if a period of ten (10) Business Days has elapsed after the occurrence of an Enforcement Event and the Trustee has not exercised its discretion where applicable and has not performed any of its obligations as set out herein.
- 2.4 All Transaction Parties hereto agree to be bound by, and concur that their rights are subject to, the Conditions.
- 2.5 The Trustee shall have only those duties, obligations and responsibilities expressly specified in this Agreement and shall not have any implied duties, obligations and responsibilities.
- 2.6 If the Trustee is to grant its consent pursuant to the terms hereof or any of the Transaction Documents, the Trustee may grant or withhold its consent or approval at its sole professional judgment taking into account what the Trustee believes to be the interests of the Secured Parties subject to Clause 16 (*Conflicts of interest*). The Trustee may decide to give its consent subject to the prior notification to the Rating Agencies of such action.
- 2.7 In respect of all the powers, authorities and discretions vested in the Trustee by or pursuant to any Transaction Document (including this Agreement) to which the Trustee is a party or conferred upon it by operation of law, (i) the Trustee shall (save as otherwise expressly provided herein) have discretion as to the exercise or non-exercise thereof and shall have full power to determine all questions and doubts arising in relation thereto, (ii) every exercise or non-exercise or determination (whether made upon a question actually raised or implied in the acts or proceedings of the Trustee) relating thereto by the Trustee shall be conclusive and shall bind the Trustee and the Secured Parties, and (iii) provided it shall not have acted in violation of its standard of care as set out in Paragraph 14 (*Standard of Care*) of the Common Terms, the Trustee shall not be responsible for any loss, costs, damages, expenses or inconvenience that may result from the exercise or non-exercise thereof or the determination in relation thereto.
- 2.8 No provision of this Agreement shall require the Trustee to do anything which may be illegal or contrary to applicable law or regulation.
- 2.9 Save for any breach of its own obligations under the Transaction Documents, the Trustee needs not expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers or otherwise in connection with any Transaction

Document (including, without limitation, forming any opinion or employing any legal, financial or other adviser), if it determines in its reasonable discretion that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

- 2.10 The Trustee shall not be responsible or liable to any person for (i) the nature, status, creditworthiness or solvency of the Issuer or any other person or entity who has at any time provided any security or support whether by way of guarantee, charge or otherwise in respect of any advance made to the Issuer; (ii) save as set forth in Clause 3 (General covenants of the Trustee), any action or failure to act, or the performance or observance of any provision of any Transaction Document or any document entered into in connection therewith, by the Issuer or any other party to such documents; (iii) any statements, warranties or representations of any party (other than those relating to or provided by it) contained in any Transaction Document or document entered into in connection therewith (and may, absent actual knowledge to the contrary) rely on the accuracy and correctness thereof; (iv) the genuineness, validity, effectiveness, fairness or suitability of any Transaction Document or any other documents entered into in connection therewith or any other document or any obligation or rights created or purported to be created thereby or pursuant thereto or any security or the priority thereof constituted or purported to be constituted thereby or pursuant thereto; and (v) any invalidity of any provision of such documents or the unenforceability thereof; and (without prejudice to the generality of the foregoing) the Trustee shall not have any responsibility for or have any duty to make any investigation in respect of any of the foregoing.
- 2.11 Unless otherwise provided herein specifically, the Trustee shall be under no obligation to monitor or supervise the functions of any Person in respect of the Notes, any of the Transaction Documents or any other agreement or document relating to the transactions herein or therein contemplated and shall be entitled, in the absence of actual knowledge of a breach of obligation, to assume that each such Person is properly performing and complying with its obligations.
- 2.12 No Trustee and no director or officer of any corporation which is a Trustee hereof shall by reason of the fiduciary position of such Trustee be in any way precluded from making any contracts or entering into any transactions in the ordinary course of business with the Issuer or any person or body corporate directly or indirectly associated with the Issuer, or from accepting the trusteeship of any other securities of the Issuer or any person or body corporate directly or indirectly associated with the Issuer, and neither the Trustee nor any such director or officer shall be accountable to the Issuer or any Secured Party for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or actions and the Trustee and any such director or officer shall be at liberty to retain the same for its or his own benefit.
- 2.13 The Trustee and any entity associated with the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.
- 2.14 The Issuer, the Trustee and the Paying Agent may deem and treat any Noteholder as the absolute owner of such Note (whether or not such Note is overdue and notwithstanding any notation of ownership or other writing thereon or any notice of previous loss or theft of such Note for all purposes and, except as ordered by a court of competent jurisdiction or as required by applicable law, the Issuer, the Trustee and the Paying Agent shall not be affected by any notice to the contrary). All payments made to any such holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for the moneys payable upon such Note.
- 2.15 The Trustee may call for and shall be at liberty to accept and place full reliance on (and shall not be liable to the Issuer or any Noteholder by reason only of having accepted as valid or not having rejected) an original certificate or letter of confirmation purporting to be signed on behalf of Clearstream Luxembourg or Euroclear to the effect that at any particular time or throughout any particular period any particular Person is, was or will be shown in its records as having a particular principal amount of Notes credited to his securities account. The Trustee shall rely on the records of Euroclear and

Clearstream Luxembourg in relation to any determination of the Class Outstanding Note Principal Balance of each Global Note.

- 2.16 Whenever in this Trust Agreement the Trustee is required in connection with any exercise of its powers, authorities or discretions to have regard to the interests of the Noteholders, it shall have regard to the interests of the Noteholders as a class and in particular, but without prejudice to the generality of the foregoing, shall not be obliged to have regard to the consequences of such exercise for any individual Noteholder resulting from his or its being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer or the Trustee, any indemnification or payment in respect of any consequence (including, without limitation, any tax consequence) of any such exercise upon individual Noteholders, provided that the Trustee shall exercise its duties under this Trust Agreement (i) as long as any of the Class A Notes are outstanding, with regard only to the interests of the Class A Noteholders and (ii) if no Class A Notes remain outstanding, with regard only to the interests of the Class B Noteholders and (iii) if no Notes remain outstanding, with regard only to the interests of the Secured Party ranking highest in the Post-Enforcement Priority of Payments to whom any amounts are owed, in each case (i) to (iii) subject to the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Priority of Payments.
- 2.17 The Trustee shall not be responsible for the maintenance of the ratings of any Class of Notes.
- 2.18 The Trustee may, without the consent of the Noteholders and without prejudice to its rights in respect of any subsequent breach, from time to time (but only insofar as in its opinion (subject to Clause 2.6) the interests of the Noteholders will not be materially prejudiced) authorise or waive, on such terms (if any) as it considers expedient, any breach or proposed breach of this Agreement or the Notes or any other Transaction Document or determine that an Issuer Event of Default shall not be so treated for the purposes of this Agreement or the Notes or any other Transaction Document. Any such authorisation, waiver or determination shall be binding on the Noteholders and, unless the Trustee otherwise agrees, the Issuer shall cause such authorisation, waiver or determination to be notified to the Noteholders as soon as practicable thereafter in accordance with the Conditions, provided that the Trustee shall not exercise any powers conferred upon it by this Clause 2.18 in contravention of any expressed direction (i) by any noteholder resolution of the Class A Noteholders in accordance with Condition 14 of the Conditions as long as any of the Class A Notes are outstanding and (ii) if no Class A Notes remain outstanding, by any noteholder resolution of the Class B Noteholders in accordance with Condition 14 of the Conditions and (iii) if no Notes remain outstanding, by the majority of the other Secured Parties.
- 2.19 Subject to the detailed provisions of this Agreement, the Trustee may at its discretion and without further notice, institute such proceedings as it thinks fit to enforce its rights under this Agreement in respect of the Notes of each Class and under the other Transaction Documents to which it is a party, provided always that it shall not be bound to do so unless it is indemnified and/or secured to its satisfaction against all liabilities to which it may thereby become liable for or which it may incur by so doing.

3. General Covenants of the Trustee

- 3.1 Subject to the standard of care as set out in Clause 14 (*Standard of Care*) of the Common Terms, the Trustee undertakes to the Issuer for the benefit of the Noteholders and the other Secured Parties that it shall exercise and perform all discretions, powers and authorities vested in it under or in connection with this Agreement giving sole regard to the best interest of the Noteholders and the other Secured Parties and to direct any conflict between the interests of the various classes of Secured Parties in compliance with Clause 16 (*Conflicts of Interest*) and the other provisions hereof.

- 3.2 The Trustee may, at market prices (if appropriate, after obtaining several offers), retain the services of a suitable law firm, credit institution, financial advisor or other expert to assist it in performing the duties assigned to it under this Agreement, by delegating the entire or partial performance of the following duties:
- (a) the undertaking of measures required to be taken by the Trustee upon a breach by the Issuer or a Secured Party of any of its respective obligations under the Transaction Documents;
 - (b) the foreclosure on Security; and
 - (c) the settlement of payments pursuant to Clause 17.2(c) (*Application of Payments - Post Enforcement*).
- 3.3 The Trustee may delegate some but not substantially all of its rights, authorities, powers and performance of its obligations under the Agreement if (i) the Trustee in its professional judgment considers such delegation to be in the interests of the Secured Parties and (ii) such delegate is a reputable service provider in its respective field.
- 3.4 If third parties are retained pursuant to Clause 3.2 or Clause 3.3, the Trustee shall be liable for the exercise of due care in the selection and supervision of the third party. The Trustee, however, shall only be liable for the gross negligence (*grobe Fahrlässigkeit*) or wilful misconduct (*Vorsatz*) of a third party retained pursuant to Clause 3.2 and for negligence (*Fahrlässigkeit*) or wilful misconduct (*Vorsatz*) of a third party retained pursuant to Clause 3.3.
- 3.5 The Trustee shall promptly notify the Issuer and the Seller of any intended or actual delegation under Clause 3.2 or Clause 3.3 above.

4. Security held on Trust

The Trustee shall hold the Security (Clause 8 (*Creation of Security*)) as a security trustee (Clause 7 (*Appointment as Trustee*)) for security purposes (Clause 9 (*Security Purpose*)). The Trustee shall segregate the Security from its other assets in the manner of a professional security trustee (*Sicherheitentreuhänder*) giving due regard to its duties owed to the Secured Parties under this Agreement.

5. Covenant to Pay

5.1 Payment to Noteholders and other Secured Parties

The Issuer covenants to the Trustee that, subject as provided in the relevant Transaction Documents and this Agreement, it will:

- (a) as and when any sum becomes due and payable by the Issuer to the Noteholders in respect of the Class A Notes and/or the Class B Notes, whether in respect of principal, interest or otherwise, until all such payments (after as well as before any judgment or other order of any court of competent jurisdiction) are duly made, unconditionally pay or procure to be paid to or to the order of the Noteholders such sum on the dates and in the amounts specified in the Conditions subject to the Applicable Priority of Payments; and
- (b) as and when any sum falls due and payable by the Issuer to any Secured Party (other than the Noteholders) in respect of any relevant Transaction Document owing by the Issuer pursuant to the terms of the relevant Transaction Document and any other document, instrument or agreement relating thereto, until all such payments (after as well as before any judgment or other order of any court of competent jurisdiction) are duly paid unconditionally pay or procure to be paid to or to the order of the relevant Secured Party such sum in such currency

and manner as is specified in the relevant Transaction Document subject to the Applicable Priority of Payments.

5.2 Covenant to pay held on trust

The Trustee shall, subject to the other provisions hereof, hold the benefit of the covenant to pay pursuant to Clause 5.1 (a) and (b) on trust for itself, the Noteholders and the other Secured Parties.

5.3 At any time after an Issuer Event of Default in relation to the Notes has occurred which has not been waived by the Trustee in accordance with Clause 2.18 or remedied to its satisfaction, the Trustee may:

(a) by notice in writing to the Issuer, the Paying Agent, the Calculation Agent, the Interest Determination Agent, the Data Trustee and the Account Bank and until notified by the Trustee to the contrary, require any of them in relation to the Notes:

(i) to act thereafter as agents of the Trustee under the provisions of this Agreement *mutatis mutandis* on the terms provided in the Bank Account Agreement, the Agency Agreement and the Calculation Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agents and the Calculation Agent shall be limited to amounts for the time being held by the Trustee on the terms of this Agreement and available to the Trustee for such purpose) and thereafter to hold all Notes and all sums, documents and records held by them in respect of the Notes on behalf of the Trustee; and/or

(ii) to deliver all Notes and all sums, documents and records held by them in respect of the Notes to the Trustee or as the Trustee shall direct in such notice provided that such notice shall be deemed not to apply to any document or record which the Paying Agent is obliged not to release by any law or regulation; and

(b) by notice in writing to the Issuer require the Issuer to make all subsequent payments in respect of Notes to or to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

6. Parallel Debt

6.1 Trustee joint and several creditor

In respect of the covenant to pay set forth in Clause 5.1 (a) and (b), the Trustee shall be a joint and several creditor (together with any other relevant Secured Party) in respect of the Secured Obligations. Accordingly, the Trustee will have an independent right ("**Trustee Claim**") to demand performance by the Issuer of the Secured Obligations. Any discharge of the Secured Obligations to the Trustee or to any other relevant Secured Party shall, to the same extent, discharge the corresponding obligations owing to the other.

6.2 Separate enforcement

The Trustee Claim may be enforced separately from the Secured Party's claim in respect of the same payment obligation of the Issuer.

7. Appointment as Trustee

7.1 The Issuer hereby appoints the Trustee as security trustee (*Sicherheitentreuhandler*) of the Security and of all of the covenants (including the covenant to pay set forth in Clause 5.1 (*Payment to Noteholders and other Secured Parties*), undertakings, mortgages, charges, assignments and other security interests made or given under, or in connection with, this Agreement and the Deed of Security Assignment by

the Issuer or any other Transaction Party for the benefit of the Secured Parties in respect of the Secured Obligations owed to each of them respectively by the Issuer (the "**Trust Property**").

7.2 The Secured Parties (other than the Noteholders) hereby acknowledge the Trustee as their security trustee (*Sicherheitentreuhänder*) and they instruct the Trustee to hold the Trust Property on trust for itself and the other Secured Parties (including the Noteholders) on the terms and conditions of this Agreement and the Deed of Security Assignment.

8. Creation of Security

The parties to this Agreement agree that the Issuer shall create security interests in favour of the Trustee and for the benefit of the Trustee, the Noteholders and the other Secured Parties as set out in the following Clauses 8.1 (*Transfer for security purposes of Assigned Assets*), Clause 8.2 (*Pledges*) and Clause 8.3 (*English law Deed of Security Assignment*).

8.1 Transfer for security purposes of Assigned Assets

(a) Assignment and transfer

The Issuer hereby assigns and transfers for security purposes (*Sicherungsabtretung und Sicherungsübereignung*) the following rights and claims (including any contingent rights (*Anwartschaftsrechte*) to such rights and claims) (together, the "**Assigned Assets**") to the Trustee, for the security purposes set out in Clause 9 (*Security Purpose*):

- (i) all Purchased Receivables together with any Loan Collateral as transferred by the Seller to the Issuer pursuant to the Receivables Purchase Agreement and all rights, claims and interests relating thereto;
- (ii) all title (*Sicherungseigentum*) to the Financed Vehicles relating to the Purchased Receivables which are identified by the relevant vehicle identification numbers delivered by the Issuer for identification purposes to the Trustee on or about the date of execution of this Agreement;
- (iii) all rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Seller or the Servicer and/or any other party pursuant to or in respect of the Receivables Purchase Agreement or the Servicing Agreement, including all rights of the Issuer relating to any additional security;
- (iv) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Subordinated Lender and/or any other party pursuant to or in respect of the Subordinated Loan Agreement;
- (v) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to any of the Managers and/or any other party pursuant to or in respect of the Subscription Agreement;
- (vi) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Paying Agent, the Calculation Agent, the Interest Determination Agent, and/or any other party pursuant to or in respect of the Agency Agreement and/or the Calculation Agency Agreement;
- (vii) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Account Bank and the Issuer Accounts and/or any other party pursuant to or in respect of the Bank Account Agreement; and

- (viii) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled to from or in relation to the Data Trustee and/or any other party pursuant to or in respect of the Data Trust Agreement,

in each case (i) to (viii) above including any and all related non-ancillary (*selbständige*) and ancillary (*unselbständige*) rights to determine unilaterally legal relationships (*Gestaltungsrechte*) including, without limitation, any termination rights (*Kündigungsrechte*).

The Issuer hereby covenants in favour of the Trustee that it will assign and/or transfer to the Trustee any future assets received by the Issuer as security for any of the foregoing or otherwise in connection with the Transaction Documents which are governed by German law, in particular such assets which the Issuer receives from any of its counterparties in relation to any of such Transaction Documents as security for the obligations of such counterparty towards the Issuer.

In lieu of the delivery (*Übergabe*) by the Issuer of the Financed Vehicles including any subsequently inserted parts and other moveable Loan Collateral including any vehicle certificate (*Zulassungsbescheinigung Teil II* or *KFZ-Brief*, as applicable), the Issuer hereby assigns (*abtreten*) to the Trustee its restitution claim (*Herausgabeanspruch*) against the Seller. The Trustee accepts such assignment.

Where third parties obtain, or have obtained, possession of the Financed Vehicles or of other moveable Loan Collateral (including any vehicle certificate (*Zulassungsbescheinigung Teil II* or *KFZ-Brief*, as applicable)), the Issuer hereby assigns to the Trustee as part of the Loan Collateral all related existing or future restitution claims (*Herausgabeansprüche*).

- (b) The Trustee hereby accepts the assignment and the transfer of the Assigned Assets and any security related thereto and the covenants of the Issuer under this Agreement. The Trustee now retransfers, subject to the condition precedent of the full and final satisfaction of the Secured Obligations and the full and final discharge of the Trustee Claims, title (*Sicherungseigentum*) to the relevant Financed Vehicles to the Issuer. The Issuer accepts such retransfer.
- (c) The existing Assigned Assets shall pass to the Trustee on the Issue Date, and any future Assigned Assets shall directly pass to the Trustee as of the date on which such Assigned Assets arise, and in each case at the earliest at the time at which the Issuer has acquired the rights and claims of which the relevant Assigned Assets consist.

The Issuer undertakes to assign and transfer to the Trustee, on the terms and conditions and for the purposes set out herein, any rights and claims under any future Transaction Document or further agreement relating to the Transaction upon execution of any such documents.

- (d) To the extent that title to the Assigned Assets cannot be transferred by sole agreement between the Issuer and the Trustee as contemplated by the foregoing sub-clauses (a) to (c), the Issuer and the Trustee agree that:
- (i) with respect to the Financed Vehicles, in lieu of the delivery (*Übergabe*) necessary to effect the transfer of title for security purposes with regard to the Financed Vehicles and any vehicle certificates (*Zulassungsbescheinigung Teil II* or *KFZ-Brief*, as applicable) and any other moveable Loan Collateral with regard to any subsequently inserted parts thereof or with regard to any subsequently arising co-ownership interest, the Issuer hereby assigns to the Trustee (or, in case of a retransfer of title to the relevant Financed Vehicles from the Trustee to the Issuer pursuant to Clause 8.1(b), the Trustee re-assigns to the Issuer) all claims, present and future, to request transfer of possession (*Abtretung aller Herausgabeansprüche* – Section 931 of the German Civil Code) against any third party (including the Seller, the Servicer and any Debtor) which is in the direct possession (*unmittelbarer Besitz*) or indirect possession (*mittelbarer Besitz*) of the Financed Vehicles (and any car or vehicle certificates

(*Zulassungsbescheinigung Teil II* or *KFZ-Brief*, as applicable) with respect thereto) or other moveable Loan Collateral. In addition to the foregoing, it is hereby agreed between the Issuer and the Trustee that in the event that (but only in the event that) the related Financed Vehicle or other moveable Loan Collateral is in the Issuer's direct possession (*unmittelbarer Besitz*), the Issuer shall hold possession on behalf of the Trustee and shall grant the Trustee indirect possession (*mittelbarer Besitz*) of the related Financed Vehicle and other moveable Loan Collateral by keeping it with due care free of charge (*als unentgeltlicher Verwahrer*) for the Trustee until the related Financed Vehicle or other moveable Loan Collateral is released or replaced in accordance with the Transaction Documents;

- (ii) any notice to be given in order to effect transfer of title in the Assigned Assets shall immediately be given by the Issuer in such form as the Trustee requires, and the Issuer hereby agrees that if it fails to give such immediate notice, the Trustee is hereby irrevocably authorised to give such notice on behalf of the Issuer; and
- (iii) any other action to be taken, form to be filed or registration to be made to perfect a first priority security interest in the Assigned Assets for the benefit of the Trustee in favour of the Secured Parties shall be immediately taken, filed or made by the Issuer at its own costs.

The Trustee hereby accepts each of the foregoing assignments and transfers.

(e) Acknowledgement of assignment

All parties to this Agreement hereby acknowledge that the rights and claims of the Issuer which constitute the Assigned Assets and which have arisen under contracts and agreements between the Issuer and the parties to this Agreement and which are owed by such parties, are assigned to the Trustee and that the Issuer is entitled to continue to exercise and collect such rights and claims only in accordance with Clause 12 (*Collection*) and the other provisions of this Agreement or of the Deed of Security Assignment and subject to the restrictions contained in this Agreement. Upon notification to any party to this Agreement by the Trustee in respect of the occurrence of an Enforcement Event, the Trustee shall be entitled to exercise the rights of the Issuer under the Transaction Document referred to in this Clause 8.1 (*Transfer for security purposes of Assigned Assets*), including, without limitation, the right to give instructions to each such party pursuant to the relevant Transaction Document and each party to this Agreement agrees to be bound by such instructions of the Trustee given pursuant to the relevant Transaction Document(s) to which such party is a party.

8.2 Pledges

- (a) The Issuer hereby pledges (*Verpfändung*) to the Trustee all its present and future claims against the Trustee arising under or in connection with this Agreement. The Issuer hereby gives notice to the Trustee of such pledge, and the Trustee hereby confirms receipt of such notice. The Trustee is under no obligation to enforce any claims of the Issuer against it pledged to the Trustee pursuant to this Clause 8.2 (*Pledges*), subject, for the avoidance of doubt, to Clause 14 (*When Security becomes enforceable and the respective Procedure*).
- (b) The Issuer hereby pledges (*Verpfändung*) to the Trustee all its present and future claims, which are not assigned or transferred for security purpose pursuant to Clause 8.1 above, against the Account Bank under or in connection with the Bank Account Agreement, in particular claims in respect of the payment of moneys standing to the credit of the Issuer Accounts. The Issuer hereby gives notice to the Account Bank of such pledge and the Account Bank hereby confirms receipt of such notice.

8.3 English law Deed of Security Assignment

The Issuer and the Trustee agree that the Issuer shall (by way of the Deed of Security Assignment) under English law assign by way of security all of the Issuer's present and future rights, title and interests under or in connection with the English law governed Swap Agreement and all proceeds thereof (the **Charged Property** as defined in the Deed of Security Assignment). However, any cash or other collateral provided by the Swap Counterparty to the Issuer under the Swap Agreement in the Counterparty Downgrade Collateral Account (i) shall secure solely the payment obligations of the Swap Counterparty to the Issuer under the Swap Agreement, (ii) shall not constitute Collections, (iii) shall be monitored on a specific collateral ledger and (iv) shall not secure any obligations of the Issuer. The Charged Property shall secure the Secured Obligations for the benefit of the Secured Parties and shall be made pursuant to the English law governed Deed of Security Assignment being substantially in the form of the deed of security assignment set out in Schedule 3 to this Agreement. The Trustee shall hold the Charged Property and all rights resulting from the Deed of Security Assignment in its own right for the purpose of securing the Trustee Claim and as German law security Trustee (*Sicherungstreuhand*) on behalf of the Secured Parties in respect of the Secured Obligations.

9. Security Purpose

The security interests created pursuant to Clause 8 above (*Creation of Security*, i.e., Clause 8.1 (*Transfer for security purposes of Assigned Assets*) and Clause 8.2 (*Pledges*)), pursuant to the other provisions of this Agreement and pursuant to the Deed of Security Assignment (collectively, the "**Security**") shall serve as security for the Secured Obligations and the Trustee Claim. The Security shall be enforced, collected and distributed pursuant to the provisions of this Agreement and the Deed of Security Assignment, respectively.

10. Representations and Warranties of the Issuer

The Issuer gives certain representations and warranties to the Trustee, also for the benefit of the other Secured Parties, on the terms of the Issuer Representations and Warranties as set out in Schedule 7 of the Incorporated Terms Memorandum.

11. Administration of Security

11.1 With respect to the Security, the Trustee shall, in relation to the Issuer and the Secured Parties, have the rights and obligations of a party taking security (*Sicherungsnehmer*). The Trustee is obligated to release the Security after the Issuer has fully and finally discharged all of the Secured Obligations (Clause 18 (*Release of Security*)).

11.2 The Trustee shall not release the Security or dispose of the Assigned Assets except as expressly provided herein. The Trustee shall be entitled to assign and transfer the Security in the event that the Trustee is replaced with a successor Trustee pursuant to Clause 20 (*Resignation and Substitution of the Trustee*).

11.3 Subject to Clause 12 (*Collections*) and in accordance with the Servicing Agreement and the Receivables Purchase Agreement, the Servicer is entitled to realise the Financed Vehicles on behalf of the Trustee.

12. Collections

12.1 For so long as no Enforcement Event has occurred, the Issuer shall be authorised (*ermächtigt*) to collect, or have collected, in the ordinary course of business or otherwise exercise or deal with the Assigned Assets (including, for the avoidance of doubt, to enforce the Loan Collateral).

12.2 Without affecting the generality of Clause 12.1, the Trustee hereby consents, for so long as no notice in respect of the occurrence of a Servicer Termination Event has been delivered to the Servicer by the Issuer and the Trustee has not been notified of the delivery of such notice, to the assignments, transfers and/or releases by the Issuer (or by the Servicer on behalf of the Issuer) of Purchased Receivables and

Loan Collateral to any third party in accordance with the Credit and Collection Policy and the release by the Servicer of any Financed Vehicle in accordance with the Receivables Purchase Agreement and/or the Servicing Agreement.

12.3 The authority and consents provided in Clauses 12.1 and 12.2 above are deemed to be granted only to the extent that the obligations of the Issuer are fulfilled in accordance with the Pre-Enforcement Priority of Payments and the requirements under this Agreement.

12.4 The authority and consents contained in Clauses 12.1 and 12.2 shall automatically terminate upon the occurrence of an Enforcement Event.

13. Further Assurance and Powers of Attorney

13.1 The Issuer shall from time to time execute and do all such things as the Trustee may require for perfecting or protecting the security interests created or intended to be created pursuant to this Agreement (and the Deed of Security Assignment), and at any time after the Security becomes enforceable, the Issuer shall execute and do all such things as the Trustee may require in respect of the facilitation of the enforcement, in whole or in part, of the Security and the exercise of all powers, authorities and discretionary rights vested in the Trustee, including, without limitation, to make available to the Trustee copies of all notices to be given in accordance with the Conditions, to notify the Trustee of all amendments to the Transaction Documents and to make available to the Trustee, upon the reasonable request of the Trustee, such information, opinions, certificates and other evidence required by the Trustee to perform its obligations under this Agreement, the Deed of Security Assignment or any other Transaction Document (including access to the Issuer's books and records, if required).

13.2 The Issuer hereby irrevocably appoints the Trustee as its agent and empowers the Trustee to do all such acts and things, to make all necessary statements or declarations and execute all relevant documents, which the Issuer ought to do, make or execute under or in connection with this Agreement, the Deed of Security Assignment or generally to give full effect to this Agreement and the other Transaction Documents. The Issuer hereby ratifies and agrees to ratify and approve whatever the Trustee as its agent shall do or purport to do in the exercise or purported exercise of the powers created pursuant to this Clause 13 (*Further Assurance and Powers of Attorney*).

13.3 All parties to this Agreement undertake to provide all information to the Trustee that it shall require to exercise the powers contemplated by Clauses 13.1 and 13.2 (*Further Assurance and Powers of Attorney*) or to carry out the Trustee's obligations under or in connection herewith. The Trustee (and its sub-agents) shall be exempted from the restrictions of Section 181 of the German Civil Code and any other restrictions under any other applicable law and shall be entitled to release any sub-agent from any such restriction.

14. When Security becomes enforceable and the respective Procedure

14.1 When Security becomes enforceable

(a) The Security shall become enforceable, in whole or in part, upon the occurrence of an Enforcement Event.

(b) The Trustee shall be entitled to assume in the absence of notice provided to it in writing by any other party that no Issuer Event of Default has occurred.

14.2 Procedure

- (a) Upon the occurrence of an Issuer Event of Default, the Trustee shall as soon as reasonably practicable after having become aware hereof notify the Issuer, each of the other Secured Parties and the Rating Agencies ("**Enforcement Notice**").
- (b) Subject to the Trustee being indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages, expenses (including reasonable legal costs and expenses) which it may incur by so doing, the Trustee shall, after the service of an Enforcement Notice and without further notice to any party to this Agreement, enforce the Security, or any part of it, and shall incur no liability to any party for doing so.
- (c) The Trustee shall at all times do all such things as are reasonably necessary in order that it can comply with all provisions of this Agreement and the Deed of Security Assignment and with all applicable German English and Luxembourg laws relating to the discharge of its functions.
- (d) Each of the parties to this Agreement agrees and acknowledges and, by executing a Form of Accession, each new Secured Party agrees and acknowledges, that in the event of the enforcement of the Security or the appointment of a receiver in accordance with the Deed of Security Assignment with respect to the enforcement of the Charged Property, the Trustee shall not be obliged to indemnify out of its own money any such receiver for any of its costs, charges, liabilities or expenses or to advance, in whatever form, any moneys to such receiver or any other Person arising out of or in connection with such enforcement or to carry on or to require any receiver to carry on any business carried on from time to time in connection with the Security (including, without limitation, the Charged Property).
- (e) No person dealing with the Trustee or with any receiver of the Security (including, without limitation, the Charged Property) or any part thereof appointed by the Trustee shall be obligated to enquire whether the Secured Obligations or the Trustee Claim remain outstanding or any event has happened upon which any of the powers, authorities and discretion conferred by or pursuant to this Agreement or the Deed of Security Assignment or in connection therewith in relation to such property or any part thereof are or may be exercisable by the Trustee or by any such receiver or otherwise as to the propriety, validity or regularity of acts purporting or intending to be in exercise of any such powers.

15. Realisation of the Financed Vehicles

The Financed Vehicles the title of which has been transferred for security purposes (*Sicherungseigentum*) to the Trustee will be realised by the Trustee or by agents of the Trustee (including BMW Bank). For the avoidance of doubt, a successor or substitute or back-up servicer shall not qualify as an agent of the Trustee and the Trustee shall not be liable for any negligence of a successor or substitute or back-up servicer.

16. Conflicts of Interest

16.1 Interests of Secured Parties

Subject to the other provisions of this Clause 16 (*Conflicts of Interest*), the Trustee shall have regard to the interests of the Secured Parties in the respective order pursuant to the Post-Enforcement Priority of Payments as regards the exercise and performance of all powers, trusts, authorities, duties and discretions of the Trustee in respect of the Trust Property or the Security under this Agreement and the Deed of Security Assignment or under any other documents the rights or benefits in which are comprised in the Trust Property (except where expressly provided otherwise).

16.2 Exoneration of Trustee

Each of the Secured Parties hereby acknowledges and agrees with Clause 16.1 (*Interests of Secured Parties*) and each of them agrees that it shall have no claim against the Trustee for acting in accordance with the provisions of such clauses.

16.3 Reliance by Trustee

- (a) Without prejudice to any other right conferred upon the Trustee,
 - (i) whenever the Trustee is required to or desires to determine the interests of any of the Secured Parties, or
 - (ii) otherwise in connection with the performance of its duties under this Agreement and/or the other Transaction Documents to which it is a party,

the Trustee may in its professional judgment seek the advice and/or written opinion, and/or fully rely upon such advice and/or written opinion, of a law firm, credit institution, financial advisor or other expert (such advice to be at the reasonably incurred cost of the Issuer). The Trustee shall be liable for the exercise of due care in the selection and supervision of such law firm, credit institution, financial advisor or other expert. Clause 15.3.2 of the Common Terms shall apply. If the Trustee seeks the advice and/or written opinion, and/or relies upon such advice and/or written opinion, of such law firm, credit institution, financial advisor or other expert to perform the duties listed under Clause 3.2 (a) through (c) of this Agreement instead of delegating their performance, the Trustee shall be liable for (i) the exercise of due care in the selection and supervision of and (ii) any gross negligence (*grobe Fahrlässigkeit*) or wilful misconduct (*Vorsatz*) of such law firm, credit institution, financial advisor or other expert.

- (b) The Trustee may call for and shall be at liberty to accept a certificate duly signed by any two directors of the Issuer who are authorised to sign on behalf of the Issuer pursuant to a list of authorised signatories to be delivered to the Trustee from time to time as sufficient evidence of any fact or matter or the expediency of any transaction or thing, save for manifest errors, and to treat such a certificate to the effect that any particular dealing or transaction or step or thing is, in the opinion of the persons so certifying, expedient or proper as sufficient evidence that it is expedient or proper, and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be caused by acting on any such certificate. Save for manifest errors, the Trustee may rely and shall not be liable or responsible for the existence, accuracy or sufficiency of any opinions (other than legal opinions on which accuracy or sufficiency the Trustee may rely without limitation), searches, reports, certificates, valuations or investigations delivered or obtained or required to be delivered or obtained at any time in connection with the Transaction Documents; in particular, the Trustee (save for manifest errors) may rely on calculations made and notices sent by the Calculation Agent.

17. Application of Payments

17.1 Pre-Enforcement Priority of Payments

Each of the Secured Parties acknowledges and agrees that, prior to the service of an Enforcement Notice, all moneys of the Issuer shall be applied in accordance with the Pre-Enforcement Priority of Payments.

17.2 Post-Enforcement Priority of Payments

Each of the Secured Parties and the Issuer hereby agrees and authorises, that from the date upon which the Trustee serves an Enforcement Notice on the Issuer:

- (a) the Issuer may not make any withdrawal from the Issuer Accounts;

- (b) unless with the express consent from the Trustee, the Issuer shall refrain from exercising any rights in relation to the Security; and
- (c) the Trustee may withdraw moneys from the Issuer Accounts and apply such moneys in or towards payment of the Secured Obligations in accordance with the Post-Enforcement Priority of Payments.

18. Release of Security

Upon the Trustee being satisfied that the Secured Obligations and the Trustee Claim have been fully and finally discharged (the Trustee being, for this purpose, entitled to rely, in its absolute discretion, on any statement of payment, discharge or satisfaction certified by one or more directors of the Issuer) and to the extent the Security has not been previously released pursuant to this Agreement, the Trustee shall, at the request and the expense of the Issuer, do all such acts and things and execute all such documents (in the case of a Clean-Up Call, in substantially the same form as Schedule 5 hereto) as may be necessary to release the Security and the Trustee shall, to the extent applicable, assign and re-transfer all Assigned Assets to the Issuer or to the order of the Issuer or to the Seller.

19. Covenants by the Issuer

The Issuer covenants with the Trustee on the terms of the Issuer Covenants as set out in Schedule 8 of the Incorporated Terms Memorandum.

20. Resignation and substitution of the Trustee

20.1 Trustee terminating trusteeship and appointment of new Trustee

The Trustee may resign for good cause (*wichtiger Grund*) from its office as Trustee hereunder at any time giving two (2) months' prior written notice to the Issuer and the Rating Agencies provided that, for so long as Secured Obligations remain outstanding, upon or prior to the last Business Day of such notice period, (i) a reputable accounting firm or financial institution which is experienced in the business of trusteeship relating to the securitisation of receivables originated in Germany has been duly appointed by the Issuer as substitute Trustee, (ii) such substitute Trustee mentioned in Clause (i) holds all required licenses and authorisations, and (iii) such substitute Trustee (mentioned in Clause (i)) (by way of novation or otherwise) assumes, and is vested with, all rights and obligations, authorities, powers and trusts set forth in this Agreement and the other relevant Transaction Documents. In the event of any urgency, the Trustee shall be entitled to appoint a successor Trustee meeting the requirements set out in the first sentence of this Clause 20.1 and acceptable to the Rating Agencies under terms substantially similar to the terms of this Agreement if the Issuer fails to do so within 60 Business Days of the resignation notice of the Trustee.

20.2 Issuer terminating trusteeship and appointing new Trustee

The Issuer shall be authorised and obligated to terminate the appointment of the Trustee and appoint a successor Trustee in accordance with, *mutatis mutandis*, the provisions of Clause 20.1 (*Trustee terminating trusteeship and appointment of new Trustee*) if an Insolvency Event occurs with respect to the Trustee. The Issuer shall notify the Rating Agencies upon the appointment of a substitute Trustee without undue delay.

20.3 Transfer of Security, rights and interests

In the event of a substitution of an existing Trustee with a new Trustee, as contemplated by Clause 20.1 (*Trustee terminating trusteeship and appointment of new Trustee*) or Clause 20.2 (*Issuer terminating trusteeship and appointing new Trustee*), the existing Trustee shall forthwith (by way of novation or otherwise) transfer the Security together with any other rights it holds under any Transaction Document including, for the avoidance of doubt, its Trustee Claim pursuant to Clause 6.1 (*Trustee joint and several Creditor*) or grant analogous security interests to the new Trustee. Without prejudice to the obligation of the Trustee set out in the immediately preceding sentence, the Trustee hereby irrevocably

grants power of attorney to the Issuer to transfer all the rights, security and interests mentioned in such preceding sentence on behalf of the Trustee to the new Trustee and for that purpose the Issuer (and its sub-agents) shall be exempted from the restrictions of Section 181 of the German Civil Code and any similar restrictions under any other applicable laws.

The Issuer and each relevant Secured Party hereby undertakes to assign any claim for segregation (*Aussonderung*) it may have in an insolvency of the Trustee with respect to this Agreement and the Security to the new Trustee appointed in accordance with this Agreement for the purposes set out in this Agreement.

20.4 Assumption of obligations

In the event of a substitution of an existing Trustee with a new Trustee, as contemplated by Clause 20.1 (*Trustee terminating trusteeship and appointment of new Trustee*) or Clause 20.2 (*Issuer terminating trusteeship and appointing new Trustee*), the existing Trustee shall (i) transfer (by way of novation or otherwise) all of its rights and obligations hereunder, and under any other Transaction Documents to the new Trustee on terms substantially similar to the terms of this Agreement and under any other Transaction Documents; (ii) notify the Servicer, the Issuer, the Account Bank, the Paying Agent and the Calculation Agent.

A termination pursuant to Clause 20.1 or Clause 20.2 above notwithstanding, the rights and obligations of the Trustee shall continue until the appointment of the new Trustee has become effective and the rights pursuant to Clause 20.4 hereof have been assigned to the new Trustee.

20.5 Costs

The outgoing Trustee shall, in case of a termination, reimburse (on a pro rata basis) to the Issuer any up-front fees paid by the Issuer for periods after the date on which the substitution of the Trustee is taking effect. In case of a termination by the Issuer for good cause (*aus wichtigem Grund*) which is attributable to a breach by the Trustee of its standard of care set out in Clause 14 of the Common Terms, the outgoing Trustee shall reimburse the Issuer for the costs (including legal costs and administration costs) or pay any costs incurred for the purpose of appointing a new Trustee up to a maximum amount of EUR 20,000. In any other cases of termination by the Issuer the Trustee shall not owe any reimbursement of cost to the Issuer. In case of a termination by the Trustee for good cause (*aus wichtigem Grund*) and in case of termination by the Issuer which is - in either case - not attributable to a breach by the Trustee of its standard of care set out in Clause 14 of the Common Terms, the Issuer shall reimburse the outgoing Trustee for any duly documented costs resulting from such termination reasonably incurred by the Trustee; in such cases triggering a reimbursement obligation of the Issuer the Trustee shall, whenever reasonably possible, consult with the Issuer before incurring any costs.

20.6 Accounting

The existing Trustee shall be obliged, on its departure, to account to the new Trustee for its activities in respect of this Agreement and all other Transaction Documents.

21. Fees, Indemnities and Indirect Taxes

21.1 Trustee's Fee

The Issuer shall pay the Trustee a standard fee as separately agreed between them in a fee letter dated on or about the Signing Date.

Upon the occurrence of an Enforcement Event or a default of any party (other than the Trustee) to a Transaction Document which results in that the Trustee undertakes additional tasks and in the event of the Trustee finding it, in its professional judgment and after good faith consultation with the Seller, expedient or being required to undertake any duties which the Trustee determines to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee, the Issuer shall pay or procure to be paid to the Trustee an additional remuneration for each hour of additional services performed by the Trustee at an hourly rate as shall be agreed in the aforesaid fee letter. In the event that

the Issuer and the Trustee, as applicable, fail to agree as to whether and/or in which amount an additional remuneration shall be payable in accordance with the preceding sentence, such matters shall be determined by a bank, financial services institution or auditing firm of recognized standing (acting as an expert and not as an arbitrator) determined by the Trustee. The determination made by such expert shall be final and binding upon the Issuer and the Trustee.

21.2 No entitlement to remuneration

The Trustee shall not be entitled to remuneration in respect of any period after the date on which (i) all the Secured Obligations and the Trustee Claim have been paid or discharged and the Assigned Assets and the other Security have been released and re-assigned and retransferred to the Issuer or to the order of the Issuer or to the Seller and (ii) all tasks to be performed by the Trustee under or in connection with the Transaction Documents have been performed (for the avoidance of doubt, the latter only applies if such tasks have been performed without delay on the part of the Trustee).

21.3 Indemnity

The Issuer will indemnify the Trustee against all reasonably incurred and duly documented costs and expenses as well as any damages which may arise as a result of or in connection with the performance of its obligations hereunder, provided that this indemnity shall not extend to any loss, costs, expense and damage resulting from any wilful or negligent breach by the Trustee of its obligations under this Agreement.

The Trustee shall not be bound to take any action under or in connection with this Agreement or any other Transaction Document or any document executed pursuant to any of them including, without limitation, forming any opinion or employing any agent, unless in all cases, it is fully indemnified (including under the Applicable Priority of Payments), and is reasonably satisfied that the Issuer will be able to honour any indemnity in accordance with the Applicable Priority of Payments, against all liabilities, proceedings, claims and demands to which it may be or become liable and all direct costs, charges and expenses which may be reasonably incurred by it in connection with them.

21.4 Indirect taxes

The Issuer shall in addition pay to the Trustee (if so required) an amount equal to the amount of any value added tax or similar indirect taxes charged in respect of payments due to it under this Clause 21 (*Fees, indemnities and indirect taxes*).

The Issuer shall bear all stamp duties, transfer taxes and other similar taxes, duties or charges or charge which are imposed in connection with (i) the creation of, holding of, or enforcement of the Security, and (ii) any action taken by the Trustee pursuant to the terms and conditions of the Notes or the other Transaction Documents.

22. Miscellaneous

22.1 Ringfencing and further securities/transactions

All parties to this Agreement agree that each Transaction Document (other than the Corporate Administration Agreement) shall incur obligations and liabilities in respect of Compartment Loans 2 of Bavarian Sky S.A. only and that the Transaction Documents shall not, at present or in the future, create any obligations or liabilities in respect of Bavarian Sky S.A. generally or in respect of any Compartment of Bavarian Sky S.A. other than Compartment Loans 2. All parties to this Agreement further agree that the immediately preceding sentence shall be an integral part of all Transaction Documents and that, in the event of any conflict between any provision of any Transaction Documents and the immediately preceding sentence, the immediately preceding sentence shall prevail.

22.2 Global condition precedent

All parties to this Agreement agree that it shall constitute a condition precedent in respect of each Transaction Document that all Transaction Documents have, no later than on the Issue Date, been

executed and delivered by each of the relevant parties thereto. Each party to the Trust Agreement acknowledges that all other parties to the Trust Agreement are entering into this Transaction in reliance upon all Transaction Documents being validly entered into by all relevant parties to such documents.

22.3 Duty to appoint process agent

All relevant Transaction Parties to the German Transaction Documents that are not resident in Germany have the duty to appoint a German process agent upon request within five (5) Business Days and all parties to the Transaction Documents governed by English law that are not resident in England shall appoint an English process agent upon request within five (5) Business Days.

SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS

1. Receivables Purchase Agreement

Pursuant to the Receivables Purchase Agreement, the Issuer will purchase Eligible Receivables from the Seller on the Issue Date.

Pursuant to the Receivables Purchase Agreement, the Seller represents to the Issuer that each Purchased Receivable and the Loan Collateral complies, as of the first Cut-Off Date, with the Eligibility Criteria set out below under the heading "ELIGIBILITY CRITERIA".

The offer by the Seller for the purchase of Receivables under the Receivables Purchase Agreement contains certain relevant information for the purpose of identification of the Purchased Receivables. Upon acceptance of the offer, the Issuer Acquires in respect of the relevant Receivables unrestricted title as from the first Cut-Off Date, together with all of the Seller's rights, title and interest in the Loan Collateral in accordance with the Receivables Purchase Agreement. As a result, the Issuer obtains the full economic ownership in the Purchased Receivables as of such Cut-Off Date and is free to transfer or otherwise dispose over (*verfügen*) the Purchased Receivables, subject only to the contractual restrictions provided in the relevant Loan Agreement.

If for any reason title to any Purchased Receivable is not transferred to the Issuer, the Seller is obliged, without undue delay, to take all action necessary to perfect the transfer of title. All Losses, costs and expenses which the Issuer incurred or will incur by taking additional measures due to the title of the Purchased Receivables or the Loan Collateral not being sold or transferred will be borne by the Seller.

The sale and assignment of the Purchased Receivables pursuant to the Receivables Purchase Agreement constitutes a sale without recourse (*regressloser Verkauf wegen Bonitätsrisiken*). This means that the Seller will not bear the risk of the inability of any Debtor to pay the relevant Purchased Receivables. However, in the event of any breach of the Eligibility Criteria as of the first Cut-Off Date, the Seller owes the payment of Deemed Collections regardless of the respective Debtor's credit strength.

Pursuant to the Receivables Purchase Agreement, the delivery of the Financed Vehicles (including any subsequently inserted parts and other moveable related Loan Collateral (including any vehicle certificate (*Zulassungsbescheinigung Teil II* or *KFZ-Brief*, as applicable)) will be replaced by the Seller assigning (*abtreten*) its restitution claims (*Herausgabeansprüche*) against the Debtors to the Issuer.

Where third parties obtain, or have obtained, possession of the Financed Vehicles or of other moveable related Loan Collateral (including any vehicle certificate (*Zulassungsbescheinigung Teil II* or *KFZ-Brief*, as applicable)), the Seller assigns as part of the Loan Collateral all related existing or future restitution claims (*Herausgabeansprüche*) to the Issuer.

Deemed Collections

If certain events defined in the definition of Deemed Collections (*see "MASTER DEFINITIONS SCHEDULE — Deemed Collections"*) occur with respect to a Purchased Receivable, the Seller will be deemed to have received a Deemed Collection in respect of such Purchased Receivable. The Seller has undertaken to make payment of an amount equal to such Deemed Collection in the amount of the Outstanding Principal Balance of such Purchased Receivable (including, for the avoidance of doubt, in case only a portion of such Purchased Receivable is affected) to the Issuer. Upon receipt thereof, such Purchased Receivable and the relevant Loan Collateral (unless it is extinguished) will be automatically re-assigned or re-transferred to the Seller, by the Issuer on the next succeeding Payment Date on a non-recourse or guarantee basis on the part of the Issuer. The costs of such assignment and transfer will be borne solely by the Seller.

Use of Loan Collateral

The Issuer has agreed to make use of any Loan Collateral only in accordance with the provisions governing such Loan Collateral and the related Loan Agreements.

The Seller will, at its own cost, keep the Loan Collateral free of, or release such from any interference or security rights of third parties and undertake all steps necessary to protect the interest of the Issuer in the Financed Vehicles.

Taxes and Increased Costs

All payments to be made by the Seller to the Issuer pursuant to the Receivables Purchase Agreement will be made free and clear of and without deduction for or on account of any tax. The Seller will reimburse the Issuer for any deductions or retentions which may be made on account of any tax. The Seller will have the opportunity and authorisation to raise defences against the relevant payment at the Seller's own costs.

Where the Issuer has received a credit against a relief or remission for, or repayment of, any tax, then if and to the extent that the Issuer determines that such credit, relief, remission or repayment is in respect of the deduction or withholding giving rise to such additional payment or with reference to the liability, expense or Loss which caused such additional payments, the Issuer will, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Seller such amount as the Issuer will have concluded to be attributable to such deduction or withholding or, as the case may be, such liability, expense or Loss, provided that the Issuer will not be obliged to make any such payment until it is, in its sole opinion, satisfied that its tax affairs for its tax year in respect of which such credit, relief, remission or repayment was obtained have been finally settled.

With respect to the Purchased Receivables, the Seller shall reimburse the Issuer for any losses resulting from any Debtor having (i) made a claim for repayment of the handling fee (*Bearbeitungsgebühr*), (ii) set off its claim for repayment of the handling fee (*Bearbeitungsgebühr*) against any Purchased Receivable or any other payment obligation owed by such Debtor under the respective Loan Agreement, or (iii) not paid a handling fee (*Bearbeitungsgebühr*) claimed under the respective Loan Agreement which fee is being held invalid by German courts.

Insurance and Financed Vehicles

Any insurance claims in respect of any Financed Vehicles or other Loan Collateral form part of the Loan Collateral which has been assigned to the Trustee under the Trust Agreement. If the Seller or the Servicer receives any proceeds from comprehensive insurances (*Kaskoversicherungen*) or claims from third parties which have damaged any Financed Vehicles as well as claims against the insurer of such third parties which form part of the Loan Collateral, such proceeds will be used to repair such damaged Financed Vehicles. If the relevant damaged Financed Vehicle cannot be repaired, such proceeds will be applied in repayment of the relevant Loan Agreement.

Notification of Assignment

The Debtors will only be notified by the Seller in respect of the assignment of the Purchased Receivables and Loan Collateral upon request by the Issuer upon the occurrence of a Debtor Notification Event. Where any Debtor is either a military person, a civil servant, a clergyman or a teacher at a public teaching institution and has assigned its rights and claims to wages and social security benefits (to the extent legally possible) to the Seller as part of the Loan Collateral, the Seller will, upon request by the Issuer upon the occurrence of a Debtor Notification Event, notify such Debtor's employer of such assignment by way of a notarial deed as required under Section 411 of the German Civil Code. Should the Servicer fail to notify the Debtors within five (5) Business Days of such request, the Issuer may notify the Debtors and any other relevant debtors to the extent known to it (in particular, comprehensive insurers (*Kaskoversicherer*), life insurers and employers) of the assignment of the Purchased Receivables and the Loan Collateral itself. Without prejudice to the foregoing, under the Servicing Agreement, the Issuer is entitled to notify by itself, through the successor Servicer or any other agent, or require the Servicer to notify the Debtors, of the assignment if a Debtor Notification Event has occurred. If the Issuer has to undertake the notification by way of notarial deed, the notarization costs will be borne by the Seller.

Upon notification, the Debtors and the other relevant debtors will be notified to make all payments to the Issuer Account or to the account of a successor Servicer, if appointed by the Issuer, in order to obtain valid discharge of their payment obligations under the relevant Loan Agreement.

Instalment of new parts or replacement parts in Financed Vehicles

If, after transfer of title to any Financed Vehicle to the Issuer, any new parts or any new replacement parts are installed into such Financed Vehicle and the Seller acquires title to or a co-ownership interest in such parts, the

Seller will transfer such title or co-ownership interest to the Issuer and the Issuer will not be obliged to make any further payments in respect of such parts.

Clean-Up Call Option

In the circumstances described in Condition 8.3 (*Clean-Up Call*) of the Conditions, the Seller may exercise the Clean-Up Call Option under the Receivables Purchase Agreement.

Set-Off Reserve relating to handling fees (Bearbeitungsgebühren)

Pursuant to the Receivables Purchase Agreement, if a Set-Off Reserve Trigger Event occurs, the Seller is required to transfer, within five (5) Business Days, the Required Set-Off Reserve Amount to the Set-Off Reserve Ledger. If the balance credited to the Set-Off Reserve Ledger as of any Cut-Off Date upon the occurrence of a Set-Off Reserve Trigger Event is less than the Required Set-Off Reserve Amount as calculated as of such Cut-Off Date, the Seller will be required, within five (5) Business Days, to transfer an amount equal to such shortfall as determined as of such Cut-Off Date to the Set-Off Reserve Ledger. The amount credited to the Set-Off Reserve Ledger will be used to cover potential set-off risks in relation to the Purchased Receivables resulting from any Debtor having (i) made a claim for repayment of the handling fee (*Bearbeitungsgebühr*), (ii) set off its claim for repayment of the handling fee (*Bearbeitungsgebühr*) against any Purchased Receivable or any other payment obligation owed by such Debtor under the respective Loan Agreement, or (iii) not paid a handling fee (*Bearbeitungsgebühr*) claimed under the respective Loan Agreement which fee is being held invalid by German courts.

Upon the occurrence of an Enforcement Event, the amount standing to the credit of the Set-Off Reserve Ledger will be released to the Seller as part of the last item of the Post-Enforcement Priority of Payments if all Secured Obligations and the Trustee Claim have been fully and unconditionally discharged.

Any amount of interest earned on any balance credited to the Set-Off Reserve Ledger upon the occurrence of a Set-Off Reserve Trigger Event will be part of the Available Distribution Amount.

2. Servicing Agreement

Pursuant to the Servicing Agreement between the Servicer, the Trustee, the Calculation Agent and the Issuer, the Servicer has the right and obligation to administer the Purchased Receivables and the Loan Collateral, collect and, if necessary, enforce the Purchased Receivables and enforce the Loan Collateral and pay all proceeds to the Issuer.

Obligation of the Servicer

The Servicer will act as agent (*Beauftragter*) of the Issuer under the Servicing Agreement. The duties of the Servicer include the assumption of servicing, collection, administrative and enforcement tasks and specific duties set out in the Servicing Agreement (the "**Services**").

Under the Servicing Agreement, the Servicer will, *inter alia*:

- (a) collect any and all amounts payable, from time to time, by the Debtors under or in relation to the Loan Agreements as and when they fall due;
- (b) identify the Collections and identify the amount of such Collections;
- (c) give, on the relevant Payment Date, directions to its relevant bank from time to time as the case may be with respect to the on-payment of Collections (including Deemed Collections). If the Servicer is a different Person to the Seller, the Servicer will collect the Deemed Collections from the Seller;
- (d) endeavour to seek Recoveries due from Debtors in accordance with the Credit and Collection Policy and in particular (but without prejudice to the generality of the foregoing) exercise all enforcement measures concerning amounts due from the Debtors in accordance with the Receivables Purchase Agreement. The Issuer will reimburse BMW Bank as Servicer any costs resulting from such endeavour or exercise in respect of the enforcement. In addition, the Servicer is hereby authorised to sue any Debtor in any competent court of Germany or of any other competent jurisdiction in the Servicer's own name and for the benefit of the Issuer (*gewillkürte Prozessstandschaft*), the Issuer being obliged where necessary (i) to assist the Servicer in exercising all rights and remedies under and in connection with the

relevant Purchased Receivables, (ii) to furnish the Servicer with all necessary authorisations, consents or confirmations in such form and to such extent as required. For the purposes of (i) and (ii), the Issuer will release the Servicer from the restrictions set forth in Section 181 of the German Civil Code;

- (e) keep Records in relation to the Purchased Receivables which can be segregated from all other Records of the Servicer relating to other receivables made or serviced by such Servicer otherwise;
- (f) keep Records for all taxation purposes;
- (g) hold, subject to the Secrecy Rules and the provisions of the Data Trust Agreement, all Records relating to the Purchased Receivables in its possession in trust (*treuhänderisch*) for, and to the order of, the Issuer and co-operate with the Data Trustee, the Trustee or any other party to the Transaction to the extent required under or in connection with the collection or servicing of the Purchased Receivables and the Loan Collateral;
- (h) release on behalf of the Issuer any Loan Collateral in accordance with its Credit and Collection Policy;
- (i) enforce the Loan Collateral in accordance with the Credit and Collection Policy and apply the enforcement proceeds to the relevant secured obligations, and insofar as such enforcement proceeds are applied to Purchased Receivables and constitute Collections, pay such Collections to the Issuer into the Operating Ledger of the Issuer Account;
- (j) realise insurance claims against the relevant insurance companies, in accordance with the respective insurance policies relating to the Financed Vehicle pertaining to the Purchased Receivables administrated by the Seller in accordance with the Credit and Collection Policy, from the respective insurance companies. For the avoidance of doubt, the Servicer is not required to monitor the compliance by a Debtor with the insurance provisions and is not liable for any failure by a Debtor to comply with such provisions;
- (k) make available a Monthly Investor Report no later than on each Reporting Date to the Issuer with a copy to the Corporate Administrator, the Calculation Agent, the Paying Agent and the Trustee and, if required, rectify such Monthly Investor Reports, provided that in any event the Secrecy Rules and the provisions of the Data Trust Agreement will be observed;
- (l) assist the auditors of Bavarian Sky S.A. and provide, subject to the Secrecy Rules and the provisions of the Data Trust Agreement, information to them upon request;
- (m) promptly send Debtor Notification Event Notices to any relevant Debtors upon the occurrence of a Debtor Notification Event, or, if the Servicer fails to deliver such Debtor Notification Event Notices within five (5) Business Days after the Debtor Notification Event, each of the Issuer and the Trustee will have the right to deliver or to instruct a successor Servicer or an agent that is compatible with the Secrecy Rules to deliver on its behalf the Debtor Notification Event Notices to the relevant Debtors and any other relevant debtors to the extent known to it (in particular, comprehensive insurers (*Kaskoversicherer*), life insurer and employers);
- (n) on or about each Payment Date, update the encrypted Portfolio Information as described in the Receivables Purchase Agreement and send the updated encrypted Portfolio Information to the Issuer; and
- (o) assist the Issuer to do all such acts and execute all such documents to ensure compliance with any clearing, reporting or other obligations as may be required by the Issuer under the European Market Infrastructure Regulation (EU) No. 648/2012 (or any amended or successor provisions) in respect of any Transaction Document (including any replacement swap).

The Servicer will administer the Purchased Receivables in accordance with its respective standard procedures, set out in its Credit and Collection Policy for the administration and enforcement of its own commercial and consumer loans and related collateral, subject to the provisions of the Servicing Agreement and the Receivable Purchase Agreement. In the administration and servicing of the Purchased Receivables, the Servicer will exercise the due care and diligence of a prudent business person (*Sorgfalt eines ordentlichen Kaufmannes*) as if it was administering receivables on its own behalf. The Servicer will ensure that it has all required licences,

approvals, authorisations and consents which are necessary or desirable for the performance of its duties under the Servicing Agreement.

Pursuant to the Servicing Agreement, the Servicer will be authorised to modify the terms of a Purchased Receivable in accordance with the relevant Loan Agreement and the Credit and Collection Policy; for the avoidance of doubt, the Servicer shall not modify the cash flow or payment plan of the relevant Loan Agreement.

Use of Third Parties

The Servicer may delegate and sub-contract its duties in connection with the servicing or enforcement of the Purchased Receivables and/or foreclosure on the Loan Collateral, provided that such third party has all licences required for the performance of the servicing delegated to it, in particular any registrations required under the Act on Rendering Legal Services (*Rechtsdienstleistungsgesetz*). The Servicer is, however, not entitled to delegate or sub-contract any duties other than in connection with the servicing or enforcement of the Purchased Receivables under the Servicing Agreement, unless it has first obtained written confirmation from both the Issuer and the Trustee. The Trustee may decide to give its consent subject to a prior written notification to the Rating Agencies of such action. Prior written consent from the Issuer and the Trustee is not required in cases of urgency where otherwise Collections would be at risk and where such requirement would negatively impact the Secured Parties.

Servicing Fee and Reimbursement of Enforcement Expenses

BMW Bank as the Servicer will not receive any servicing fee. Any substitute Servicer (other than if such substitute Servicer is any Affiliate of BMW Bank) is entitled to the payment of the Servicing Fee. The Servicing Fee will be paid by the Issuer in monthly instalments on each Payment Date with respect to the immediately preceding Monthly Period in arrear.

The Servicing Fee will cover any tax including value added tax (if applicable) and all costs, expenses and other disbursements reasonably incurred in connection with the enforcement and servicing of the Outstanding Receivables (excluding, for the avoidance of doubt, Defaulted Receivables) and Loan Collateral as well as the rights and remedies of the Issuer and the other Services.

Cash Collection Arrangements

Under the terms of the Servicing Agreement, the Collections received by the Servicer in respect of a Monthly Period will be transferred on the Payment Date related to such Monthly Period into the Operating Ledger of the Issuer Account or as otherwise directed by the Issuer or the Trustee. Until such transfer and for so long as BMW Bank remains Servicer, the Servicer will be entitled to commingle the Collections and any other amount received with its own funds. All payments will be made free of all bank charges and costs as well as any tax for the recipient thereof.

Information and Regular Reporting

The Servicer will keep safe and use all reasonable endeavours to maintain Records in relation to each Purchased Receivable in computer readable form. The Servicer will notify the Issuer, the Calculation Agent, the Paying Agent, the Trustee and the Rating Agencies of its intention to adversely change its administrative or operating procedures relating to the keeping and maintaining of Records. Any such adverse change requires, prior to its implementation, the prior written consent of the Issuer and the Trustee and the prior written notification to the Rating Agencies of such adverse change. For this purpose, "**adverse change**" means a material change to the respective administrative or operative procedures that has, or could have, a negative impact on the collectability or enforceability of the Purchased Receivables.

The Servicing Agreement requires the Servicer to furnish no later than on each Reporting Date a Monthly Investor Report to the Issuer, with a copy to the Corporate Administrator, the Calculation Agent, the Paying Agent and the Trustee, provided that in any event the Secrecy Rules and the provisions of the Data Trust Agreement will be observed.

Commingling Reserve

For so long as BMW Bank remains Servicer, before the occurrence of a Servicer Termination Even and until termination pursuant to Clause 11 (*Termination*) of the Servicing Agreement, the Servicer is entitled to commingle any Collections with its own funds.

Prior to the appointment of a substitute Servicer, upon the occurrence of a Commingling Reserve Trigger Event and for so long as such event continues, the Servicer will, within fourteen (14) calendar days (the "**Performance Period**"), (i) transfer and deposit the Required Commingling Reserve Amount 1 to the Commingling Reserve Ledger or (ii) transfer and deposit the Required Commingling Reserve Amount 2 to the Commingling Reserve Ledger and transfer the received Collections to the Operating Ledger of the Issuer Account on a bi-weekly basis.

If the Servicer fails to advance such Required Commingling Reserve Amount in full or transfer the received Collections to the Operating Ledger of the Issuer Account as required above within five (5) Business Days from the last date of the Performance Period, a Debtor Notification Event will occur. For the avoidance of doubt, following the Performance Period and for so long as such Commingling Reserve Trigger Event continues, the Servicer will have the option to switch between the following options (i) and (ii), being (i) depositing the Required Commingling Reserve Amount 1 and (ii) depositing the Required Commingling Reserve Amount 2 and transferring the received Collections to the Operating Ledger of the Issuer Account on a bi-weekly basis. Such option will continue to be available to the Servicer for as long as the Commingling Reserve Trigger Event continues.

During the life of the Transaction and upon (i) the occurrence and continuance of a Commingling Reserve Trigger Event and (ii) the occurrence and continuance of a Servicer Termination Event, the amount credited to the Commingling Reserve Ledger will form part of the Available Distribution Amount and will be used to cover the potential risks in relation to commingling in respect of the Servicer under the Transaction Documents.

On each Cut-Off Date immediately preceding any Payment Date upon the occurrence of a Commingling Reserve Trigger Event and prior to the occurrence of an Enforcement Event, the Seller will calculate any Commingling Reserve Excess Amount standing to the credit of the Commingling Reserve Ledger as of any Cut-Off Date and inform on such Cut-Off Date the Servicer of such Commingling Reserve Excess Amount. The Seller will pay to the Seller on the relevant Payment Date such Commingling Reserve Excess Amount Date outside of the Pre-Enforcement Priority of Payments.

Any remaining amount standing to the credit of the Commingling Reserve Ledger, after all Debtors have redirected their payments directly to the Issuer Account or a substitute Servicer has been appointed, will be released to the Seller on the Payment Date immediately following such redirection of payments or appointment as the last item of the Pre-Enforcement Priority of Payments, using the balance credited to the Commingling Reserve Ledger and taking into account any amounts drawn from the balance credited to the Commingling Reserve Ledger as part of the Available Distribution Amount on such Payment Date.

Upon the occurrence of an Enforcement Event, the amount standing to the credit of the Commingling Reserve Ledger, will be released to the Seller as part of the last item of the Post-Enforcement Priority of Payments if all the Secured Obligations and the Trustee Claim have been fully and unconditionally discharged.

Any amount of interest earned on any balance credited to the Commingling Reserve Ledger upon the occurrence of a Commingling Reserve Trigger Event will be transferred to an account specified by the Seller on each Payment Date will be part of the Available Distribution Amount.

Termination of Loan Agreements and Enforcement

If a Debtor defaults on a Purchased Receivable, the Servicer will proceed in accordance with the Credit and Collection Policy. The Servicer will abide by the enforcement and realisation procedures as set out in the Receivables Purchase Agreement and the Servicing Agreement in conjunction with the Credit and Collection Policy. If the Loan Collateral is to be enforced, the Servicer will take such measures as (within the limits of the Credit and Collection Policy) it deems necessary in its professional discretion to realise the Loan Collateral.

The Servicer will pay the portion of the enforcement proceeds to the Issuer which have been or are to be applied to the Purchased Receivables or to which the Issuer is otherwise entitled in accordance with the Servicing Agreement.

Termination of appointment of the Servicer

Under the Servicing Agreement, the Issuer will at any time after the occurrence of a Servicer Termination Event terminate the appointment of the Servicer and designate as a successor Servicer any Person (including itself)

entitled to provide such services pursuant to applicable law and to succeed the Servicer, unless the Servicer provides the Issuer with collateral satisfactory to the Issuer to serve its claims against the Servicer.

Pursuant to the terms of the Servicing Agreement, Structured Finance Management (Luxembourg) S.A. has agreed that, upon the occurrence of a Servicer Termination Event, it will facilitate the appointment of a suitable entity with all necessary facilities available to act as successor servicer and will use reasonable efforts to ensure that such entity enters into a successor servicing agreement, the terms of which are similar to the terms of the Servicing Agreement, with the parties to the Servicing Agreement upon receipt of notice by the Servicer of the occurrence of a Servicer Termination Event.

According to the Servicing Agreement, the Servicer's collection authority is, *inter alia*, automatically terminated in the event that in respect of the Servicer an Insolvency Event has occurred or if the Servicer is prohibited to collect the Purchased Receivables pursuant to any applicable law or regulation. The occurrence of an Insolvency Event in respect of the Servicer will constitute a Debtor Notification Event.

Pursuant to the provisions of the Servicing Agreement, if a Debtor Notification Event occurs, the Servicer will promptly deliver a Debtor Notification Event Notice to the relevant Debtors. If the Servicer fails to deliver such Debtor Notification Event Notice within five (5) Business Days after the Debtor Notification Event, each of the Issuer and the Trustee will have the right to deliver or to instruct a successor Servicer or an agent that is compatible with the Secrecy Rules to deliver on its behalf the Debtor Notification Event Notice to the relevant Debtor and any other relevant debtors to the extent known to it (in particular, comprehensive insurers (*Kaskoversicherer*), life insurers and employers), provided that, subject always to the Secrecy Rules and in accordance with the terms of the Data Trust Agreement, the Data Trustee will have to, *inter alia*, at the request of the Issuer despatch the Portfolio Decryption Key to the Trustee or any successor Servicer or an agent thereof. See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Data Trust Agreement".

The Servicer is only entitled to resign as Servicer under the Servicing Agreement for good cause (*aus wichtigem Grund*).

The outgoing Servicer and the Issuer will execute such documents and take such actions as the Issuer may require for the purpose of transferring to the successor or replacement Servicer the rights and obligations of the outgoing Servicer, assumption by any successor or replacement Servicer of the specific obligations of successor or replacement Servicers under the Servicing Agreement and releasing the outgoing Servicer from its future obligations under the Servicing Agreement. Upon termination of the Servicing Agreement with respect to the Servicer and the appointment of a successor or a replacement Servicer, the Servicer will transfer to the successor Servicer or any other successor or replacement Servicer all Records and any and all related material, documentation and information which the successor Servicer may reasonably request.

Any termination of the appointment of the Servicer or of a successor or replacement Servicer will be notified by the Issuer (acting through the Corporate Administrator) to the Managers, the Rating Agencies, the Trustee, the Calculation Agent, the Interest Determination Agent, the Account Bank, the Data Trustee and the Paying Agent.

Realisation of Financed Vehicles

Notwithstanding the transfer and assignment of Loan Collateral pursuant to Clause 2 (*Offer of Receivables*) of the Receivables Purchase Agreement, the Servicer, subject to revocation by the Trustee, is entitled and obligated to realise the Loan Collateral for and on behalf of the Trustee in accordance with the terms and conditions of the Receivables Purchase Agreement, the Trust Agreement and the Servicing Agreement.

For the avoidance of doubt, BMW Bank is entitled to receive all payments on the Purchased Receivables it collects after the day on which the Servicer has finally written off the relevant Loan Agreements pertaining to such Purchase Receivables in accordance with its customary practice as applicable from time to time.

3. Subordinated Loan Agreement

Pursuant to the Subordinated Loan Agreement, a committed subordinated term loan will be made available to the Issuer by the Subordinated Lender. Pursuant to the terms of the Subordinated Loan Agreement, the Issuer will have to draw an amount of EUR 38,470,625 on or before the Issue Date, of which the Issuer will (i) fund the initial Required Cash Reserve Amount of EUR 12,820,625 as of the Issue Date; and/or (ii) purchase the Receivables as of the Issue Date. The Required Cash Reserve Amount so advanced by the Seller to the Issuer

and credited to the Cash Reserve Ledger will be used to cover losses arising as a consequence of any Purchased Receivables becoming Defaulted Receivables.

All payments of principal and interest payable by the Issuer to the Subordinated Lender will be made free and clear of, and without any withholding or deduction for or, on account of, tax (if any) applicable to the Subordinated Loan under any applicable jurisdiction, unless such withholding or deduction is required by law. If any such withholding or deduction is imposed, the Issuer will not be obliged to pay any additional or further amounts as a result thereof.

The Subordinated Loan will constitute limited recourse obligations of the Issuer in respect of its Compartment Loans 2. The Subordinated Lender will also agree under the Subordinated Loan Agreement not to take any corporate action or any legal proceedings regarding some or all of the Issuer's revenues or assets, and not to have any right to take any steps for the purpose of obtaining payment of any amounts payable to it under the Subordinated Loan Agreement by the Issuer. All of the Issuer's obligations to the Subordinated Lender will be subordinated to the Issuer's obligations in respect of the Notes. The claims of the Subordinated Lender will be secured by the Security, subject to the applicable Priority of Payments. If the net proceeds, resulting from the Security becoming enforceable in accordance with the Security Documents, are not sufficient to pay all Secured Parties, payments of all other claims ranking in priority to the Subordinated Loan will be made first in accordance with the Post-Enforcement Priority of Payments specified in Schedule 2 to the Trust Agreement and no other assets of the Issuer will be available for payment of any shortfall to the Subordinated Lender. Claims in respect of any such remaining shortfall will be extinguished.

4. Data Trust Agreement

Pursuant to the terms of the Receivables Purchase Agreement, the Seller will deliver to the Data Trustee the Portfolio Decryption Key in relation to the encrypted Portfolio Information. The Data Trust Agreement has been structured to comply with the Secrecy Rules. Pursuant to the Data Trust Agreement, the Data Trustee will keep the Portfolio Decryption Key in safe custody and will protect it against unauthorised access by third parties.

The Data Trustee will, upon written request from (as appropriate) the Issuer, the Servicer or the Trustee, release the Portfolio Decryption Key, as required and necessary to (a) the Trustee or a successor Servicer; or (b) any agent of the Trustee or the successor Servicer, always provided that such agent is compatible with the Secrecy Rules, in each case of (a) or (b) provided that at the relevant time such transfer of data complies with the then applicable rules issued by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) or any then applicable Secrecy Rules and only to the extent necessary for the collection, enforcement or realisation of any Purchased Receivable, Loan Collateral or other claims and rights under the underlying Loan Agreements or documents relating to the Loan Collateral), if (i) the Seller directs the Data Trustee in writing to do so; (ii) any of the Issuer, the Seller or the Trustee has notified the Data Trustee in writing that the appointment of the Servicer under the Servicing Agreement has been terminated; (iii) any of the Issuer, the Seller or the Trustee has notified the Data Trustee in writing that (A) knowledge of the relevant data at the time of the disclosure is necessary for the Issuer (acting through the successor Servicer referred to under (a) and (b) above) to pursue legal remedies with regard to proper legal enforcement, realisation or preservation of any Purchased Receivables or Loan Collateral or other claims and rights under the underlying Loan Agreement and (B) the prosecution of legal remedies through the Servicer to enforce, realise or preserve the Purchased Receivables or the Loan Collateral or other claims and rights under the underlying Loan Agreements (including the security interests to the Financed Vehicles) is inadequate to preserve the rights of the Issuer; or (iv) the Issuer, the Seller, or the Trustee has notified the Data Trustee in writing that a Debtor Notification Event has occurred.

If the Data Trustee is informed that an Enforcement Event has occurred and the delivery of the Portfolio Decryption Key is necessary for the collection, enforcement or realisation of the Purchased Receivables and/or the Loan Collateral in accordance with and subject to the provisions of the Trust Agreement, the Data Trustee will deliver the Portfolio Decryption Key. Pursuant to the Data Trust Agreement, the Data Trustee will fully cooperate with the Issuer, the Trustee and any of the Issuer's and the Trustee's agents that are compatible with the Secrecy Rules and will in particular use its best endeavours to ensure, subject always to the Secrecy Rules, that the Portfolio Decryption Key is duly and swiftly delivered to the Trustee or the successor Servicer or an agent thereof so that all information necessary in respect of the Debtors to permit timely Collections is available.

5. Bank Account Agreement

Pursuant to the Bank Account Agreement entered into between the Issuer, the Trustee and the Account Bank in relation to the Issuer Account and the Counterparty Downgrade Collateral Account, each of the Issuer Account and the Counterparty Downgrade Collateral Account has been opened with the Account Bank on or prior to the Issue Date. The Account Bank will comply with any written direction of the Issuer to effect a payment by debit from the Issuer Account or the Counterparty Downgrade Collateral Account, as applicable, if such direction is in writing and complies with the relevant account arrangements between the Issuer and the Account Bank and is permitted under the Bank Account Agreement.

Any amounts standing to the credit of the Issuer Account and the Counterparty Downgrade Collateral Account will bear interest as agreed between the Issuer and the Account Bank from time to time, always in accordance with the applicable provisions (if any) of the relevant account arrangements, such interest to be calculated and credited to the respective account in accordance with the Account Bank's usual procedure for crediting interest to such accounts. The interest earned on the amounts credited to the Issuer Account is part of the Available Distribution Amount or the Available Post-Enforcement Funds, as applicable.

Under the Bank Account Agreement, the Account Bank waives any first priority pledge or other lien, including its standard contract terms pledge (*AGB-Pfandrecht*), it may have with respect to the Issuer Account and the Counterparty Downgrade Collateral Account, respectively, and further waives any right it has or may acquire to combine, consolidate or merge the Issuer Account or the Counterparty Downgrade Collateral Account, respectively, with each other or any other account of the Issuer, or any other person or set-off any liabilities of the Issuer or any other person to the Account Bank and agrees that it shall not set-off or transfer any sum standing to the credit of or to be credited to the Issuer Account or the Counterparty Downgrade Collateral Account, respectively, in or towards satisfaction of any liabilities to the Account Bank of the Issuer, as the case may be, or any other person.

The Issuer will terminate the account relationship with the Account Bank within thirty (30) calendar days after the Account Bank ceases to be an Eligible Counterparty in accordance with the Bank Account Agreement.

6. Swap Agreement

The Issuer will, on or about the Issue Date, enter into a Swap Agreement with the Swap Counterparty. Under the Swap Agreement, the Issuer will hedge its interest rate exposure resulting from a fixed rate under the Purchased Receivables and floating rate interest obligations under the Notes. Under the Swap Agreement, on each Payment Date, the Issuer will owe the Swap Fixed Interest Rate applied to the Swap Notional Amount and the Swap Counterparty will pay the Swap Floating Interest Rate equal to EURIBOR per annum as determined by the Calculation Agent in respect of the Interest Period immediately preceding such Payment Date, applied to the Swap Notional Amount. Payments under the Swap Agreement will be made on a net basis by the Issuer or the Swap Counterparty depending on which party will, from time to time, owe the higher amount (the "**Swap Net Cashflow**"). In the absence of defaults or termination events under the Swap Agreement, the interest rate hedge will remain in full force until the Swap Termination Date being the earlier of (i) the Legal Final Maturity Date and (ii) the date on which the Notes are redeemed in full in accordance with the Conditions.

Pursuant to the Swap Agreement, if the Swap Counterparty ceases to be an Eligible Swap Counterparty, the Swap Counterparty will use its best endeavours, *inter alia*, to, as soon as reasonably practicable after such downgrading, and at its own cost, (i) provide eligible collateral in the form and substance in accordance with the Swap Agreement; or (ii) transfer all its rights and obligations to a replacement third party that is an Eligible Swap Counterparty; or (iii) procure another person that has the required ratings to irrevocably and unconditionally guarantee the obligations of the Swap Counterparty under the Swap Agreement.

In the event that the Swap Counterparty will post cash collateral to the Issuer, the Issuer has opened a Counterparty Downgrade Collateral Account in which the Issuer will hold such cash collateral received from the Swap Counterparty pursuant to the "mark-to-market collateral arrangement" as mentioned in item (i) of the last paragraph above. The Counterpart Downgrade Collateral Account will be interest bearing and segregated from the Issuer Account and the general cash flow of the Issuer. Amounts standing to the credit of the Counterparty Downgrade Collateral Account will not constitute Collections. Furthermore, the Issuer undertakes to the Swap Counterparty to maintain a specific account in respect of the cash collateral and such cash collateral will secure solely the payment obligations of the Swap Counterparty to the Issuer under the Swap Agreement and will not secure any obligations of the Issuer.

The Swap Agreement is governed by English law.

7. Deed of Security Assignment

Pursuant to the Deed of Security Assignment, the Issuer has granted a security interest to the Trustee in respect of all present and future rights, claims and interests which the Issuer is or becomes entitled to from or in relation to the Swap Counterparty and/or any other party pursuant to or in respect of the Swap Agreement to the Trustee as security for the payment and/or discharge on demand of all monies and liabilities due by the Issuer to the Trustee. Such security interest will secure the Secured Obligations and the Trustee Claim.

The Deed of Security Assignment is governed by English law.

8. Calculation Agency Agreement

Pursuant to the Calculation Agency Agreement, Elavon Financial Services Limited, UK Branch as the Calculation Agent is appointed by the Issuer and will act as agent of the Issuer to make and verify certain calculations in respect of the Notes.

After having made the Calculation Check and having provided the Calculation Check Notice, the Calculation Agent shall make Monthly Investor Reports publicly available through the Calculation Agent's internet website (which is currently located at www.usbank.com/abs) no later than on each Investor Reporting Date. In respect of any information posted on the Calculation Agent's internet website pursuant to Clause 5.1 of the Calculation Agency Agreement, registration may be required for access to the website and disclaimers may be posted with respect to the information posted thereon.

In addition, the Calculation Agent shall, on behalf of the Issuer, deliver the Monthly Investor Reports by email to the Trustee, the Managers, the Paying Agent, the Interest Determination Agent, the Subordinated Lender, the Servicer (and the Seller, if different), the Issuer, the Rating Agencies, True Sale International and Bloomberg.

For the avoidance of doubt, if the Servicer has not provided the Calculation Agent with the Monthly Investor Report no later than on the relevant Reporting Date and the Notes do not redeem on the immediately following Payment Date in accordance with the Conditions, the Calculation Agent shall nonetheless perform its duties to the extent possible and is obliged to publish a Monthly Investor Report. In such case, the Calculation Agent shall make the calculations on the basis of the last available Monthly Investor Report, include them in a Monthly Investor Report with respect to the relevant Payment Date and arrange for the payment of items *first to seventh* of the Pre-Enforcement Priority of Payments.

If the Calculation Agent does not receive a Monthly Investor Report for more than three months and the Debtors have been notified of the assignment of the Purchased Receivables, the Calculation Agent shall make its calculations on the basis of the amounts paid by the Debtors directly to the Issuer Account.

If (i) the Calculation Agent has not received a Monthly Investor Report and (ii) an Issuer Event of Default has occurred, the Calculation Agent shall, upon instruction of the Trustee, make its calculations on the basis of the amounts paid by the Debtors (after such Debtors have been notified of the assignment of the Purchased Receivables owed by such Debtors) directly to the Issuer Account.

The Issuer or the Servicer may terminate the appointment of the Calculation Agent (i) at any time for good cause (*aus wichtigem Grund*), or (ii) by giving 30 days' prior written notice and the Calculation Agent may only resign from its office (i) at any time for good cause (*aus wichtigem Grund*), or (ii) by giving 30 days' prior written notice, provided that, no such notice shall be effective to terminate the Calculation Agency Agreement if the termination of the obligations of the Calculation Agent thereunder would cause the rating of any Class of Notes to be downgraded or withdrawn, and provided further that at all times there shall be a Calculation Agent appointed with the required capacities.

Pursuant to the Calculation Agency Agreement, upon the termination of the Calculation Agent pursuant to the preceding paragraph, the Issuer will appoint a successor Calculation Agent, provided that until a successor Calculation Agent has agreed in writing to the Issuer and the outgoing Calculation Agent to perform obligations substantially similar to those of the outgoing Calculation Agent, the outgoing Calculation Agent will continue to

act as the Calculation Agent. The Calculation Agent will have the right to nominate a successor for appointment by the Issuer. The Issuer shall have the right to veto any nomination of a successor Calculation Agent by the resigning Calculation Agent for good cause (*aus wichtigem Grund*) or if any other Calculation Agent has been appointed by the Issuer (with the consent of the Trustee) to be the successor Calculation Agent and has accepted such appointment. In the event of any urgency, the Calculation Agent will be entitled to appoint a successor Calculation Agent acceptable to the Issuer under terms substantially similar to the terms of the Calculation Agency Agreement if the Issuer fails to appoint a successor Calculation Agent within a reasonable period of time.

9. Agency Agreement

Pursuant to the Agency Agreement, the Interest Determination Agent is appointed by the Issuer and will act as agent of the Issuer to make certain determinations in respect of the Notes and the Paying Agent is appointed by the Issuer and will act as agent of the Issuer to effect payments in respect of the Notes.

The Paying Agent will be effecting all payments in respect of the Notes required to be made by the Issuer in respect of the applicable Priority of Payments, based on information set out in the relevant Monthly Investor Report.

The functions, rights and duties of the Interest Determination Agent and the Paying Agent are set out in the Conditions. *See* "TERMS AND CONDITIONS OF THE NOTES".

10. Subscription Agreement

The Issuer, the Seller, the Trustee and the Managers have entered into a Subscription Agreement under which the Managers have agreed to subscribe and pay for the Notes, subject to certain conditions. The Managers are the beneficiaries of certain representations, warranties and undertakings of indemnification from the Seller and the Issuer. *See* "SUBSCRIPTION AND SALE".

11. Corporate Administration Agreement

Pursuant to the Corporate Administration Agreement, the Corporate Administrator provides Bavarian Sky S.A. with certain corporate and administrative functions in respect of Compartment Loans 2. Such services to Bavarian Sky S.A. include, *inter alia*, providing directors of Bavarian Sky S.A, keeping the corporate records, convening director's meetings, providing registered office facilities and suitable office accommodation, preparing and filing all statutory and annual returns, preparing the financial statements and performing certain other corporate administrative services against payment of a fee.

The claims of Bavarian Sky S.A. under the Corporate Administration Agreement have been transferred to the Trustee for security purposes pursuant to the Trust Agreement. The Corporate Administration Agreement is governed by the laws of Luxembourg.

EXPECTED MATURITY AND AVERAGE LIFE OF NOTES AND ASSUMPTIONS

Weighted Average Lives of the Notes

Weighted average life of the Notes refers to the average amount of time that will elapse (on an "act/360" basis) from the date of issuance of a Note to the date of distribution of amounts to the Noteholders distributed in reduction of principal of such Note. The weighted average life of the Notes will be influenced by, amongst other things, delinquencies and losses, as well as the rate at which the Purchased Receivables are paid, which may be in the form of scheduled amortisation, prepayments or liquidation.

The following table is prepared on the basis of certain assumptions, as described below, regarding the weighted average characteristics of the Purchased Receivables and the performance thereof.

The table assumes, among other things, that if:

- (a) the portfolio is subject to a constant annual rate of prepayment as set out under "CPR";
- (b) no Purchased Receivables are repurchased by the Seller;
- (c) the Notes are issued on the Issue Date;
- (d) the Clean-Up Call is exercised;
- (e) the Purchased Receivables are performing and no delinquencies nor defaults occur;
- (f) the relevant interest rate payable by each Debtor under the relevant Purchased Receivables;
- (g) third party expenses are assumed to be 0.05 per cent.;
- (h) the servicer fee is assumed to be 1.00 per cent.;
- (i) the fixed rate under the Swap Agreement plus the weighted margin on the Class A Notes and the Class B Notes is assumed to be 0.42 per cent.;
- (j) the Payment Date will always fall on the 20th day of a calendar month; and
- (k) the calculations are based on full Monthly Periods.

The approximate average life of the Notes, at various assumed rates of prepayment of the Purchased Receivables, would be as follows:

	CPR	Base Case	0%	5%	10%	15%	20%
Class A	WAL	1.26	1.47	1.38	1.30	1.22	1.14
	Payment Window	Sep14 - May17	Sep14 - Aug17	Sep14 - Jun17	Sep14 - May17	Sep14 - Apr17	Sep14 - Apr17
Class B	WAL	2.85	3.25	3.10	2.91	2.79	2.75
	Payment Window	May17 - Jul17	Aug17 - Jan18	Jun17 - Nov17	May17 - Aug17	Apr17 - Jun17	Apr17 - Jun17

Base Case: 12% CPR, to Clean-Up Call, 0% CDR, no delinquencies and 3% p.a. Initial excess spread

The exact average life of the Class A Notes and of the Class B Notes cannot be predicted as the actual rate at which the Purchased Receivables will be repaid and a number of other relevant factors are unknown.

The average life of the Class A Notes and of the Class B Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and the estimates above will prove in any way to be realistic and they must therefore be viewed with considerable caution.

Assumed Amortisation of the Notes

This amortisation scenario is based on the assumptions listed under "Weighted Average Lives of the Notes" above and a CPR of 12 per cent.:

Period	Pool	Amortisation	Interest	Notes	
				Class A Notes	Class B Notes
0	1,025,650,000			946,200,000	53,800,000
1	1,000,103,440	25,546,560	3,852,704	918,049,447	53,800,000
2	974,927,401	25,176,039	3,755,569	890,334,812	53,800,000
3	935,975,754	38,951,647	3,659,843	848,909,029	53,800,000
4	897,089,781	38,885,974	3,520,440	807,640,430	53,800,000
5	859,468,205	37,621,576	3,382,245	767,726,643	53,800,000
6	828,126,389	31,341,816	3,247,876	734,180,761	53,800,000
7	796,485,744	31,640,645	3,130,910	700,414,411	53,800,000
8	760,862,445	35,623,300	3,012,518	662,744,857	53,800,000
9	726,813,376	34,049,069	2,881,295	626,737,029	53,800,000
10	694,641,123	32,172,253	2,752,229	592,693,288	53,800,000
11	662,673,356	31,967,768	2,628,351	558,938,411	53,800,000
12	633,291,314	29,382,042	2,504,466	527,853,922	53,800,000
13	605,065,988	28,225,326	2,390,007	498,004,537	53,800,000
14	577,173,042	27,892,946	2,280,656	468,562,236	53,800,000
15	550,249,384	26,923,658	2,173,942	440,161,716	53,800,000
16	523,163,672	27,085,711	2,071,192	411,668,868	53,800,000
17	495,877,237	27,286,436	1,968,719	383,044,572	53,800,000
18	471,873,920	24,003,317	1,866,505	357,772,190	53,800,000
19	449,572,191	22,301,729	1,775,536	334,262,939	53,800,000
20	417,153,311	32,418,880	1,690,190	300,694,533	53,800,000
21	385,777,755	31,375,556	1,568,139	268,251,945	53,800,000
22	357,717,636	28,060,119	1,449,086	239,205,580	53,800,000
23	329,745,935	27,971,701	1,341,513	210,320,971	53,800,000
24	305,455,115	24,290,821	1,235,252	185,189,400	53,800,000
25	282,587,213	22,867,902	1,142,920	161,543,448	53,800,000
26	260,171,177	22,416,036	1,058,339	138,406,051	53,800,000
27	237,585,248	22,585,929	977,048	115,152,726	53,800,000
28	216,380,272	21,204,976	894,644	93,335,244	53,800,000
29	195,399,806	20,980,466	815,950	71,795,139	53,800,000
30	176,393,030	19,006,776	739,401	52,279,735	53,800,000
31	157,862,008	18,531,022	668,925	33,287,425	53,800,000
32	132,869,274	24,992,735	601,124	7,878,658	53,800,000
33	108,089,154	24,780,120	512,941	0	36,540,350
34	100,843,355	7,245,799	427,923	0	28,985,568
35	0	100,843,355	397,783	0	0
36	0	0	0	0	0
37	0	0	0	0	0
38	0	0	0	0	0
39	0	0	0	0	0
40	0	0	0	0	0
41	0	0	0	0	0
42	0	0	0	0	0
43	0	0	0	0	0
44	0	0	0	0	0
45	0	0	0	0	0
46	0	0	0	0	0
47	0	0	0	0	0
48	0	0	0	0	0
49	0	0	0	0	0
50	0	0	0	0	0
51	0	0	0	0	0
52	0	0	0	0	0
53	0	0	0	0	0
54	0	0	0	0	0
55	0	0	0	0	0
56	0	0	0	0	0
57	0	0	0	0	0
58	0	0	0	0	0
59	0	0	0	0	0
60	0	0	0	0	0

ELIGIBILITY CRITERIA

As of the first Cut-Off Date, the following criteria (the "**Eligibility Criteria**") must have been met by the Receivables to be eligible for Acquisition by the Issuer pursuant to the Receivables Purchase Agreement. The Eligibility Criteria constitute Appendix C to the Conditions and form an integral part of the Conditions.

A Receivable is an Eligible Receivable if it meets the following criteria:

1. The Loan Agreement under which the relevant Receivable arises as well as the Loan Collateral and the legal documents underlying such Loan Collateral are legally valid, binding and enforceable, and the relevant Receivable exists and constitutes legally valid, binding and enforceable obligations of the respective Debtor. In addition, no Loan Contract has been subject to any variation, modification, waiver or exclusion of time of any kind which in any material way adversely affects the enforceability or collectability of all or a material portion of the Receivables offered for purchase.
2. The relevant Receivable is assignable and can be transferred by way of assignment without the consent of the related Debtor.
3. The relevant Receivable has a fixed interest rate and is fully amortising through payments of constant monthly instalments (except for the first instalment and the final instalment payable under the relevant Loan Agreement which may differ from the monthly instalments payable for subsequent or previous months) which may also include a final balloon payment.
4. The relevant Receivable is denominated and payable in euro.
5. The relevant Receivable was originated in the ordinary course of business of the Seller in accordance with the Credit and Collection Policy of the Seller and is based on the applicable general lending terms of the Seller.
6. The relevant Receivable is not subject to any right of revocation (*Anfechtungsrecht*), set-off (excluding any right of set-off arising from potential repayment claims of Debtors for paid handling fees (*Bearbeitungsgebühren*)) or counterclaim or warranty claims of the Debtor and other defences (*Einwendungen und Einreden*) (irrespective of whether the Issuer knew or could have known of the existence of any such rights, claims, objections and defences).
7. The Debtor of the relevant Receivable does not hold deposits (*Einlagen*) with the Seller.
8. The Loan Agreement under which the relevant Receivable arises has not been terminated and, according to the Seller's records, the Seller has not received a termination notice.
9. The Loan Agreement under which the relevant Receivable arises has a maximum remaining term of sixty (60) months.
10. At least two (2) due Loan Instalments have been fully paid in respect of the relevant Receivable.
11. The relevant Receivable is a Receivable (including any part thereof, the related Financed Vehicle and the other Loan Collateral) to which the Seller is fully entitled, free of any rights of any third party and over which the Seller may freely dispose.
12. The relevant Receivable may be segregated and identified at any time for purposes of ownership and Loan Collateral in the electronic files of the Seller.
13. If the relevant Loan Agreement is subject to the provisions of the German Civil Code and the Introductory Act to the German Civil Code (*Einführungsgesetz zum Bürgerlichen Gesetzbuch*) on consumer financing, such Loan Agreement complies in all material respects with the requirements of such provisions, including requirements regarding instructions with respect to the Debtor's right of withdrawal (*Widerrufsrecht*) (including instructions with respect to the Debtor's right of withdrawal (*Widerrufsrecht*) in case of linked contracts (*verbundene Verträge*)) and any applicable right of withdrawal (*Widerrufsrecht*) or right to return (*Rückgaberecht*) of such Debtor with respect to the

relevant Loan Agreement, the relevant Financed Vehicle or a linked Instalment Protection Insurance has irrevocably lapsed.

14. The relevant Receivable is not overdue for more than 30 calendar days (and for the avoidance of doubt it is hereby agreed that any return of any amounts received by the Seller or the Servicer by way of direct debit (*Lastschrift*) to the relevant Debtor or intermediary credit institution because of a return of such direct debit (*Rücklastschrift*) shall not render the relevant Receivable to be an ineligible Receivable *ab initio* if, but only if, such Debtor has objected (*widersprechen*) to such direct debit within six (6) weeks of such debit), or a Defaulted Receivable or a Receivable disputed by the relevant Debtor whether by reason of any matter concerning the Financed Vehicles or by reason of any other matter or in respect of which a set-off or counterclaim is being claimed by such Debtor. No breach of any obligation under any agreement (except of the obligation to pay) of any party exists with respect to the relevant Receivable.
15. The relevant Loan Agreement is subject to, and governed by, the laws of Germany.
16. The assignment of the relevant Receivable does not violate any law or agreements (in particular with respect to consumer protection and data protection) to which the Seller is bound.
17. The relevant Loan Agreement has been entered into with a Debtor which (i) if being a corporate entity has its registered office in Germany or (ii) if being an individual has its place of residence in Germany.
18. According to the Seller's records, the relevant Receivable is due from a Debtor who is neither insolvent or bankrupt (*zahlungsunfähig*, including imminent inability to pay its debts (*drohende Zahlungsunfähigkeit*)) nor over-indebted (*überschuldet*) and against whom no proceedings for the commencement of insolvency proceedings are pending in any jurisdiction.
19. The relevant Receivable is not due from a Debtor who is either an employee or an officer of BMW Bank or of an affiliate of BMW AG.
20. The relevant Receivable together with all other Purchased Receivables does not exceed any Concentration Limit. "**Concentration Limit**" shall mean each of the following requirements:
 - (a) The sum of the Principal Balance of the Receivable and the Aggregate Principal Balances of all other Purchased Receivables owed by the Debtor owing the Receivable does not exceed EUR 1,000,000.
 - (b) The weighted average interest rate of the Receivable and all other Purchased Receivables is at least equal to 4.3% per annum.
 - (c) The Aggregate Principal Balances of all Purchased Receivables which relate to Financed Vehicles that are Used Vehicles may not exceed 60% of the Aggregate Principal Balance. "**Used Vehicle**" shall mean any Financed Vehicle which was purchased by the relevant Debtor on a date later than twelve (12) months after the date of first registration (*Tag der Erstzulassung*) of such Financed Vehicle.

PURCHASED RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA

The portfolio information presented in this Offering Circular is based on the pool as of 31 July 2014.

1. Purchased Receivables characteristics

(1) Portfolio overview

Portfolio Overview	
Cut-Off Date	31/07/2014
Current Aggregate Loan Balance (€)	1,025,649,999.60
Original Aggregate Loan Balance (€)	1,270,587,172.91
Number of Loans	66,092
Client Type (Private/Commercial)	71,62%/28,38%
Vehicle Type (New/Used)	45,58%/54,42%

(2) Distribution by original principal balance

Group in EUR	Original principal balance in EUR	Original principal balance in percent of total	Number of contracts of contracts	Number of contracts in percent of total
0.00 - 5.000,00	9,784,704.75	0.77%	2,561	3.87%
5.000,00 - 10.000,00	89,774,998.65	7.07%	11,483	17.37%
10.000,00 - 15.000,00	190,990,854.02	15.03%	15,253	23.08%
15.000,00 - 20.000,00	215,633,543.39	16.97%	12,366	18.71%
20.000,00 - 25.000,00	197,874,054.05	15.57%	8,833	13.36%
25.000,00 - 30.000,00	159,205,508.89	12.53%	5,810	8.79%
30.000,00 - 35.000,00	116,870,425.81	9.20%	3,608	5.46%
35.000,00 - 40.000,00	83,777,880.67	6.59%	2,242	3.39%
40.000,00 - 45.000,00	57,696,879.48	4.54%	1,363	2.06%
45.000,00 - 50.000,00	41,282,643.03	3.25%	870	1.32%
50.000,00 - 55.000,00	29,949,962.36	2.36%	572	0.87%
55.000,00 - 60.000,00	20,727,335.99	1.63%	361	0.55%
> 60.000,00	57,018,381.82	4.49%	770	1.17%
Total	1,270,587,172.91	100.00%	66,092	100.00%

(3) Distribution by aggregate principal loan balance

Group in EUR	Aggregate principal balance in EUR	Aggregate principal balance in percent of total	Number of contracts	Number of contracts in percent of total
0.00 - 5.000,00	24,338,309.15	2.37%	7,536	11.40%
5.000,00 - 10.000,00	122,989,401.86	11.99%	16,173	24.47%
10.000,00 - 15.000,00	182,275,374.30	17.77%	14,740	22.30%
15.000,00 - 20.000,00	180,318,246.77	17.58%	10,397	15.73%
20.000,00 - 25.000,00	152,777,082.85	14.90%	6,855	10.37%
25.000,00 - 30.000,00	114,311,459.51	11.15%	4,190	6.34%
30.000,00 - 35.000,00	82,932,726.69	8.09%	2,571	3.89%
35.000,00 - 40.000,00	54,386,762.78	5.30%	1,458	2.21%
40.000,00 - 45.000,00	36,719,029.99	3.58%	867	1.31%
45.000,00 - 50.000,00	21,921,584.16	2.14%	463	0.70%
50.000,00 - 55.000,00	15,745,358.20	1.54%	301	0.46%
55.000,00 - 60.000,00	11,606,631.48	1.13%	202	0.31%
> 60.000,00	25,328,031.86	2.47%	339	0.51%
Total	1,025,649,999.60	100.00%	66,092	100.00%

(4) *Distribution by down payment*

Down Payment	Aggregate principal balance in EUR	Aggregate principal balance in percent of total	Number of contracts	Number of contracts in percent of total
No Down Payment	278,674,124.39	27.17%	19,403	29.36%
<= 1000.00	20,701,441.65	2.02%	1,820	2.75%
1.000,01 - 2.000,00	49,841,212.02	4.86%	4,116	6.23%
2.000,01 - 3.000,00	64,226,844.61	6.26%	4,998	7.56%
3.000,01 - 4.000,00	59,376,227.22	5.79%	4,475	6.77%
4.000,01 - 5.000,00	92,123,072.95	8.98%	6,004	9.08%
5.000,01 - 6.000,00	59,654,291.53	5.82%	3,807	5.76%
6.000,01 - 7.000,00	50,945,253.20	4.97%	3,082	4.66%
7.000,01 - 8.000,00	49,220,512.99	4.80%	2,844	4.30%
8.000,01 - 9.000,00	30,111,917.92	2.94%	1,600	2.42%
9.000,01 - 10.000,00	76,523,681.03	7.46%	3,990	6.04%
10.000,01 - 11.000,00	17,885,973.96	1.74%	941	1.42%
11.000,01 - 12.000,00	22,518,062.38	2.20%	1,201	1.82%
12.000,01 - 13.000,00	17,758,190.56	1.73%	944	1.43%
13.000,01 - 14.000,00	12,936,573.65	1.26%	700	1.06%
14.000,01 - 15.000,00	34,792,475.77	3.39%	1,745	2.64%
> 15.000,00	88,360,143.77	8.62%	4,422	6.69%
Total	1,025,649,999.60	100.00%	66,092	100.00%

(5) *Distribution by borrower concentration*

Borrower	Aggregate principal balance in EUR	Aggregate principal balance in percent of total	Number of contracts	Number of contracts in percent of total
1	535,927.08	0.05%	36	0.05%
2	524,939.38	0.05%	23	0.03%
3	368,351.97	0.04%	9	0.01%
4	249,978.39	0.02%	5	0.01%
5	220,965.37	0.02%	2	0.00%
6	212,715.30	0.02%	4	0.01%
7	210,859.36	0.02%	1	0.00%
8	204,918.09	0.02%	4	0.01%
9	204,478.60	0.02%	6	0.01%
10	186,031.91	0.02%	6	0.01%
11	180,759.31	0.02%	5	0.01%
12	179,960.71	0.02%	1	0.00%
13	174,110.21	0.02%	1	0.00%
14	172,057.13	0.02%	4	0.01%
15	168,461.31	0.02%	8	0.01%
16	166,417.98	0.02%	1	0.00%
17	162,759.56	0.02%	5	0.01%
18	161,618.36	0.02%	4	0.01%
19	158,446.49	0.02%	3	0.00%
20	155,298.75	0.02%	1	0.00%
Total	4,599,055.26	0.45%	129	0.20%

In addition, the Seller states herewith that, as at the first Cut-Off Date, the Aggregate Outstanding Principal Balance of the Purchased Receivables due from:

- the largest corporate Debtor is equal to or less than the lesser of (I) 0.25% of the Aggregate Outstanding Principal Balance of all the Purchased Receivables; and (II) EUR 1,000,000;
- the ten largest corporate Debtor is equal to or less than the lesser of (I) 0.75% of the Aggregate Outstanding Principal Balance of all the Purchased Receivables; and (II) EUR 7,500,000;
- the largest individual Debtor is equal to or less than the lesser of (I) 0.25% of the Aggregate Outstanding Principal Balance of all the Purchased Receivables; and (II) EUR 500,000; and
- the largest ten individual Debtor is equal to or less than 0.60% of the Aggregate Outstanding Principal Balance of all the Purchased Receivables.

(6) *Geographical distribution*

Post code area	Aggregate principal balance in EUR	Aggregate principal balance in percent of total	Number of contracts	Number of contracts in percent of total
post code area 0	65,098,151.66	6.35%	4,017	6.08%
post code area 1	63,344,733.85	6.18%	3,989	6.04%
post code area 2	90,786,422.09	8.85%	5,936	8.98%
post code area 3	95,796,663.41	9.34%	6,457	9.77%
post code area 4	123,042,186.10	12.00%	7,946	12.02%
post code area 5	117,949,662.54	11.50%	7,729	11.69%
post code area 6	130,128,736.89	12.69%	8,067	12.21%
post code area 7	121,007,060.63	11.80%	8,086	12.23%
post code area 8	124,547,975.52	12.14%	7,820	11.83%
post code area 9	93,948,406.91	9.16%	6,045	9.15%
Total	1,025,649,999.60	100.00%	66,092	100.00%



(7) *Distribution by car type*

Car Type	Aggregate principal balance in EUR	Aggregate principal balance in percent of total	Number of contracts	Number of contracts in percent of total
New	467,507,253.30	45.58%	21,839	33.04%
Used	558,142,746.30	54.42%	44,253	66.96%
Total	1,025,649,999.60	100.00%	66,092	100.00%

(8) *Distribution by customer type*

Customer Group	Aggregate principal balance in EUR	Aggregate principal balance in percent of total	Number of contracts	Number of contracts in percent of total
Commercial	291,073,384.41	28.38%	13,283	20.10%
Private Individual	734,576,615.19	71.62%	52,809	79.90%
Total	1,025,649,999.60	100.00%	66,092	100.00%

(9) *Distribution by seasoning (in months)*

Group in months	Aggregate principal balance in EUR	Aggregate principal balance in percent of total	number of contracts	number of contracts in percent of total
<= 6	237,631,060.48	23.17%	13,264	20.07%
> 6 - <= 12	274,905,497.26	26.80%	16,271	24.62%
> 12 - <= 24	331,078,533.68	32.28%	22,808	34.51%
> 24 - <= 36	152,797,794.96	14.90%	11,174	16.91%
> 36 - <= 42	14,731,570.13	1.44%	1,277	1.93%
> 42 - <= 48	14,505,543.09	1.41%	1,298	1.96%
> 48 - <= 53	0.00	0.00%	0	0.00%
> 53	0.00	0.00%	0	0.00%
Total	1,025,649,999.60	100.00%	66,092	100.00%

(10) *Distribution by remaining term (in months)*

Group in months	Aggregate principal balance in EUR	Aggregate principal balance in percent of total	Number of contracts	Number of contracts in percent of total
<= 6	59,460,344.15	5.80%	5,110	7.73%
> 6 - <= 12	101,703,051.27	9.92%	8,583	12.99%
> 12 - <= 24	295,797,887.54	28.84%	21,230	32.12%
> 24 - <= 36	349,497,048.44	34.08%	19,912	30.13%
> 36 - <= 42	60,887,474.88	5.94%	3,506	5.30%
> 42 - <= 48	72,942,227.62	7.11%	3,864	5.85%
> 48 - <= 53	41,824,138.11	4.08%	1,992	3.01%
> 53	43,537,827.59	4.24%	1,895	2.87%
Total	1,025,649,999.60	100.00%	66,092	100.00%

(11) *Distribution by original term (in months)*

Group in months	Aggregate principal balance in EUR	Aggregate principal balance in percent of total	Number of contracts	Number of contracts in percent of total
<= 6	0.00	0.00%	0	0.00%
> 6 - <= 12	439,547.72	0.04%	164	0.25%
> 12 - <= 24	46,693,345.05	4.55%	5,897	8.92%
> 24 - <= 36	631,877,882.78	61.61%	39,101	59.16%
> 36 - <= 42	9,836,970.89	0.96%	912	1.38%
> 42 - <= 48	149,763,507.33	14.60%	9,861	14.92%
> 48 - <= 53	639,347.61	0.06%	44	0.07%
> 53	186,399,398.22	18.17%	10,113	15.30%
Total	1,025,649,999.60	100.00%	66,092	100.00%

(12) *Distribution by vehicle class*

Group	Aggregate principal balance in EUR	Aggregate principal balance in percent of total	number of contracts	number of contracts in percent of total
BMW 1 Series	155,621,777.86	15.17%	12,894	19.51%
BMW 2 Series	216,457.28	0.02%	8	0.01%
BMW 3 Series	220,812,200.64	21.53%	15,258	23.09%
BMW 4 Series	4,087,773.06	0.40%	110	0.17%
BMW 5 Series	155,083,420.34	15.12%	7,924	11.99%
BMW 6 Series	10,165,235.80	0.99%	288	0.44%
BMW 7 Series	20,024,172.40	1.95%	801	1.21%
BMW X1 Series	75,457,604.77	7.36%	3,897	5.90%
BMW X3 Series	80,350,951.36	7.83%	3,779	5.72%
BMW X5 Series	56,559,710.17	5.51%	2,028	3.07%
BMW X6 Series	22,298,976.29	2.17%	569	0.86%
BMW Z Series	22,868,337.71	2.23%	1,270	1.92%
MINI	103,033,014.20	10.05%	8,086	12.23%
Non BMW Group Models (incl. Motorcycles)	51,282,430.75	5.00%	4,548	6.88%
Other BMW Group (incl. Motorcycles)	47,787,936.97	4.66%	4,632	7.01%
Total	1,025,649,999.60	100.00%	66,092	100.00%

(13) *Distribution by payment type*

Distribution by Payment Type	Aggregate principal balance in EUR	Aggregate principal balance in percent of total	Number of contracts	Number of contracts in percent of total
Direct debit	1,020,033,876.09	99.45%	65,776	99.52%
Self payment	5,616,123.51	0.55%	316	0.48%
Total	1,025,649,999.60	100.00%	66,092	100.00%

(14) *Distribution by interest rates*

Distribution by Interest Rate	Current aggregate loan balance in EUR	Current aggregate loan balance in %	Number of contracts	Number of contracts in % of total
0 - <1%	1,331,545.82	0.13%	46	0.07%
1 - <2%	24,737,749.74	2.41%	1,405	2.13%
2 - <3%	83,733,315.64	8.16%	5,083	7.69%
3 - <4%	288,000,688.16	28.08%	15,974	24.17%
4 - <5%	432,246,010.52	42.14%	27,119	41.03%
5 - <6%	131,049,231.53	12.78%	9,976	15.09%
6 - <7%	45,326,985.59	4.42%	3,923	5.94%
7 - <8%	14,774,154.76	1.44%	2,057	3.11%
8 - <9%	3,356,058.61	0.33%	370	0.56%
≥ 9%	1,094,259.23	0.11%	139	0.21%
Summe	1,025,649,999.60	100.00%	66,092	100.00%

(15) *Distribution by credit type*

Distribution by Credit Type	Aggregate principal balance in EUR	Aggregate principal balance in % of total	Number of contracts	Number of contracts in % of total
Balloon	1,002,495,693.02	97.74%	61,503	93.06%
Equal Instalment Loan	23,154,306.58	2.26%	4,589	6.94%
Total	1,025,649,999.60	100.00%	66,092	100.00%

(16) *Distribution by contracts per customer*

Distribution by number of Contracts	Aggregate principal balance in EUR	Aggregate principal balance in % of total	Number of contracts	Number of contracts in % of total
1	985,772,888.94	96.11%	64,195	97.13%
2 - 4	35,967,547.65	3.51%	1,699	2.57%
5 - 7	2,073,504.18	0.20%	92	0.14%
8 - 10	648,758.64	0.06%	34	0.05%
> 10	1,187,300.19	0.12%	72	0.11%
Total	1,025,649,999.60	100.00%	66,092	100.00%

(17) *Distribution by loan to value*

Distribution by LTV	Aggregate principal balance in EUR	Aggregate principal balance in % of total	Number of contracts	Number of contracts in % of total
0 - ≤ 10	61,378.88	0.0%	35	0.1%
10 - ≤ 20	1,282,659.62	0.1%	342	0.5%
20 - ≤ 30	5,000,696.19	0.5%	933	1.4%
30 - ≤ 40	13,615,413.90	1.3%	1848	2.8%
40 - ≤ 50	29,327,596.77	2.9%	3102	4.7%
50 - ≤ 60	60,466,252.51	5.9%	5055	7.6%
60 - ≤ 70	115,025,136.77	11.2%	7848	11.9%
70 - ≤ 80	209,254,025.59	20.4%	11832	17.9%
80 - ≤ 90	246,821,239.03	24.1%	12199	18.5%
90 - ≤ 100	273,358,092.69	26.7%	17021	25.8%
>100	71,437,507.65	7.0%	5877	8.9%
Total	1,025,649,999.60	100.0%	66,092	100.0%

(18) Amortisation

This amortisation scenario of the pool as of 31 July 2014 is based on a CPR (constant rate of prepayment) of 0%, losses of 0%. The amortisation of the Purchased Receivables is subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and the estimates above will prove in any way to be realistic and they must therefore be viewed with considerable caution.

Period	Pool	Amortisation	Interest
0	1,025,650,000		
1	1,010,814,271	14,835,728	3,852,704
2	995,921,630	14,892,642	3,795,790
3	966,371,094	29,550,536	3,738,655
4	936,141,903	30,229,191	3,634,765
5	906,487,949	29,653,954	3,529,480
6	882,785,697	23,702,252	3,425,561
7	858,149,819	24,635,878	3,337,561
8	828,548,051	29,601,767	3,245,747
9	799,946,435	28,601,617	3,137,612
10	772,724,941	27,221,493	3,029,162
11	745,058,533	27,666,408	2,923,801
12	719,649,220	25,409,313	2,815,827
13	694,938,724	24,710,496	2,715,917
14	670,002,239	24,936,485	2,619,410
15	645,589,153	24,413,086	2,523,587
16	620,384,135	25,205,017	2,430,060
17	594,324,618	26,059,517	2,334,570
18	571,612,828	22,711,790	2,237,066
19	550,429,720	21,183,108	2,150,827
20	516,207,814	34,221,906	2,069,369
21	482,494,653	33,713,161	1,940,499
22	452,191,214	30,303,439	1,812,381
23	421,296,317	30,894,897	1,695,808
24	394,441,006	26,855,311	1,578,206
25	368,819,272	25,621,734	1,475,878
26	343,199,563	25,619,709	1,381,294
27	316,762,280	26,437,283	1,288,853
28	291,580,243	25,182,036	1,192,791
29	266,128,266	25,451,977	1,099,522
30	242,814,568	23,313,698	1,007,041
31	219,632,896	23,181,673	920,812
32	186,840,392	32,792,504	836,342
33	153,622,479	33,217,913	721,296
34	144,859,300	8,763,179	608,188
35	136,287,294	8,572,006	571,407
36	128,023,987	8,263,306	535,657
37	120,227,005	7,796,983	501,699
38	112,553,378	7,673,627	471,104
39	104,292,491	8,260,887	441,307
40	97,164,253	7,128,239	409,356
41	90,523,645	6,640,608	381,151
42	84,096,426	6,427,219	355,017
43	76,286,890	7,809,536	329,993
44	66,349,916	9,936,974	299,590
45	56,544,611	9,805,304	260,083
46	51,627,506	4,917,105	221,573
47	46,578,386	5,049,121	200,758
48	41,689,130	4,889,256	179,318
49	36,969,906	4,719,224	159,119
50	32,584,800	4,385,106	141,002
51	27,963,663	4,621,137	124,862
52	23,913,969	4,049,695	107,819
53	19,419,724	4,494,244	92,144
54	14,982,975	4,436,750	74,703
55	10,260,113	4,722,861	57,094
56	4,839,651	5,420,462	39,105
57	17,334	4,822,317	18,449
58	9,154	8,180	111
59	3,614	5,540	59
60	0	3,614	23

2. Historical performance data

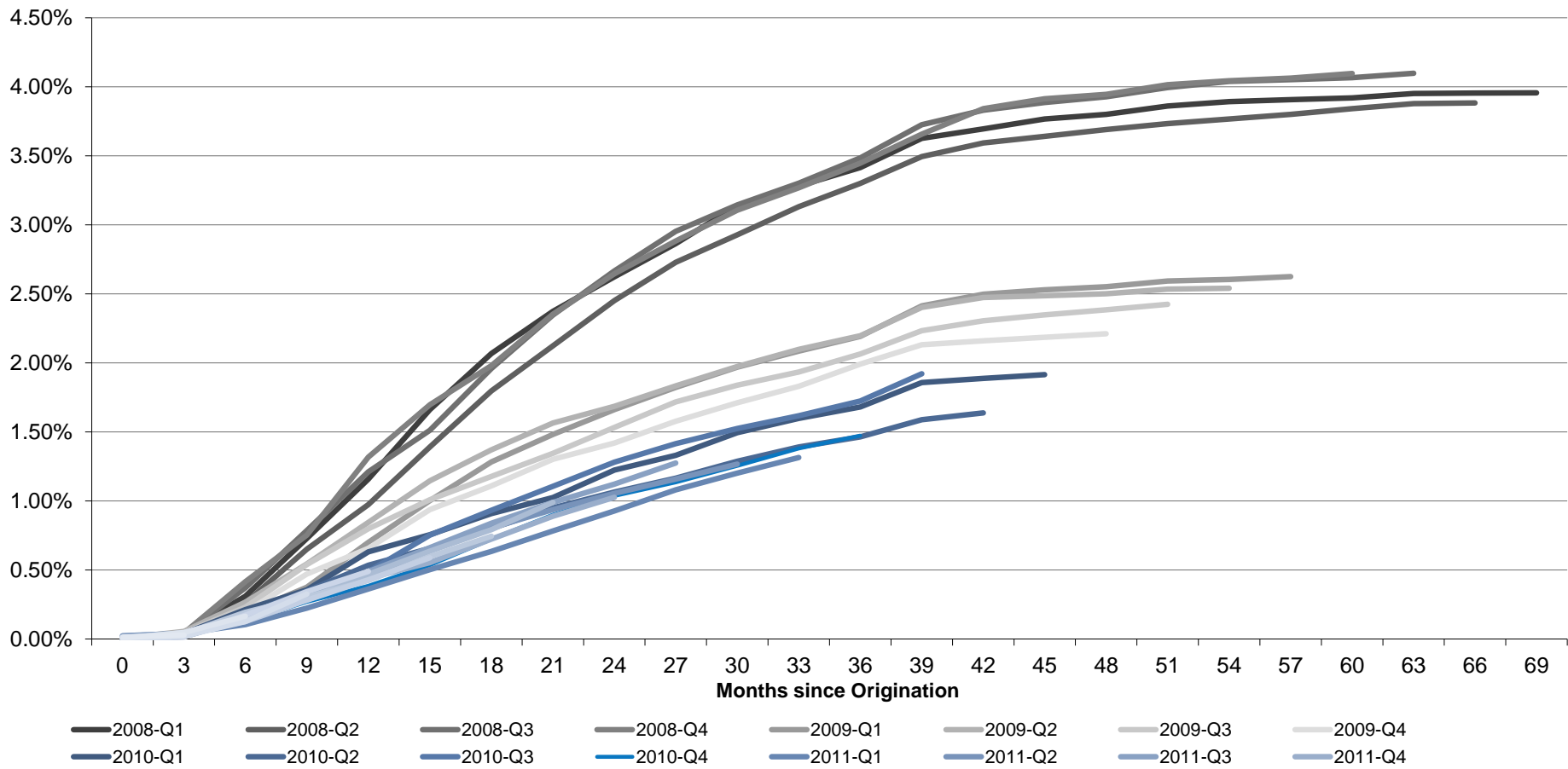
The historical performance data set out hereafter relate to the portfolio of auto loan receivables granted by the Seller.

(1) Gross loss (total portfolio)

For the purpose of the following table, for a generation of loan receivables (being all receivables originated in the same quarter), the cumulative gross losses in respect of a month are calculated on single contract data based on the following assumptions:

- (a) number of overdue principal instalments = 4, unless contract is terminated earlier (e.g. for commercial debtors) (such contracts for the purpose of these assumptions referred to as “overdue contracts”);
- (b) Amount of principal instalments between time of contract becoming an overdue contract and expiration of such contract; and
- (c) gross loss = (a) * monthly principal instalment in EUR +(b).

Quarter of Origination	Month since Origination																							
	0	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66	69
2008-Q1	0.01%	0.05%	0.31%	0.73%	1.16%	1.66%	2.07%	2.37%	2.62%	2.86%	3.14%	3.28%	3.41%	3.63%	3.69%	3.77%	3.80%	3.86%	3.89%	3.91%	3.92%	3.95%	3.95%	3.96%
2008-Q2	0.00%	0.04%	0.26%	0.65%	0.97%	1.39%	1.80%	2.12%	2.45%	2.73%	2.93%	3.13%	3.30%	3.49%	3.59%	3.64%	3.69%	3.73%	3.77%	3.80%	3.84%	3.88%	3.88%	
2008-Q3	0.00%	0.04%	0.37%	0.79%	1.21%	1.51%	1.96%	2.35%	2.67%	2.95%	3.14%	3.30%	3.48%	3.72%	3.83%	3.89%	3.93%	3.99%	4.04%	4.05%	4.07%	4.10%		
2008-Q4	0.00%	0.04%	0.41%	0.75%	1.32%	1.70%	1.98%	2.35%	2.65%	2.88%	3.10%	3.27%	3.45%	3.66%	3.84%	3.91%	3.95%	4.01%	4.04%	4.06%	4.10%			
2009-Q1	0.00%	0.02%	0.18%	0.37%	0.70%	1.00%	1.28%	1.48%	1.66%	1.82%	1.97%	2.09%	2.19%	2.41%	2.50%	2.53%	2.55%	2.59%	2.60%	2.62%				
2009-Q2	0.00%	0.05%	0.27%	0.54%	0.84%	1.14%	1.37%	1.56%	1.68%	1.83%	1.97%	2.10%	2.20%	2.40%	2.47%	2.49%	2.50%	2.53%	2.54%					
2009-Q3	0.00%	0.04%	0.23%	0.54%	0.80%	1.01%	1.18%	1.34%	1.53%	1.72%	1.84%	1.93%	2.06%	2.23%	2.30%	2.35%	2.38%	2.42%						
2009-Q4	0.01%	0.02%	0.20%	0.47%	0.66%	0.94%	1.11%	1.30%	1.42%	1.58%	1.71%	1.83%	1.99%	2.13%	2.16%	2.18%	2.21%							
2010-Q1	0.00%	0.04%	0.21%	0.36%	0.63%	0.75%	0.91%	1.02%	1.22%	1.33%	1.49%	1.60%	1.68%	1.86%	1.89%	1.91%								
2010-Q2	0.00%	0.03%	0.18%	0.35%	0.53%	0.66%	0.80%	0.95%	1.06%	1.16%	1.29%	1.39%	1.46%	1.59%	1.64%									
2010-Q3	0.00%	0.04%	0.13%	0.28%	0.49%	0.75%	0.93%	1.11%	1.28%	1.41%	1.52%	1.62%	1.72%	1.92%										
2010-Q4	0.00%	0.05%	0.13%	0.27%	0.38%	0.53%	0.72%	0.90%	1.04%	1.13%	1.25%	1.38%	1.47%											
2011-Q1	0.02%	0.04%	0.10%	0.22%	0.36%	0.50%	0.63%	0.78%	0.93%	1.08%	1.20%	1.31%												
2011-Q2	0.00%	0.02%	0.14%	0.31%	0.45%	0.64%	0.80%	0.94%	1.05%	1.16%	1.27%													
2011-Q3	0.02%	0.04%	0.17%	0.33%	0.49%	0.66%	0.84%	0.99%	1.12%	1.27%														
2011-Q4	0.01%	0.02%	0.17%	0.28%	0.44%	0.55%	0.72%	0.89%	1.02%															
2012-Q1	0.00%	0.03%	0.14%	0.29%	0.47%	0.64%	0.79%	0.99%																
2012-Q2	0.01%	0.04%	0.19%	0.30%	0.42%	0.60%	0.74%																	
2012-Q3	0.01%	0.04%	0.13%	0.28%	0.43%	0.59%																		
2012-Q4	0.00%	0.01%	0.17%	0.34%	0.49%																			
2013-Q1	0.00%	0.02%	0.13%	0.32%																				
2013-Q2	0.00%	0.05%	0.16%																					
2013-Q3	0.01%	0.03%																						
2013-Q4	0.00%																							

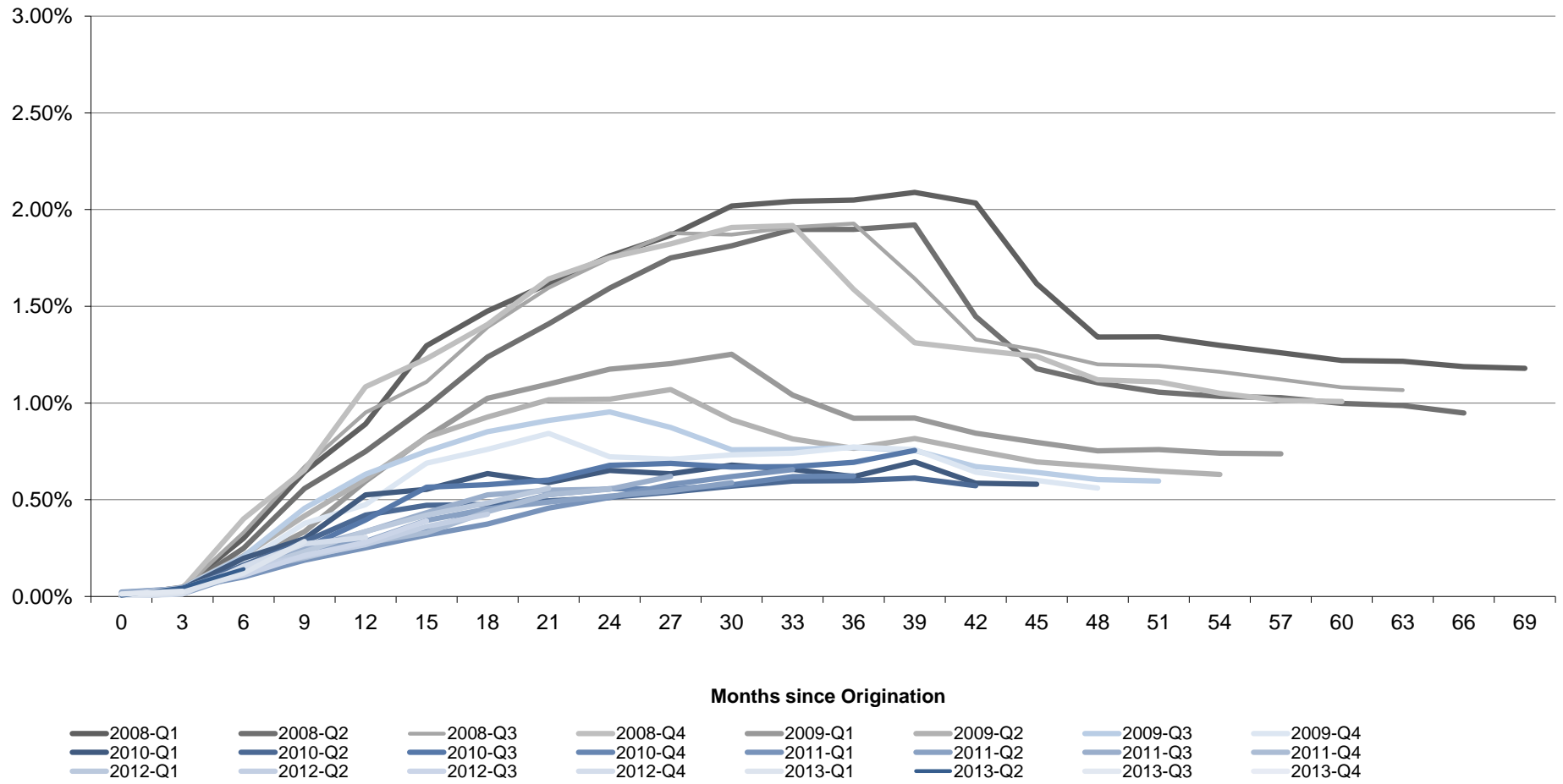


(2) *Net loss (total portfolio)*

For the purpose of the following table, for a generation of loan receivables (being all receivables originated in the same quarter), the cumulative net losses in respect of a month are calculated on single contract data based on the following assumptions:

- (a) number of overdue principal instalments = 4, unless contract is terminated earlier (e.g. for commercial debtors) (such contracts for the purpose of these assumptions referred to as “overdue contracts”);
- (b) Amount of principal instalments between time of contract becoming an overdue contract and expiration of such contract;
- (c) gross loss = (a) * monthly principal instalment in EUR + (b); and
- (d) net loss = gross loss less all principal payments received on any overdue contract.

Quarter of Origination	Month since Origination																							
	0	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66	69
2008-Q1	0.01%	0.05%	0.30%	0.64%	0.89%	1.30%	1.48%	1.62%	1.76%	1.87%	2.02%	2.04%	2.05%	2.09%	2.03%	1.62%	1.34%	1.34%	1.30%	1.26%	1.22%	1.22%	1.19%	1.18%
2008-Q2	0.00%	0.04%	0.25%	0.56%	0.75%	0.98%	1.24%	1.41%	1.59%	1.75%	1.81%	1.90%	1.90%	1.92%	1.45%	1.18%	1.11%	1.06%	1.03%	1.03%	1.00%	0.99%	0.95%	
2008-Q3	0.00%	0.04%	0.33%	0.67%	0.95%	1.11%	1.39%	1.60%	1.75%	1.88%	1.87%	1.91%	1.93%	1.64%	1.33%	1.27%	1.20%	1.19%	1.16%	1.12%	1.08%	1.07%		
2008-Q4	0.00%	0.04%	0.40%	0.65%	1.08%	1.23%	1.41%	1.64%	1.75%	1.82%	1.91%	1.92%	1.59%	1.31%	1.28%	1.24%	1.12%	1.11%	1.05%	1.01%	1.01%			
2009-Q1	0.00%	0.02%	0.17%	0.33%	0.60%	0.82%	1.02%	1.10%	1.18%	1.20%	1.25%	1.04%	0.92%	0.92%	0.84%	0.80%	0.75%	0.76%	0.74%	0.74%				
2009-Q2	0.00%	0.05%	0.21%	0.42%	0.61%	0.82%	0.93%	1.02%	1.02%	1.07%	0.91%	0.81%	0.77%	0.82%	0.75%	0.70%	0.67%	0.65%	0.63%					
2009-Q3	0.00%	0.04%	0.21%	0.46%	0.63%	0.75%	0.85%	0.91%	0.95%	0.87%	0.76%	0.76%	0.77%	0.75%	0.67%	0.64%	0.60%	0.60%						
2009-Q4	0.01%	0.02%	0.18%	0.38%	0.47%	0.69%	0.76%	0.84%	0.72%	0.71%	0.73%	0.74%	0.77%	0.76%	0.64%	0.60%	0.56%							
2010-Q1	0.00%	0.04%	0.20%	0.30%	0.52%	0.55%	0.63%	0.59%	0.65%	0.63%	0.68%	0.66%	0.62%	0.70%	0.59%	0.58%								
2010-Q2	0.00%	0.03%	0.16%	0.28%	0.42%	0.47%	0.48%	0.49%	0.51%	0.54%	0.57%	0.60%	0.60%	0.61%	0.57%									
2010-Q3	0.00%	0.04%	0.11%	0.25%	0.39%	0.56%	0.58%	0.60%	0.68%	0.69%	0.67%	0.67%	0.69%	0.75%										
2010-Q4	0.00%	0.05%	0.12%	0.23%	0.28%	0.35%	0.45%	0.53%	0.56%	0.55%	0.58%	0.62%	0.62%											
2011-Q1	0.02%	0.04%	0.10%	0.19%	0.25%	0.32%	0.37%	0.46%	0.51%	0.58%	0.62%	0.66%												
2011-Q2	0.00%	0.01%	0.12%	0.25%	0.28%	0.39%	0.45%	0.49%	0.52%	0.55%	0.59%													
2011-Q3	0.02%	0.04%	0.15%	0.25%	0.33%	0.43%	0.53%	0.55%	0.55%	0.62%														
2011-Q4	0.01%	0.01%	0.14%	0.20%	0.28%	0.33%	0.44%	0.53%	0.56%															
2012-Q1	0.00%	0.03%	0.13%	0.23%	0.34%	0.42%	0.48%	0.56%																
2012-Q2	0.01%	0.03%	0.15%	0.21%	0.27%	0.36%	0.42%																	
2012-Q3	0.01%	0.04%	0.11%	0.21%	0.28%	0.39%																		
2012-Q4	0.00%	0.01%	0.16%	0.27%	0.31%																			
2013-Q1	0.00%	0.02%	0.12%	0.28%																				
2013-Q2	0.00%	0.05%	0.14%																					
2013-Q3	0.01%	0.03%																						
2013-Q4	0.00%																							

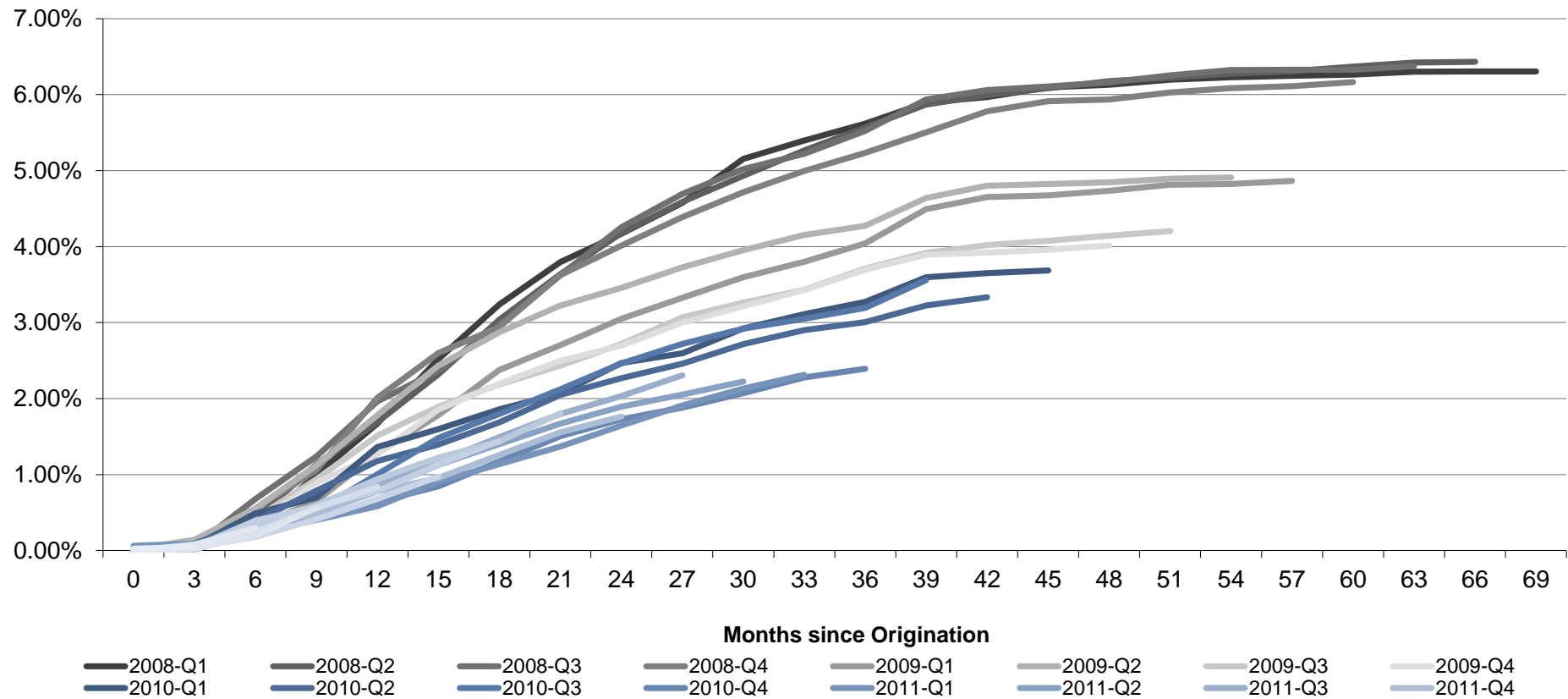


(3) Gross loss (commercial Debtors)

For the purpose of the following table, for a generation of loan receivables (being all receivables originated in the same quarter), the cumulative gross losses in respect of a month are calculated on single contract data based on the following assumptions:

- (a) number of overdue principal instalments = 4, unless contract is terminated earlier (e.g. for commercial debtors) (such contracts for the purpose of these assumptions referred to as “overdue contracts”);
- (b) Amount of principal instalments between time of contract becoming an overdue contract and expiration of such contract; and
- (c) gross loss = (a) * monthly principal instalment in EUR +(b).

Quarter of Origination	Month since Origination																							
	0	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66	69
2008-Q1	0.00%	0.01%	0.28%	1.00%	1.67%	2.52%	3.24%	3.80%	4.17%	4.58%	5.15%	5.40%	5.62%	5.89%	5.97%	6.09%	6.13%	6.20%	6.23%	6.25%	6.26%	6.30%	6.30%	6.30%
2008-Q2	0.00%	0.05%	0.41%	1.14%	1.69%	2.32%	3.04%	3.64%	4.18%	4.59%	4.93%	5.26%	5.57%	5.87%	5.99%	6.08%	6.18%	6.22%	6.27%	6.31%	6.37%	6.42%	6.43%	
2008-Q3	0.00%	0.06%	0.68%	1.24%	1.96%	2.37%	2.96%	3.62%	4.25%	4.69%	5.02%	5.22%	5.52%	5.94%	6.06%	6.11%	6.16%	6.25%	6.32%	6.33%	6.33%	6.37%		
2008-Q4	0.00%	0.07%	0.55%	1.06%	2.01%	2.60%	2.94%	3.63%	4.01%	4.39%	4.71%	5.00%	5.23%	5.50%	5.78%	5.91%	5.93%	6.03%	6.09%	6.11%	6.16%			
2009-Q1	0.00%	0.03%	0.32%	0.65%	1.28%	1.78%	2.38%	2.70%	3.05%	3.33%	3.60%	3.80%	4.04%	4.49%	4.65%	4.67%	4.73%	4.81%	4.82%	4.87%				
2009-Q2	0.01%	0.14%	0.56%	1.12%	1.78%	2.43%	2.87%	3.22%	3.46%	3.73%	3.95%	4.15%	4.27%	4.64%	4.80%	4.82%	4.85%	4.89%	4.91%					
2009-Q3	0.00%	0.02%	0.43%	0.94%	1.51%	1.89%	2.19%	2.43%	2.72%	3.07%	3.26%	3.43%	3.71%	3.92%	4.02%	4.08%	4.14%	4.20%						
2009-Q4	0.00%	0.01%	0.37%	0.89%	1.27%	1.85%	2.20%	2.50%	2.70%	3.00%	3.22%	3.43%	3.69%	3.89%	3.92%	3.96%	4.01%							
2010-Q1	0.00%	0.06%	0.49%	0.70%	1.36%	1.60%	1.86%	2.07%	2.47%	2.60%	2.92%	3.11%	3.27%	3.60%	3.65%	3.69%								
2010-Q2	0.00%	0.09%	0.39%	0.79%	1.18%	1.40%	1.69%	2.05%	2.27%	2.46%	2.72%	2.90%	3.01%	3.23%	3.33%									
2010-Q3	0.01%	0.07%	0.23%	0.52%	1.00%	1.48%	1.80%	2.12%	2.46%	2.72%	2.92%	3.05%	3.19%	3.56%										
2010-Q4	0.00%	0.09%	0.19%	0.43%	0.64%	0.85%	1.17%	1.51%	1.73%	1.88%	2.07%	2.28%	2.39%											
2011-Q1	0.06%	0.09%	0.24%	0.40%	0.59%	0.90%	1.14%	1.37%	1.65%	1.91%	2.13%	2.31%												
2011-Q2	0.00%	0.01%	0.27%	0.56%	0.79%	1.13%	1.40%	1.67%	1.89%	2.05%	2.23%													
2011-Q3	0.02%	0.06%	0.25%	0.52%	0.85%	1.17%	1.49%	1.80%	2.03%	2.31%														
2011-Q4	0.00%	0.01%	0.30%	0.49%	0.78%	0.96%	1.26%	1.56%	1.76%															
2012-Q1	0.00%	0.07%	0.30%	0.60%	0.94%	1.22%	1.43%	1.81%																
2012-Q2	0.01%	0.05%	0.39%	0.58%	0.79%	1.13%	1.44%																	
2012-Q3	0.00%	0.04%	0.18%	0.41%	0.68%	0.98%																		
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2013-Q1	0.00%	0.03%	0.20%	0.57%																				
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2013-Q3	0.03%	0.04%																						
2013-Q4	0.00%																							

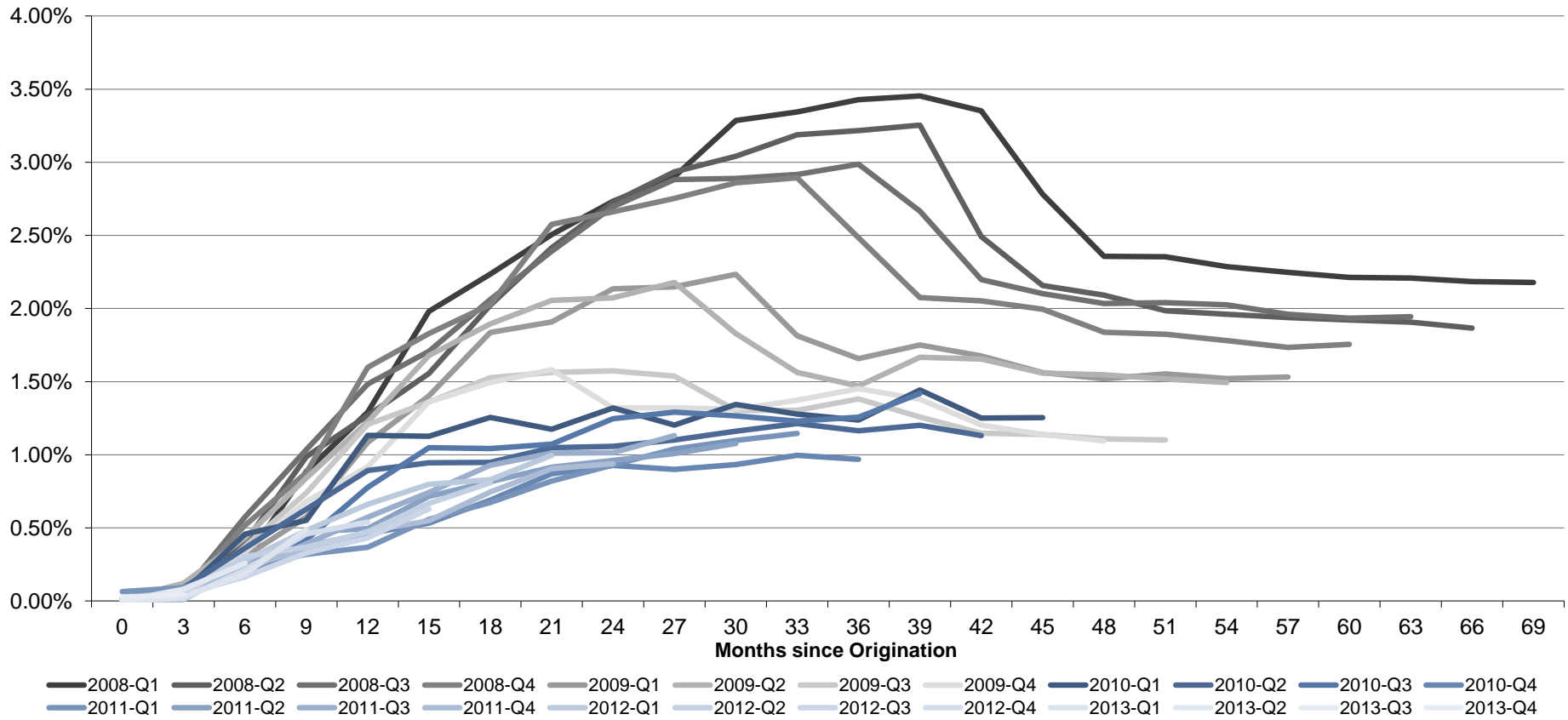


(4) Net loss (commercial Debtors)

For the purpose of the following table, for a generation of loan receivables (being all receivables originated in the same quarter), the cumulative net losses in respect of a month are calculated on single contract data based on the following assumptions:

- (a) number of overdue principal instalments = 4, unless contract is terminated earlier (e.g. for commercial debtors) (such contracts for the purpose of these assumptions referred to as “overdue contracts”);
- (b) Amount of principal instalments between time of contract becoming an overdue contract and expiration of such contract;
- (c) gross loss = (a) * monthly principal instalment in EUR + (b); and
- (d) net loss = gross loss less all principal payments received on any overdue contract.

Quarter of Origination	Month since Origination																							
	0	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66	69
2008-Q1	0.00%	0.01%	0.28%	0.89%	1.29%	1.98%	2.24%	2.50%	2.73%	2.90%	3.29%	3.34%	3.43%	3.45%	3.35%	2.78%	2.36%	2.35%	2.29%	2.25%	2.21%	2.21%	2.18%	2.18%
2008-Q2	0.00%	0.04%	0.40%	0.99%	1.27%	1.56%	2.02%	2.42%	2.73%	2.93%	3.04%	3.19%	3.22%	3.25%	2.49%	2.16%	2.09%	1.98%	1.96%	1.94%	1.92%	1.91%	1.87%	
2008-Q3	0.00%	0.06%	0.57%	1.04%	1.48%	1.71%	2.06%	2.39%	2.70%	2.88%	2.89%	2.92%	2.99%	2.67%	2.20%	2.10%	2.03%	2.04%	2.03%	1.96%	1.93%	1.94%		
2008-Q4	0.00%	0.07%	0.52%	0.88%	1.60%	1.83%	2.03%	2.58%	2.66%	2.75%	2.86%	2.89%	2.49%	2.07%	2.05%	2.00%	1.84%	1.82%	1.78%	1.73%	1.75%			
2009-Q1	0.00%	0.03%	0.30%	0.57%	1.08%	1.40%	1.84%	1.91%	2.13%	2.15%	2.23%	1.81%	1.66%	1.75%	1.68%	1.56%	1.52%	1.55%	1.52%	1.53%				
2009-Q2	0.01%	0.12%	0.43%	0.84%	1.22%	1.68%	1.89%	2.06%	2.07%	2.18%	1.83%	1.56%	1.47%	1.67%	1.65%	1.56%	1.55%	1.52%	1.49%					
2009-Q3	0.00%	0.02%	0.37%	0.74%	1.21%	1.36%	1.53%	1.56%	1.57%	1.54%	1.30%	1.30%	1.38%	1.26%	1.15%	1.14%	1.11%	1.10%						
2009-Q4	0.00%	0.01%	0.34%	0.68%	0.92%	1.36%	1.49%	1.58%	1.32%	1.32%	1.31%	1.37%	1.45%	1.38%	1.20%	1.14%	1.10%							
2010-Q1	0.00%	0.06%	0.46%	0.55%	1.13%	1.13%	1.26%	1.17%	1.32%	1.20%	1.34%	1.28%	1.24%	1.44%	1.25%	1.25%								
2010-Q2	0.00%	0.09%	0.36%	0.63%	0.89%	0.95%	0.95%	1.05%	1.06%	1.10%	1.16%	1.21%	1.16%	1.20%	1.13%									
2010-Q3	0.01%	0.07%	0.17%	0.42%	0.78%	1.05%	1.04%	1.07%	1.25%	1.29%	1.27%	1.23%	1.26%	1.42%										
2010-Q4	0.00%	0.09%	0.18%	0.38%	0.46%	0.53%	0.69%	0.87%	0.93%	0.90%	0.93%	1.00%	0.97%											
2011-Q1	0.06%	0.09%	0.23%	0.32%	0.37%	0.56%	0.67%	0.82%	0.93%	1.04%	1.10%	1.15%												
2011-Q2	0.00%	0.01%	0.24%	0.47%	0.49%	0.71%	0.82%	0.92%	0.96%	1.01%	1.08%													
2011-Q3	0.02%	0.06%	0.21%	0.39%	0.57%	0.74%	0.93%	1.01%	1.01%	1.13%														
2011-Q4	0.00%	0.01%	0.24%	0.35%	0.48%	0.55%	0.75%	0.90%	0.94%															
2012-Q1	0.00%	0.07%	0.28%	0.48%	0.66%	0.80%	0.83%	1.00%																
2012-Q2	0.01%	0.05%	0.30%	0.37%	0.47%	0.67%	0.81%																	
2012-Q3	0.00%	0.04%	0.17%	0.33%	0.43%	0.63%																		
2012-Q4	0.00%	0.02%	0.21%	0.46%	0.54%																			
2013-Q1	0.00%	0.03%	0.18%	0.49%																				
2013-Q2	0.00%	0.08%	0.26%																					
2013-Q3	0.03%	0.04%																						
2013-Q4	0.00%																							



(5) **Gross loss (private Debtors)**

For the purpose of the following table, for a generation of loan receivables (being all receivables originated in the same quarter), the cumulative gross losses in respect of a month are calculated on single contract data based on the following assumptions:

- (a) number of overdue principal instalments = 4, unless contract is terminated earlier (e.g. for commercial debtors) (such contracts for the purpose of these assumptions referred to as “overdue contracts”);
- (b) Amount of principal instalments between time of contract becoming an overdue contract and expiration of such contract; and
- (c) gross loss = (a) * monthly principal instalment in EUR +(b).

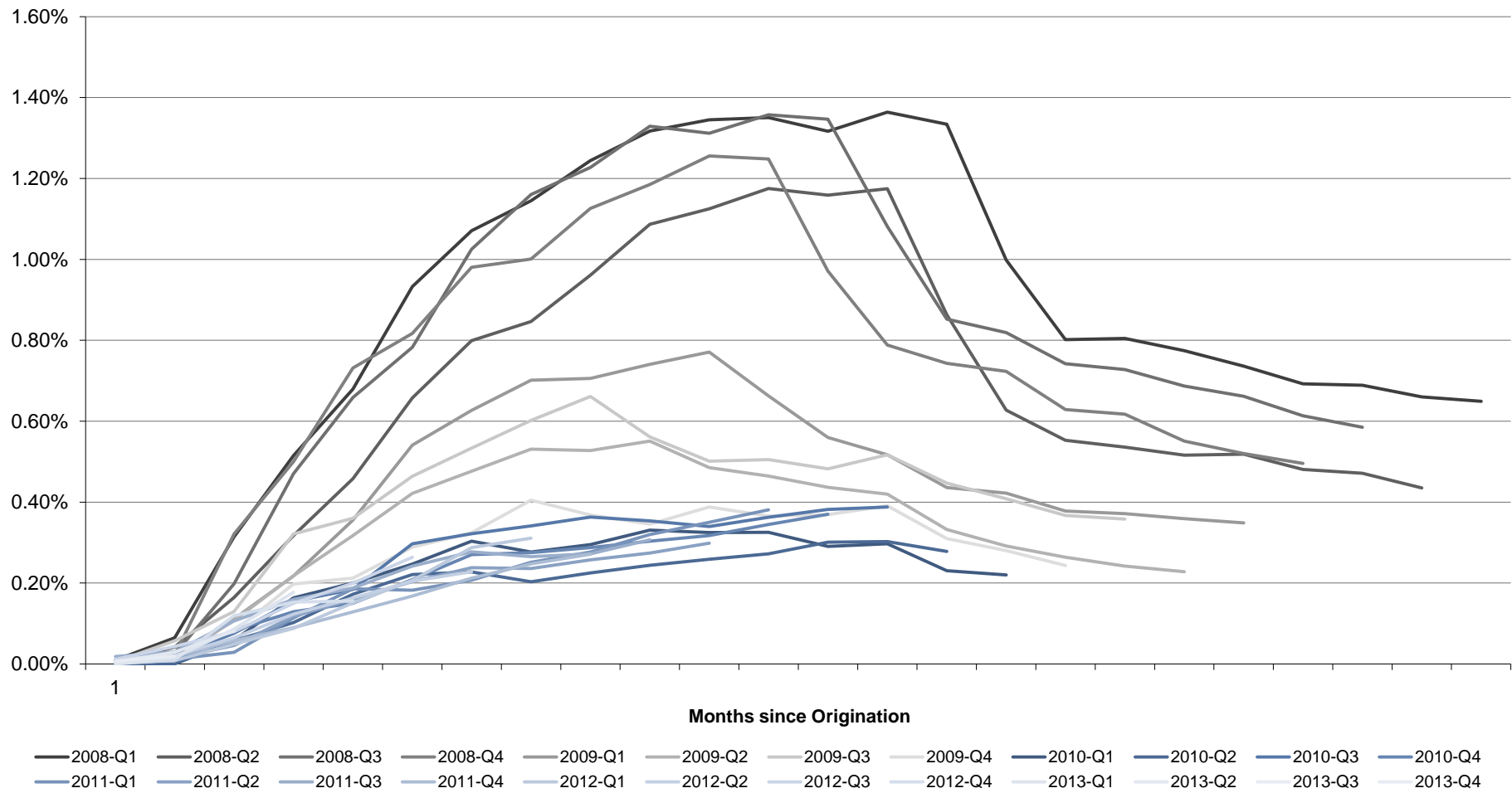
Quarter of Origination	Month since Origination																							
	0	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66	69
2008-Q1	0.01%	0.06%	0.32%	0.58%	0.89%	1.20%	1.45%	1.62%	1.80%	1.95%	2.07%	2.16%	2.24%	2.42%	2.49%	2.53%	2.56%	2.62%	2.65%	2.66%	2.67%	2.70%	2.71%	2.71%
2008-Q2	0.00%	0.04%	0.17%	0.38%	0.57%	0.87%	1.10%	1.27%	1.48%	1.69%	1.80%	1.94%	2.03%	2.16%	2.25%	2.27%	2.30%	2.34%	2.36%	2.40%	2.42%	2.45%	2.46%	
2008-Q3	0.00%	0.02%	0.20%	0.54%	0.80%	1.04%	1.41%	1.64%	1.79%	2.00%	2.11%	2.25%	2.37%	2.51%	2.61%	2.67%	2.70%	2.76%	2.79%	2.80%	2.83%	2.85%		
2008-Q4	0.00%	0.02%	0.32%	0.54%	0.84%	1.08%	1.32%	1.48%	1.71%	1.85%	2.00%	2.08%	2.22%	2.39%	2.51%	2.54%	2.58%	2.63%	2.64%	2.66%	2.68%			
2009-Q1	0.00%	0.01%	0.12%	0.24%	0.41%	0.62%	0.75%	0.88%	0.98%	1.08%	1.17%	1.25%	1.28%	1.40%	1.44%	1.48%	1.48%	1.51%	1.52%	1.53%				
2009-Q2	0.00%	0.01%	0.13%	0.27%	0.41%	0.54%	0.67%	0.79%	0.86%	0.95%	1.05%	1.14%	1.23%	1.36%	1.39%	1.39%	1.40%	1.43%	1.43%					
2009-Q3	0.01%	0.06%	0.14%	0.35%	0.46%	0.59%	0.70%	0.83%	0.97%	1.08%	1.17%	1.23%	1.29%	1.44%	1.50%	1.53%	1.56%	1.59%						
2009-Q4	0.01%	0.03%	0.10%	0.22%	0.29%	0.39%	0.46%	0.59%	0.66%	0.73%	0.82%	0.88%	0.98%	1.08%	1.11%	1.13%	1.14%							
2010-Q1	0.00%	0.03%	0.06%	0.17%	0.24%	0.30%	0.40%	0.47%	0.56%	0.65%	0.73%	0.79%	0.83%	0.93%	0.95%	0.97%								
2010-Q2	0.00%	0.00%	0.06%	0.12%	0.19%	0.27%	0.33%	0.37%	0.43%	0.48%	0.53%	0.59%	0.65%	0.73%	0.75%									
2010-Q3	0.00%	0.02%	0.07%	0.15%	0.20%	0.35%	0.45%	0.54%	0.63%	0.69%	0.75%	0.82%	0.91%	1.01%										
2010-Q4	0.00%	0.01%	0.08%	0.15%	0.20%	0.31%	0.39%	0.46%	0.53%	0.59%	0.66%	0.73%	0.80%											
2011-Q1	0.00%	0.01%	0.03%	0.12%	0.23%	0.28%	0.35%	0.45%	0.52%	0.61%	0.68%	0.75%												
2011-Q2	0.01%	0.02%	0.07%	0.16%	0.26%	0.36%	0.45%	0.50%	0.56%	0.63%	0.70%													
2011-Q3	0.02%	0.03%	0.12%	0.21%	0.26%	0.35%	0.44%	0.49%	0.56%	0.64%														
2011-Q4	0.01%	0.02%	0.07%	0.13%	0.19%	0.26%	0.33%	0.40%	0.48%															
2012-Q1	0.00%	0.01%	0.05%	0.12%	0.20%	0.30%	0.43%	0.53%																
2012-Q2	0.00%	0.03%	0.09%	0.16%	0.24%	0.32%	0.39%																	
2012-Q3	0.01%	0.04%	0.10%	0.21%	0.30%	0.38%																		
2012-Q4	0.00%	0.01%	0.12%	0.21%	0.26%																			
2013-Q1	0.00%	0.02%	0.09%	0.20%																				
2013-Q2	0.01%	0.03%	0.09%																					
2013-Q3	0.01%	0.02%																						
2013-Q4	0.00%																							

(6) Net loss (private Debtors)

For the purpose of the following table, for a generation of loan receivables (being all receivables originated in the same quarter), the cumulative net losses in respect of a month are calculated on single contract data based on the following assumptions:

- (a) number of overdue principal instalments = 4, unless contract is terminated earlier (e.g. for commercial debtors) (such contracts for the purpose of these assumptions referred to as “overdue contracts”);
- (b) Amount of principal instalments between time of contract becoming an overdue contract and expiration of such contract;
- (c) gross loss = (a) * monthly principal instalment in EUR + (b); and
- (d) net loss = gross loss less all principal payments received on any overdue contract.

Quarter of Origination	Month since Origination																							
	0	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66	69
2008-Q1	0.01%	0.06%	0.31%	0.52%	0.68%	0.93%	1.07%	1.15%	1.24%	1.32%	1.35%	1.35%	1.32%	1.36%	1.33%	1.00%	0.80%	0.80%	0.77%	0.74%	0.69%	0.69%	0.66%	0.65%
2008-Q2	0.00%	0.04%	0.16%	0.32%	0.46%	0.66%	0.80%	0.85%	0.96%	1.09%	1.12%	1.18%	1.16%	1.17%	0.86%	0.63%	0.55%	0.54%	0.52%	0.52%	0.48%	0.47%	0.43%	
2008-Q3	0.00%	0.02%	0.20%	0.47%	0.66%	0.78%	1.03%	1.16%	1.23%	1.33%	1.31%	1.36%	1.35%	1.08%	0.85%	0.82%	0.74%	0.73%	0.69%	0.66%	0.61%	0.59%		
2008-Q4	0.00%	0.02%	0.32%	0.50%	0.73%	0.82%	0.98%	1.00%	1.13%	1.18%	1.26%	1.25%	0.97%	0.79%	0.74%	0.72%	0.63%	0.62%	0.55%	0.52%	0.50%			
2009-Q1	0.00%	0.01%	0.11%	0.22%	0.36%	0.54%	0.63%	0.70%	0.71%	0.74%	0.77%	0.66%	0.56%	0.52%	0.44%	0.42%	0.38%	0.37%	0.36%	0.35%				
2009-Q2	0.00%	0.01%	0.11%	0.22%	0.32%	0.42%	0.48%	0.53%	0.53%	0.55%	0.49%	0.46%	0.44%	0.42%	0.33%	0.29%	0.26%	0.24%	0.23%					
2009-Q3	0.01%	0.06%	0.13%	0.32%	0.36%	0.46%	0.53%	0.60%	0.66%	0.56%	0.50%	0.50%	0.48%	0.52%	0.45%	0.41%	0.37%	0.36%						
2009-Q4	0.01%	0.03%	0.08%	0.20%	0.21%	0.29%	0.32%	0.40%	0.37%	0.35%	0.39%	0.37%	0.37%	0.39%	0.31%	0.28%	0.24%							
2010-Q1	0.00%	0.03%	0.06%	0.16%	0.20%	0.25%	0.30%	0.28%	0.30%	0.33%	0.32%	0.33%	0.29%	0.30%	0.23%	0.22%								
2010-Q2	0.00%	0.00%	0.06%	0.10%	0.17%	0.22%	0.23%	0.20%	0.23%	0.24%	0.26%	0.27%	0.30%	0.30%	0.28%									
2010-Q3	0.00%	0.02%	0.08%	0.15%	0.18%	0.30%	0.32%	0.34%	0.36%	0.35%	0.34%	0.36%	0.38%	0.39%										
2010-Q4	0.00%	0.01%	0.08%	0.13%	0.15%	0.21%	0.27%	0.27%	0.29%	0.30%	0.32%	0.34%	0.37%											
2011-Q1	0.00%	0.01%	0.03%	0.11%	0.19%	0.18%	0.21%	0.25%	0.28%	0.32%	0.35%	0.38%												
2011-Q2	0.01%	0.01%	0.05%	0.12%	0.16%	0.20%	0.24%	0.24%	0.26%	0.27%	0.30%													
2011-Q3	0.02%	0.03%	0.11%	0.16%	0.19%	0.24%	0.28%	0.27%	0.27%	0.31%														
2011-Q4	0.01%	0.02%	0.06%	0.09%	0.13%	0.17%	0.21%	0.25%	0.27%															
2012-Q1	0.00%	0.01%	0.05%	0.09%	0.15%	0.21%	0.29%	0.31%																
2012-Q2	0.00%	0.02%	0.06%	0.12%	0.16%	0.20%	0.23%																	
2012-Q3	0.01%	0.04%	0.08%	0.15%	0.20%	0.26%																		
2012-Q4	0.00%	0.01%	0.12%	0.15%	0.16%																			
2013-Q1	0.00%	0.02%	0.09%	0.18%																				
2013-Q2	0.01%	0.03%	0.08%																					
2013-Q3	0.01%	0.02%																						
2013-Q4	0.00%																							

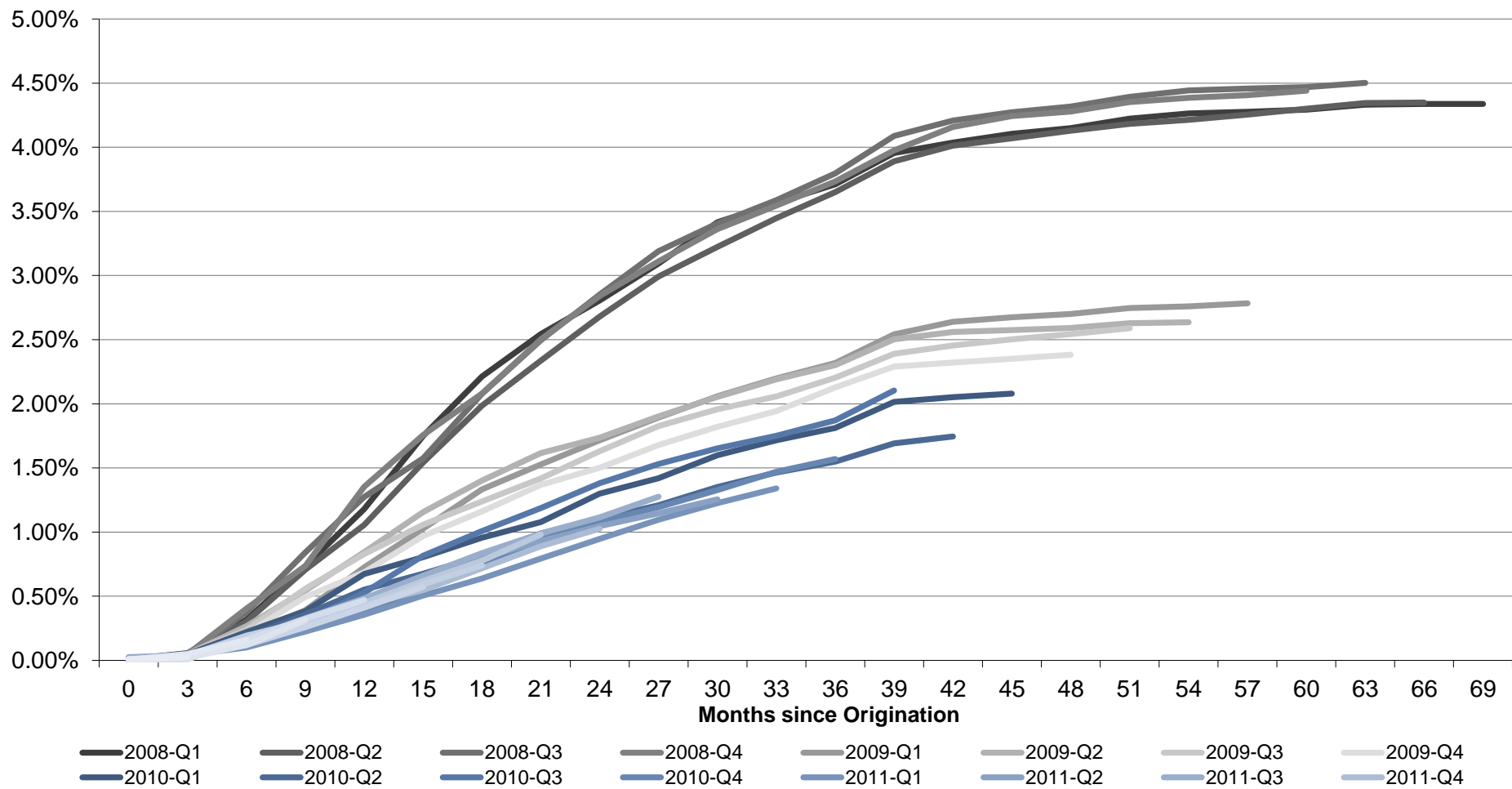


(7) Gross loss (contracts with balloon payments)

For the purpose of the following table, for a generation of loan receivables (being all receivables originated in the same quarter), the cumulative gross losses in respect of a month are calculated on single contract data based on the following assumptions:

- (a) number of overdue principal instalments = 4, unless contract is terminated earlier (e.g. for commercial debtors) (such contracts for the purpose of these assumptions referred to as “overdue contracts”);
- (b) Amount of principal instalments between time of contract becoming an overdue contract and expiration of such contract; and
- (c) gross loss = (a) * monthly principal instalment in EUR +(b).

Quarter of Origination	Month since Origination																							
	0	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66	69
2008-Q1	0.01%	0.06%	0.32%	0.73%	1.18%	1.75%	2.21%	2.54%	2.81%	3.09%	3.42%	3.57%	3.71%	3.96%	4.04%	4.11%	4.15%	4.22%	4.26%	4.28%	4.29%	4.33%	4.34%	4.34%
2008-Q2	0.00%	0.05%	0.30%	0.71%	1.06%	1.54%	1.99%	2.34%	2.68%	2.99%	3.22%	3.45%	3.65%	3.89%	4.01%	4.07%	4.13%	4.18%	4.21%	4.25%	4.30%	4.35%	4.35%	
2008-Q3	0.00%	0.04%	0.38%	0.84%	1.27%	1.57%	2.08%	2.50%	2.85%	3.19%	3.41%	3.59%	3.80%	4.09%	4.21%	4.27%	4.32%	4.39%	4.44%	4.46%	4.47%	4.50%		
2008-Q4	0.00%	0.05%	0.40%	0.74%	1.35%	1.76%	2.08%	2.50%	2.84%	3.11%	3.36%	3.54%	3.73%	3.98%	4.16%	4.24%	4.28%	4.35%	4.39%	4.41%	4.44%			
2009-Q1	0.00%	0.02%	0.20%	0.39%	0.73%	1.03%	1.33%	1.53%	1.72%	1.89%	2.06%	2.20%	2.32%	2.54%	2.64%	2.68%	2.70%	2.75%	2.76%	2.78%				
2009-Q2	0.00%	0.05%	0.27%	0.54%	0.84%	1.16%	1.40%	1.62%	1.74%	1.90%	2.05%	2.19%	2.30%	2.50%	2.56%	2.57%	2.59%	2.63%	2.64%					
2009-Q3	0.00%	0.05%	0.24%	0.56%	0.83%	1.06%	1.24%	1.42%	1.63%	1.83%	1.96%	2.06%	2.20%	2.39%	2.45%	2.50%	2.54%	2.59%						
2009-Q4	0.01%	0.02%	0.21%	0.49%	0.69%	0.97%	1.16%	1.37%	1.50%	1.68%	1.82%	1.94%	2.13%	2.29%	2.32%	2.35%	2.38%							
2010-Q1	0.00%	0.05%	0.22%	0.38%	0.67%	0.80%	0.96%	1.08%	1.30%	1.42%	1.60%	1.72%	1.81%	2.02%	2.05%	2.08%								
2010-Q2	0.00%	0.03%	0.18%	0.36%	0.55%	0.68%	0.81%	0.99%	1.10%	1.21%	1.35%	1.46%	1.55%	1.69%	1.75%									
2010-Q3	0.00%	0.04%	0.14%	0.30%	0.53%	0.82%	1.01%	1.19%	1.38%	1.53%	1.65%	1.75%	1.87%	2.10%										
2010-Q4	0.00%	0.05%	0.14%	0.27%	0.39%	0.55%	0.75%	0.94%	1.08%	1.19%	1.33%	1.47%	1.57%											
2011-Q1	0.02%	0.04%	0.10%	0.22%	0.36%	0.50%	0.64%	0.79%	0.95%	1.10%	1.23%	1.34%												
2011-Q2	0.00%	0.02%	0.14%	0.31%	0.45%	0.64%	0.79%	0.93%	1.05%	1.15%	1.26%													
2011-Q3	0.02%	0.04%	0.17%	0.33%	0.48%	0.66%	0.84%	0.99%	1.12%	1.28%														
2011-Q4	0.01%	0.02%	0.16%	0.28%	0.43%	0.55%	0.72%	0.89%	1.03%															
2012-Q1	0.00%	0.03%	0.14%	0.27%	0.45%	0.62%	0.78%	0.98%																
2012-Q2	0.01%	0.04%	0.19%	0.30%	0.42%	0.59%	0.74%																	
2012-Q3	0.01%	0.04%	0.12%	0.26%	0.41%	0.57%																		
2012-Q4	0.00%	0.01%	0.16%	0.32%	0.47%																			
2013-Q1	0.00%	0.02%	0.12%	0.31%																				
2013-Q2	0.00%	0.05%	0.16%																					
2013-Q3	0.01%	0.03%																						
2013-Q4	0.00%																							

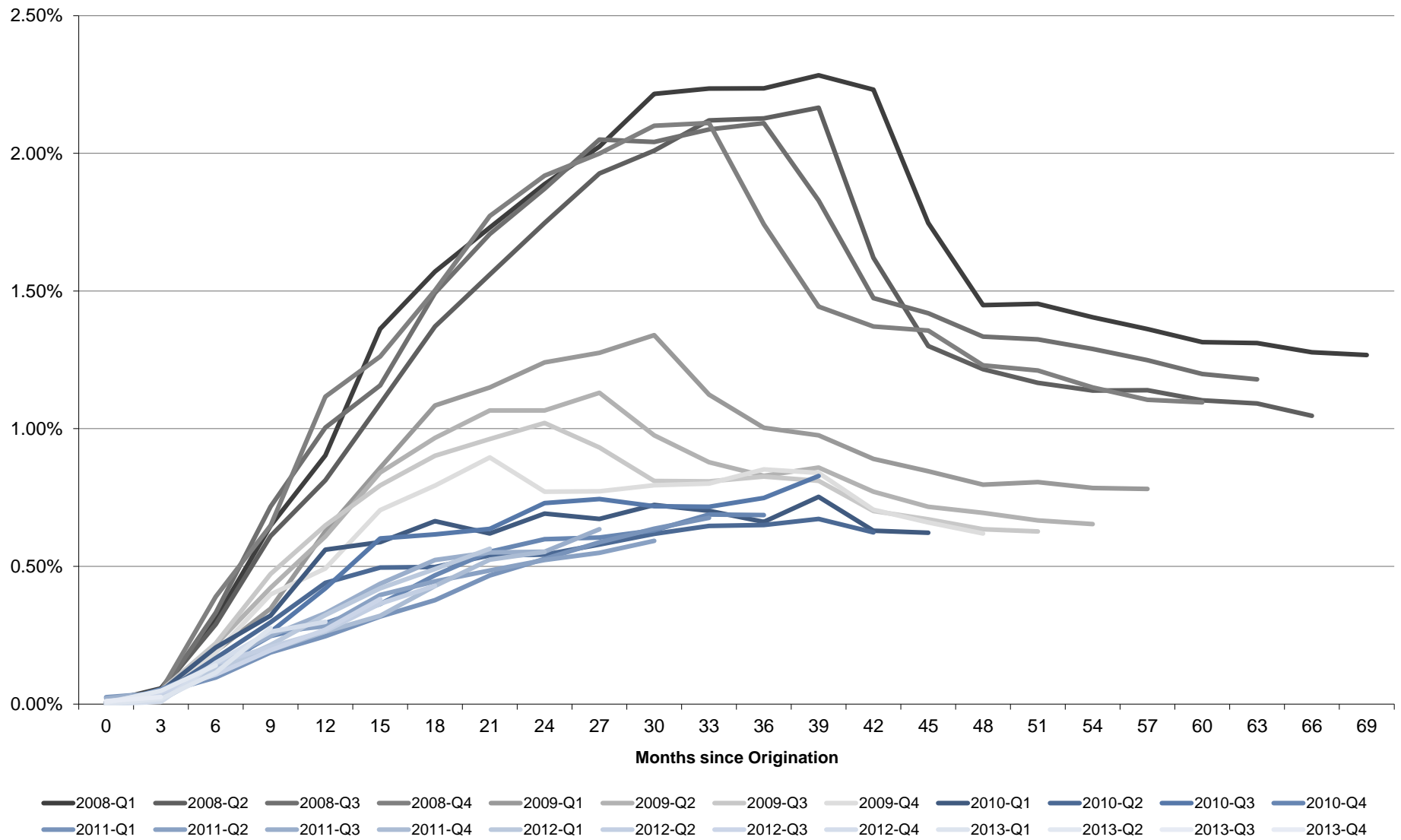


(8) *Net loss (contracts with balloon payments)*

For the purpose of the following table, for a generation of loan receivables (being all receivables originated in the same quarter), the cumulative net losses in respect of a month are calculated on single contract data based on the following assumptions:

- (a) number of overdue principal instalments = 4, unless contract is terminated earlier (e.g. for commercial debtors) (such contracts for the purpose of these assumptions referred to as “overdue contracts”);
- (b) Amount of principal instalments between time of contract becoming an overdue contract and expiration of such contract;
- (c) gross loss = (a) * monthly principal instalment in EUR + (b); and
- (d) net loss = gross loss less all principal payments received on any overdue contract.

Quarter of Origination	Month since Origination																							
	0	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66	69
2008-Q1	0.01%	0.06%	0.31%	0.65%	0.90%	1.36%	1.57%	1.73%	1.89%	2.02%	2.22%	2.24%	2.24%	2.28%	2.23%	1.75%	1.45%	1.45%	1.40%	1.36%	1.31%	1.31%	1.28%	1.27%
2008-Q2	0.00%	0.05%	0.29%	0.61%	0.81%	1.09%	1.37%	1.56%	1.75%	1.93%	2.01%	2.12%	2.13%	2.17%	1.62%	1.30%	1.22%	1.17%	1.14%	1.14%	1.10%	1.09%	1.05%	
2008-Q3	0.00%	0.04%	0.33%	0.72%	1.00%	1.16%	1.49%	1.71%	1.87%	2.05%	2.04%	2.09%	2.11%	1.83%	1.47%	1.42%	1.33%	1.32%	1.29%	1.25%	1.20%	1.18%		
2008-Q4	0.00%	0.05%	0.39%	0.65%	1.12%	1.26%	1.50%	1.77%	1.92%	2.00%	2.10%	2.11%	1.74%	1.44%	1.37%	1.36%	1.23%	1.21%	1.15%	1.11%	1.10%			
2009-Q1	0.00%	0.02%	0.19%	0.35%	0.63%	0.86%	1.08%	1.15%	1.24%	1.28%	1.34%	1.12%	1.00%	0.98%	0.89%	0.85%	0.80%	0.81%	0.78%	0.78%				
2009-Q2	0.00%	0.04%	0.22%	0.42%	0.61%	0.84%	0.97%	1.07%	1.07%	1.13%	0.98%	0.88%	0.83%	0.86%	0.77%	0.72%	0.69%	0.67%	0.65%					
2009-Q3	0.00%	0.05%	0.22%	0.47%	0.65%	0.79%	0.90%	0.96%	1.02%	0.93%	0.81%	0.81%	0.83%	0.81%	0.70%	0.67%	0.63%	0.63%						
2009-Q4	0.01%	0.02%	0.19%	0.40%	0.49%	0.70%	0.79%	0.90%	0.77%	0.77%	0.79%	0.80%	0.85%	0.84%	0.71%	0.66%	0.62%							
2010-Q1	0.00%	0.05%	0.21%	0.32%	0.56%	0.59%	0.66%	0.62%	0.69%	0.67%	0.72%	0.70%	0.66%	0.75%	0.63%	0.62%								
2010-Q2	0.00%	0.03%	0.17%	0.30%	0.44%	0.50%	0.50%	0.54%	0.54%	0.58%	0.62%	0.65%	0.65%	0.67%	0.62%									
2010-Q3	0.00%	0.04%	0.11%	0.26%	0.42%	0.60%	0.62%	0.64%	0.73%	0.74%	0.72%	0.72%	0.75%	0.83%										
2010-Q4	0.00%	0.05%	0.13%	0.25%	0.29%	0.36%	0.47%	0.55%	0.60%	0.60%	0.63%	0.69%	0.69%											
2011-Q1	0.02%	0.04%	0.10%	0.19%	0.25%	0.32%	0.38%	0.47%	0.53%	0.59%	0.64%	0.68%												
2011-Q2	0.00%	0.01%	0.12%	0.26%	0.28%	0.40%	0.45%	0.49%	0.52%	0.55%	0.59%													
2011-Q3	0.02%	0.04%	0.15%	0.25%	0.33%	0.44%	0.52%	0.55%	0.55%	0.63%														
2011-Q4	0.01%	0.02%	0.13%	0.20%	0.26%	0.32%	0.43%	0.52%	0.55%															
2012-Q1	0.00%	0.03%	0.12%	0.21%	0.32%	0.42%	0.49%	0.56%																
2012-Q2	0.01%	0.03%	0.15%	0.21%	0.26%	0.36%	0.43%																	
2012-Q3	0.01%	0.04%	0.11%	0.20%	0.27%	0.38%																		
2012-Q4	0.00%	0.01%	0.15%	0.26%	0.30%																			
2013-Q1	0.00%	0.02%	0.11%	0.28%																				
2013-Q2	0.00%	0.05%	0.14%																					
2013-Q3	0.01%	0.03%																						
2013-Q4	0.00%																							

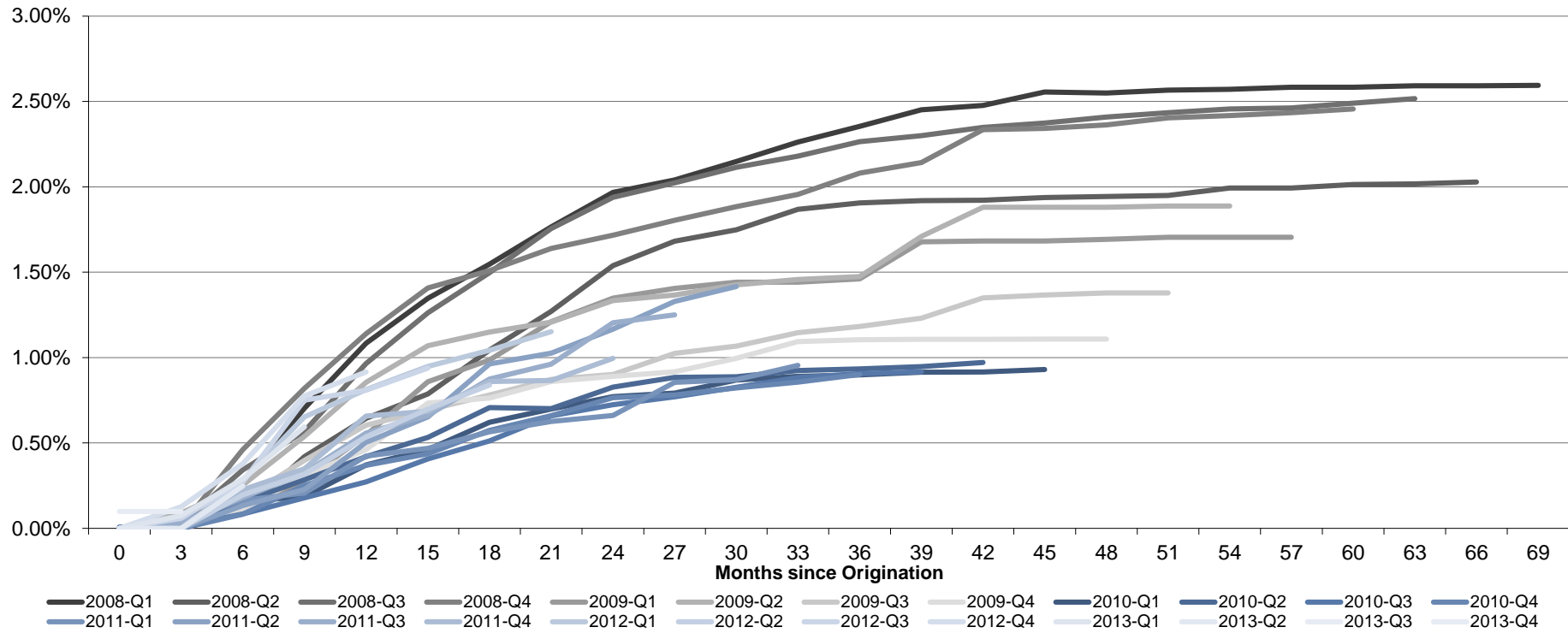


(9) Gross loss (contracts without balloon payments)

For the purpose of the following table, for a generation of loan receivables (being all receivables originated in the same quarter), the cumulative gross losses in respect of a month are calculated on single contract data based on the following assumptions:

- (a) number of overdue principal instalments = 4, unless contract is terminated earlier (e.g. for commercial debtors) (such contracts for the purpose of these assumptions referred to as “overdue contracts”);
- (b) Amount of principal instalments between time of contract becoming an overdue contract and expiration of such contract; and
- (c) gross loss = (a) * monthly principal instalment in EUR +(b).

Quarter of Origination	Month since Origination																							
	0	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66	69
2008-Q1	0.00%	0.01%	0.28%	0.70%	1.08%	1.35%	1.55%	1.76%	1.97%	2.04%	2.15%	2.26%	2.35%	2.45%	2.48%	2.56%	2.55%	2.57%	2.57%	2.58%	2.58%	2.59%	2.59%	2.59%
2008-Q2	0.00%	0.00%	0.09%	0.42%	0.64%	0.79%	1.04%	1.27%	1.54%	1.68%	1.75%	1.87%	1.91%	1.92%	1.92%	1.94%	1.94%	1.95%	1.99%	1.99%	2.01%	2.02%	2.03%	
2008-Q3	0.00%	0.03%	0.34%	0.57%	0.97%	1.26%	1.50%	1.76%	1.94%	2.02%	2.11%	2.18%	2.26%	2.30%	2.35%	2.37%	2.41%	2.43%	2.46%	2.46%	2.49%	2.52%		
2008-Q4	0.00%	0.01%	0.46%	0.82%	1.14%	1.41%	1.51%	1.64%	1.72%	1.80%	1.88%	1.96%	2.08%	2.14%	2.34%	2.34%	2.36%	2.40%	2.42%	2.43%	2.46%			
2009-Q1	0.00%	0.00%	0.09%	0.28%	0.55%	0.86%	0.99%	1.21%	1.35%	1.40%	1.44%	1.44%	1.46%	1.68%	1.68%	1.68%	1.69%	1.70%	1.70%	1.70%				
2009-Q2	0.00%	0.09%	0.25%	0.54%	0.86%	1.07%	1.15%	1.21%	1.33%	1.37%	1.43%	1.46%	1.47%	1.71%	1.88%	1.88%	1.88%	1.89%	1.89%	1.89%				
2009-Q3	0.00%	0.01%	0.17%	0.40%	0.60%	0.69%	0.78%	0.87%	0.90%	1.02%	1.07%	1.15%	1.18%	1.23%	1.35%	1.37%	1.38%	1.38%						
2009-Q4	0.00%	0.02%	0.11%	0.31%	0.46%	0.73%	0.76%	0.86%	0.89%	0.92%	1.00%	1.09%	1.10%	1.11%	1.11%	1.11%	1.11%							
2010-Q1	0.00%	0.00%	0.16%	0.19%	0.37%	0.46%	0.62%	0.70%	0.77%	0.79%	0.87%	0.89%	0.90%	0.91%	0.92%	0.93%								
2010-Q2	0.00%	0.01%	0.16%	0.28%	0.42%	0.53%	0.71%	0.70%	0.83%	0.88%	0.89%	0.92%	0.93%	0.95%	0.97%									
2010-Q3	0.01%	0.01%	0.08%	0.18%	0.27%	0.41%	0.51%	0.66%	0.72%	0.77%	0.83%	0.88%	0.91%	0.92%										
2010-Q4	0.00%	0.00%	0.08%	0.25%	0.37%	0.44%	0.57%	0.66%	0.77%	0.78%	0.82%	0.86%	0.90%											
2011-Q1	0.00%	0.05%	0.16%	0.21%	0.42%	0.47%	0.57%	0.63%	0.66%	0.86%	0.87%	0.95%												
2011-Q2	0.00%	0.00%	0.13%	0.23%	0.50%	0.65%	0.96%	1.03%	1.17%	1.33%	1.42%													
2011-Q3	0.00%	0.03%	0.18%	0.32%	0.56%	0.66%	0.87%	0.96%	1.20%	1.25%														
2011-Q4	0.00%	0.00%	0.23%	0.35%	0.66%	0.69%	0.86%	0.87%	1.00%															
2012-Q1	0.00%	0.00%	0.28%	0.65%	0.81%	0.95%	1.04%	1.15%																
2012-Q2	0.00%	0.00%	0.20%	0.32%	0.54%	0.70%	0.84%																	
2012-Q3	0.00%	0.06%	0.27%	0.75%	0.81%	0.94%																		
2012-Q4	0.00%	0.13%	0.38%	0.78%	0.92%																			
2013-Q1	0.00%	0.07%	0.29%	0.59%																				
2013-Q2	0.00%	0.00%	0.25%																					
2013-Q3	0.10%	0.10%																						
2013-Q4	0.00%																							

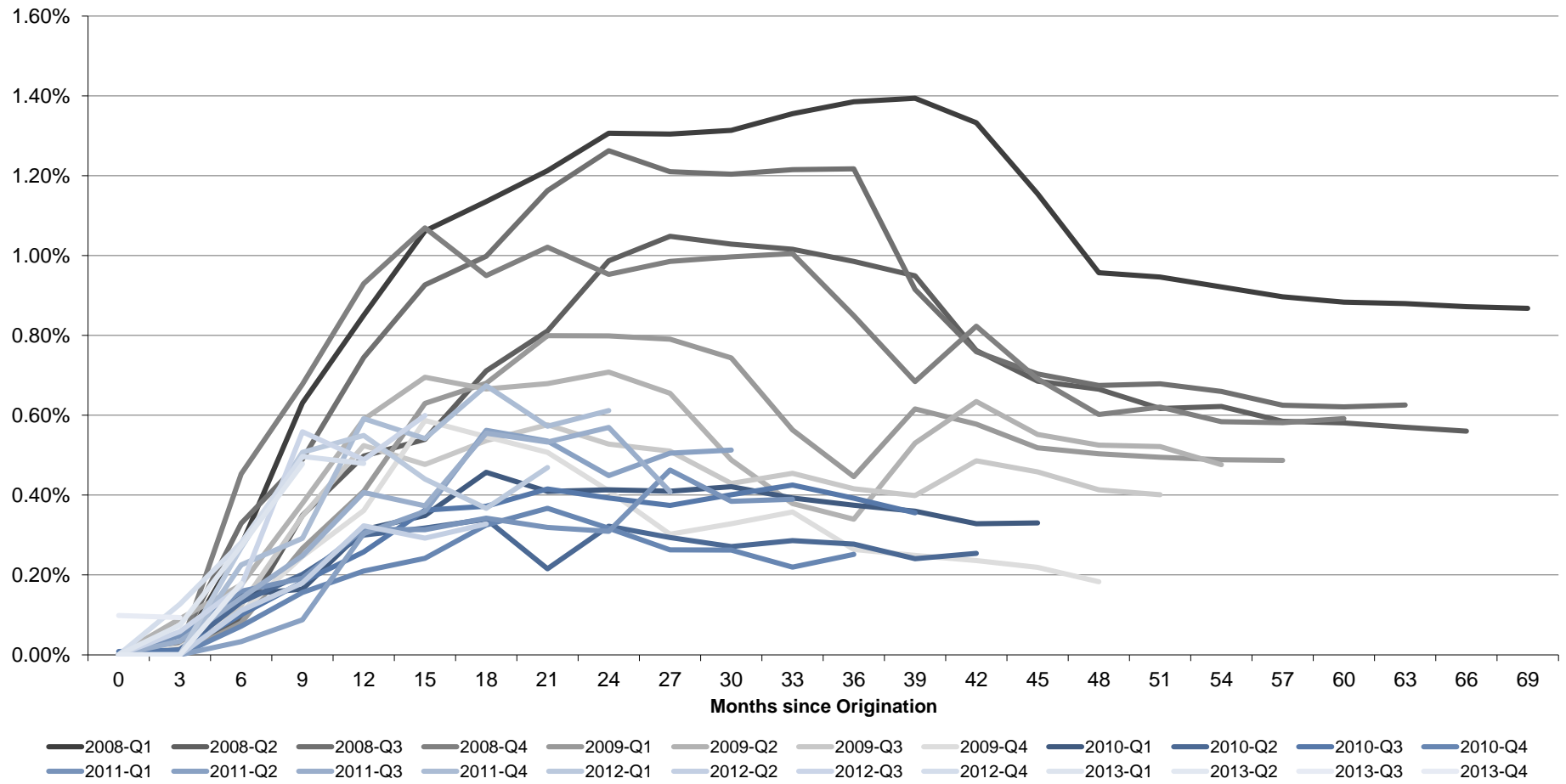


(10) Net loss (contracts without balloon payments)

For the purpose of the following table, for a generation of loan receivables (being all receivables originated in the same quarter), the cumulative net losses in respect of a month are calculated on single contract data based on the following assumptions:

- (a) number of overdue principal instalments = 4, unless contract is terminated earlier (e.g. for commercial debtors) (such contracts for the purpose of these assumptions referred to as “overdue contracts”);
- (b) Amount of principal instalments between time of contract becoming an overdue contract and expiration of such contract;
- (c) gross loss = (a) * monthly principal instalment in EUR + (b); and
- (d) net loss = gross loss less all principal payments received on any overdue contract.

Quarter of Origination	Month since Origination																							
	0	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66	69
2008-Q1	0.00%	0.01%	0.27%	0.63%	0.85%	1.06%	1.14%	1.21%	1.31%	1.30%	1.31%	1.36%	1.39%	1.39%	1.33%	1.15%	0.96%	0.95%	0.92%	0.90%	0.88%	0.88%	0.87%	0.87%
2008-Q2	0.00%	0.00%	0.09%	0.35%	0.50%	0.54%	0.71%	0.81%	0.99%	1.05%	1.03%	1.02%	0.99%	0.95%	0.76%	0.69%	0.67%	0.62%	0.62%	0.58%	0.58%	0.57%	0.56%	
2008-Q3	0.00%	0.03%	0.33%	0.49%	0.74%	0.93%	1.00%	1.16%	1.26%	1.21%	1.20%	1.22%	1.22%	0.92%	0.76%	0.70%	0.67%	0.68%	0.66%	0.63%	0.62%	0.63%		
2008-Q4	0.00%	0.01%	0.45%	0.68%	0.93%	1.07%	0.95%	1.02%	0.95%	0.99%	1.00%	1.01%	0.85%	0.68%	0.82%	0.69%	0.60%	0.62%	0.58%	0.58%	0.59%			
2009-Q1	0.00%	0.00%	0.08%	0.27%	0.41%	0.63%	0.68%	0.80%	0.80%	0.79%	0.74%	0.56%	0.45%	0.62%	0.58%	0.52%	0.50%	0.49%	0.49%	0.49%				
2009-Q2	0.00%	0.09%	0.18%	0.38%	0.59%	0.69%	0.67%	0.68%	0.71%	0.66%	0.49%	0.38%	0.34%	0.53%	0.63%	0.55%	0.53%	0.52%	0.48%					
2009-Q3	0.00%	0.01%	0.12%	0.35%	0.52%	0.48%	0.54%	0.58%	0.53%	0.51%	0.43%	0.45%	0.42%	0.40%	0.49%	0.46%	0.41%	0.40%						
2009-Q4	0.00%	0.02%	0.11%	0.25%	0.36%	0.59%	0.55%	0.51%	0.41%	0.30%	0.33%	0.36%	0.26%	0.25%	0.24%	0.22%	0.18%							
2010-Q1	0.00%	0.00%	0.15%	0.16%	0.31%	0.35%	0.46%	0.41%	0.41%	0.41%	0.42%	0.39%	0.37%	0.36%	0.33%	0.33%								
2010-Q2	0.00%	0.01%	0.13%	0.20%	0.30%	0.32%	0.34%	0.22%	0.32%	0.29%	0.27%	0.29%	0.28%	0.24%	0.25%									
2010-Q3	0.01%	0.01%	0.10%	0.18%	0.26%	0.36%	0.37%	0.42%	0.39%	0.37%	0.40%	0.43%	0.39%	0.36%										
2010-Q4	0.00%	0.00%	0.07%	0.16%	0.21%	0.24%	0.33%	0.37%	0.32%	0.26%	0.26%	0.22%	0.25%											
2011-Q1	0.00%	0.05%	0.16%	0.19%	0.31%	0.31%	0.34%	0.32%	0.31%	0.46%	0.38%	0.39%												
2011-Q2	0.00%	0.00%	0.03%	0.09%	0.30%	0.36%	0.56%	0.54%	0.45%	0.51%	0.51%													
2011-Q3	0.00%	0.03%	0.14%	0.25%	0.41%	0.37%	0.56%	0.53%	0.57%	0.41%														
2011-Q4	0.00%	0.00%	0.22%	0.29%	0.59%	0.54%	0.67%	0.57%	0.61%															
2012-Q1	0.00%	0.00%	0.27%	0.51%	0.55%	0.44%	0.37%	0.47%																
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2012-Q3	0.00%	0.06%	0.17%	0.56%	0.49%	0.60%																		
2012-Q4	0.00%	0.13%	0.28%	0.50%	0.48%																			
2013-Q1	0.00%	0.07%	0.27%	0.48%																				
2013-Q2	0.00%	0.00%	0.18%																					
2013-Q3	0.10%	0.09%																						
2013-Q4	0.00%																							



3. Inferential statement of the Issuer

The Issuer states herewith that the securitised assets backing the issue have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. However this is not a guarantee given by the Issuer and the Issuer as a special purpose entity has only limited resources available as described under the "RISK FACTORS — Factors that may affect the Issuer's ability to fulfil its obligations under the Notes — Structural and other credit risks — Limited resources of the Issuer".

CREDIT AND COLLECTION POLICY

The following is a description of the Credit and Collection Policy. The text will be attached as Appendix D to the Conditions.

Under the Servicing Agreement, the Purchased Receivables are to be administered together with all other financing receivables of BMW Bank according to BMW Bank's normal business procedures. The Debtors will not be notified of the fact that the Purchased Receivable(s) arising under their respective Loan Agreement(s) has/have been assigned to the Issuer, except under special circumstances.

The normal business procedures of BMW Bank relevant for the Loan Agreements currently include the following:

Description of Rating System and Risk Management

All credit applications in the financing business are subject to various integrity and plausibility checks as well as sophisticated rating procedures within standardised credit processes. The rating system has been in use at BMW Bank for over 10 years and is continuously being enhanced with regard to an accurate assessment of the customer's financial strength and to the ability to predict potential defaults. An automated system combines external information provided by the applicant, credit agencies and other sources as well as internal data on previous credit performances via optimized statistical models and algorithms, which differ by customer types. The result is a rating figure reflecting the applicant's credit worthiness.

Based upon the rating a probability of default is assigned to the potential obligor, which along with the expected recovery rate given default (depending on the vehicle type financed) and the expected exposure at default (EAD) determines the expected loss. Probabilities of default, as well as recovery rates and EAD, are derived from historical default experiences at BMW Bank.

Rating and expected loss provide the basis for the credit decision (i.e., responsibilities and competencies as well as approval / rejection of the application) and for the collateral to be provided by the obligor, which is continuously monitored with respect to its recoverability. The expected value of the financed vehicle at maturity as part of the contract terms is determined based upon internal expertise as well as on public market value forecasts and internal recovery rates. It is subject to ongoing assessments and monitoring during the entire contract period to identify potential losses in the remarketing process at an early stage.

Several methods are used to measure and manage the risks of the existing financing portfolio of BMW Bank. For example, a Value at Risk indicating the maximum loss within the portfolio at a specific probability over a certain period of time is calculated on a regular basis. It is monitored within a limit system, which reflects the risk taking capacity of the bank in terms of capital available as well as business and risk strategies. Ratings and risk parameters also play an essential role in the provisioning for bad loans. The board is involved in the entire risk management process and bases its decisions upon the risk relevant information provided.

The overall rating and risk management system was assessed and approved for retail financing by German banking supervision in 2006 for the purpose of determining regulatory capital by means of internal ratings according to Basel II.

Termination of Loan Agreements

Private customers are entitled to withdraw from the contract within two weeks after receipt of a written notice informing him of such right of withdrawal by sending a letter, fax or e-mail message to BMW Bank without giving any reasons. For commercial customers there is no such right of withdrawal.

Termination of the contract by BMW Bank is possible in any of the following situations:

Default of payment:

- private customers: At least two consecutive instalments are not or only partially payed and at least 5 % of the nominal amount of a contract is in arrears for contracts with a duration of more than three years;
- private customers: At least two consecutive instalments are not or only partially payed and at least 10 % of the nominal amount of a contract is in arrears for contracts with a duration of three years or less;
- commercial customer: two instalments unpaid.

Due to important reason:

- in case that debtor gives affirmation in lieu of oath, general payment stop also to other creditors, insolvency;
- worsening of assets of debtor or codebtor;
- lapse of collateral;
- debtor dies and heirs do not demonstrate their legitimisation or have a low degree of creditworthiness that is not covered by guarantees or other collateral;
- in case of execution;
- if debtor or codebtor has made untrue statements in connection with the contract or has failed to state relevant facts;
- if debtor or codebtor moved abroad permanently.

Termination of the contract by customer is possible when:

- private customers: whole contract is settled and paid prematurely;
- due to important reason.

Collections/recovery

The loan application includes a clause authorising BMW Bank to debit the payments as they become due, directly on the debtors bank account. In 2013, approximately 96 % of the debtors made use of the direct debit system offered by BMW Bank. This procedure should ensure that BMW Bank receives amounts due promptly. The customers who do not authorise direct debiting give standing payment orders to their banks or write individual bank remittances.

The due date for the monthly instalments can be chosen by the customer within the application. Possible dates are the first (1st), fifth (5th), tenth (10th), fifteenth (15th), twentieth (20th), twenty-fifth (25th) and thirtieth (30th) calendar day of each month. BMW Bank transmits the required information to Deutsche Bundesbank, which in turn communicates/clears with the debtor's bank. BMW Bank receives the total amount of the instalments paid by direct debit after every payment run on its bank accounts.

In case the direct debiting orders of BMW Bank are not honoured, the banks immediately debit the respective account of BMW Bank accordingly. Therefore, the overdue payments for any given month are typically known on the day after the debit (10 days in case of standing orders/bank remittances) and reminder notices are sent out immediately.

The process to handle the reminders is fully automated supported by respective IT systems. The employees of the collections/recovery department of BMW Bank are authorised to grant justifiable payment extensions in exceptional cases within this period. Those extensions are closely monitored and reviewed.

If an account gets in arrears because of a returned direct debit due to insufficient funds, a second direct debit is accomplished after five days. If this second direct debit is returned again or the customer is not using direct debit, a first reminder with a new payment deadline of seven to eleven days (depending on customer segmentation) will be sent out. In case that the arrears result from a returned direct debit with the reason 'objection', a letter to clarify the matter is sent out before the first reminder. For returned direct debit because of insufficient data quality (e.g. incorrect account data, account is closed) a letter is sent to the customer, including a new form for a direct debit mandate before the first reminder is sent. In the two latter cases the letter to the customer sets a deadline of four days for feedback; if within this period, the customer does not provide sufficient feedback, a letter similar to a first reminder is sent to the customer.

If the debtor still does not pay, a second reminder letter is generally sent out after another eight to thirteen days (time depends on customer segment) setting another payment deadline of seven to thirteen days (depending on customer segmentation). The entire dunning process is supported by outbound telephone campaigns to customers handled through BMW Bank and its service providers. If the account still is not balanced, a reminder letter will be sent advising that a notification to credit agencies (e.g. SCHUFA) will be sent in case of non-payment within the advised payment term.

The next reminder will be sent out two weeks later to the customer (advising that collection agencies/lawyers will be mandated and corresponding cost will be debited to the customer in case of further non-payment). After that, most of the cases are handed over to home collection providers (so called "door knockers"). If this still does

not lead to a payment of the open amount, those cases will be handed over to lawyers for approx. 28 days. In case the recovery of claims is not successful, the customer will get a dunning letter every three weeks.

Within the whole collections process there are system checks as to whether conditions are met which enable BMW Bank to terminate the affected loan contract. The conditions for early termination due to payment default are set out above.

In case a loan contract reaches its regular end date with an unpaid balloon instalment the customer receives a dunning letter with a payment term of eight working days. Within that term there is an outbound campaign in parallel to reach the customer. In case the contract is a "select" product also the dealer will be called. If no solution is found, the further proceeding is the same as for a terminated contract (repossession of the vehicle and so on).

In all such cases BMW Bank sends a letter threatening contract termination prior to the termination itself with a deadline for payment of approximately seventeen days. If BMW Bank does not receive the respective payment, the contract will be terminated by a termination notice that is generated automatically. If the customer fully pays the amount owed, the contract will be continued.

If the customer does not voluntarily return the vehicle within the term stated in the termination letter, a forced repossession order is generated. An external partner will then collect the vehicle from the customer.

In case of a successful repossession or if the customer returns the vehicle voluntarily BMW Bank's service provider DEKRA (or any other appropriate service provider) issues an expertise opinion regarding the current status and dealer purchase price (*Händler-Einkaufspreis*) of the vehicle.

In both cases of early termination (voluntarily/not voluntarily return), the debtor has the right to name a commercial purchaser within fourteen days to make a binding offer (at a higher price than the dealer purchase price (*Händler-Einkaufspreis*)) for the vehicle. It is BMW Bank's decision to accept this customer offer. Usually all vehicles are sold via the remarketing process of BMW. After the sale of the vehicle, the final invoice of the loan contract is sent to the customer with the request to pay the remaining debt within eight working days.

If the account is not balanced within the aforementioned period, a dunning letter is sent to the customer with the information that the case will be forwarded to external agencies if the payment term of seven additional days is not met and other securities, if applicable, are utilized in order to meet the outstanding amount. In case the account is still in arrears, the debt claim is sold to an external investor, unless it is a trifle amount.

Upon the occurrence of the sale to an external agency or a write off in the BMW Bank's system or termination and repossession of the vehicle, the loan contract and the securitized receivable resulting from it are considered as defaulted.

Cases that need legal treatment (e.g. forced repossession fails) are generally forwarded to a BMW Group approved external law firm.

THE ISSUER

1. General

Bavarian Sky S.A., a public limited liability company (*société anonyme*), was incorporated under the laws of Luxembourg on 26 April 2007, for an unlimited period and with registered office at 9B, Boulevard Prince Henri, L-1724 Luxembourg (telephone: +352 20 20 41 00). Bavarian Sky S.A. is registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés Luxembourg*) under number B 127 982.

Bavarian Sky S.A. has been established as a special purpose vehicle for the purpose of entering into one or several securitisation transactions.

Bavarian Sky S.A. is subject, as an unregulated securitisation undertaking, to the provisions of the Luxembourg Securitization Law.

The articles of incorporation of Bavarian Sky S.A. were filed with the Luxembourg trade and companies register and published in the *Mémorial C*, Recueil des Sociétés et Associations, number 1357 of 4 July 2007 on page 65111.

2. Corporate Object of Bavarian Sky S.A.

The corporate object of Bavarian Sky S.A. is the securitisation (within the meaning of the Luxembourg Securitisation Law which applies to Bavarian Sky S.A.) of receivables (the "**Permitted Assets**"). Bavarian Sky S.A. may enter into any agreement and perform any action necessary or useful for the purposes of securitising Permitted Assets, provided that it is consistent with the Luxembourg Securitisation Law.

3. Compartments

The board of directors of Bavarian Sky S.A. may, in accordance with the terms of the Luxembourg Securitisation Law, and in particular its Article 5, and the Section 5 of the Articles of Incorporation of Bavarian Sky S.A., create one or more Compartments within Bavarian Sky S.A. Each Compartment will correspond to a distinct part of the assets and liabilities of Bavarian Sky S.A. The resolution of the board of directors creating one or more Compartments within Bavarian Sky S.A., as well as any subsequent amendments thereto, will be binding as of the date of such resolution against any third party.

Rights of creditors of Bavarian Sky S.A. that (i) have, when coming into existence, been designed as relating to a Compartment or (ii) have arisen in connection with the creation, the operation or the liquidation of a Compartment are, except if otherwise provided for in the resolution of the board of directors of Bavarian Sky S.A. creating the relevant Compartment, strictly limited to the assets of that Compartment and such assets will be exclusively available to satisfy such creditors. Creditors of Bavarian Sky S.A. whose rights are designated as relating to a specific Compartment of Bavarian Sky S.A. will (subject to mandatory law) have no rights to the assets of any other Compartment.

Unless otherwise provided for in the resolution of the board of directors of Bavarian Sky S.A. creating such Compartment, no resolution of the board of directors of Bavarian Sky S.A. may be taken to amend the resolution creating such Compartment and no other decision directly affecting the rights of the creditors whose rights relate to such Compartment may be taken without the prior approval of the creditors whose rights relate to such Compartment. Any decision of the board of directors of Bavarian Sky S.A. taken in breach of this provision will be void.

The liabilities and obligations of the Issuer incurred or arising in connection with the Notes and the other Transaction Documents and all matters connected therewith will only be satisfied or discharged against the assets of Compartment Loans 2. The assets of Compartment Loans 2 will be exclusively available to satisfy the rights of the Noteholders and the other creditors of the Issuer in respect of the Notes, the other Transaction Documents and all matters connected therewith, as provided therein, and (subject to mandatory law) no other creditors of the Issuer will have any recourse against the assets of Compartment Loans 2 of the Issuer.

In case of any further securitisation transactions of Bavarian Sky S.A., the transactions will not be cross-collateralised or cross-defaulted.

4. Business Activity

Bavarian Sky S.A. has not previously carried on any business or activities other than those incidental to its incorporation, other than in respect of its Compartments 1, A, 2, B, 3, Loans 1 and Loans 2 and other than entering into certain transactions prior to the Issue Date with respect to the securitisation transaction contemplated herein.

In respect of Compartment Loans 2, the Issuer's principal activities will be the issue of the Notes, the granting of Security, the entering into the Subordinated Loan Agreement, the entering into the Swap Agreement and the entering into all other Transaction Documents to which it is a party and the establishment of the Issuer Account and the exercise of related rights and powers and other activities reasonably incidental thereto.

In respect of Compartments other than Compartment Loans 2, the principal activities of Bavarian Sky S.A. will be the operation as a multi-issuance securitisation conduit for the purposes of, on an on-going basis, purchasing assets, directly or via intermediary purchasing entities, from several selling entities, or assuming the credit risk in respect of assets in any other way, and funding such purchases or risk assumptions in particular in the asset-backed markets. Each such securitisation transaction can be structured as a singular or as a revolving purchase of assets (or other assumption of credit risk) and will be separate from all other securitisation transactions entered into by Bavarian Sky S.A. To that end, each securitisation carried out by Bavarian Sky S.A. will be allocated to a separate Compartment.

5. Corporate Administration and Management

The directors and managers of Bavarian Sky S.A. are:

Director	Business address	Principal activities outside the Issuer
Alain Koch, born on 18 August 1965	9B, Boulevard Prince Henri, L-1724 Luxembourg	Professional in the domiciliation business
Martijn Sinninghe Damsté, born on 2 November 1978	9B, Boulevard Prince Henri, L-1724 Luxembourg	Professional in the domiciliation business
Laurent Bélik, born on 2 September 1974	9B, Boulevard Prince Henri, L-1724 Luxembourg	Professional in the domiciliation business

Each of the directors confirms that there is no conflict of interest between his duties as a director of the Issuer and his principal and/or other activities outside Bavarian Sky S.A.

6. Capital and Shares, Shareholders

The authorised and issued capital of Bavarian Sky S.A. is set at EUR 31,000 divided into 3,100 registered ordinary shares fully paid up and with a par value of EUR 10 each.

The shareholder of Bavarian Sky S.A., who has an influence on Bavarian Sky S.A. and controls Bavarian Sky S.A., is the Foundation.

7. Capitalisation

The unaudited capitalisation of Bavarian Sky S.A. as of the date of this Offering Circular, adjusted for the issue of the Notes on the Issue Date, is as follows:

Share Capital: EUR 31,000 (authorised, issued and fully paid up).

8. Indebtedness

The Issuer has no material indebtedness, contingent liabilities and/or guarantees as of the date of the Offering Circular, other than that which the Issuer has incurred or will incur in relation to Compartment Loans 2 and the transactions contemplated in the Offering Circular.

9. Holding Structure

(a) Stichting Andesien, prenamed	<u>3,100 shares</u>
Total	3,100 shares

10. Subsidiaries and Affiliates

Bavarian Sky S.A. has no subsidiaries or Affiliates, except for the Foundation as its shareholder.

11. Name of the Financial Auditors of Bavarian Sky S.A.

KPMG Luxembourg S.à r.l.

9, allée Scheffer
2520 Luxembourg
Luxembourg
Tel.: +352 22 51 511
Fax: +352 22 51 71

KPMG Luxembourg S.à r.l. is a member of the Institut des Réviseurs d'Entreprises.

12. Main Process for Director's Meetings and Decisions

Bavarian Sky S.A. is managed by a board of directors comprising at least three (3) members, whether shareholders or not, who are appointed for a period not exceeding six years by the general meeting of shareholders which may at any time remove them.

The number of directors, their term and their remuneration are fixed by the general meeting of the shareholders.

The board of directors of Bavarian Sky S.A. must elect from among its members a chairman.

The board of directors of Bavarian Sky S.A. convenes upon call by the chairman, as often as the interest of Bavarian Sky S.A. so requires. It must be convened each time two directors so request.

Directors may participate in a meeting of the board of directors of Bavarian Sky S.A. by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear and speak to each other, and such participation in a meeting will constitute presence in person at the meeting, provided that all actions approved by the directors at any such meeting will be reproduced in writing in the form of resolutions.

Resolutions signed by all members of the board of directors of Bavarian Sky S.A. will be as valid and effectual as if passed at a meeting duly convened and held. Such signatures may appear on a single document or multiple copies of an identical resolution and may be evidenced by letter, fax, email or similar communication.

The board of directors of Bavarian Sky S.A. is vested with the powers to perform all acts of administration and disposition in compliance with the corporate objects of Bavarian Sky S.A.

The board of directors of Bavarian Sky S.A. can create one or several separate compartments, in accordance with article 5 of the Articles of Incorporation.

13. Financial Statements

Audited financial statements will be published by Bavarian Sky S.A. on an annual basis.

The financial year of Bavarian Sky S.A. extends from 1 January to 31 December. The first business year began on 29 May 2007 and ended on 31 December 2007. KPMG Luxembourg S.à r.l., as the auditor of Bavarian Sky S.A., audited the financial statements of Bavarian Sky S.A. for the periods from 29 May 2007 to 31 December 2007, from 1 January 2008 to 31 December 2008, from 1 January 2009 to 31 December 2009 and from 1 January 2010 to 31 December 2010, from 1 January 2011 to 31 December 2011 and from 1 January 2012 to 31 December 2012. In the opinion of KPMG Luxembourg S.à r.l. the financial statements gave, in conformity with Luxembourg legal and regulatory requirements, a true and fair report of the financial position of Bavarian Sky S.A. as at 31 December 2007, as at 31 December 2008, as at 31 December 2009 and as at 31 December 2010, and of the result of its operations from 1 January 2007 to 31 December 2007, from 1 January 2008 to 31 December 2008, from 1 January 2009 to 31 December 2009, from 1 January 2010 to 31 December 2010, from 1 January 2011 to 31 December 2011, from 1 January 2012 to 31 December 2012 and from 1 January 2013 to 31 December 2013.

The audited financial statements for the business years 2012 and 2013 are reproduced in the "FINANCIAL SECTION". Copies of the full financial statements for the business years 2012 and 2013 are available as set out in "GENERAL INFORMATION — Availability of Documents".

14. Inspection of Documents

For the life of the Notes, the following documents (or copies thereof) may be inspected at the office of Bavarian Sky S.A. at 9B, Boulevard Prince Henri, L-1724 Luxembourg:

- (a) the Articles of Incorporation of Bavarian Sky S.A.;
- (b) the minutes of the meeting of the board of directors of Bavarian Sky S.A. approving the issue of the Notes, the issue of the Offering Circular and the Transaction as whole;
- (c) the shareholder's resolution approving the negative covenants as set out in Clauses 2, 5, 6, 8.6, 8.7, 8.10, 8.16, 9.5 and 9.6 of Part 1 (*Corporate Covenants of the Issuer*) of the Issuer Covenants (*see "ISSUER COVENANTS"*);
- (d) this Offering Circular and all the Transaction Documents referred in this Offering Circular; and
- (e) the historical financial information (if any) of Bavarian Sky S.A.

The Notes will be obligations of Bavarian Sky S.A. acting in respect of its Compartment German Auto Loans 2 only and will not be guaranteed by, or be the responsibility of BMW Bank, BMW AG or any other person or entity. It should be noted, in particular, that the Notes will not be obligations of, and will not be guaranteed by Bavarian Sky S.A. (in respect of Compartments other than Compartment Loans 2), the Seller, the Servicer (if different), the Trustee, the Arranger, the Managers or any of their respective Affiliates, the Subordinated Lender, the Account Bank, the Interest Determination Agent, the Paying Agent, the Calculation Agent, the Swap Counterparty, the Corporate Administrator or the Foundation.

THE SELLER AND SERVICER

Economic Environment and Auto Loan Business in Germany

Throughout the first months of 2014, the global economic dynamic has gained some traction. Rising confidence levels in industrialized economies suggest increasing economic activity and stronger growth for the coming months. Meanwhile, economic activity in emerging markets was dampened by strong exchange rate movements and liquidity outflows triggered by US monetary tightening as well as structural macroeconomic deficiencies.

The German economy gained momentum in the last quarter of 2013, posting growth of 1.4 percent (year-on-year). The unemployment rate stayed at just under 7 percent while inflation remained subdued at 1.2 percent in February. The sustained positive development of the labor market and higher income expectations will continue to support domestic demand, while an impending recovery in developed markets – especially in Western Europe and North America – is likely to drive exports. Hence, the outlook for the German economy currently remains favorable.

In the year 2013, 3.26 million vehicles (2012: 3.39 million/-4.0 percent) were registered in Germany. The decline in the passenger car market by 4.2 percent to 2.95 million vehicles (2012: 3.08 million) was mainly due to a decrease of the demand by private customers to 1.12 million (-4.8 percent), the lowest level since German reunification.

BMW Group has once again demonstrated a strong performance with new sales volumes, revenues and earnings highs for the 2013 financial year. More than 1.96 million BMW, MINI and Rolls-Royce vehicles were delivered to customers in 2013. Valuable premium brands and desirable products and services are the foundation for our business success. Group profit before tax increased by 1.4 % to around € 7.9 billion in 2013, reaching the same level as our 2012 record year, as forecast. Net profit rose by 4.5 % to more than € 5.3 billion.

Incorporation, Registered Office and Purpose

BMW Bank is the Seller of the Purchased Receivables and the Servicer under the Servicing Agreement.

It has its registered office at Heidemannstraße 164, 80939 Munich, Germany. Its registered share capital of DM 24 million (EUR 12,271,193) is held by Bayerische Motoren Werke Aktiengesellschaft, Petuelring 130, 80788 Munich, Germany ("**BMW AG**").

BMW Bank operates branches in Portugal, Spain and in Italy. Furthermore, BMW Bank holds a 99.9% participation in BMW Finance S.N.C., Guyancourt, France.

As of 31 December 2013, BMW Bank had 781 employees in Germany.

Established in 1971, BMW Bank is today one of Germany's leading automobile banks. BMW Bank is responsible for banking business, customer and dealer financing in the financial service segment of the BMW Group. Furthermore, its operations include the financing of motor vehicles and the support of the sales division of BMW Group via individual financing solutions.

Since 1994 BMW Bank is operating with a full banking license and offers

- financing of new and used BMW, MINI and Rolls-Royce vehicles;
- financing of new and used vehicles of all other makes;
- automotive insurance;
- dealer financing;
- international importer financing;
- deposit business;
- leasing of new and used BMW, MINI and Rolls-Royce vehicles;
- service-leasing to commercial and non-commercial customers; and
- leasing of vehicles of all other makes.

The business purposes of BMW Bank *vis-à-vis* customers and dealers are largely determined by its membership in the BMW Group. BMW Bank cooperates closely with roughly 800 dealerships of the BMW Group in Germany. As a result of such cooperation, a dealer can within certain limits offer the customer complete, competent, personal service at one stop and from a single source, including the financing solution.

The cooperation between the manufacturer and the dealer-partner respectively is established by a dealer agreement. Under such agreement the dealer-partner is given the responsibility for marketing the products and services of the BMW Group and to service the trade-marked-products of the BMW Group.

Internal Audit

The internal audit function of BMW Bank is mainly delegated to the internal audit department of BMW AG with only an audit manager steering and supervising the internal audit operations and conducting own audit tasks within BMW Bank.

Its controlling procedures include audits of customer and dealer receivables with respect to their amounts and their punctual payment. Under German law the annual financial statements of a company must be audited by an independent audit company.

Auditors

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Ganghoferstraße 29, 80339 München, audits the annual financial statements of BMW Bank. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

THE SWAP COUNTERPARTY

For the purposes of the Transaction, the Issuer has appointed DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main as Swap Counterparty.

History and Development

Legal name: DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main.

Commercial name: DZ BANK AG.

DZ BANK AG is registered in the Commercial Register of the local court of Frankfurt am Main under No. HRB 45651.

On 16 August 2001, the shareholders of GZ-Bank AG Frankfurt/Stuttgart ("**GZ-Bank**") and DG BANK Deutsche Genossenschaftsbank AG ("**DG BANK**") approved the merger of both institutions into DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, in separate general meetings. Upon the registration of the merger of GZ-Bank into DG BANK on 18 September 2001, DG BANK became the successor of all rights and duties of GZ-Bank. Simultaneously with the merger, DG BANK was renamed DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main.

Domicile: Frankfurt am Main

Legal form, Legislation: DZ BANK AG is a stock corporation (*Aktiengesellschaft*) organised under German law and is comprehensively supervised by the German Central Bank (*Deutsche Bundesbank*) and the German Federal Financial Supervisory Authority (*BaFin - Bundesanstalt für Finanzdienstleistungsaufsicht*).

Country of incorporation: Federal Republic of Germany

Address of the registered office: Platz der Republik, 60265 Frankfurt am Main, Federal Republic of Germany.

Telephone Number of the registered office: +49 69 7447-01

Business Overview

In its capacity as the central credit institution DZ BANK AG shall, pursuant to its Articles of Incorporation, further the aims of the entire cooperative system. An essential element of this statutory task of the corporation is the furtherance of the aims of the primary level and the central banks of the cooperative system. DZ BANK AG shall participate in the furtherance of the cooperative housing sector. Furthering the economic aims of its shareholders is the basic policy from which all obligations of DZ BANK AG are derived. The shareholders have a corresponding obligation to support DZ BANK AG in the fulfilment of this duty. Mergers between cooperative credit institutions of the primary level and DZ BANK AG are not permitted.

DZ BANK AG may engage in all types of banking transactions that constitute the business of banking and in transactions complementary thereto, including the acquisition of equity investments. DZ BANK AG may also attain its objects indirectly.

In its capacity as a central credit institution DZ BANK AG shall conduct liquidity operations for the associated primary cooperatives and other institutions of the cooperative system.

Principal Activities

DZ BANK AG is acting as a network-oriented central bank, corporate bank and parent holding company of the DZ BANK Group. The DZ BANK Group forms part of the

German cooperative financial network, which comprises some 1,100 local cooperative banks and is one of Germany's largest financial services organisations measured in terms of total assets. DZ BANK AG functions both as a central bank for more than 900 cooperative banks and their 12,000 branch offices and as corporate bank.

DZ BANK AG is a network-oriented central institution and is closely geared to the interests of the local cooperative banks, which are both its owners and its most important customers. Using a customized product portfolio and customer-focused marketing, DZ BANK AG aims to ensure that the local cooperative banks continually improve their competitiveness on the basis of strong brands and a leading market position. In addition, DZ BANK AG in its function as central bank for more than 900 cooperative banks is responsible for liquidity management within the cooperative financial network.

As a commercial bank DZ BANK AG serves companies and institutions that need a banking partner that operates at the national level. DZ BANK AG offers the full range of products and services of an international oriented financial institution with a special focus on Europe. DZ BANK AG also provides access to the international financial markets for its partner institutions and their customers.

DZ BANK AG has four branches in the Federal Republic of Germany (Berlin, Hanover, Munich and Stuttgart) and four foreign branches (London, New York, Hong Kong and Singapore).

DZ BANK AG also fulfills a holding function for the DZ BANK Group's specialised service providers from the cooperative financial network and coordinates the specialised institutions within the group. The DZ BANK Group includes Bausparkasse Schwäbisch Hall, DG HYP, DZ PRIVATBANK, R+V Versicherung, TeamBank, Union Investment Group, VR LEASING and various other specialized institutions. With their strong brands, the companies of the DZ BANK Group constitute key pillars in the range of financial products and services (*Allfinanzangebot*) by the cooperative financial network. The DZ BANK Group sets out its strategy and range of services for the cooperative banks and their customers through its four strategic business lines - Retail Banking, Corporate Banking, Capital Markets and Transaction Banking.

Listing of the shares of DZ BANK AG

The registered shares with restricted transferability are not listed on any domestic nor any foreign stock exchange.

Securities Listing

DZ BANK AG has issued securities that are listed and are admitted for trading on the Luxembourg Stock Exchange and the Frankfurt Stock Exchange.

The information in the foregoing paragraph regarding the Swap Counterparty has been provided by DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, and the Issuer assumes no responsibility therefor.

THE TRUSTEE

The Trustee is U.S. Bank Trustees Limited.

Pursuant to the Trust Agreement, the Trustee has agreed to serve in a fiduciary capacity to protect the interests of the Noteholders. In Clause 6.1 of the Trust Agreement, the Issuer will grant to the Trustee the Trustee Claim, a separate claim against the Issuer, allowing it to demand that the Issuer fulfils all obligations under the Transaction Documents which are governed by German law. To secure such Trustee Claim, the Issuer has agreed to assign, transfer or pledge all of its present and future claims under the Transaction Documents which are governed by German law to the Trustee under the Trust Agreement and to grant a first priority security interest in respect of its rights pursuant to the Swap Agreement to the Trustee in accordance with the Deed of Security Assignment (collectively, the "**Security**"). The Trustee will hold the Security for the benefit of the Secured Parties, including the Noteholders. Pursuant to the Trust Agreement, the Trustee has the right and duty, to the extent necessary, to hold, administer or realise the Security for the benefit of the Secured Parties.

However, until revocation by the Trustee and provided that the Issuer fulfils its obligations under the Notes, the management of the Purchased Receivables and the Loan Collateral remains vested in the Servicer. The Trustee is not obligated to monitor the fulfilment of the duties of the Issuer under the Notes, the Conditions or any other contracts to which the Issuer is a party. Subject to Clause 2.3 of the Trust Agreement, the Noteholders are entitled to demand from the Trustee the fulfilment of its duties as specified under the Conditions. Notwithstanding the provisions of the Trust Agreement, all rights of the Noteholders will remain at all times and under all circumstances vested in the Noteholders. *See* "THE MATERIAL TERMS OF THE TRUST AGREEMENT".

U.S. Bank Trustees Limited (registered number 02379632) will be appointed pursuant to the Trust Agreement and the Deed of Security Assignment as the Trustee for the Noteholders.

U.S. Bank Trustees Limited is a private limited company incorporated under the laws of England and Wales with its office at 125 Old Broad Street, Fifth Floor, London EC2N 1AR.

U.S. Bank Trustees Limited, as part of the U.S. Bancorp group and in combination with Elavon Financial Services Limited (the legal entity through which European agency and banking appointments are conducted) and U.S. Bank National Association (the legal entity through which the Corporate Trust Division conducts business in the United States), is one of the world's largest providers of trustee services with more than U.S.\$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with U.S.\$364 billion in assets as of 31 December 31 2013, is the parent company of U.S. Bank, the fifth largest commercial bank in the United States. The company operates 3,081 banking offices in 25 states and 4,906 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

The information in the foregoing paragraph regarding the Trustee has been provided by U.S. Bank Trustees Limited, and the Issuer assumes no responsibility therefor.

**THE ACCOUNT BANK, THE CALCULATION AGENT, THE PAYING AGENT AND THE
INTEREST DETERMINATION AGENT**

Elavon Financial Services Limited, UK Branch has been appointed as Account Bank, Calculation Agent, Paying Agent and Interest Determination Agent for the purposes of the Transaction.

Elavon Financial Services Limited, a limited liability company registered in Ireland with the Companies Registration Office (registered number 418442), will be appointed as Registrar and, acting through its UK Branch (registered number BR009373), will be appointed as the Paying Agent, Calculation Agent, and Interest Determination Agent.

U.S. Bank Global Corporate Trust Services, which is a trading name of Elavon Financial Services Limited (a U.S. Bancorp group company), is an integral part of the worldwide Corporate Trust business of U.S. Bank. U.S. Bank Global Corporate Trust Services in Europe conducts business primarily through the U.K. Branch of Elavon Financial Services Limited from its offices in London at 125 Old Broad Street, London EC2N 1AR, United Kingdom.

Elavon Financial Services Limited is a bank incorporated in Ireland and a wholly owned subsidiary of U.S. Bank National Association. Elavon Financial Services Limited is authorised by the Central Bank of Ireland and the activities of its U.K. branch are also subject to the limited regulation of the FCA and the PRA.

U.S. Bank Global Corporate Trust Services in combination with U.S. Bank National Association, the legal entity through which the Corporate Trust Division conducts business in the United States, is one of the world's largest providers of trustee services with more than U.S.\$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

For information on U.S. Bancorp, see "**The Trustee**" above.

The information under the heading "THE ACCOUNT BANK, THE CALCULATION AGENT, THE PAYING AGENT AND THE INTEREST DETERMINATION AGENT" has been provided by Elavon Financial Services Limited, UK Branch and the Issuer assumes no responsibility therefor.

THE DATA TRUSTEE

Structured Finance Management (Luxembourg) S.A. has been appointed as Data Trustee for the purposes of the Transaction.

Structured Finance Management (Luxembourg) S.A. provides nominee (or corporate) directors and a full range of corporate administrative services in Luxembourg for SPVs created for international securitisations, CDOs and structured finance transactions. Structured Finance Management (Luxembourg) S.A. is 100 % owned by SFM European Holdings Limited.

Board

Hinnerk Koch, Managing Director

Laurent Bélik, Managing Director

Jonathan E. Keighley, Director

Robert Berry, Director

Structured Finance Management (Luxembourg) S.A. has a business licence as Domiciliation Agents (*Domiciliataires de Sociétés*) and is supervised by the CSSF.

The information under the heading "THE DATA TRUSTEE" has been provided by Structured Finance Management (Luxembourg) S.A. and the Issuer assumes no responsibility therefor.

THE CORPORATE ADMINISTRATOR

For the purposes of the Transaction, Structured Finance Management (Luxembourg) S.A., having its registered office at 9B, Boulevard Prince Henri, L-1724 Luxembourg will act as Corporate Administrator of the Issuer. *See* "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Corporate Administration Agreement".

Structured Finance Management (Luxembourg) S.A. provides nominee (or corporate) directors and a full range of corporate administrative services in Luxembourg for SPVs created for international securitisations, CDOs and structured finance transactions. Structured Finance Management (Luxembourg) S.A. is 100 % owned by SFM European Holdings Limited.

Board

Hinnerk Koch, Managing Director

Laurent Bélik, Managing Director

Jonathan E. Keighley, Director

Robert Berry, Director

Administration

Alain Koch, SPV Director

Martijn Sinninghe Damsté, SPV Director

Cécile Berthel, Transaction Administrator

Valérie Schleimer, Accounting & Tax

Structured Finance Management (Luxembourg) S.A. has a business licence as Domiciliation Agents (*Domiciliataires de Sociétés*) and is supervised by the CSSF.

The information in the foregoing 4 paragraphs regarding the Corporate Administrator has been provided by Structured Finance Management (Luxembourg) S.A. for use in this Offering Circular and the Issuer assumes no responsibility therefor.

TAXATION

1. General

The following information summarises certain aspects of the tax law in force, and the related practice applied in Germany and Luxembourg as of the date of this Offering Circular. The tax related information contained in this Offering Circular is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective investor in the Notes. Prospective investors are advised to consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of interest and distributions with respect to such Notes under the laws of the jurisdictions in which they may be liable to taxation. Prospective investors should be aware that tax law and its practice and interpretation may change, possibly with retroactive or retrospective effect.

2. Taxation in the Federal Republic of Germany

This section should be read in conjunction with "RISK FACTORS — Factors that may affect the Issuer's ability to fulfil its obligations under the Notes — Tax Risks — German taxation".

Income Taxation

Tax Residents

Payments of interest on the Notes to persons or entities who are tax residents in Germany (*i.e.*, persons or entities whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) are subject to German personal income tax (*Einkommensteuer*) at the applicable personal income tax rate (plus solidarity surcharge at a rate of 5.5 % thereon) or corporate income tax at a tax rate of 15 % (plus solidarity surcharge at a rate of 5.5 % thereon). Such interest payments may also be subject to trade tax if the Notes form part of the property of a German trade or business. Similarly, if interest claims are disposed of separately (*i.e.* without the Notes), the proceeds from the disposition are subject to income tax, solidarity surcharge and possibly also trade tax. The same applies to proceeds from the redemption of interest claims if the Note is disposed of separately.

If the Notes are disposed or redeemed, any capital gains arising from the disposition or redemption will also be subject to (corporate) income tax, solidarity surcharge and, provided that the Notes form part of a business property, to trade tax. Such capital gains are subject to tax irrespective of any holding period and whether or not the Notes are disposed of (or redeemed) with interest claims.

The taxable interest income and income from a disposition or redemption of interest claims as well as any capital gains from a disposition or redemption of the Notes will qualify as income from private (*i.e.* non-business) investments and capital gains ("**Private Investment Income**") if the Notes do not form part of a business property. Private Investment Income is generally subject to a flat taxation (*Abgeltungssteuer*) at a rate of 25 % plus solidarity surcharge at a rate of 5.5 % thereon. The tax basis of such income will be the relevant gross income. Expenses related to Private Investment Income such as financing or administration costs actually incurred in relation with the acquisition or ownership of the Notes will not be deductible. Instead, the total amount of any Private Investment Income of the Noteholder will be decreased by a lump sum deduction (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples filing jointly). If the Notes form part of a business property, taxable interest income and income from a disposition or redemption of interest claims as well as any capital gains from a disposition or redemption of the Notes will qualify as business income. Such business income will either be taxed at the applicable income tax rate of the individual taxpayer or at the uniform 15 % corporate income tax rate if the Note is held by a corporation, in each case plus solidarity surcharge at a rate of 5.5 % thereon and possibly also trade tax. The basis of such taxation will generally be the relevant net income. A lump sum deduction will not be available.

The tax will be levied by way of withholding at a rate of 25 % (plus solidarity surcharge) if the Notes are held in a custodial account which the Noteholder maintains with a German branch of a German or non-German bank or financial services institution, a security trading enterprise (*Wertpapierhandelsunternehmen*) or a German security trading bank (*Wertpapierhandelsbank*) (the "**Disbursing Agent**"). If the Notes are kept in a custodial account which the Noteholder maintains with a Disbursing Agent but have not been kept in such an account since their acquisition and the relevant acquisition data (*Anschaffungsdaten*) has not been evidenced to the satisfaction of the Disbursing Agent, the Disbursing Agent will generally have to withhold tax at the 25 % rate (plus solidarity surcharge) on a lump-sum basis of 30 % of the proceeds from the disposition, assignment or

redemption of the Notes. If the Notes are not held in a custodial account with a Disbursing Agent at the time the interest is received or at the time of the relevant disposition or redemption, no tax will be withheld but the Noteholder will have to include its income on the Notes in its tax return and the tax will be collected by way of assessment (for the applicable tax rates see above).

No withholding tax will in general be levied if the Noteholder is an individual (i) who has filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent and (ii) whose Note neither forms part of the property of a trade or business nor gives rise to income from the letting and leasing of property. However, this is the case only to the extent the interest income derived from the Note together with other Private Investment Income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the Noteholder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office.

Payment of the withholding tax with respect to Private Investment Income (such as interest income from the Notes, income from a separate disposition or redemption of interest claims as well as any capital gains from a disposition or redemption of the Notes) will satisfy the income tax liability of the Noteholder in respect of the relevant income (*Abgeltungssteuer*). However, Noteholders may apply for a tax assessment (in lieu of the flat taxation) if the resulting income tax burden (excluding the solidarity surcharge) is lower than 25 %: Pursuant to the current view of the German tax authorities (which has recently been rejected by a fiscal court), the non-deductibility of income-related expenses for Private Investment Income is also applicable under the income tax assessment; this question is currently pending with the German Federal Tax Court (*Bundesfinanzhof*). Where, however, the relevant income qualifies as business income, the withholding tax and the solidarity surcharge thereon are credited as prepayments against the German individual or corporate income tax and the solidarity surcharge liability of the Noteholder determined on the basis of general rules applicable to them. Amounts overwithheld will entitle the Noteholder to a refund, based on an assessment to tax.

Non-Residents

Interest income from the Notes, income from a separate disposition or redemption of interest claims as well as any capital gains from a disposition or redemption of the Notes derived by persons not resident in Germany are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Noteholder or (ii) the interest income otherwise constitutes German source income (such as income from the letting and leasing of certain German-*situs* property). In the case of (i) the applicable tax regime is similar to the regime explained in the preceding sub-section "— *Tax Residents*" with regard to business income.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent, withholding tax is levied as explained above in the preceding sub-section "— *Tax Residents*".

The withholding tax may be refunded based upon an applicable tax treaty.

Inheritance and Gift Tax

Inheritance tax (*Erbschaftsteuer*) or gift tax (*Schenkungsteuer*) with respect to the Notes will not arise under the laws of Germany, if, in the case of inheritance tax, neither the descendant nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates, i.e. citizens who maintained a relevant residence in Germany.

Other Taxes

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net wealth tax is not levied in Germany.

German Taxation of the Issuer

German Income Tax

The Issuer will derive income from carrying out certain business activities. Such income and gains, if any, should therefore be properly characterised as business profits (*Einkünfte aus Gewerbebetrieb*). Business profits

derived by the Issuer will only be subject to German corporate income tax if the Issuer has its place of effective management and control in Germany or if the Issuer maintains a permanent establishment (*Betriebsstätte*), or appoints a permanent representative (*ständiger Vertreter*), for its business in Germany or if the business profits are characterised as another category of income that constitutes German-source income. Subject to the detailed discussion set out in "RISK FACTORS — German taxation", there are good and valid reasons for not expecting that the German tax authorities will be treating the Issuer as maintaining a German permanent establishment by reason of having its place of effective management and control, or as having appointed a permanent representative, in Germany.

Trade Tax

Business profits derived by the Issuer will only be subject to German trade tax if the Issuer maintains a permanent establishment (*Betriebsstätte*) in Germany and to the extent that any net income derived by the Issuer is attributable to such permanent establishment. Subject to the detailed discussion set out in "RISK FACTORS German taxation", there are good and valid reasons for not expecting that the German tax authorities will be treating the Issuer as maintaining a German permanent establishment by reason of having its place of effective management and control in Germany. In addition, any potential trade tax risk is mitigated by the proceeds received from the realisation of Financed Vehicles in accordance with the Receivables Purchase Agreement, the Servicing Agreement and the Trust Agreement.

3. Luxembourg Taxation

By a law of June 21, 2005 (the "**Savings Law**"), Luxembourg has implemented the EU Savings Tax Directive. In essence, under the Savings Law, which is in effect as of July 1, 2005, Luxembourg will levy a withholding tax on payments of interest or other similar income paid by an economic operator (paying agent within the meaning of the EU Savings Tax Directive within its jurisdiction to or for an individual resident as well, in some cases, to specific forms of organisations such as partnerships (not being legal persons and not being themselves subject to business transaction, the so-called "residual activities") in another EU member state or in certain dependent or associated territories unless such individual agrees to an exchange of information regarding the interest or similar income it received between the tax authorities of Luxembourg and the relevant EU member state. The rate of the withholding tax is currently 20 % as from July 1, 2008 and 35 % as from July 1, 2011. The withholding tax on interest or similar income will be abolished as from January 1, 2015, as Luxembourg agreed to an automatic exchange of information under the EU Savings Tax Directive (bill of law 6668 of 18 March 2014 which aims at abolishing as from 1 January 2015 the withholding tax option with respect to interest payments within the meaning and in the framework of the EU Savings Tax Directive).

As of July 1, 2006, interest paid to an individual resident in Luxembourg may under certain circumstances be subject to a 10 % withholding tax, which is a final flat tax.

Payments under the Notes will only be made after deduction or withholding of any mandatory withholding or deductions on account of tax. The Issuer will not be required to pay additional amounts in respect of any such withholding or other deduction for or on account of any present or future taxes, duties or charges of whatever nature. See "TERMS AND CONDITIONS OF THE NOTES — Condition 12 (*Taxation*)". In such event, subject to certain conditions, the Issuer will be entitled (but will have no obligation) to redeem the Notes in whole but not in part at their then Outstanding Note Balance. See "TERMS AND CONDITIONS OF THE NOTES — Condition 8.4 (*Optional Tax Redemption*)".

The Issuer has been advised that under the existing laws of Luxembourg:

- (a) without prejudice to what is stated above, all payments of Interest Amounts and Principal Amounts by the Issuer under the Notes can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or tax authority thereof or therein, subject to what is stated above regarding the withholding tax on interest;
- (b) a holder of a Note who derives income from a Note or who realises a gain on the disposal or redemption of a Note will not be subject to Luxembourg taxation on income or capital gains unless:
 - (i) the holder is, or is deemed to be, resident of Luxembourg for the purpose of the relevant provisions; or

- (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;
- (c) Luxembourg net worth tax will not be levied on a holder of a Note unless:
 - (i) the holder is, or is deemed to be, a resident company in Luxembourg for the purpose of the relevant provisions; or
 - (ii) such Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;
- (d) Luxembourg gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder unless:
 - (i) the holder is, or is deemed to be, resident of Luxembourg for the purpose of the relevant provisions at the time of the transfer; or
 - (ii) the gift is registered in Luxembourg;
- (e) there is no Luxembourg registration tax, capital tax, stamp duty or any other similar tax or duty payable in Luxembourg in respect of or in connection with the issue of the Notes or in respect of the payment of Principal Amounts or Interest Amounts under the Notes or the transfer of the Notes. If any documents in respect of the Notes are required to be registered in Luxembourg, they will be subject to a fixed registration duty;
- (f) there is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of Principal Amounts or Interest Amounts under the Notes or the transfer of a Note; and
- (g) a holder of a Note will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of a Note or the execution, performance, delivery and/or enforcement of the Note.

4. EU Savings Tax Directive

Under the EU Council Directive 2003/48/EC dated 3 June 2003 on the taxation of savings income in the form of interest payments (the "**EU Savings Tax Directive**"), which is applicable as from 1 July 2005, each EU Member State must require paying agents (within the meaning of such directive) established within its territory to provide to the competent authority of this state details of the payment of interest made to any individual resident in another EU Member State as the beneficial owner of the interest. The competent authority of the EU Member State of the paying agent (within the meaning of the EU Savings Tax Directive) is then required to communicate this information to the competent authority of the EU Member State of which the beneficial owner of the interest is a resident (the "**Disclosure of Information Method**").

For a transitional period, Austria and Luxembourg may opt instead to withhold tax from interest payments within the meaning of the EU Savings Tax Directive at a rate of 35 % from 1 July 2011. In conformity with the prerequisites for the application of the EU Savings Tax Directive, a number of non-EU countries and territories, including Switzerland, have agreed to apply measures equivalent to those in the directive (a withholding system in the case of Switzerland).

In Germany, provisions for implementing the EU Savings Tax Directive have been enacted by legislative regulations of the German Federal Government. These provisions apply since 1 July 2005.

On 24 March 2014 EU Council Directive 2014/48/EU was adopted amending the EU Savings Tax Directive. Member States shall adopt and publish, by 1 January 2016, the laws, regulations and administrative provisions necessary to comply with the new directive. Furthermore, the Member States shall apply those provisions from the first day of the third calendar year following the calendar year in which the new directive enters into force (January 1, 2017).

The attention of prospective Noteholders is drawn to Condition 12 of the Notes (*Taxation*) stating that no gross-up will be available with respect to any taxes to be withheld or deducted by the Issuer.

SUBSCRIPTION AND SALE

1. Subscription of the Notes

The Managers, the Issuer and the Seller are parties to the Subscription Agreement. Pursuant to the Subscription Agreement, each of the Managers has agreed, subject to certain conditions, to subscribe, or to procure subscriptions, for the Notes. The Seller has agreed to pay each of the Managers a combined management, underwriting and placement commission on the Class A Notes and the Class B Notes and other fees, if any, as agreed between the parties to the Subscription Agreement. The Seller has agreed to reimburse each of the Managers for certain of its expenses in connection with the issue of the Notes. Pursuant to the Subscription Agreement, the Seller and the Issuer have agreed to indemnify each of the Managers, as more specifically described in the Subscription Agreement, for and against certain Losses and liabilities in connection with certain representations in respect of, *inter alia*, the accurateness of certain information contained in this Offering Circular.

In the Subscription Agreement, the Issuer has made certain representations and warranties in respect of its legal and financial matters.

The Subscription Agreement entitles the Joint Lead Managers, acting jointly and not individually, to terminate the Managers' obligations thereunder in certain circumstances prior to payment of the purchase price of the Notes. The Issuer has agreed to indemnify each of the Managers against certain liabilities in connection with the offer and sale of the Notes.

2. Selling Restrictions

General

All applicable laws and regulations must be observed in any jurisdiction in which Notes may be offered, sold or delivered. Each of the Managers has agreed that it will not offer, sell or deliver any of the Notes, directly or indirectly, or distribute this Offering Circular or any other offering material relating to the Notes, in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not to its best knowledge and belief impose any obligations on the Issuer except as set out in the Subscription Agreement.

United States of America and its Territories

- (1) The Notes have not been and will not be registered under the Securities Act and may not be offered, or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act. Each of the Managers has represented and agreed that it has not offered or sold the Notes, and will not offer or sell the Notes (i) as part of its distribution at any time or (ii) otherwise until forty (40) calendar days after the completion of the distribution of all Notes only in accordance with Rule 903 of Regulation S under the Securities Act. Neither the Managers nor their respective Affiliates nor any persons acting on their or their Affiliates' behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and each of them has complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act. At or prior to confirmation of sale of Notes, the Managers will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from them during the restricted period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons by any person referred to in Rule 903 (b)(2)(iii) (x) as part of their distribution at any time or (y) otherwise until forty (40) calendar days after the completion of the distribution of the Securities as determined and certified by the Managers, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them in Regulation S under the Securities Act."

Terms used in this clause have the meaning given to them in Regulation S under the Securities Act.

- (2) Further, each Manager has represented and agreed that:
- (a) except to the extent permitted under U.S. Treas. Reg. section 1.163-5 (c)(2)(i)(D) (the "**TEFRA D Rules**" or any successor rules in substantially the same form as the TEFRA D Rules, as applicable, for purposes of Section 4701 of the U.S. Internal Revenue Code), (i) it has not offered or sold, and during the restricted period will not offer or sell, directly or indirectly, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver, directly or indirectly, within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
 - (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
 - (c) if it was considered a United States person, that it is acquiring the Notes for purposes of resale in connection with their original issuance and agrees that if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. section 1.63-5 (c)(2)(i)(D)(6); and
 - (d) with respect to each Affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period that it will either (i) repeat and confirm the representations and agreements contained in sub-clauses (a), (b) and (c); or (ii) obtain from such Affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (a), (b) and (c).

Terms used in this Clause (2) have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA D Rules.

United Kingdom

Each Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the United Kingdom Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

France

Each Manager has represented, warranted and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France within the meaning of article L.411-1 of the French Monetary and Financial Code (*Code Monétaire et Financier*), and that, it has not distributed and will not distribute or cause to be distributed to the public in France this Offering Circular or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (A) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (B) qualified investors (*investisseurs qualifiés*) investing for their own account and/or (C) a restricted circle of investors (*cercle restreint d'investisseurs*) investing for their own account as defined in and in accordance with articles L.411-1, L.411-2 and D.411-1 to D.411-4 of the French Monetary and Financial Code (*Code Monétaire et Financier*).

Luxembourg

Each Manager has represented, warranted and agreed that it has not and will not, offer or sell the Notes to the public in Luxembourg, directly or indirectly, and neither this Offering Circular nor any prospectus, form of application, advertisement, communication or other material may be distributed, or otherwise made available, in or from or published, in Luxembourg, except (i) for the sole purpose of the admission to trading of the Notes on the regulated market and the listing of the Notes on the official list of the Luxembourg Stock Exchange and (ii) in circumstances which do not constitute a public offer of securities pursuant to the provisions of the Prospectus Law 2005.

USE OF PROCEEDS

The aggregate net proceeds from the issue of the Notes will amount to EUR 1,000,000,000. The net proceeds are equal to the gross proceeds and together with part of the Subordinated Loan will be used by the Issuer to finance the aggregate Purchase Prices for the Acquisition of certain Receivables and Loan Collateral from the Seller on the Issue Date. Part of the Subordinated Loan will be credited to the Cash Reserve Ledger of the Issuer Account with the Account Bank and will earn interest and such difference and such interest will be part of the Available Distribution Amount as of the first Payment Date. The costs of the Issuer in connection with the issue of the Notes, including, without limitation, transaction structuring fees, costs and expenses payable on the Issue Date to the Joint Lead Managers and to other parties in connection with the offer and sale of the Notes and certain other costs, and in connection with the admission of the Notes to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange, are paid separately by the Seller to the respective recipients.

GENERAL INFORMATION

1. Subject of this Offering Circular

This Offering Circular relates to EUR 1,000,000,000 aggregate principal amount of the Notes issued by the Issuer.

2. Authorisation

The issue of the Notes was authorised by a resolution of the board of directors of Bavarian Sky S.A. passed on 13 August 2014.

3. Litigation

Neither Bavarian Sky S.A. is, or has been since its incorporation, nor the Seller is, or – during the period covering at least the previous 12 months – has been, engaged in any governmental, litigation or arbitration proceedings which may have or have had during such period a significant effect on their respective financial position or profitability, and, as far as Bavarian Sky S.A. and the Seller are aware, no such governmental, litigation or arbitration proceedings are pending or threatened, respectively.

4. Payment Information

For as long as the Notes are listed on the official list of the Luxembourg Stock Exchange, the Issuer will inform the Luxembourg Stock Exchange of the Interest Amounts, the Interest Periods and the Interest Rates and, if relevant, the payments of Principal Amounts on the Notes of each Class, in each case in the manner described in the Conditions.

Payments and transfers of the Notes will be settled through the ICSDs (as described under 10. below). The Notes have been accepted for clearing by the ICSDs.

All notices regarding the Notes will either be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or delivered to the ICSDs for communication by them to the Noteholders.

5. Material Change

Save as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of the Issuer as of the date of its last published audited financial statements (31 December 2013).

6. Financial Statements

No statutory or non-statutory financial statements in respect of any business year of Bavarian Sky S.A. have been prepared other than as referred to in this Offering Circular. Bavarian Sky S.A. does not and will not publish interim accounts. The business year in respect of Bavarian Sky S.A. is the calendar year.

7. Luxembourg Listing

Application has been made for the Notes to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The Issuer has appointed Société Générale Bank & Trust as the initial Listing Agent. The Listing Agent will act as agent of the Issuer and arrange for application to be made for the Notes to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange and will act as intermediary between the Issuer and the holders of the Notes listed on the official list of the Luxembourg Stock Exchange. For as long as any of the Notes are listed on the official list of the Luxembourg Stock Exchange, the Issuer will maintain a Listing Agent. The total estimated listing expenses are EUR 9,880.

8. Availability of Documents

Prior to the listing of the Notes on the Luxembourg Stock Exchange, the constitutional documents of the Issuer will be registered with the Listing Agent where such documents are available for inspection and copies of these documents may be obtained, free of charge, upon request.

Upon listing of the Notes on the Luxembourg Stock Exchange and so long as the most senior Notes remain outstanding, copies of the constitutive documents of the Issuer may also be obtained free of charge during customary business hours at the specified offices of the Paying Agent and at the registered office of the Issuer and, as long as any Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, at the specified offices of the Listing Agent. The following documents may also be inspected during Business Hours at the specified offices of the Paying Agent and of the Issuer:

- (a) the Articles of Incorporation of Bavarian Sky S.A.;
- (b) the minutes of the meeting of the board of directors of Bavarian Sky S.A. approving the issue of the Notes, the issue of the Offering Circular and the Transaction as a whole;
- (c) the audited financial statements of Bavarian Sky S.A. for the periods from 1 January 2012 to 31 December 2012 and from 1 January 2013 to 31 December 2013;
- (d) the future annual financial statements of Bavarian Sky S.A. (interim financial statements will not be prepared);
- (e) the Monthly Investor Reports;
- (f) the Trust Agreement;
- (g) all notices given to the Noteholders pursuant to the Conditions; and
- (h) this Offering Circular and all Transaction Documents referred to in this Offering Circular.

9. Post-issuance Reporting

Following the Issue Date, the Calculation Agent will provide, to the Noteholders, so long as any of the Notes are listed on the official list of the Luxembourg Stock Exchange and so long as the most senior Notes remain outstanding, and admitted to trading on the regulated market of the Luxembourg Stock Exchange, with the following information, all in accordance with the Agency Agreement, the Calculation Agency Agreement and the Conditions:

- (i) with respect to each Payment Date, the Interest Amount pursuant to Condition 7.1 (*Interest calculation*) of the Conditions;
- (ii) with respect to each Payment Date, the amount of Interest Shortfall pursuant to Condition 7.4 (*Interest Shortfall*) of the Conditions, if any;
- (iii) with respect to each Payment Date the amount of Principal Amount on each Class A Note and each Class B Note pursuant to Condition 8 (*Redemption*) of the Conditions to be paid on such Payment Date;
- (iv) with respect to each Payment Date the Outstanding Note Balance of each Class A Note and each Class B Note and the Class A Outstanding Notes Balance and the Class B Outstanding Notes Balance as from such Payment Date; and
- (v) in the event the payments to be made on a Payment Date constitute the final payment with respect to the Notes pursuant to Condition 8.2 (*Final Redemption*) or Condition 8.3 (*Clean-Up Call*) of the Conditions, the fact that such is the final payment.

In each case, such information will be contained in the Monthly Investor Reports which will be made available through the Calculation Agent's website (which is currently located at <https://www.tss.db.com/investpublic>). See "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Calculation Agency Agreement".

The investor report shall include detailed summary statistics and information regarding the performance of the portfolio of the Purchased Receivables and contain a glossary of the terms used in the Offering Circular. The first investor report issued by the Issuer shall additionally disclose the amount of Notes (i) privately-placed with investors other than the Seller and its affiliated companies (together the "**Originator Group**"), (ii) retained by a member of the Originator Group and (iii) publicly-placed with investors which are not part of the Originator Group. In relation to any amount of Notes initially retained by a member of the Originator Group but subsequently placed with investors outside the Originator Group such circumstance will be disclosed (to the extent legally permitted) in the next investor report following such outplacing.

Furthermore, the Issuer undertakes to make available to the Noteholders from the Issue Date until the Legal Final Maturity Date loan level data and a cash flow model either directly or indirectly through one or more entities who provide such cash flow models to investors generally.

10. ICSDs

Euroclear Bank S.A./N.V.
1 Boulevard du Roi Albert II
1210 Brussels
Belgium

Clearstream Banking, *société anonyme*
42 Avenue John F. Kennedy
L-1855 Luxembourg

11. Clearing Codes

Class A Notes

ISIN: XS1083297421
Common Code: 108329742
WKN: A1ZL9U

Class B Notes

ISIN: XS1083303419
Common Code: 108330341
WKN: A1ZL9V

MASTER DEFINITIONS SCHEDULE

The following is the text of the Master Definitions Schedule. The text will be attached as Appendix A to the Conditions and constitutes an integral part of the Conditions – in case of any overlap or inconsistency in the definitions of a term or expression in the Master Definitions Schedule and elsewhere in the Offering Circular, the definitions of the Master Definitions Schedule will prevail.

1. Definitions

The Transaction Parties agree that, except where expressly stated to the contrary or where the context otherwise requires, the definitions set out below shall apply to terms or expressions referred to but not otherwise defined in each Transaction Document.

"**Account Bank**" means Elavon Financial Services Limited, UK Branch or any successor thereof or any other Person appointed as replacement Account Bank from time to time in accordance with the Bank Account Agreement.

"**Acquire**", "**Acquired**", "**Acquiring**" or "**Acquisition**" when used in respect of any asset, relates to an asset that has been, is being, or will be, purchased, acquired or assumed, as the case may be.

"**Affiliate**" means, in relation to any Person, any entity controlled, directly or indirectly by the Person, any entity that controls, directly or indirectly the Person or any entity directly or indirectly under common control with such Person (for this purpose, "control" of any entity of Person means ownership of a majority of the voting power of the entity or Person).

"**Agency Agreement**" means an agency agreement between, *inter alios*, the Paying Agent, the Interest Determination Agent, the Issuer, the Seller, the Servicer and the Trustee dated as of the Signing Date.

"**Aggregate Outstanding Notes Balance**" means the aggregate amount of the Outstanding Note Balance of the Class A Notes and/or the Class B Notes, as applicable, on a Payment Date (taking into account the principal redemption on such Payment Date).

"**Aggregate Outstanding Principal Balance**" means on each Cut-Off Date (except for the first Cut-Off Date), the sum of the Outstanding Principal Balances of all Purchased Receivables as of such date.

"**Aggregate Principal Balance**" means the sum of the Principal Balances of all Purchased Receivables as of the first Cut-Off Date.

"**Applicable Insolvency Law**" means any applicable bankruptcy, insolvency or other similar law affecting creditor's rights now or hereafter in effect in any jurisdiction.

"**Arranger**" means Merrill Lynch International.

"**Articles of Incorporation**" means the statutes of Bavarian Sky S.A. under Luxembourg law, as published on 4 July 2007 in the Luxembourg Official Journal.

"**Assigned Assets**" has the meaning assigned to it in Clause 8.1 of the Trust Agreement.

"**Available Distribution Amount**" means, with respect to any Cut-Off Date and the Monthly Period ending on such Cut-Off Date, the lower of (x) the funds available on the Issuer Account on the Payment Date immediately following such Cut-Off Date and (y) an amount calculated by the Servicer pursuant to the Servicing Agreement as of such Cut-Off Date and notified to the Issuer, the Account Bank, the Corporate Administrator, the Trustee, the Calculation Agent and the Paying Agent no later than on the Reporting Date preceding the Payment Date immediately following such Cut-Off Date, as the sum of:

- (i) the amounts standing to the credit of the Cash Reserve Ledger as of such Cut-Off Date;
- (ii) any Collections received by the Servicer during the Monthly Period ending on such Cut-Off Date;

- (iii) any Swap Net Cashflow payable by the Swap Counterparty to the Issuer on the Payment Date immediately following such Cut-Off Date;
- (iv) any tax payment made by the Seller and/or Servicer to the Issuer in accordance with the Receivables Purchase Agreement and/or the Servicing Agreement during such Monthly Period;
- (v) any interest earned (if any) on the amounts credited to the Issuer Account during such Monthly Period;
- (vi) prior to the appointment of a substitute Servicer, the amounts standing to the credit of the Commingling Reserve Ledger upon (i) the occurrence and continuance of a Commingling Reserve Trigger Event as of such Cut-Off Date and (ii) the occurrence and continuance of a Servicer Termination Event as of such Cut-Off Date, to the extent necessary to cover any Servicer Shortfall caused on the part of BMW Bank as Servicer; and
- (vii) the amounts (if any) standing to the credit of the Set-Off Reserve Ledger upon (i) the occurrence and continuance of a Set-Off Reserve Trigger Event as of such Cut-Off Date and (ii) the occurrence and continuance of a Servicer Termination Event as of such Cut-Off Date, but only to the extent necessary for the fulfilment on the relevant Payment Date of the payment obligations of the Issuer under items *first* to *ninth* (inclusive) of the Pre-Enforcement Priority of Payments (but excluding any fees and other amounts due to the Seller in its capacity as Servicer under item *third* of the Pre-Enforcement Priority of Payments), provided, however, that, with respect to amounts standing to the credit of the Set-Off Reserve Ledger, such amounts shall only be included in the Available Distribution Amount if and to the extent that (i) any amounts that would otherwise have to be transferred to the Issuer as Deemed Collections within the meaning of item (iv)(x) of the definition of Deemed Collections for the Monthly Period ending on the relevant Cut-Off Date were not received by the Seller as a result of any of the actions described in item (iv)(x) of the definition of Deemed Collections, and (ii) the Issuer does not have a right of set-off against the Seller or (if different) the Servicer with respect to such amounts on the relevant Payment Date; and provided further, however, that with respect to amounts standing to the credit of the Set-Off Reserve Ledger, such amounts shall only be included in the Available Distribution Amount if and to the extent that the Seller has not fulfilled its obligation under Clause 16.6 of the Receivables Purchase Agreement.

For the avoidance of doubt, any balance credited to the Counterparty Downgrade Collateral Account shall not form part of the Available Distribution Amount.

"Available Post-Enforcement Funds" means, from time to time, all moneys standing to the credit of the Issuer Account, including, without limitation, any enforcement proceeds in respect of the Security credited to the Issuer Account and/or to any account of the Trustee or receiver appointed by the Trustee upon the occurrence of an Enforcement Event, any balances credited to the Commingling Reserve Ledger and the Set-Off Reserve Ledger; and excluding for the avoidance of doubt, any amount credited to the Counterparty Downgrade Collateral Account which shall be returned directly to the Swap Counterparty.

"Bank Account Agreement" means a bank account agreement between, *inter alios*, the Issuer, the Account Bank and the Trustee relating to the Issuer Account and the Counterparty Downgrade Collateral Account and dated as of the Signing Date.

"Bank of America Merrill Lynch" means Merrill Lynch International.

"BMW AG" means Bayerische Motoren Werke Aktiengesellschaft.

"BMW Bank" means BMW Bank GmbH.

"Business Day" means any day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in London, Munich, Frankfurt am Main and Luxembourg and

on which the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 operates.

"**Calculation Agency Agreement**" means the calculation agency agreement between, *inter alios*, the Issuer, the Calculation Agent and the Trustee dated as of the Signing Date.

"**Calculation Agent**" means Elavon Financial Services Limited, UK Branch, any successor thereof or any other Person appointed as replacement calculation agent from time to time in accordance with the Calculation Agency Agreement.

"**Calculation Check**" has the meaning as defined in Clause 5.1 of the Calculation Agency Agreement.

"**Calculation Check Notice**" means the written notice issued by the Calculation Agent to the Issuer and the Servicer after conducting the Calculation Check.

"**Cash Reserve Ledger**" means the ledger to the Issuer Account held by the Issuer with the Account Bank for the Required Cash Reserve Amount in respect of Compartment Loans 2 and for the purposes of the Transaction.

"**CET**" means Central European time.

"**Charged Assets**" means the whole of the right, title, benefit and interest of the Issuer in such undertaking, property, assets and rights whatsoever and wheresoever situated, present and future, as are subject to the Security under the Security Documents, including the Assigned Assets and the Charged Property.

"**Charged Property**" means the whole of the right, title, benefit and interest of the Issuer in such undertaking, property, assets and rights assigned to the Trustee pursuant to Clause 3 (*Grant of Security and declaration of trust*) of the Deed of Security Assignment.

"**Class**" means any of the Class A Notes and the Class B Notes.

"**Class A Noteholders**" means a holder of the Class A Notes and "**Class A Noteholders**" means all holders of the Class A Notes collectively.

"**Class A Notes**" means the class A notes issued by the Issuer on the Issue Date with a total nominal amount of EUR 946,200,000, consisting of 9,462 individual notes, each in the nominal amount of EUR 100,000 and ranking senior to the Class B Notes and the Subordinated Loan.

"**Class B Noteholder**" means a holder of the Class B Notes and "**Class B Noteholders**" means all holders of the Class B Notes collectively.

"**Class B Notes**" means the class B notes issued by the Issuer on the Issue Date with a total nominal amount of EUR 53,800,000, consisting of 538 individual notes, each in the nominal amount of EUR 100,000 and ranking junior to the Class A Notes.

"**Clean-Up Call Conditions**" means:

- (a) the proceeds distributable as a result of the repurchase of all outstanding Purchased Receivables (together with any Loan Collateral) (after the Seller has rightfully exercised the Clean-Up Call Option) shall, together with funds credited to the Cash Reserve Ledger, be at least equal to the sum of (x) the Aggregate Outstanding Notes Balance of the Notes plus (y) accrued but unpaid interest thereon plus (z) all claims of any creditors of the Issuer in respect of Compartment Loans 2 ranking prior to the claims of the Noteholders according to the Pre-Enforcement Priority of Payments;
- (b) the Seller shall have notified the Issuer and the Trustee of its intention to exercise the Clean-Up Call Option at least 10 days prior to the contemplated settlement date of the Clean-Up Call Option which shall be a Payment Date; and

- (c) the repurchase price to be paid by the Seller shall be equal to the then current value (aktueller Wert) of all Purchased Receivables plus any interest accrued until and outstanding on the Clean-Up Call Settlement Date.

"**Clean-Up Call Option**" means the Seller's right to exercise a clean-up call more specifically described in Condition 8.3 (a) of the Conditions.

"**Clean-Up Call Settlement Date**" means, provided that the Clean-Up Call Conditions are satisfied and the Seller exercises the Clean-Up Call Option at least 10 days prior to the next following Payment Date, such next following Payment Date.

"**Clearstream Luxembourg**" means the Clearstream clearance system for internationally traded securities operated by Clearstream Banking, *société anonyme* at 42 Avenue John F. Kennedy, L-1855 Luxembourg and any successor thereto.

"**Collections**" means, with respect to any Purchased Receivable during the relevant period, any amounts, proceeds, interest, late payment or similar charges and any other cash or financial benefits received on or in connection with such Purchased Receivable and related Loan Collateral including, without limitation:

- (a) all collections of the Loan Instalments that have been paid by the Debtors;
- (b) the Deemed Collections, if any, paid in respect of such Purchased Receivable;
- (c) all proceeds of any Loan Collateral, including, without limitation, all proceeds received by means of realisation of the Financed Vehicles and all proceeds from any Instalment Protection Insurances;
- (d) any proceeds from the sale of Defaulted Receivables (together with the Loan Collateral) received by the Servicer on behalf of the Issuer from any third party and any amounts after realisation of the Loan Collateral to which the Issuer is entitled under the relevant Loan Agreement (for the avoidance of doubt, including Recoveries);

in each case which is irrevocable and final (provided that any direct debit (*Lastschriftinzug*) shall constitute a Collection irrespective of any subsequent valid return thereof (*Lastschriftückbelastung*)), and any Deemed Collections of such Purchased Receivable less any amount previously received but required to be repaid on account of a valid return of a direct debit (*Lastschriftückbelastung*), provided that, for the avoidance of doubt, any Collection which is less than the amount then outstanding and due from the relevant Debtor shall be applied in accordance with Sections 366 *et seq.* of the German Civil Code.

"**Co-Manager**" means any of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Banco Santander, S.A. and Société Générale S.A.

"**Commingling Reserve Excess Amount**" means, as of any Cut-Off Date upon the occurrence and continuance of a Commingling Reserve Trigger Event, an amount equal to the amount credited to the Commingling Reserve Ledger which exceeds the Required Commingling Reserve Amount.

"**Commingling Reserve Ledger**" means a ledger to the Issuer Account held by the Issuer with the Account Bank for the Required Commingling Reserve Amount in respect of Compartment Loans 2 and for the purposes of the Transaction.

"**Commingling Reserve Trigger Event**" means if, at any time for as long as the Seller remains the Servicer:

- (a) the credit worthiness of BMW AG is no longer deemed to be commensurate with a long-term rating of A by DBRS, or (x) the short-term unsecured, unguaranteed and unsubordinated debt obligations of BMW AG are assigned a rating of lower than P1 (or its replacement) by Moody's, and (y) the long-term unsecured, unsubordinated and unguaranteed debt obligations of BMW AG are assigned a rating of lower than A2 (or its replacement) by Moody's, or (x) the

short-term unsecured, unguaranteed and unsubordinated debt obligations of BMW AG are assigned a rating of lower than F1 (or its replacement) by Fitch, and (y) the long-term unsecured, unsubordinated and unguaranteed debt obligations of BMW AG are assigned a rating of lower than A (or its replacement) by Fitch; or

- (b) BMW AG ceases to own, directly or indirectly, at least 100 % of the share capital of the Seller, or a termination of the profit and loss transfer agreement between BMW AG and the Servicer occurs, for as long as identical with the Seller,

provided that a Commingling Reserve Trigger Event shall cease to continue upon the earlier of (A) all Debtors have redirected their payments directly to the Issuer Account and (B) a substitute Servicer has been appointed.

"Common Safekeeper" or **"CSK"** means the entity appointed by the ICSDs to provide safekeeping for the Notes in NGN form.

"Common Services Provider" or **"CSP"** means the entity appointed by the ICSDs to provide asset servicing for the Notes in NGN form.

"Common Terms" means the provisions set out in Schedule 2 of the Incorporated Terms Memorandum. The Common Terms are also reproduced in Schedule V of the Trust Agreement.

"Compartment" means a compartment of the Issuer within the meaning of the Luxembourg Securitisation Law.

"Compartment Loans 2" and **"Compartment German Auto Loans 2"** means the seventh Compartment of the Issuer designated for the purposes of the Transaction and named 'Compartment German Auto Loans 2'.

"Conditions" means the terms and conditions of the Notes (which terms and conditions are set out in the Offering Circular).

"Corporate Administration Agreement" means a corporate administration agreement (relating to all Compartments of the Issuer) entered into by the Issuer and the Corporate Administrator on 26 April 2007 (as amended, supplemented or otherwise modified) under which the Corporate Administrator is responsible for the day to day administrative activities of the Issuer, including providing secretarial, clerical, administrative and related services to the Issuer and maintaining the books and records of the Issuer in accordance with applicable laws and regulations of Luxembourg.

"Corporate Administrator" means Structured Finance Management (Luxembourg) S.A., any successor thereof or any other Person appointed as replacement corporate administrator from time to time in accordance with the Corporate Administration Agreement.

"Counterparty Downgrade Collateral Account" means the counterparty downgrade collateral account or any other account replacing such account held with the Account Bank with the account details set out in Schedule 11 to the Incorporated Terms Memorandum and opened for the posting of collateral by the Swap Counterparty under the Swap Agreement.

"Credit and Collection Policy" means the body of binding working instructions (*Richtlinien* and *Arbeitsanweisungen*) created by the Servicer to standardise its credit and collection management as consistently applied by the Servicer from time to time and as modified from time to time in accordance with the Servicing Agreement.

"CSSF" means the *Commission de Surveillance du Secteur Financier of Luxembourg*.

"Cut-Off Date" means the last calendar day of each calendar month, and the Cut-Off Date with respect to each Payment Date is the Cut-Off Date immediately preceding such Payment Date, provided that the first Cut-Off Date was 31 July 2014.

"Data Trust Agreement" means a data trust agreement between the Seller, the Data Trustee, the Trustee and the Issuer dated as of the Signing Date.

"Data Trustee" means Structured Finance Management (Luxembourg) S.A. or any successor thereof or any other Person appointed as replacement data trustee from time to time in accordance with the Data Trust Agreement.

"Day Count Fraction" means in respect of an Interest Period, the actual number of days in such period divided by 360.

"DBRS" means DBRS Ratings Limited.

"Debtor" means, in respect of a Receivable, a Person (including consumers and businesses) to whom the Seller has made available a loan to finance one or more Financed Vehicles on the terms of the relevant Loan Agreement(s).

"Debtor Identifier" means the debtor identification number allocated to the relevant Debtor by the Servicer.

"Debtor Notification Event" means the occurrence of any of the following events:

- (a) a Servicer Termination Event;
- (b) the Servicer is prohibited to collect the Purchased Receivables pursuant to applicable law or regulation; or
- (c) failure by BMW Bank to pay the Required Commingling Reserve Amount to the Commingling Reserve Ledger within five (5) Business Days after fourteen (14) calendar days after the occurrence of an Commingling Reserve Trigger Event.

"Debtor Notification Event Notice" means in respect of a Purchased Receivable a notice (substantially in the same form as the one set out in Schedule 3 to the Receivables Purchase Agreement) sent to the relevant Debtor and, with respect to each of the Issuer and the Trustee only, any other relevant debtors to the extent known to it (in particular, comprehensive insurers (*Kaskoversicherer*), life insurers and employers) stating that such Purchased Receivable and title for security purposes (*Sicherungseigentum*) to the Financed Vehicle have been assigned by the Seller to the Issuer pursuant to the Receivables Purchase Agreement and instructing the Debtor to make payments to the Issuer Account or any other account compliant with the Transaction Document.

"Deed of Security Assignment" means a deed of security assignment between, *inter alios*, the Issuer and the Trustee dated as of the Signing Date.

"Deemed Collection" means, in respect of any Purchased Receivable, an amount to be paid if, and equal to the Outstanding Principal Balance of such Purchased Receivable (including, for the avoidance of doubt, in case only a portion of the Purchased Receivable is affected) outstanding as of the Cut-Off Date falling in the Monthly Period during which, one of the following events occurs:

- (a) such Purchased Receivable proves to be in breach of any of the Eligibility Criteria as of the first Cut-Off Date, unless such non-compliance is fully remedied by the Seller to the satisfaction of the Trustee; or
- (b) such Purchased Receivable remains unpaid solely as a result of a breach of the Servicer's obligations under the Servicing Agreement and the Credit and Collection Policy (for as long as the Seller and the Servicer are identical); or
- (c) such Purchased Receivable is reduced or affected due to any modification or amendment to the relevant Loan Agreement or early termination of the relevant Loan Agreement agreed upon by the parties thereto other than in accordance with the Credit and Collection Policy; or

- (d) such Purchased Receivable is reduced or affected due to any modification to the cash flow or payment plan of the relevant Loan Agreement; or
- (e) any reduction of the Outstanding Principal Balance of such Purchased Receivable or any other amount owed by a Debtor due to (x) any set-off against the Seller due to a counterclaim of the Debtor or any set-off or equivalent action against the relevant Debtor by the Seller or (y) any discount or other credit in favour of the Debtor, in each case as of the date of such reduction for such Purchased Receivable,

provided that for the avoidance of doubt, no Deemed Collection shall be payable in respect of Eligible Receivables if the Debtor fails to make due payments solely as a result of its lack of funds or insolvency (*Delkredererisiko*).

"Defaulted Receivable" means, as of any date, any Purchased Receivable which (i) has been sold to a debt collection agency, (ii) is terminated and the Financed Vehicle is repossessed in accordance with the Credit and Collection Policy or (iii) has been written off in the system of the Seller.

"EC Treaty" means the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended from time to time, including by the Treaty on European Union (signed in Maastricht on 7 February 1992), by the Treaty of Amsterdam (signed in Amsterdam on 2 November 1997), by the Treaty of Nice (signed in Nice on 26 February 2001) and by the Lisbon Treaty (signed in Lisbon on 13 December 2007).

"Eligibility Criteria" means the eligibility criteria set out in Appendix 1 to Schedule 3 Part 3 of this Incorporated Terms Memorandum and being relevant as of the first Cut-Off Date.

"Eligible Counterparty" means any entity with

- (i) a long-term unsecured, unguaranteed and unsubordinated debt obligations which are rated at least A from DBRS;
- (ii) an unsecured and unsubordinated short-term rating of at least P-1 (or its equivalent) from Moody's or an unsecured and unsubordinated long-term rating of at least A2 (or its equivalent) from Moody's;
- (iii) an unsecured and unsubordinated short-term rating of at least F1 (or its equivalent) from Fitch and an unsecured and unsubordinated long-term rating of at least A (or its equivalent) from Fitch; and
- (iv) another rating provided that such entity will have taken measures that would lead to the then current rating of any Class of Notes not being downgraded or withdrawn.

If at any time the Account Bank ceases to be an Eligible Counterparty, it shall, (in case of a downgrade of the Account Bank by Moody's or DBRS or Fitch within thirty (30) calendar days) after becoming ineligible (i) replace itself with a bank which is an Eligible Counterparty, or (ii) find an irrevocable and unconditional guarantor with (x) an unsecured and unsubordinated short-term rating of at least P-1 (or its equivalent) from Moody's or an unsecured and unsubordinated long-term rating of at least A2 (or its equivalent) from Moody's; (y) an unsecured and unsubordinated long-term rating of at least A from DBRS; and (z) an unsecured and unsubordinated short-term rating of at least F1 (or its equivalent) from Fitch and an unsecured and unsubordinated long-term rating of at least A (or its equivalent) from Fitch.

"Eligible Receivable" means any Receivable which satisfies the Eligibility Criteria as of the first Cut-Off Date.

"Eligible Swap Counterparty" means any entity with

- (i) with long-term unsecured, unguaranteed and unsubordinated debt obligations which are rated by DBRS at least (a) "A" or (b) "BBB" and which either posts collateral in the amount and manner set forth in the Swap Agreement or obtains a guarantee from a person having the ratings set forth in (a) above; and

- (ii) with long-term unsecured, unguaranteed and unsubordinated debt obligations which are rated by Moody's at least "Baa1";
- (iii) with a Long-Term Issuer Default Rating (IDR) by Fitch of not less than A and a minimum Short-Term IDR by Fitch of not less than F1; and
- (iv) another rating provided that such entity will have taken measures that would lead to the then current rating of any Class of Notes not being downgraded or withdrawn.

"Enforcement Event" means the event that (in the sole judgment of the Trustee) an Issuer Event of Default has occurred, and the Trustee has served an Enforcement Notice upon the Issuer.

"Enforcement Notice" means a notice delivered as soon as reasonably practicable by the Trustee on the Issuer, each of the other Secured Parties and the Rating Agencies upon the occurrence of an Issuer Event of Default stating that the Trustee commences with the enforcement of the Security pursuant to the procedures set out in the relevant Security Documents.

"EONIA" means Euro Overnight Index Average which is calculated by the European Central Bank and published by the European Banking Federation on page 247 of the TELERATE screen.

"EU Insolvency Regulation" means Council Regulation (EC) No. 1346/2000 of 29 May 2000, as amended.

"EU Savings Tax Directive" means Council Directive 2003/48/EC on taxation of savings income in the form of interest payments, adopted by the Council of the European Union on 3 June 2003, as amended.

"EUR" or **"Euro"** means the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the EC Treaty.

"EURIBOR" (Euro Interbank Offered Rate) means the rate determined by the Interest Determination Agent for deposits in euro for a period of one (1) month which appears on Reuters 3000 page EURIBOR 01 (or such other page as may replace such page on that service for the purpose of displaying inter-bank offered rate quotations of major banks) as of 11:00 a.m. in Brussels on the second Business Day immediately preceding the first day of such Interest Period (each, an **"Interest Determination Date"**). If Reuters 3000 page EURIBOR 01 is not available or if no such quotation appears thereon, in each case as at such time, the Interest Determination Agent shall determine EURIBOR on the basis of such other screen rate the Interest Determination Agent shall determine in good faith. If no such screen rate is available, the Interest Determination Agent shall request the principal Euro-zone office of the Reference Banks selected by it to provide the Interest Determination Agent with its offered quotation (expressed as a percentage rate per annum) for one month deposits in euro at approximately 11:00 a.m. in Brussels on the relevant Interest Determination Date to prime banks in the Euro-zone inter-bank market for the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time. If two or more of the selected Reference Banks provide the Interest Determination Agent with such offered quotations, EURIBOR for such Interest Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one thousandth of a percentage point, with 0.000005 being rounded upwards). If on the relevant Interest Determination Date less than two of the selected Reference Banks provide the Interest Determination Agent with such offered quotations, EURIBOR for such Interest Period shall be the rate per annum which the Interest Determination Agent determines as being the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.000005 being rounded upwards) of the rates communicated to (and at the request of) the Interest Determination Agent by major banks in the Euro-zone, selected by the Interest Determination Agent, at approximately 11:00 a.m. in Brussels on such Interest Determination Date for loans in euros to leading European banks for such Interest Period and in an amount that is representative for a single transaction in that market at that time.

"Euroclear" means the Euroclear system operated by Euroclear Bank S.A./N.V. at 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium and any successor thereto.

"**Euro-zone**" means the region comprising member states of the European Union that have adopted the single currency, the euro, in accordance with the EC Treaty.

"**Event of Default**" means, in relation to any Security Document, any event of default howsoever described in such Security Document.

"**Exchange Date**" has the meaning ascribed to such term in Condition 2 (c) of the Conditions.

"**Final Discharge Date**" means the date on which the Trustee notifies the Issuer and the Secured Parties that the Trustee is satisfied that all the Secured Obligations and the Trustee Claim, actual or contingent, and/or all other moneys and other liabilities due or owing by the Issuer, actual or contingent, in relation to the Transaction have been paid or discharged in full.

"**Financed Vehicle**" means any passenger car or light commercial vehicle financed under a Loan Agreement.

"**Fitch**" means Fitch Ratings Limited or any successor to its rating business.

"**Form of Accession**" means a form of accession as set out in Schedule 4 to the Trust Agreement.

"**Foundation**" means the Stichting Andesien, a Dutch foundation (*stichting*) established under the laws of The Netherlands whose statutory seat is in Amsterdam and whose registered office is at Boelelann 7, 1083 HJ Amsterdam, The Netherlands.

"**FSMA**" means the United Kingdom Financial Services and Markets Act 2000.

"**German Civil Code**" means the civil code (*Bürgerliches Gesetzbuch - BGB*) of Germany, as amended or restated from time to time.

"**German Transaction Documents**" means the Conditions, the Trust Agreement, the Subscription Agreement, the Agency Agreement, the Bank Account Agreement, the Calculation Agency Agreement, the Receivables Purchase Agreement, the Servicing Agreement, the Data Trust Agreement and the Subordinated Loan Agreement, which are governed by, and shall be construed in accordance with, the laws of Germany and any amendment agreement, termination agreement or replacement agreement relating to any such agreement.

"**Germany**" means the Federal Republic of Germany.

"**Global Note**" means each of the Temporary Global Notes and the Permanent Global Notes.

"**Governmental Authority**" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to a government, including, without limitation, any court, and any Person owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing, including, for the avoidance of doubt, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin*).

"**ICSD**" or "**International Central Securities Depository**" means either of Clearstream Banking, *société anonyme* or Euroclear Bank S.A./N.V., and "**ICSDs**" means Clearstream Banking, *société anonyme* and Euroclear Bank S.A./N.V. collectively.

"**Incorporated Terms Memorandum**" means the memorandum so named, dated on or about the Issue Date and signed for the purpose of identification by each of the Transaction Parties.

"**Insolvency Event**" means, with respect to Bavarian Sky S.A. (where the context requires, in respect of its Compartment Loans 2) or any Transaction Party, as the case may be, each of the following events: (i) the making of an assignment, conveyance, composition or marshalling of assets for the benefit of its creditors generally or any substantial portion of its creditors; (ii) the application for, seeking of, consent to, or acquiescence in, the official appointment of an insolvency receiver, custodian, trustee, liquidator

or similar official for it or a substantial portion of its property; (iii) the initiation of any case, action or proceedings before any court or Governmental Authority against the Issuer or any Transaction Party under any applicable liquidation, insolvency, composition, bankruptcy, receivership, dissolution, reorganisation, winding-up, relief of debtors or other similar laws and such proceedings are not being disputed in good faith with a reasonable prospect of discontinuing or discharging the same; (iv) the levy or enforcement of a distress or execution or other process upon or sued out against the whole or any substantial portion of the undertaking or assets of the Issuer or any Transaction Party and such possession or process (as the case may be) shall not be discharged or otherwise shall not cease to apply within sixty (60) days; (v) initiation or consent to any case, action or proceedings in any court or Governmental Authority relating to the Issuer or any Transaction Party under any applicable liquidation, insolvency, composition, bankruptcy, receivership, dissolution, reorganisation, winding-up, relief of debtors or other similar laws; (vi) an order is made against the Issuer or any Transaction Party or an effective resolution is passed for its winding-up; and (vii) the Issuer or any Transaction Party is deemed unable to pay its debts generally within the meaning of any liquidation, insolvency, composition, reorganisation or other similar laws in the jurisdiction of its incorporation or establishment (provided that, for the avoidance of doubt, any assignment, charge, pledge or lien made by the Issuer for the benefit of a trustee under the relevant security documents pertaining to a securitisation transaction of the Issuer shall not constitute an Insolvency Event in respect of the Issuer).

"Insolvency Proceeding" means (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganisation, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors of a Person, or (b) any general assignment of assets for the benefit of creditors of a Person, composition, marshalling of assets for creditors of a Person, or other similar arrangement in respect of its creditors generally or any substantial portion of its creditors (which, for the avoidance of doubt, shall not include the distribution of the Issuer's cash in accordance with the applicable Priority of Payments). For the avoidance of doubt, in relation to Bavarian Sky S.A., this includes, without limitation, bankruptcy (*faillite*), insolvency, its voluntary or judicial liquidation, reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), fraudulent conveyance, general settlement with creditors (*concordat préventif de faillite*), reorganization or similar proceedings affecting the rights of creditors generally.

"Instalment Protection Insurance" (*Ratenschutzversicherung*) shall mean any combined life and temporary disability insurance (*kombinierte Ratenschutzlebens- und Arbeitsunfähigkeitsversicherung*) entered into by a Debtor in respect of the financing of the Acquisition of a Financed Vehicle by such Debtor by way of accession to a group insurance agreement (*Gruppenversicherungsvertrag*) between the Seller in its capacity as insurance policy holder and an insurer which covers the risk that such Debtor in its capacity as insured person is unable to pay the Loan Instalments owed by such Debtor under the relevant Loan Agreement due to such Debtor (1) deceasing or (2) becoming unemployed; in each case (i) the accession of such Debtor to a group insurance agreement (*Gruppenversicherungsvertrag*) referring to an Instalment Protection Insurance (*Ratenschutzversicherung*) is no precondition of the financing of the Acquisition of a Financed Vehicle and (ii) the contribution owed by the Debtor for accession to the Instalment Protection Insurance is added to the principal amount of the relevant Purchased Receivable owed by the Debtor as part of the Loan Instalments under the relevant Loan Agreement.

"Interest Amount" means the amount of interest payable by the Issuer on a Note on a Payment Date accrued during the Interest Period relating to such Payment Date as further described in Condition 7.1(b) of the Conditions.

"Interest Determination Agent" means Elavon Financial Services Limited, UK Branch, any successor thereof or any other Person appointed as replacement interest determination agent from time to time in accordance with the Agency Agreement.

"Interest Determination Date" means the second Business Day prior to the first day of the relevant Interest Period.

"Interest Period" means, in respect of the first Payment Date, the period commencing on (and including) the Issue Date and ending on (but excluding) the first Payment Date, and in respect of any subsequent Payment Date, the period commencing on (and including) the previous Payment Date and ending on (but excluding) the relevant Payment Date, provided that the last Interest Period shall end on

(but exclude) the Legal Final Maturity Date or, if earlier, the date on which all Notes are redeemed in full.

"Interest Rate" means in respect of the Notes the applicable rate of interest as more specifically described in Condition 7.3 (a) of the Conditions.

"Interest Shortfall" means, with respect to any Note, accrued interest not paid on any Payment Date related to the Interest Period in which it accrued, including but not limited to any accrued interest resulted from correction of any miscalculation of interest payable on a Note related to the last Interest Period immediate prior to the Payment Date.

"Investor Reporting Date" means the second Business Day prior to the respective Payment Date.

"ISDA Calculation Agent" means, for the purpose of the Swap Agreement, the Calculation Agent defined in Section 4.14 of the 2006 ISDA Definitions.

"ISIN" means the international securities identification number pursuant to the ISO – 6166 Standard.

"ISO" means the International Organisation for Standardisation.

"Issue Date" means 20 August 2014.

"Issuer" means Bavarian Sky S.A., an unregulated securitisation undertaking within the meaning of the Luxembourg Securitisation Law, incorporated under the form of a public limited liability company (*société anonyme*), with registered office at 9B, Boulevard Prince Henri, L-1724 Luxembourg, registered with the Luxembourg trade and companies register under number B 127982, acting, unless the context requires otherwise, solely in respect of its Compartment Loans 2.

"Issuer Account" means an account held with the Account Bank in respect of the Compartment Loans 2.

"Issuer Event of Default" means in respect of the Notes any of the following events:

- (a) subject to the Available Distribution Amount and in accordance with the Pre-Enforcement Priority of Payment, in respect of the most senior Class of Notes a default occurs in the payment of interest on any Payment Date (and such default is not remedied within two (2) Business Days of its occurrence) or the payment of principal on the Legal Final Maturity Date (and such default is not remedied within two (2) Business Days of its occurrence);
- (b) the Issuer fails to perform or observe any of its other material obligations under the Conditions or the Transaction Documents (other than the Subordinated Loan Agreement) and, in each such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of thirty (30) days following the service by the Trustee on the Issuer of a notice requiring the same to be remedied;
- (c) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Class A Notes, the Class B Notes or any other Transaction Document (other than the Subordinated Loan Agreement); or
- (d) an Insolvency Event has occurred with respect to the Issuer and such event is not discontinued or discharged within thirty (30) calendar days.

"Issuer-ICSDs Agreement" means any Issuer-ICSDs agreement between the Issuer and the ICSDs with respect to any Class of Notes before any Notes of such Class in NGN form will be accepted by the ICSDs.

"Joint Lead Managers" means Merrill Lynch International and HSBC Bank plc.

"Legal Final Maturity Date" means the Payment Date falling on 20 August 2021.

"**Liabilities**" means, in respect of any Person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever, including reasonable legal fees and any Taxes and penalties incurred by that person, together with any VAT charged or chargeable in respect of any of the sums referred to in this definition.

"**Listing Agent**" means Société Générale Bank & Trust, any successor thereof or any other Person appointed as replacement listing agent from time to time.

"**Loan Agreement**" means a contractual framework, based on the standard business terms (*Allgemeine Geschäftsbedingungen*) or otherwise, entered into between the Seller and a Debtor for the purpose of financing the Acquisition of a Financed Vehicle by such Debtor.

"**Loan Collateral**" means with respect to any Purchased Receivable,

- (a) any accessory security rights (*akzessorische Sicherheiten*) for such Purchased Receivable,
- (b) security title (*Sicherungseigentum*) to the Financed Vehicles or any other moveable objects granted as collateral in favour of the Seller to secure the payment of such Purchased Receivable;
- (c) any and all other present and future claims and rights under the respective Loan Agreement (other than in respect of reminder charges (*Mahngebühren*)) or in respect of the Financed Vehicles and any sureties, guarantees, and any and all present and future rights and claims under insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Purchased Receivable whether pursuant to the Loan Agreement relating to such Purchased Receivable or otherwise, including, without limitation,
 - (i) claims against comprehensive insurers (*Kaskoversicherer*) taken with respect to the relevant specified Financed Vehicles except for claims for partial refund of the premium in the event of early termination of the insurance,
 - (ii) any and all present and future rights and claims under any Instalment Protection Insurance (*Ratenschutzversicherung*) entered into in connection with the financing of the Acquisition of the relevant specified Financed Vehicles and
 - (iii) damage compensation claims based on contracts or torts against the respective Debtors or against third parties (including comprehensive insurers (*Kaskoversicherer*)) due to damage to, or loss of, the Financed Vehicles;
- (d) any other ownership interests, liens, charges, encumbrances, security interest or other rights or claims in favour of the Seller on any property from time to time securing the payment of such Purchased Receivable;
- (e) any claims to receive proceeds which arise from the disposal of or recourse to the Loan Collateral, provided that any costs incurred by the Seller or (if different) the Servicer in connection with such disposal or recourse and any amounts which are due to the relevant Debtor in accordance with the relevant Loan Agreement shall be deducted from such proceeds and
- (f) all Records relating to the Purchased Receivables and/or the Loan Collateral under items (a) through (e).

"**Loan Instalment**" means any obligation of a Debtor under a Loan Agreement to pay principal, interest, fees, costs, prepayment penalties (if any), and default interest owed under any relevant Loan Agreement or any Loan Collateral relating to any of the foregoing.

"**Loss**" means, in respect of any Person, any loss, liability, cost, expense, claim, action, suit, judgment, and out-of-pocket costs and expenses (including, without limitation, fees and expenses of any

professional adviser to such Person) which such Person may have incurred or which may be made against such Person and any reasonable costs of investigation and defence.

"**Luxembourg**" means the Grand Duchy of Luxembourg.

"**Luxembourg Securitisation Law**" means the Luxembourg law on securitisation of 22 March 2004, as amended.

"**Luxembourg Stock Exchange**" means société de la bourse de Luxembourg.

"**Managers**" means the Joint Lead Managers and the Co-Managers, collectively.

"**Master Definitions Schedule**" means Schedule 1 of the Incorporated Terms Memorandum.

"**Material Adverse Effect**" means in relation to any Person, any effect that results in, or could reasonably be expected to result in, the Insolvency Event of that Person or otherwise hinders or could reasonably be expected to hinder not only temporarily, the performance of that Person's obligations under any of the Transaction Documents as and when due.

"**Member State**" means, as the context may require, a member state of the European Union or of the European Economic Area.

"**Merrill Lynch International**" means Bank of America Merrill Lynch.

"**Monthly Investor Report**" means the report which contains key information the investor needs to analyse the development of the Purchased Receivables, for instance defaults, delinquencies and performance, and which is prepared by the Servicer and made available by the Calculation Agent no later than on the Investor Reporting Date.

"**Monthly Period**" means, with respect to the first Monthly Period, the period commencing on (but excluding) the first Cut-Off Date and ending on (and including) 31 August 2014 and with respect to each following Monthly Period the period commencing on (but excluding) a Cut-Off Date and ending on (and including) the immediately following Cut-Off-Date.

"**Moody's**" means Moody's Investors Service Limited or any successor of its rating business.

"**New Global Note**" or "**NGN**" means a global note which refers to the books and records of the ICSDs to determine the total remaining indebtedness of the Issuer as determined from time to time.

"**Noteholders**" means collectively the Class A Noteholders and the Class B Noteholders and each holder of a Note a "**Noteholder**".

"**Note Principal Amount**" means the initial note principal amount of any Note of EUR 100,000.

"**Notes**" means collectively the Class A Notes and the Class B Notes.

"**Offering Circular**" means the prospectus dated on or about the Signing Date prepared in connection with the issue by the Issuer of the Notes.

"**Operating Ledger**" means a ledger to the Issuer Account held by the Issuer with the Account Bank for and into which the Servicer transfers all Collections received by it on behalf of the Issuer in accordance with the Servicing Agreement in respect of Compartment Loans 2 and for the purposes of the Transaction.

"**Outstanding Note Balance**" means in respect of any Note as of any date the Note Principal Amount of such Note as reduced by all amounts paid in accordance with the applicable Priority of Payments prior to such date on such Note in respect of principal.

"**Outstanding Principal Balance**" means, in respect of any Purchased Receivable, at any time the Principal Balance of such Purchased Receivable less the principal portion of Collections received by the

Issuer on the Issuer Account with respect to such Purchased Receivable except the Principal Balance will be zero for such Purchased Receivables which are Defaulted Receivables.

"Outstanding Receivables" means a Purchased Receivable that is neither a Defaulted Receivable, nor a Purchased Receivable being fully repaid.

"Paying Agent" means Elavon Financial Services Limited, UK Branch, any successor thereof or any other Person appointed as replacement paying agent from time to time in accordance with the Agency Agreement.

"Payment Date" means (in respect of the first Payment Date) 22 September 2014 and thereafter the 20th of each calendar month, provided that if any such day is not a Business Day, the relevant Payment Date will fall on the next following Business Day. Any reference to a Payment Date relating to a given Monthly Period shall be a reference to the Payment Date falling in the calendar month following such Monthly Period.

"PCS" means Prime Collateralised Securities.

"Permanent Global Notes" means in respect of any Class of Notes the permanent global bearer note without coupons attached representing such Class as more specifically described in Condition 2(b) of the Conditions.

"Permitted Investments" means any amount standing to the credit of the Issuer Account invested by the Account Bank, on behalf of the Issuer and upon instructions, provided that any such investment:

- (a) must be denominated and payable in euro;
- (b) may only be made:
 - (i) in securities which are rated at least R-1 (m) and AA(l) by DBRS, at least P-1 and/or Aaa-mf by Moody's and at least with a short-term rating of F1 and a long-term rating of A for securities with a tenor of up to 30 days or a short-term rating of F1+ and a long-term rating of AA- for securities with a tenor between 30 to 365 days or AAmmf for investments in money market funds by Fitch, respectively. In the absence of a Fitch rating, money market funds with the highest rating from at least two other global rating agencies are eligible;
 - (ii) in deposits with a credit institution which is rated at least R-1 (m) and A by DBRS, at least P-1 by Moody's, and at least with a short-term rating of F1+ and a long-term rating of AA- by Fitch, respectively; or
 - (iii) in other obligations or securities that will not result in a reduction or withdrawal of the then current rating of any Class of Notes;
- (c) shall mature no later than the next following Payment Date; and
- (d) shall in no event be the Notes.

For the avoidance of doubt, no such investment shall be made, in whole or in part, actually or potentially, in tranches of other asset-backed securities, credit linked notes, swaps or other derivatives instruments, or synthetic securities.

"Person" means an individual, partnership, corporation (including a business trust), unincorporated association, trust, joint stock company, limited liability company, joint venture or other entity, or a government or political subdivision, agency or instrumentality thereof.

"Portfolio Decryption Key" means a file of information sent by the Seller to the Data Trustee, required to decrypt the encrypted Portfolio Information.

"Portfolio Information" means a portfolio file (non-encrypted information) and a Data Trustee file (encrypted information) with the information as set out in the Annex to Schedule 2 of the Receivables

Purchase Agreement sent by the Seller to the Issuer (the encrypted information readable only together with the Portfolio Decryption Key).

"Post-Enforcement Priority of Payments" means the priority of payments set out in Condition 9 (*Post-Enforcement Priority of Payments*) of the Conditions.

"Pre-Enforcement Priority of Payments" means the priority of payments set out in Condition 7.6 (*Pre-Enforcement Priority of Payments*) of the Conditions.

"Principal Amount" means with respect to any Note, on any Payment Date, the amount of principal payable by the Issuer on such Note on such Payment Date.

"Principal Balance" means, with respect to any Purchased Receivable, the aggregate principal amount of such Purchased Receivable as of the first Cut-Off Date.

"Priority of Payments" means either the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments (as applicable).

"Prospectus Directive" means Directive 2003/71/EC, as amended by Directive 2010/73/EU, and includes, where the context requires, Commission Regulation (EC) No. 809/2004 and any relevant implementing measure in each relevant Member State of the European Economic Area.

"Prospectus Law 2005" means the Luxembourg act relating to prospectuses for securities dated 10 July 2005, as amended (*loi relative aux prospectus pour valeurs mobilières*).

"Purchased Receivable" means any Receivable which is sold and assigned or purported to be assigned to the Issuer in accordance with the Receivables Purchase Agreement.

"Purchase Price" means with respect to any Purchased Receivable, an amount equal to its Principal Balance.

"Rating Agencies" means DBRS, Fitch and Moody's.

"Receivable" means any obligation to pay Loan Instalments which a Debtor owes to the Seller in accordance with a Loan Agreement, together with any and all present and future ancillary rights under the relevant Loan Agreement(s), in particular rights to determine legal relationships (*Gestaltungsrechte*), including termination rights (*Kündigungsrechte*), and the rights to give directions (*Weisungsrechte*) but excluding any claims with respect to reminder charges (*Mahngebühren*).

"Receivables Purchase Agreement" means a receivables purchase agreement between, *inter alios*, the Seller, the Issuer and the Trustee dated as of the Signing Date.

"Records" means with respect to any Purchased Receivable, Loan Collateral, Financed Vehicle and the related Debtor(s) which owes such Purchased Receivable all contracts, invoices, receipts, correspondence, files, notes of dealings and other documents, books, books of account, registers, records and other information (especially computerised data, tapes, discs, punch cards, data processing software and related property and rights) maintained (and recreated in the event of destruction of the originals thereof) regardless of how stored.

"Recoveries" means all amounts received in respect of, or in connection with, any Purchased Receivable by the Servicer after the date such Purchased Receivable became a Defaulted Receivable, including, for the avoidance of doubt, Loan Instalments, damages, reminder fees, past due interest and any other payment, by or for the account of the relevant Debtor minus all out-of-pocket expenses paid to third parties and incurred by the Servicer in connection with the collection of Defaulted Receivables or the enforcement of the Loan Collateral.

"Reference Banks" means four major banks in the Euro-zone inter-bank market selected by the Paying Agent from time to time.

"Reporting Date" means the seventh Business Day prior to the respective Payment Date.

"Required Cash Reserve Amount" means (i) EUR 12,820,625; or (ii) zero upon the earlier of (a) the Legal Final Maturity Date and (b) the amounts credited to the Cash Reserve are equal or exceed the Aggregate Outstanding Notes Balance.

"Required Commingling Reserve Amount" means the Required Commingling Reserve Amount 1 or the Required Commingling Reserve Amount 2 respectively.

"Required Commingling Reserve Amount 1" means as of any Payment Date upon the occurrence and the continuance of a Commingling Reserve Trigger Event, the sum of the Collections (for the avoidance of doubt, including prepayments) received by the Servicer under the Purchased Receivables during the immediately preceding two Monthly Periods. For the avoidance of doubt the Required Commingling Reserve Amount 1 before the second Payment Date is determined as the sum of the collections (interpreted in accordance with the definition of Collections but taking into account that in the relevant period the relevant receivables are not yet purchased by the Issuer) received by the Servicer with regard to the Purchased Receivables in the two calendar months preceding the first Cut-Off Date and for the first Payment Dates the sum of the Collections received by the Servicer with regard to the Purchased Receivables in the calendar month preceding the first Cut-Off Date and the Monthly Period preceding the first Payment Date.

"Required Commingling Reserve Amount 2" means as of any Payment Date upon the occurrence and the continuance of a Commingling Reserve Trigger Event, the sum of the Collections (for the avoidance of doubt, including prepayments) received by the Servicer under the Purchased Receivables during the immediately preceding Monthly Period. For the avoidance of doubt the Required Commingling Reserve Amount 2 before the first Payment Date is determined as the sum of the collections (interpreted in accordance with the definition of Collections but taking into account that in the relevant period the relevant receivables are not yet purchased by the Issuer) received by the Servicer with regard to the Purchased Receivables in the calendar months preceding the first Cut-Off Date.

"Required Set-Off Reserve Amount" means in respect of the first Cut-Off Date and any Cut-Off Date thereafter, an amount equal to the potential set-off risk relating to the Purchased Receivables resulting from any Debtor having (i) made a claim for repayment of the handling fee (*Bearbeitungsgebühr*), (ii) set off its claim for repayment of the handling fee (*Bearbeitungsgebühr*) against any Purchased Receivable or any other payment obligation owed by such Debtor under the respective Loan Agreement, or (iii) not paid a handling fee (*Bearbeitungsgebühr*) claimed under the respective Loan Agreement which fee is being held invalid by German courts, calculated as the product of (a) the aggregate original Principal Balance of all Purchased Receivables relating to Loan Agreements entered into prior to April 2012 (that are not repaid in full) and (b) 2 per cent.

"Secrecy Rules" means, collectively, the rules of German banking secrecy (*Bankgeheimnis*), the provisions of the Federal Data Protection Act (*Bundesdatenschutzgesetz*), as such rules are binding the relevant Transaction Party to the German Transaction Documents with respect to the Purchased Receivables and the Loan Collateral from time to time.

"Secured Obligations" means all duties and liabilities (present and future, actual and contingent) of the Issuer which the Issuer has covenanted with the Trustee to pay to the Noteholders and the other Secured Parties pursuant to Clause 5.1(a) and (b) of the Trust Agreement.

"Secured Party" means each of the Noteholders, the Trustee, the Seller, the Servicer (if different from the Seller), the Subordinated Lender, the Managers, the Swap Counterparty, the Paying Agent, the Interest Determination Agent, the Listing Agent, the Calculation Agent, the Account Bank, the Data Trustee, the Corporate Administrator and any successor, assignee, transferee or replacement thereof.

"Securities Act" means the U.S. Securities Act of 1933 as amended from time to time.

"Security" means the security interests created pursuant to Clause 8 (*Creation of Security*, i.e., Clause 8.1 (*Transfer for security purposes of Assigned Assets*) and Clause 8.2 (*Pledges*)) and the other provisions of the Trust Agreement and pursuant to the Deed of Security Assignment and serving as security for the Secured Obligations and the Trustee Claim.

"Security Documents" means the Trust Agreement and the Deed of Security Assignment.

"**Seller**" means BMW Bank.

"**Servicer**" means BMW Bank, unless the engagement of BMW Bank as servicer of the Issuer in respect of Compartment Loans 2 of the Issuer is terminated upon the occurrence of a Servicer Termination Event in accordance with the Servicing Agreement in which case the Servicer shall mean the successor Servicer or replacement Servicer (if any) appointed in accordance with the Servicing Agreement.

"**Servicer Shortfall**" means, with respect to any Payment Date, a shortfall in respect of amounts of Collections due and payable by the Servicer to the Issuer which is less than the amounts of Collections as indicated in the relevant Monthly Investor Report prepared by the Servicer to such Payment Date.

"**Servicer Termination Event**" means any of the following:

- (a) an Insolvency Event has occurred with respect to the Seller or the Servicer; or
- (b) the Seller or the Servicer fails to make any payment or deposit required by the terms of the relevant Transaction Document within five (5) Business Days of the date such payment or deposit is required to be made; or
- (c) the Seller or the Servicer fails to perform any of its material obligations under the Receivables Purchase Agreement and/or the Servicing Agreement (other than a payment or deposit required), and such breach, if capable of remedy, is not remedied within twenty (20) Business Days of written notice from the Issuer or the Trustee; or
- (d) any representation or warranty in the Receivables Purchase Agreement or in the Servicing Agreement or in any report provided by the Seller or the Servicer is materially false or incorrect, and such inaccuracy, if capable of remedy, is not remedied within twenty (20) Business Days of written notice from the Issuer or the Trustee and has a Material Adverse Effect in relation to the Issuer.

"**Servicing Agreement**" means a servicing agreement between, *inter alios*, the Servicer, the Issuer and the Trustee dated as of the Signing Date.

"**Servicing Fee**" means, for as long as BMW Bank GmbH is no longer the Servicer and for any Monthly Period, a rate calculated as: $(1 \% \times \text{the Aggregate Outstanding Principal Balance of the Purchased Receivables at the beginning of the respective Monthly Period}) \div 12$.

"**Set-Off Required Rating**" means with respect to any Person (i) the long-term unsecured, unsubordinated and unguaranteed debt obligations are assigned a rating of at least Baa3 (or its replacement) by Moody's, (ii) the long-term unsecured, unsubordinated and unguaranteed debt obligations are assigned a rating of at least BBB by DBRS, and (iii) the long-term unsecured, unsubordinated and unguaranteed debt obligations are assigned a rating of at least A by Fitch and the short-term unsecured, unsubordinated and unguaranteed debt obligations are assigned a rating of at least F1 by Fitch, in each case (i), (ii) and (iii), any such rating has not been withdrawn.

"**Set-Off Reserve Ledger**" means a ledger to the Issuer Account held by the Issuer with the Account Bank for the Required Set-Off Reserve Amount in respect of Compartment Loans 2 and for the purposes of the Transaction.

"**Set-Off Reserve Trigger Event**" occurs if at any time subsequent to the Issue Date:

- (a) BMW AG ceases to own, directly or indirectly, at least 100 % of the share capital of the Seller or a termination of the profit and loss transfer agreement between BMW AG and the Servicer occurs; or
- (b) BMW AG ceases to have the Set-Off Required Rating,

unless, in each case (a) and (b), the Seller has at least the Set-Off Required Rating.

"**Signing Date**" means 18 August 2014.

"**Subordinated Lender**" means BMW Bank or any successor or assignee thereof.

"**Subordinated Loan**" means the EUR 38,470,625 loan received (or to be received at the latest on the Issue Date) by the Issuer under the Subordinated Loan Agreement.

"**Subordinated Loan Agreement**" means a subordinated loan agreement entered into, *inter alios*, by the Issuer (in respect of Compartment Loans 2), the Subordinated Lender and the Trustee and dated as of the Signing Date under which the Subordinated Lender will advance at the latest on the Issue Date (or has advanced) the Subordinated Loan to the Issuer.

"**Subscription Agreement**" means a subscription agreement between, *inter alios*, the Issuer in respect of Compartment Loans 2, the Seller, the Managers and the Trustee dated on or before the Issue Date.

"**Subsidiary**" means a corporation in relation to another corporation, if (x) the other corporation (aa) controls the composition of the board of directors of the first-mentioned corporation; (bb) controls more than half of the voting power of the first-mentioned corporation; (cc) holds more than half of the issued share capital of the first-mentioned corporation (excluding any part thereof which consists of preference shares); or (dd) possesses, directly or indirectly the power to direct or cause the direction of the management and policies of the first-mentioned corporation, whether through the ownership or voting of securities, by contract or otherwise; or, (y) the first-mentioned corporation is a Subsidiary of any corporation which is that other corporation's Subsidiary. For this purpose, the composition of a corporation's board of directors, *inter alia*, shall be deemed to be controlled by another corporation if that other corporation by the exercise of some power exercisable by it without the consent or concurrence of any other person can directly or indirectly appoint or influence the appointment of or remove all or a majority of the directors, and for the purposes of this provision that other corporation shall be deemed to have power to make such an appointment if a person cannot be appointed as a director without the exercise in his favour by that other corporation of such a power or a person's appointment as a director follows necessarily from his being a director or other office of that other corporation.

"**Swap Agreement**" means a swap agreement dated and executed on or about the Signing Date between, *inter alios*, the Issuer and the Swap Counterparty pursuant to the 1992 ISDA Master Agreement and a rating compliant Schedule (including the related Credit Support Annex) and Confirmation (such confirmation to be executed on 18 August 2014 with trade date 21 July and effective date 20 August 2014).

"**Swap Counterparty**" means DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main or its successor or any transferee appointed in accordance with the Swap Agreement.

"**Swap Fixed Interest Rate**" means 0.12% per annum.

"**Swap Floating Interest Rate**" means, with respect to each Payment Date, EURIBOR determined by the Interest Determination Agent (analogously to its determination of EURIBOR for the purposes of the Notes for such Payment Date) two (2) Business Days before the inception of the Interest Period ending on such Payment Date.

"**Swap Incoming Cashflow**" means on any Payment Date, the product of:

- (a) the Swap Floating Interest Rate; and
- (b) the Swap Notional Amount; and
- (c) the actual number of calendar days of the Interest Period ending on such Payment Date divided by 360,

payable by the Swap Counterparty to the Issuer under the Swap Agreement.

"**Swap Net Cashflow**" means the amount equal, on any Payment Date, to (i) the Swap Incoming Cashflow, minus (ii) the Swap Outgoing Cashflow.

"**Swap Notional Amount**" means the Aggregate Outstanding Notes Balance of the Notes on the immediately preceding Payment Date.

"**Swap Outgoing Cashflow**" means on any Payment Date, the product of:

- (a) the Swap Fixed Interest Rate; and
- (b) the Swap Notional Amount; and
- (c) the number of calendar days to be calculated on the basis of a year of 360 days with twelve thirty-day months

payable by the Issuer to the Swap Counterparty under the Swap Agreement.

"**Swap Termination Date**" means the earlier of (i) the Legal Final Maturity Date and (ii) the date on which the Notes are redeemed in full in accordance with the Conditions.

"**Temporary Global Note**" means in respect of any Class of Notes the temporary global bearer note without coupons attached as more specifically described in Condition 2 (b) of the Conditions.

"**Transaction**" means the transaction as contemplated by the Transaction Documents, in particular, relating to the issue of the Notes by the Issuer in respect of its Compartment Loans 2 on the Issue Date.

"**Transaction Documents**" means the German Transaction Documents, Deed of Security Assignment and the Swap Agreement and the Corporate Administration Agreement collectively, including any amendment agreement, termination agreement or replacement agreement relating to any such agreement.

"**Transaction Party**" means any Person who is a party to a Transaction Document and "Transaction Parties" means some or all of them.

"**Trust Agreement**" means a trust agreement entered into by, *inter alios*, the Issuer in respect of the Transaction and the Trustee.

"**Trustee**" means U.S. Bank Trustees Limited, any successor thereof or any other Person appointed as replacement trustee from time to time in accordance with the Trust Agreement.

"**Trustee Claim**" has the meaning assigned thereto in Clause 6.1 of the Trust Agreement.

"**Trust Property**" has the meaning assigned thereto in Clause 7.1 of the Trust Agreement.

"**TSI**" means True Sale International GmbH.

"**UK**" or "**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland.

"**United States**" means, for the purpose of the Transaction, the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

"**USD**" means the lawful currency of the United States.

"**Used Vehicle**" shall mean any Financed Vehicle which was purchased by the relevant Debtor on a date later than twelve (12) months after the date of first registration (*Tag der Erstzulassung*) of such Financed Vehicle.

"VAT" means value added tax and any other tax of a similar fiscal nature (instead of or in addition to value added tax) whether imposed in Germany or elsewhere.

"2006 ISDA Definitions" means the definitions and provisions published by the International Swaps and Derivatives Association, Inc.

2. Principles of Construction

2.1 Knowledge

2.1.1 References in any Transaction Document to the expressions "so far as the Seller is aware" or "to the best of the knowledge, information and belief of the Seller" or any similar expression in respect of any matter shall be deemed to refer to the actual knowledge of senior officers of the Seller.

2.1.2 References in any Transaction Document to the expressions "so far as the Servicer is aware" or "to the best of the knowledge, information and belief of the Servicer" or any similar expression in respect of any matter shall be deemed to refer to the actual knowledge of senior officers of (i) the Servicer (as long as identical with the Seller) usually entrusted with the retail financing of the Seller, or (ii) the Servicer (if not identical with the Seller), respectively.

2.1.3 References in any Transaction Document to the expressions "so far as the Issuer is aware" or "to the best of the knowledge, information and belief of the Issuer" or any similar expression in respect of any matter shall be deemed to refer to the actual knowledge of directors of the Issuer.

2.2 Construction

In any Transaction Document, the following shall apply:

2.2.1 a document being in an "agreed form" means that the form of the document in question has been signed off or agreed by each of the proposed parties thereto;

2.2.2 any reference to an "agreement", "deed" or "document" shall be construed as a reference to such agreement, deed or document as the same may from time to time be amended, varied, novated, supplemented, replaced or otherwise modified;

2.2.3 in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

2.2.4 "novation" shall, for the purposes of the German Transaction Documents, be construed as *Parteiwechsel*. "To novate" shall be construed accordingly;

2.2.5 "periods" of days shall be counted in calendar days unless Business Days are expressly prescribed;

2.2.6 any reference to any "Person" appearing in any of the Transaction Documents shall include its successors and permitted assigns;

2.2.7 a reference to any person defined as a "Transaction Party" or in any Transaction Document or in the Conditions shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests;

2.2.8 unless specified otherwise, "promptly", "immediately", "forthwith" or any similar expression used in a German Transaction Document shall mean without undue delay (*ohne schuldhaftes Zögern*); and

2.2.9 a "successor" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred.

2.3 *Statutes and Treaties*

Any reference to a statute or treaty shall be construed as a reference to such statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted.

2.4 *Time*

Any reference in any Transaction Document to a time of day shall, unless a contrary indication appears, be a reference to Central European time.

2.5 *Schedules*

Any Schedule of, or Appendix or Annex to, a Transaction Document forms part of such Transaction Document and shall have the same force and effect as if the provisions of such Schedule, Appendix or Annex were set out in the body of such Transaction Document. Any reference to a Transaction Document shall include any such Schedule, Appendix or Annex.

2.6 *Headings*

Section, Part, Schedule, Paragraph and Clause headings are for ease of reference only. They do not form part of any Transaction Document and shall not affect such Transaction Document's construction.

2.7 *Sections*

Except as otherwise specified in a Transaction Document, any reference in a Transaction Document to:

2.7.1 a "Section" shall be construed as a reference to a Section of such Transaction Document;

2.7.2 a "Part" shall be construed as a reference to a Part of such Transaction Document;

2.7.3 a "Schedule", an "Appendix" or an "Annex" shall be construed as a reference to a Schedule, Appendix or Annex of such Transaction Document;

2.7.4 a "Clause" shall be construed as a reference to a Clause of a Part or Section (as applicable) of such Transaction Document; and

2.7.5 "this Agreement" shall be construed as a reference to such Transaction Document together with any Schedules, Appendices or Annexes thereto.

2.8 *Number*

In any Transaction Document, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

2.9 *Rating Requirements*

Only if a Transaction Party has a solicited rating from DBRS, the relevant rating requirements and/or the relevant rating trigger events of DBRS shall apply to such Transaction Party. In case the Transaction Party has no solicited or only an unsolicited rating from DBRS, the relevant rating requirements and/or the relevant rating trigger events of DBRS shall not result in any replacement event or termination event or any other obligation for that Transaction Party as defined in the relevant Transaction Documents.

As long as each of the Account Bank and the Swap Counterparty has the required minimum ratings from Moody's and Fitch and if at the same time any of the Account Bank and the Swap Counterparty is not rated by DBRS, such Account Bank and/or Swap Counterparty shall remain an Eligible Counterparty and/or Eligible Swap Counterparty, as applicable, for this Transaction.

THE ISSUER

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FINANCIAL SECTION

1. Bavarian Sky S.A. financial statement as at 31 December 2012

BAVARIAN SKY S.A.

Annual Accounts

For the year ended
December 31, 2012

(with the report of the Réviseur
d'entreprises agréé thereon)

9B, boulevard Prince Henri
L-1724 Luxembourg
R.C.S. Luxembourg B127 982

Bavarian Sky S.A.

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To the Shareholders of
Bavarian Sky S.A.
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the annual accounts

We have audited the accompanying annual accounts of Bavarian Sky S.A., which comprise the balance sheet as at December 31, 2012 and the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Bavarian Sky S.A. as of December 31, 2012, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

Luxembourg, June 12, 2013

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé

F. Rouault

Bavarian Sky S.A.

MANAGEMENT REPORT

Dear Shareholders,

The Board of Directors is pleased to present the annual accounts of Bavarian Sky S.A. (the "Company") for the year ended December 31, 2012.

Financial highlights

	December 31, 2012 EUR	December 31, 2011 EUR
Total Assets	5,800,720,580	5,173,709,994
Notes Issued	2,747,049,689	2,236,749,445
Net Profit/(Loss) for the financial year	NIL	NIL

The Company and its principal risks

The Company was incorporated on April 26, 2007, under Luxembourg Law with the application of the Luxembourg securitisation law of March 22, 2004.

The Company has been established for the purpose of securitising a portfolio of lease receivables and expectancy rights originated by BMW Leasing GmbH (which is now merged in BMW Bank GmbH) through the use of compartments.

The Company has entered into "lease receivable purchase agreements" and Expectancy Rights to the lease vehicle with this originator of lease receivables. The principal risk facing the Company therefore is the reliance on the sole counterparty and their ability to settle all liabilities as they become due.

Compartment 1 was created on April 26, 2007, for the purpose of securitising a portfolio of leasing receivables resulting from the proceeds of the note issuance of a total amount of EUR 800,000,000 and maturing in 2015. In 2009 there were partial redemptions of the notes totalling EUR 298,000,000 against the portfolio of leasing receivables, and in 2010 the redemptions of notes totalling EUR 381,000,000 thus leaving a remaining amount of EUR 121,000,000 as at December 31, 2010. During 2011, the transaction terminated and the remaining amount of notes were redeemed.

Compartment 2 was created on May 7, 2009, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 800,000,000 and maturing in 2018. The notes have been issued in 2010 and the compartment became active in the same financial year. During 2012 there were partial redemptions of the notes totalling EUR 290,000,000 against the portfolio of leasing receivables, thus leaving a remaining amount of EUR 47,000,000 as at December 31, 2012.

Compartment 3 was created on April 25, 2012, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 800,000,000 and maturing in 2020. The notes have been issued in July 2012 and the compartment became active in the same financial year.

Bavarian Sky S.A.

MANAGEMENT REPORT

Compartment A was created on September 16, 2008, for the purpose of securitising a portfolio of expectancy rights resulting from the proceeds of the note issuance of a total amount of EUR 1,300,000,000 and maturing in 2019. An additional subordinated loan with BMW Leasing GmbH (which is now merged in BMW Bank GmbH), and "Schuldschein" loans with BMW Finance N.V., SEB and BLB were acquired totalling EUR 2,172,000,000 in order to purchase these expectancy rights having a nominal amount of EUR 3,489,637,000. In 2009 the subordinated loan with BMW GmbH was increased by EUR 560,000,000 against the purchase of additional expectancy rights. During 2011 and 2012, there were no additional redemptions or issues for this compartment.

Compartment B was created on May 25, 2010, and entered into a note issuance of a total nominal amount of EUR 400,000,000 maturing in 2021. With the proceeds from the note issuance the Company invested in a portfolio of auto lease receivables originated by BMW Leasing GmbH (which is now merged in BMW Bank GmbH). In 2011 an increase of the notes was done by issuing an additional nominal amount of EUR 200,000,000 against an investment in the auto lease receivable portfolio thus resulting in a total amount of EUR 600,000,000.

The portfolio of assets has been purchased from one counterpart. This dependence on a sole counterpart represents a principle risk to the Company. The Company is receiving monthly reports from BMW Bank GmbH (previously BMW Leasing GmbH) for compartment 2, 3 and B and from Commerzbank Munich for compartment A.

Business development 2012/2013

In May 2011 the notes were redeemed for compartment 1, the remaining cash on the bank account was transferred beginning of 2012 and the compartment was closed.

In the year 2012, the Company created the compartment 3, approved by the Board of Directors on April 25, 2012. In respect of the compartment, the Company issued Class A Notes and Class B Notes linked to the performance of Lease receivables from BMW Bank GmbH.

The continuance of the existing programme is foreseen without any significant change in the future for the remaining compartments.

For compartment 2, the transaction terminated in February 2013 and the remaining amount of notes redeemed. The closure of compartment 2 is foreseen in second half of 2013.

Acquisition of own shares

During the year ended December 31, 2012, the Company has not purchased any of its own shares.

Research and development activities

The Company was not involved or participating in any kind of research or development activities in the year ended December 31, 2012.

Branches of the Company

The Company does not have any branches.

Bavarian Sky S.A.

MANAGEMENT REPORT

Subsequent events

No events occurred subsequent to December 31, 2012, that would have a material impact on these annual accounts. The signing of a new Asset Backed securitization (ABS) transaction which will be "Bavarian Sky S.A. Compartment German Auto Loans 1" is foreseen during the second half of 2013.

Corporate Governance Declaration

The Company has issued securities quoted on the Luxembourg Stock Exchange and thus included a declaration on corporate governance, as defined by art.4 paragraph (1) point 14 of the Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.

Risk Management and Internal Control

The Board of Directors has overall responsibility for the Company's system of internal control and risk management, incident to the day-to-day control of the Company's business, the internal control and the preparation of the annual accounts.

The Company has an embedded risk management and reporting process which ensures that risks are identified, assessed and mitigated at an executive level and reported to the Board of Directors.

The results of risk management activities are consolidated and reviewed by the Board of Directors on an annual basis.

The system of internal control is designed to manage the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company's systems of internal control ensure key risks are managed through:

- The management structure with delegated authority levels, segregation of duties, functional reporting lines and accountability;
- Authorisation processes for all capital expenditure, other purchases and expenses are subject to appropriate authorisation procedures;
- Formal reporting to the Board of Directors on specific areas of financial and operational risk.

The Board of Directors conducts reviews of the risk management process and system of internal controls. To achieve this, the Board of Directors receives regular updates on key risks and control priorities such as business controls, business continuity planning, tone at the top and anti-fraud procedures. The Board of Directors reviews the results of all internal and external audits performed over systems of internal controls and tracks management's response to any identified control issues.

The effectiveness of the system of internal control and risk management process is reviewed annually by the Board.

Bavarian Sky S.A.

MANAGEMENT REPORT

The Company is managed by Board of Directors composed of three members, represented by:

- Alain Koch, Director since July 06, 2011
- Laurent Bélik, Director since May 5, 2011
- Martijn Sinninghe Damsté, Director since December 13, 2010

The current Board of Directors were appointed on the general meeting of shareholders of the Company after resignation of the prior Board of Directors.

Statement of management's responsibilities

The directors confirm that to the best of their knowledge:

- The annual accounts are prepared in accordance with the Luxembourg accounting standards. They give a true and fair view of the assets, liabilities, financial position and result of the Company.
- The management report and the Corporate Governance Declaration include a fair review of the development and performance of the business and adequately describes the principal risks and uncertainties faced by the Company.



Laurent Bélik
Director

Alain Koch
Director

Martijn Sinninghe Damsté
Director

Bavarian Sky S.A.
Balance Sheet
As at December 31, 2012
(expressed in EUR)

ASSETS	Notes	December 31, 2012	December 31, 2011
Fixed assets			
Financial assets			
Loans and claims held as fixed assets	3	5,491,865,622	4,952,962,165
Current assets			
Debtors			
Other debtors			
becoming due and payable after less than one year	4	3,902,674	2,420,905
Cash at bank and in hand	5	304,952,284	218,326,924
		<u>308,854,958</u>	<u>220,747,829</u>
TOTAL ASSETS		<u><u>5,800,720,580</u></u>	<u><u>5,173,709,994</u></u>
LIABILITIES			
Capital and reserves			
Subscribed capital	6	31,000	31,000
Subordinated creditors	7	1,581,522,129	1,537,176,908
Non-subordinated debts			
Bonds			
Non-convertible bonds	8		
becoming due and payable after less than one year		1,024,477	1,322,315
becoming due and payable after more than one year		2,747,049,689	2,236,749,445
Amounts owed to credit institutions	9		
becoming due and payable after less than one year		394,097	1,748,026
becoming due and payable after more than one year		999,999,819	999,999,946
Trade creditors			
becoming due and payable after less than one year	10	35,550	62,466
Amounts owed to affiliated undertakings	11		
becoming due and payable after less than one year		71,270,775	44,380,324
becoming due and payable after more than one year		394,440,139	351,763,595
Tax and social security			
Tax		11,299	8,273
Other creditors			
becoming due and payable after less than one year	13	4,941,606	467,696
		<u>4,219,167,451</u>	<u>3,636,502,086</u>
TOTAL LIABILITIES		<u><u>5,800,720,580</u></u>	<u><u>5,173,709,994</u></u>

The accompanying notes form an integral part of the annual accounts.

Bavarian Sky S.A.
Profit and Loss Account
For the year ended December 31, 2012
(expressed in EUR)

CHARGES	Notes	January 1, to December 31, 2012	January 1, to December 31, 2011
Other external charges	14	602,869	554,469
Value adjustments and fair value adjustments on financial fixed assets	3	1,626,566	1,545,294
Interest payable and similar charges	15		
concerning affiliated undertakings		208,799,427	288,502,916
other interest payable and similar charges		58,827,025	100,794,818
		<u>267,626,452</u>	<u>389,297,734</u>
Tax on profit or loss	12	1,575	1,575
TOTAL CHARGES		<u>269,857,462</u>	<u>391,399,072</u>
INCOME			
Income from financial fixed assets	16	207,552,396	268,537,534
Other interest and other financial income	17		
derived from affiliated undertakings		58,218,066	108,117,995
other interest receivable and similar income		4,087,000	14,743,543
		<u>62,305,066</u>	<u>122,861,538</u>
TOTAL INCOME		<u>269,857,462</u>	<u>391,399,072</u>

The accompanying notes form an integral part of the annual accounts.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012

1. General

Bavarian Sky S.A. (the "Company") is a Luxembourg limited liability company ("Société Anonyme") incorporated on April 26, 2007, which shall have the status of a securitisation company under the Luxembourg law of March 22, 2004 on securitisation.

The registered office of the Company is established at 9B, boulevard Prince Henri, L-1724 Luxembourg for an unlimited period of time.

The Company is registered with the trade and companies register of Luxembourg under number B 127 982.

Bavarian Sky S.A. is recognized as a special purpose entity in accordance with SIC 12 in the consolidated accounts of BMW AG, Munich, which draws up the consolidated accounts of the smallest and largest body of undertakings.

The Company's business purpose, in accordance with the terms of the Luxembourg law of March 22, 2004 on securitisations, is the securitisation of permitted assets as being a portfolio of receivables. In addition, article 5 of the articles of incorporation allows the Company to create one or more compartments. Each compartment of the Company shall be treated as a separate entity.

Compartment 1 was created on April 26, 2007 for the purpose of securitising a portfolio of leasing receivables. In May 2011 the Compartment was closed and all related assets and notes redeemed.

Compartment A was created on September 16, 2008 for the purpose of securitising a portfolio of Expectancy Rights.

Compartment 2 was created on May 7, 2009 for the purpose of securitising a portfolio of lease receivables. The notes have been issued in 2010 and the Compartment became active in the same financial year.

Compartment B was created on May 25, 2010 for the purpose of securitising a portfolio of lease receivables.

Compartment 3 was created on April 25, 2012 for the purpose of securitising a portfolio of lease receivables.

As at December 31, 2012, four compartments were active.

The accounting year begins on January 1 and ends on December 31 each year, with the exception of the first accounting year, which began on April 26, 2007 and terminated on December 31, 2007.

The Company is an "issuer" in accordance with the definition of article 1 Nr.3 of the "Law on transparency requirements in relation to information about issuers whose securities are admitted to trading on regulated market" and has listed debt instruments on the Luxembourg Stock Exchange.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

2. Significant Accounting Policies

2.1 Basis of presentation

The annual accounts have been prepared in accordance with the generally accepted accounting principles and in agreement with the laws and regulations in force in the Grand-Duchy of Luxembourg.

The figures for the year ended December 31, 2011 have been reclassified and in some cases have been combined or separated as required, following the layout of balance sheet and profit and loss account, as set forth in the Law of December 10, 2010.

2.2 Financial assets

Loans and claims held as fixed assets are composed of portfolio of lease receivables and expectancy rights acquired from BMW Bank GmbH (previously BMW Leasing GmbH) as originator and seller of these lease receivables and expectancy rights.

The Company's portfolio is valued at its purchase costs less any provision for value adjustments and write-offs, where, in the opinion of the Directors the recovery of the underlying receivable is considered doubtful.

The discount on lease receivable represents difference between actual collection of principal balance and purchase costs at the time of acquisition, discount is charged to profit and loss account in the period in which the collections were made.

If a lease receivable or expectancy right fails to meet the eligibility criteria as mentioned in lease receivable and expectancy rights purchase agreement, it is repurchased by the seller at its purchase price.

2.3 Foreign currency translation

The Company maintains its accounts in euros ("EUR") and the annual accounts are expressed in this currency.

Assets and liabilities expressed in a currency other than EUR are converted into EUR at the rate of exchange ruling at the balance sheet date.

Income and charges in foreign currency are converted into EUR at the rate of exchange ruling on the date of the transaction.

Realised exchange gains and losses and unrealised exchange losses are reflected in the profit and loss account. Unrealised exchange gains are deferred.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

2. Significant Accounting Policies (continued)

2.4 Excess spread payable

Gains during the year as a result from sales, interest and other financial income under specific conditions, may cause an excess spread. Such amount is due to seller of lease receivables in order of the priority of payments.

2.5 Off balance sheet transactions

Interest rate swaps entered into as hedging instruments against interest rate fluctuations are reported off balance sheet at nominal value. Interest income and expense arising from these agreements are recorded on an accrual basis.

2.6 Priority of payments

Compartments have obtained financing from affiliated and non-affiliated undertakings, in the form of listed and non listed notes, subordinated and non subordinated loans, to fund the purchase of relevant portfolio of lease receivables, expectancy rights and maintenance of various cash reserves as required by the seller of lease receivable. The priority of payments applicable to each compartment is mentioned in its relevant Lease Receivable Purchase Agreement or Trust Agreement.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

3. Financial assets

The Company used the net proceeds from the issuance of the notes and of loans received to purchase a portfolio of eligible auto lease receivables and of Expectancy Rights held on vehicles leased, secured by the Lease Collateral of BMW Bank GmbH. Expectancy Rights are rights to the “title of a leased vehicle”.

The movement of the portfolio of lease receivables and Expectancy Rights for the year ended December 31, 2012 is as follows:

In EUR					2012	2011
	Compartment 2	Compartment 3	Compartment A	Compartment B	Combined	Combined
Opening balance	336,410,387	-	4,016,552,413	599,999,365	4,952,962,165	5,370,013,494
Purchases during the year	-	984,030,834	1,776,390,365	451,002,342	3,211,423,541	2,666,183,489
Receivables collected during the Year	(280,663,295)	(183,810,053)	(1,898,381,994)	(450,180,825)	(2,813,036,167)	(3,281,583,591)
Net (write-off)/recovery of defaulted amounts	325,921	(174,927)	-	(78,904)	72,090	(1,025,104)
Value re-adjustment during the year	-	-	-	-	-	435,336
Discount	14,478,770	-	125,965,223	-	140,443,993	198,938,541
Ending balance	70,551,783	800,045,854	4,020,526,007	600,741,978	5,491,865,622	4,952,962,165

During 2012, EUR 1,626,566 (2011: EUR 1,545,294) of defaulted receivables were written-off, EUR 1,698,656 (2011: EUR 520,190) was subsequently recovered on defaulted amounts, EUR 0 (2011: EUR 435,336) was reversed on the value adjustment in respect of financial assets, resulting in a total net value adjustment in respect of financial assets of EUR 72,090 (2011: EUR 589,768).

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

3. Financial assets (continued)

The Company has not made any value adjustments against Compartment A Expectancy Rights due to the Put Option contained in the Leased Vehicle Sale Option agreement. In accordance with this agreement, the Company has the right to sell the leased vehicle and Expectancy Right to BMW Bank GmbH at its purchase price. This option is not exercised during the year.

4. Debtors

Other debtors becoming due and payable after less than one year composed of:

In EUR	Compartment 2	Compartment 3	Compartment A	Compartment B	2012 Combined	2011 Combined
Accrued interest on portfolio of lease receivables	179,137	1,276,387	-	1,120,120	2,575,644	1,968,300
Accrued interest on interest rate swaps	2,012	34,222	1,270,629	20,167	1,327,030	388,200
Miscellaneous receivables		-	-	-	-	64,405
	181,149	1,310,609	1,270,629	1,140,287	3,902,674	2,420,905

The interest receivable collected by the servicing agent was collected for the year ended December 31, 2012, and due to the Company on the next interest payment dates in January 2013.

5. Cash at bank

The cash at bank as at December 31, 2012 are comprised as follows:

In EUR	Compartment 2	Compartment 3	Compartment A	Compartment B	2012 Combined	2011 Combined
Cash held at bank	67,941,980	131,999,213	11,067	67,500,024	267,452,284	62,684
Cash reserve account	-	-	37,500,000	-	37,500,000	218,264,240
	67,941,980	131,999,213	37,511,067	67,500,024	304,952,284	218,326,924

The cash reserve account forms part of the available distribution amount and provides limited protection against shortfalls in the amounts required to pay in respect of interest, principal and other payment obligations in accordance with the priority of payments.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

6. Capital and reserves

The subscribed capital of EUR 31,000 is issued and fully paid, and is represented by 3,100 shares of EUR 10 each.

Under Luxembourg law, the Company must appropriate at least 5% of its statutory net profit to a non-distributable legal reserve until the aggregate reserve reaches 10% of the subscribed share capital. The legal reserve is not distributable. No appropriation is required for the year ended December 31, 2012.

7. Subordinated creditors

The subordinated creditors as at December 31, 2012 are comprised as follows:

In EUR	2012	2011
Compartment 2	4,894,603	4,894,603
Compartment 3	44,000,000	-
Compartment A	1,532,257,786	1,532,257,983
	1,581,152,389	1,537,152,586
Accrued interest	369,740	24,322
	1,581,522,129	1,537,176,908

Compartment 2 entered into a subordinated loan agreement with BMW Finance N.V. in February 2010. The use of the funds collected is to fund the cash reserve deposit. Interest paid on the subordinated loan is equal to the interest collected on the cash reserve deposit.

Compartment 3 entered into a subordinated loan agreement with BMW Bank GmbH in July 2012. The use of the funds collected is to fund the cash reserve deposit. Interest margin of 135 bps above 1 month Euribor is applied on outstanding balance.

Compartment A entered into a subordinated loan agreement with BMW Bank GmbH (previously BMW Leasing GmbH). In July 2011, the subordinated loan was transferred to BMW Finance N.V., interest margin of 52.5 bps above 1 month Euribor is applied on outstanding balance since July 2011.

Amounts in EUR, excluding accrued interest:

	Compartment 2	Compartment 3	Compartment A	Compartment B	2012 Combined	2011 Combined
Opening balance	4,894,603	-	1,532,257,983	-	1,537,152,586	1,560,518,857
Amounts drawn	-	44,000,000	-	-	44,000,000	-
Repayments	-	-	(197)	-	(197)	(23,366,271)
	4,894,603	44,000,000	1,532,257,786	-	1,581,152,389	1,537,152,586

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

8. Non-convertible bonds

Non-convertible loans

As at December 31, 2012 the Notes issued are composed of the following:

In EUR	References	2012	2011
Compartment 2	8.1	47,049,925	336,749,515
Compartment 3	8.2	800,000,000	-
Compartment A	8.3	1,299,999,764	1,299,999,930
Compartment B	8.4	600,000,000	600,000,000
		<u>2,747,049,689</u>	<u>2,236,749,445</u>
Accrued interest		1,024,477	1,322,315
		<u>2,748,074,166</u>	<u>2,238,071,760</u>

8.1 Compartment 2

In 2010, Compartment 2 issued Class A and Class B notes backed by a portfolio of auto lease receivables (see note 3) maturing on January 10, 2018.

During 2012 all the class A notes have been redeemed.

As at December 31, 2012 a total amount of EUR 10,950,075 Class B Notes were redeemed thus reducing the initial balance from EUR 58,000,000 to EUR 47,049,925.

The notes outstanding for Compartment 2 as at December 31, 2012 are comprised as follows:

In EUR		Notes issued	Notes issued
Notes	Margin over 1 month Euribor	2012	2011
Class A	0.85%	-	278,749,515
Class B	1.05%	47,049,925	58,000,000
		<u>47,049,925</u>	<u>336,749,515</u>

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

8. Non-convertible bonds (continued)

8.2 Compartment 3

In 2012, Compartment 3 issued Class A and Class B notes backed by a portfolio of auto lease receivables (see note 3) maturing on January 10, 2020.

The notes outstanding for Compartment 3 as at December 31, 2012 are comprised as follows:

In EUR		Notes issued	Notes issued
Notes	Margin over 1 month Euribor	2012	2011
Class A	0.48%	769,600,000	-
Class B	1.23%	30,400,000	-
		<u>800,000,000</u>	<u>-</u>

8.3 Compartment A

In 2009, the Company entered into several Note Purchase Agreements for the purpose of partially funding its purchase of Expectancy Rights under Compartment A. The notes have been issued for an initial period of one year and shall be automatically renewed for one year periods thereafter, unless terminated by the Company or the note purchasers in accordance with the terms and conditions of the Notes Purchase Agreement. As of December 31, 2012, there were EUR 1,299,999,764 Notes outstanding with an interest rate of 1 month Euribor plus a variable margin in function of the cost of funding to these Notes holders (2011: EUR 1,299,999,930).

8.4 Compartment B

In 2010, Compartment B issued Class A notes backed by a portfolio of auto lease receivables maturing on May 21, 2021.

In October 2011 additional notes with a principal amount of EUR 200,000,000 were issued against the increase in the portfolio of auto lease receivables.

The notes outstanding for Compartment B as at December 31, 2012 are comprised as follows:

In EUR		Notes issued	Notes issued
Notes	Margin over 1 month Euribor	2012	2011
Class A	1.5%	600,000,000	600,000,000
		<u>600,000,000</u>	<u>600,000,000</u>

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

9. Amounts owed to credit institutions

Compartment A's purchase of Expectancy Rights has been partially funded with credit institutions via Schuldschein loans (see note 11.5). The loans have been granted for an initial period of one year effective from September 16, 2008 and shall automatically extend for additional one year periods thereafter, unless terminated by either the Company or the lender in accordance with the terms of the agreement.

The amounts owed to credit institutions as at December 31, 2012 are comprised as follows:

In EUR		
Interest rate	2012	2011
Euribor 1M+105bp	649,999,882	649,999,965
Euribor 1M+99bp	<u>349,999,937</u>	<u>349,999,981</u>
	999,999,819	999,999,946
Accrued Interest	<u>394,097</u>	<u>1,748,026</u>
	<u>1,000,393,916</u>	<u>1,001,747,972</u>

10. Trade creditors

It mainly includes payable for domiciliation accounting and audit fees for the year ended December 31, 2012.

11. Amounts owed to affiliated undertakings

In EUR	Reference to notes	2012	2011
becoming due and payable after less than one year			
Amounts due to seller of lease receivables	11.1	71,023,983	44,277,265
Accrued Interest		246,792	103,059
		<u>71,270,775</u>	<u>44,380,324</u>
becoming due and payable after more than one year			
Indemnity reserve	11.2	4,000,000	-
Dilution reserve	11.3	37,500,000	37,500,000
Commingling reserve	11.4	152,940,175	114,263,606
Schuldschein loan	11.5	199,999,964	199,999,989
		<u>394,440,139</u>	<u>351,763,595</u>
		<u>465,710,914</u>	<u>396,143,919</u>

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

11. Amounts owed to affiliated undertakings (continued)

11.1 Amounts due to seller of lease receivables

As at December 31, 2012, amounts due to the seller of lease receivables are as follows:

In EUR	Compartment 1	Compartment 2	Compartment 3	Compartment A	Compartment B	2012 Combined	2011 Combined
Opening balance	6,556	33,628,039	-	(18,289,691)	28,932,361	44,277,265	132,752,301
Amounts paid during year	(6,556)	-	(866,934)	-	(30,024,855)	(30,898,345)	(39,352,884)
Accruals/ adjustments/(reversals) made during year	-	23,351,696	10,768,844	1,722,886	30,691,512	66,534,938	(46,458,838)
Distribution amount paid in cash	-	-	(8,889,875)	-	-	(8,889,875)	(2,663,314)
	-	56,979,735	1,012,035	(16,566,805)	29,599,018	71,023,983	44,277,265

The amounts due to the seller of the lease receivables is calculated in accordance with the trust deed as the excess spread remaining after all other payments have been made following the pre-enforcement priority of payments.

11.2 Indemnity reserve

The Compartment 3 entered into an Indemnity reserve in 2012 for an amount of EUR 4,000,000 with BMW Bank GmbH which was used to fund the deposit on the cash reserve account. No interest was charged on the outstanding balance.

11.3 Dilution reserve

As part of the Compartment A Expectancy Rights purchase agreement, BMW Bank GmbH (previously BMW Leasing GmbH) has agreed to establish, in the name of the Company, a dilution reserve to serve as a protection for the Company against any dilutions. For the purpose of this agreement, dilution is defined as any amount owed which is not timely and fully paid under the Expectancy Rights purchase agreement. The balance of the dilution reserve as at December 31, 2012 was EUR 37,500,000 (2011: EUR 37,500,000).

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

11. Amounts owed to affiliated undertakings (continued)

11.4 Commingling reserve

Compartments 2, 3 and B entered into a Commingling reserve with BMW Bank GmbH (previously BMW Leasing GmbH) which was used to fund the deposit on the cash reserve deposit. Interest was charged on the outstanding balance at the Eonia rate applied to the cash term deposit.

In EUR	Compartment 2	Compartment 3	Compartment B	2012 Combined	2011 Combined
Opening balance	74,763,606	-	39,500,000	114,263,606	105,261,003
Amounts drawn	-	83,998,905	-	83,998,905	64,953,383
Adjustments/ Repayments	(45,322,336)	-	-	(45,322,336)	(55,950,780)
	<u>29,441,270</u>	<u>83,998,905</u>	<u>39,500,000</u>	<u>152,940,175</u>	<u>114,263,606</u>

11.5 Schuldschein loan

As at December 31, 2012, the "Schuldschein" loan agreement entered into with BMW Finance N.V. for the purpose of financing the purchase of Expectancy Rights for Compartment A is as follows:

In EUR	Margin over 1 month Euribor	2012	2011
Schuldschein notes	0.73 %	<u>199,999,964</u>	<u>199,999,989</u>
		<u>199,999,964</u>	<u>199,999,989</u>

12. Tax status

The Company is subject to all taxes applicable to commercial companies in Luxembourg incorporated under the securitisation law of March 22, 2004.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

13. Other creditors

As at December 31, 2012, other creditors are comprised as follows:

In EUR	Compartment 2	Compartment 3	Compartment A	Compartment B	2012	2011
					Combined	Combined
Accrued interest - interest rate swaps	26,689	122,299	4,616,791	175,827	4,941,606	467,696
	26,689	122,299	4,616,791	175,827	4,941,606	467,696

14. Other external charges

For the year ended December 31, 2012, other external charges were comprised as follows:

In EUR	Compartment 2	Compartment 3	Compartment A	Compartment B	2012	2011
					Combined	Combined
Legal fees	9,660	17,250	-	-	26,910	3,750
Audit fees	37,638	-	-	-	37,638	46,925
Monitoring fees	-	-	354,000	2,000	356,000	367,000
Domiciliation fees	28,528	2,521	28,187	27,992	87,228	27,468
Administration fees	23,298	47,955	9,633	8,861	89,747	102,796
Other fees	3,017	2,000	66	263	5,346	6,530
	102,141	69,726	391,886	39,116	602,869	554,469

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

15. Interest payable and similar charges

For the year ended December 31, 2012, interest payable and similar charges were comprised as follows:

In EUR					2012	2011
	Compartment 2	Compartment 3	Compartment A	Compartment B	Combined	Combined
Concerning affiliated undertakings						
Interest expense - borrowings	64,236	300,226	16,990,779	-	17,355,241	327,391
Interest expenses – interest rate swaps	-	-	126,607,903	-	126,607,903	208,457,896
Amount due to seller of lease receivable	22,441,204	10,722,682	1,722,886	29,949,511	64,836,283	79,717,629
	22,505,440	11,022,908	145,321,568	29,949,511	208,799,427	288,502,916
Other interest payable and similar charges						
Interest expense - notes issued	2,452,120	2,354,534	24,181,507	3,747,027	32,735,188	44,413,942
Interest expense – interest rate swaps	2,371,478	1,363,632	-	7,784,161	11,519,271	14,596,180
Interest expense – borrowings	129,821	1,814	14,440,931	-	14,572,566	41,784,696
	4,953,419	3,719,980	38,622,438	11,531,188	58,827,025	100,794,818

16. Income from financial fixed assets

Income from financial fixed assets of EUR 207,552,396 (2011: EUR 268,537,534) includes mainly interest income recorded for the year ended December 31, 2012 of EUR 65,409,747 (2011: EUR 69,078,803), discount realised on the collected receivables of EUR 140,443,993 (2011: EUR 198,938,541) and recovery of defaulted amount of EUR 1,698,656 (2011: EUR 520,190).

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

17. Other interest and other financial income

For the year ended December 31, 2012, other interest and other financial income are comprised as follows:

In EUR					2012	2011
	Compartment 2	Compartment 3	Compartment A	Compartment B	Combined	Combined
Derived from affiliated undertakings						
Interest income – interest rate swap	-	-	58,218,066	-	58,218,066	61,436,815
Amount due from seller of lease receivable	-	-	-	-	-	46,681,180
	-	-	58,218,066	-	58,218,066	108,117,995
Other interest receivable and similar income						
Interest income – interest rate swap	864,896	471,578	-	2,283,716	3,620,190	12,187,600
Interest income – cash at bank	188,368	2,876	152,604	122,962	466,810	2,120,607
Other income	-	-	-	-	-	435,336
	1,053,264	474,454	152,604	2,406,678	4,087,000	14,743,543

18. Employees

The Company did not employ any personnel during the period. No compensation has been paid, nor is due to be paid to the Directors of the Company.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

19. Off-balance sheet activities

19.1 Compartment 1

Compartment 1 entered into an interest rate swap agreement in order to hedge its interest rate exposure resulting from the fixed rate receivable under the purchased lease receivables and floating rate interest obligations under the Compartment 1 notes.

The Compartment 1 entered into an “interest rate settlement agreement” on September 16, 2008 in order to manage the respective risk exposure of each party involved in the transaction.

The settlement inflows and settlement outflows are based on the initial aggregate discount amount purchased initially.

In May 2011, the notes were redeemed and the balances of the IRS were written off.

19.2 Compartment A

On September 16, 2008, the Company entered into an interest rate settlement agreement for Compartment A whereby the counterparty agrees to pay to the Company an amount of settlement outflow which corresponds to the Company’s funding costs for the relevant settlement period (1 month). In return, the Company pays to the counterparty an amount of settlement inflow which corresponds to the discounts applied to the Expectancy Rights collected during the immediately preceding calendar month.

19.3 Compartment 2

The Compartment 2 entered into an interest rate swap agreement in order to hedge its interest rate exposure resulting from the fixed rate receivable under the purchased lease receivables and floating rate interest obligations under the Compartment 2 notes.

All the Class A notes were redeemed during 2012 for a total amount of EUR 278,749,515 and the Class B notes were redeemed during 2012 for an amount of EUR 10,950,075, therefore the balance of the IRS was reduced for the same amount, leaving the initial balance of EUR 800,000,000 at EUR 47,049,925.

The details of this contract are summarised as follows:

Notional amount	Termination date	Interest rate receivable	Interest rate payable
EUR 47,049,925	January 15, 2018	EURIBOR 1 month	1.41% p.a.

Compartment 2 entered into an “interest rate settlement agreement” on February 10, 2010 in order to manage the respective risk exposure of each party involved in the transaction.

The settlement inflows and settlement outflows are based on the initial aggregate discount amount purchased initially.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

19. Off-balance sheet activities (continued)

19.4 Compartment 3

The Compartment 3 entered into an interest rate swap agreement in order to hedge its interest rate exposure resulting from the fixed rate receivable under the purchased lease receivables and floating rate interest obligations under the Compartment 3 notes.

The details of this contract are summarised as follows:

Notional amount	Termination date	Interest rate receivable	Interest rate payable
EUR 800,000,000	July 15, 2020	EURIBOR 1 month	0.38% p.a.

Compartment 3 entered into an “interest rate settlement agreement” on July 16, 2012 in order to manage the respective risk exposure of each party involved in the transaction.

The settlement inflows and settlement outflows are based on the initial aggregate discount amount purchased initially.

19.5 Compartment B

The Compartment B entered into an interest rate swap agreement in order to hedge its interest rate exposure resulting from the fixed rate receivable under the purchased lease receivables and floating rate interest obligations under the Compartment B notes.

In October 2011 additional notes with a principal amount of EUR 200,000,000 were issued against the increase in the portfolio of auto lease receivables, thus increasing the balance of the IRS from an initial balance of EUR 400,000,000 to EUR 600,000,000.

The details of this contract are summarised as follows:

Notional amount	Termination date	Interest rate	Interest rate
EUR 600,000,000	May 21, 2021	EURIBOR 1 month	1.54% p.a.

The Compartment B entered into an “interest rate settlement agreement” on June 21, 2010 in order to manage the respective risk exposure of each party involved in the transaction.

The settlement inflows and settlement outflows are based on the initial aggregate discount amount purchased initially.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued)

20. Related party transactions

The Company has purchased a portfolio of lease receivables from BMW Bank GmbH (previously BMW Leasing GmbH) who also acts as servicer of the individual receivables. In accordance with the agreements in place, BMW Bank GmbH receives a fee for services provided to the Company.

Effective August 2011, BMW Leasing GmbH merged into BMW Bank GmbH and as a consequence all rights and obligations of BMW Leasing GmbH by operation of Law are assumed by BMW Bank GmbH.

21. Compartmental Balance sheet and Profit and loss account

Summary of compartmental assets, liabilities, income and charges for the year ended December 31, 2012 and December 31, 2011 is given as below:

2012 (in EUR)	Compartment 2	Compartment 3	Compartment A	Compartment B	Combined
ASSETS					
Loans and claims held as fixed assets	70,551,783	800,045,854	4,020,526,007	600,741,978	5,491,865,622
Other debtors	181,149	1,310,609	1,270,629	1,140,287	3,902,674
Cash at bank and in hand	67,941,980	131,999,213	37,511,067	67,500,024	304,952,284
	138,674,912	933,355,676	4,059,307,703	669,382,289	5,800,720,580
LIABILITIES					
Subscribed capital	31,000	-	-	-	31,000
Subordinated creditors	4,894,603	44,024,982	1,532,602,544	-	1,581,522,129
Non-convertible Bonds	47,071,149	800,192,430	1,300,704,168	600,106,419	2,748,074,166
Amounts owed to credit institutions	-	-	1,000,393,916	-	1,000,393,916
Trade creditors	35,550	-	-	-	35,550
Amounts owed to affiliated undertakings	86,611,798	89,010,940	220,989,159	69,099,017	465,710,914
Tax and social security	4,123	5,025	1,126	1,025	11,299
Other creditors	26,689	122,299	4,616,790	175,828	4,941,606
	138,674,912	933,355,676	4,059,307,703	669,382,289	5,800,720,580
CHARGES					
Other external charges	102,141	69,726	391,886	39,116	602,869
Value adjustments on financial fixed assets	584,571	221,089	-	820,906	1,626,566
Interest payable and similar charges	27,458,859	14,742,888	183,944,006	41,480,699	267,626,452
Tax on profit or loss	-	-	-	1,575	1,575
	28,145,571	15,033,703	184,335,892	42,342,296	269,857,462
INCOME					
Income from financial fixed assets	27,092,307	14,559,249	125,965,222	39,935,618	207,552,396
Other interest and other financial income	1,053,264	474,454	58,370,670	2,406,678	62,305,066
	28,145,571	15,033,703	184,335,892	42,342,296	269,857,462

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2012
(continued and end)

21. Compartmental Balance sheet and Profit and loss account (continued)

2011 (in EUR)	Compartment 1	Compartment 2	Compartment A	Compartment B	Combiand
ASSETS					
Loans and claims held as fixed assets	-	336,410,387	4,016,552,413	599,999,365	4,952,962,165
Other debtors	-	1,118,160	-	1,302,745	2,420,905
Cash at bank and in hand	6,556	113,264,340	37,517,316	67,538,712	218,326,924
	6,556	450,792,887	4,054,069,729	668,840,822	5,173,709,994
LIABILITIES					
Subscribed capital	-	31,000	-	-	31,000
Subordinated creditors	-	4,894,603	1,532,282,305	-	1,537,176,908
Non-convertible Bonds	-	337,053,404	1,300,868,062	600,150,294	2,238,071,760
Amounts owed to credit institutions	-	-	1,001,747,972	-	1,001,747,972
Trade creditors	-	46,614	15,852	-	62,466
Amounts owed to affiliated undertakings	6,556	108,549,464	219,155,538	68,432,361	396,143,919
Tax and social security	-	6,773	-	1,500	8,273
Other creditors	-	211,029	-	256,667	467,696
	6,556	450,792,887	4,054,069,729	668,840,822	5,173,709,994
CHARGES					
Other external charges	51,008	100,478	376,073	26,910	554,469
Value adjustments on financial fixed assets	258,502	847,335	-	439,457	1,545,294
Interest payable and similar charges	3,261,687	74,815,054	277,851,010	33,369,983	389,297,734
Tax on profit or loss	-	-	-	1,575	1,575
	3,571,197	75,762,867	278,227,083	33,837,925	391,399,072
INCOME					
Income from financial fixed assets	3,100,201	67,443,199	169,930,129	28,064,005	268,537,534
Other interest and other financial income	470,996	8,319,668	108,296,954	5,773,920	122,861,538
	3,571,197	75,762,867	278,227,083	33,837,925	391,399,072

22. Subsequent events

No events occurred subsequent to December 31, 2012, that would have a material impact on these annual accounts. The signing of a new Asset Backed securitization (ABS) transaction which will be "Bavarian Sky S.A. Compartment German Auto Loans 1" is foreseen during the second half of 2013.

2. Bavarian Sky S.A. financial statement as at 31 December 2013

BAVARIAN SKY S.A.

Annual Accounts
for the year ended
December 31, 2013
(with the report of the Réviseur
d'entreprises agréé thereon)

9B, boulevard Prince Henri
L-1724 Luxembourg
R.C.S. Luxembourg B127 982

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To the Shareholders of
Bavarian Sky S.A.
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REPORT OF THE REVISEUR D'ENTREPRISES AGREÉ

Report on the annual accounts

We have audited the accompanying annual accounts of Bavarian Sky S.A., which comprise the balance sheet as at December 31, 2013 and the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Bavarian Sky S.A. as of December 31, 2013, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

Luxembourg, June 24, 2014

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé



F. Rouault

Bavarian Sky S.A.

MANAGEMENT REPORT

Dear Shareholder,

The Board of Directors is pleased to present the annual accounts of Bavarian Sky S.A. (the "Company") for the year ended December 31, 2013.

Financial highlights

	December 31, 2013 EUR	December 31, 2012 EUR
Total Assets	5,985,848,010	5,800,720,580
Notes Issued	2,669,358,698	2,747,049,689
Net Profit/(Loss) for the financial year	NIL	NIL

The Company and its principal risks

The Company was incorporated on April 26, 2007, under Luxembourg Law with the application of the Luxembourg securitisation law of March 22, 2004.

The Company has been established for the purpose of securitising a portfolio of lease receivables and expectancy rights originated by BMW Leasing GmbH (which is now merged in BMW Bank GmbH) through the use of compartments.

The Company has entered into "lease receivable purchase agreements" and "Expectancy Rights" to the lease vehicle with this originator of lease receivables. The principal risk facing the Company therefore is the reliance on the sole counterparty and their ability to settle all liabilities as they become due.

Compartment 2 was created on May 7, 2009, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 800,000,000 and maturing in 2018. The notes have been issued in 2010 and the compartment became active in the same financial year. During 2012 there were partial redemptions of the notes totalling EUR 290,000,000 against the portfolio of leasing receivables, thus leaving a remaining amount of EUR 47,000,000 as at December 31, 2012. During 2013, the transaction terminated and the remaining amount of notes were redeemed.

Compartment 3 was created on April 25, 2012, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 800,000,000 and maturing in 2020. The notes have been issued in July 2012 and the compartment became active in the same financial year. In 2013 the remaining amount of notes amounted to EUR 439,658,042.

Bavarian Sky S.A.

MANAGEMENT REPORT

Compartment A was created on September 16, 2008, for the purpose of securitising a portfolio of expectancy rights resulting from the proceeds of the note issuance of a total amount of EUR 1,300,000,000 and maturing in 2019. An additional subordinated loan with BMW Leasing GmbH (which is now merged in BMW Bank GmbH), and "Schuldschein" loans with BMW Finance N.V., SEB and BLB were acquired totalling EUR 2,172,000,000 in order to purchase these expectancy rights having a nominal amount of EUR 3,489,637,000. In 2009 the subordinated loan with BMW GmbH was increased by EUR 560,000,000 against the purchase of additional expectancy rights. During 2011 and 2012, there were no additional redemptions or issues for this compartment. In 2013 the remaining amount of the Compass were redeemed for an amount of EUR 299,999,945.

Compartment B was created on May 25, 2010, and entered into a note issuance of a total nominal amount of EUR 400,000,000 maturing in 2021. With the proceeds from the note issuance the Company invested in a portfolio of auto lease receivables originated by BMW Leasing GmbH (which is now merged in BMW Bank GmbH). In 2011 an increase of the notes was done by issuing an additional nominal amount of EUR 200,000,000 against an investment in the auto lease receivable portfolio thus resulting in a total amount of EUR 600,000,000.

Compartment German Auto loans 1 (G1) was created on May 30, 2013, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 800,000,000 and maturing in 2020. The notes have been issued in 2013 and the compartment became active in the same financial year. In 2013 the remaining amount of notes were EUR 629,700,701.

The portfolio of assets has been purchased from one counterpart. This dependence on a sole counterpart represents a principle risk to the Company. The Company is receiving monthly reports from BMW Bank GmbH (previously BMW Leasing GmbH) for compartment 2, 3 and German Auto loans 1 and B and from Commerzbank Munich for compartment A.

Business development 2013/2014

For compartment 2, the transaction terminated in February 2013 and the remaining amount of notes redeemed.

In the year 2013, the Company created the compartment German Auto Loans 1, approved by the Board of Directors on May 30, 2013. In respect of the compartment, the Company issued Class A Notes and Class B Notes linked to the performance of Lease receivables from BMW Bank GmbH.

The continuance of the existing programme is foreseen without any significant change in the future for the remaining compartments.

Acquisition of own shares

During the year ended December 31, 2013, the Company has not purchased any of its own shares.

Research and development activities

The Company was not involved or participating in any kind of research or development activities in the year ended December 31, 2013.

Bavarian Sky S.A.

MANAGEMENT REPORT

Branches of the Company

The Company does not have any branches.

Subsequent events

No events occurred subsequent to December 31, 2013, that would have a material impact on these annual accounts. A new compartment with the name "Compartment German Auto Loans2" is approved for creation during the second quarter of 2014.

Corporate Governance Declaration

The Company has issued securities quoted on the Luxembourg Stock Exchange and thus included a declaration on corporate governance, as defined by art.4 paragraph (1) point 14 of the Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.

Risk Management and Internal Control

The Board of Directors has overall responsibility for the Company's system of internal control and risk management, incident to the day-to-day control of the Company's business, the internal control and the preparation of the annual accounts.

The Company has an embedded risk management and reporting process which ensures that risks are identified, assessed and mitigated at an executive level and reported to the Board of Directors.

The results of risk management activities are consolidated and reviewed by the Board of Directors on an annual basis.

The system of internal control is designed to manage the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company's systems of internal control ensure key risks are managed through:

- The management structure with delegated authority levels, segregation of duties, functional reporting lines and accountability;
- Authorisation processes for all capital expenditure, other purchases and expenses are subject to appropriate authorisation procedures;
- Formal reporting to the Board of Directors on specific areas of financial and operational risk.

Bavarian Sky S.A.

MANAGEMENT REPORT

The Board of Directors conducts reviews of the risk management process and system of internal controls. To achieve this, the Board of Directors receives regular updates on key risks and control priorities such as business controls, business continuity planning, tone at the top and anti-fraud procedures. The Board of Directors reviews the results of all internal and external audits performed over systems of internal controls and tracks management's response to any identified control issues.

The effectiveness of the system of internal control and risk management process is reviewed annually by the Board.

The Company is managed by Board of Directors composed of three members, represented by:

- Alain Koch, Director since July 06, 2011
- Laurent Bélik, Director since May 5, 2011
- Martijn Sinninghe Damsté, Director since December 13, 2010

The current Board of Directors were appointed on the general meeting of shareholders of the Company after resignation of the prior Board of Directors.


Statement of management's responsibilities

The directors confirm that to the best of their knowledge:

- The annual accounts are prepared in accordance with the Luxembourg accounting standards. They give a true and fair view of the assets, liabilities, financial position and result of the Company.
- The management report and the Corporate Governance Declaration include a fair review of the development and performance of the business and adequately describes the principal risks and uncertainties faced by the Company.



Laurent Bélik
Director

Alain Koch
Director

Martijn Sinninghe Damsté
Director

Bavarian Sky S.A.

Balance Sheet
As at December 31, 2013
(expressed in EUR)

ASSETS	Notes	December 31, 2013	December 31, 2012
Fixed assets			
Financial fixed assets			
Loans and claims held as fixed assets	3	5,723,940,542	5,491,865,622
Current assets			
Debtors			
Other receivables becoming due and payable within one year	4	4,080,709	3,902,674
Cash at bank, cash in postal cheque accounts, cheques and cash in hand	5	257,826,759	304,952,284
		261,907,468	308,854,958
TOTAL ASSETS		5,985,848,010	5,800,720,580
LIABILITIES			
Capital and reserves			
Subscribed capital	6	31,000	31,000
Subordinated debts	7	1,607,585,255	1,581,522,129
Non-subordinated debts			
Bonds			
Non-convertible bonds becoming due and payable within one year	8	619,879	1,024,477
becoming due and payable after more than one year		2,669,358,698	2,747,049,689
Amounts owed to credit institutions becoming due and payable within one year	9	599,119	394,097
becoming due and payable after more than one year		1,499,999,932	999,999,819
Trade creditors becoming due and payable after less than one year	10	54,000	35,550
Amounts owed to affiliated undertakings becoming due and payable within one year	11	46,579,412	71,270,775
becoming due and payable after more than one year		155,418,807	394,440,139
Tax and social security debts Tax debts		2,151	11,299
Other creditors becoming due and payable within one year	13	5,599,757	4,941,606
		4,378,231,755	4,219,167,451
TOTAL LIABILITIES		5,985,848,010	5,800,720,580

The accompanying notes form an integral part of the annual accounts.

Bavarian Sky S.A.

Profit and Loss Account
For the year ended December 31, 2013
(expressed in EUR)

CHARGES	Notes	January 1, to December 31, 2013	January 1, to December 31, 2012
Other external charges	14	619,907	602,869
Value adjustments and fair value adjustments on financial fixed assets	3	774,029	1,626,566
Interest and other financial charges	15		
concerning affiliated undertakings		191,600,270	208,799,427
other interest and similar financial charges		46,747,634	58,827,025
		<u>238,347,904</u>	<u>267,626,452</u>
Income tax	12	1,575	1,575
TOTAL CHARGES		<u><u>239,743,415</u></u>	<u><u>269,857,462</u></u>
INCOME			
Other operating income		5,096	-
Income from financial fixed assets	16	198,643,810	207,552,396
Other interest and other financial income	17		
derived from affiliated undertakings		38,905,025	58,218,066
other interest and similar financial income		2,189,484	4,087,000
		<u>41,094,509</u>	<u>62,305,066</u>
TOTAL INCOME		<u><u>239,743,415</u></u>	<u><u>269,857,462</u></u>

The accompanying notes form an integral part of the annual accounts.

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013

1 General

Bavarian Sky S.A. (the "Company") is a Luxembourg limited liability company ("Société Anonyme") incorporated on April 26, 2007, which shall have the status of a securitisation company under the Luxembourg law of March 22, 2004 on securitisation.

The registered office of the Company is established at 9B, boulevard Prince Henri, L-1724 Luxembourg for an unlimited period of time.

The Company is registered with the trade and companies register of Luxembourg under number B 127 982.

Bavarian Sky S.A. is recognized as a special purpose entity in accordance with SIC 12 in the consolidated accounts of BMW AG, Munich, which draws up the consolidated accounts of the smallest and largest body of undertakings.

The Company's business purpose, in accordance with the terms of the Luxembourg law of March 22, 2004 on securitisations, is the securitisation of permitted assets as being a portfolio of receivables. In addition, article 5 of the articles of incorporation allows the Company to create one or more compartments. Each compartment of the Company shall be treated as a separate entity.

Compartment A was created on September 16, 2008 for the purpose of securitising a portfolio of Expectancy Rights.

Compartment 2 was created on May 7, 2009 for the purpose of securitising a portfolio of lease receivables. In February 2013 the Compartment was closed and all related assets and notes redeemed.

Compartment B was created on May 25, 2010 for the purpose of securitising a portfolio of lease receivables.

Compartment 3 was created on April 25, 2012 for the purpose of securitising a portfolio of lease receivables.

Compartment German Auto loans 1 (Compartment G1) was created on May 30, 2013 for the purpose of securitising a portfolio of lease receivables.

As at December 31, 2013, four compartments were active.

The accounting year begins on January 1 and ends on December 31 each year.

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

1 General (continued)

The Company is an “issuer” in accordance with the definition of article 1 Nr.3 of the “Law on transparency requirements in relation to information about issuers whose securities are admitted to trading on regulated market” and has listed debt instruments on the Luxembourg Stock Exchange.

2 Significant Accounting Policies

2.1 Basis of presentation

The annual accounts have been prepared in accordance with the generally accepted accounting principles and in agreement with the laws and regulations in force in the Grand-Duchy of Luxembourg.

2.2 Financial assets

Loans and claims held as fixed assets are composed of portfolio of lease receivables and expectancy rights acquired from BMW Bank GmbH (previously BMW Leasing GmbH) as originator and seller of these lease receivables and expectancy rights.

The Company’s portfolio is valued at its purchase costs less any provision for value adjustments and write-offs, where, in the opinion of the Directors the recovery of the underlying receivable is considered doubtful.

The discount on lease receivable represents difference between actual collection of principal balance and purchase costs at the time of acquisition, discount is charged to profit and loss account in the period in which the collections were made.

If a lease receivable or expectancy right fails to meet the eligibility criteria as mentioned in lease receivable and expectancy rights purchase agreement, it is repurchased by the seller at its purchase price.

2.3 Foreign currency translation

The Company maintains its accounts in euros (“EUR”) and the annual accounts are expressed in this currency.

Assets and liabilities expressed in a currency other than EUR are converted into EUR at the rate of exchange ruling at the balance sheet date.

Income and charges in foreign currency are converted into EUR at the rate of exchange ruling on the date of the transaction.

Realised exchange gains and losses and unrealised exchange losses are reflected in the profit and loss account. Unrealised exchange gains are deferred.

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

2 Significant Accounting Policies (continued)

2.4 Excess spread payable

Gains during the year as a result from sales, interest and other financial income under specific conditions, may cause an excess spread. Such amount is due to seller of lease receivables in order of the priority of payments.

2.5 Off balance sheet transactions

Interest rate swaps entered into as hedging instruments against interest rate fluctuations are reported off balance sheet at nominal value. Interest income and expense arising from these agreements are recorded on an accrual basis.

2.6 Priority of payments

Compartments have obtained financing from affiliated and non-affiliated undertakings, in the form of listed and non listed notes, subordinated and non-subordinated loans, to fund the purchase of relevant portfolio of lease receivables, expectancy rights and maintenance of various cash reserves as required by the seller of lease receivable. The priority of payments applicable to each compartment is mentioned in its relevant Lease Receivable Purchase Agreement or Trust Agreement.

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

3 Financial fixed assets

The Company used the net proceeds from the issuance of the notes and of loans received to purchase a portfolio of eligible auto lease receivables and of Expectancy Rights held on vehicles leased, secured by the Lease Collateral of BMW Bank GmbH. Expectancy Rights are rights to the “title of a leased vehicle”.

The movement of the portfolio of lease receivables and Expectancy Rights for the year ended December 31, 2013 is as follows:

In EUR	Compartment 2	Compartment 3	Compartment A	Compartment B	Compartment G1	2013 Combined	2012 Combined
Opening balance	70,551,783	800,045,854	4,020,526,007	600,741,978	-	5,491,865,622	4,952,962,165
Purchases/adjustments during the year	(12,480)	266,020,040	1,686,434,145	488,268,001	799,999,849	3,240,709,555	3,211,423,541
Receivables collected during the Year	(74,320,974)	(619,122,193)	(1,785,315,788)	(488,674,996)	(155,687,492)	(3,123,121,443)	(2,813,036,167)
Net (write-off)/recovery of defaulted amounts	(99,272)	(707)	-	98,115	(5,789)	(7,653)	72,090
Value re-adjustment during the year	-	-	-	-	-	-	-
Discount	3,880,943	-	110,613,518	-	-	114,494,461	140,443,993
Ending balance	-	446,942,994	4,032,257,882	600,433,098	644,306,568	5,723,940,542	5,491,865,622

During 2013, EUR 774,029 (2012: EUR 1,626,566) of defaulted receivables were written-off, EUR 766,376 (2012: EUR 1,698,656) was subsequently recovered on defaulted amounts, resulting in a total net value adjustment in respect of financial fixed assets of negative EUR 7,653 (2012: Positive EUR 72,090).

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

3 Financial fixed assets (continued)

The Company has not made any value adjustments against Compartment A Expectancy Rights due to the Put Option contained in the Leased Vehicle Sale Option agreement. In accordance with this agreement, the Company has the right to sell the leased vehicle and Expectancy Right to BMW Bank GmbH at its purchase price. This option was not exercised during the year (2012: option was not exercised).

4 Debtors

Other receivables becoming due and payable within one year composed of:

In EUR	Comp.2	Comp. 3	Comp. A	Comp. B	Comp. G1	2013 Combined	2012 Combined
Accrued interest on portfolio of lease receivables	-	738,802	-	1,083,867	846,183	2,668,852	2,575,644
Accrued interest on interest rate swaps	-	40,119	1,281,416	42,151	47,140	1,410,826	1,327,030
Miscellaneous receivables	-	-	-	1,031	-	1,031	-
	-	778,921	1,281,416	1,127,049	893,323	4,080,709	3,902,674

The interest receivable collected by the servicing agent was collected for the year ended December 31, 2013, and due to the Company on the next interest payment dates in January 2014.

5 Cash at bank, cash in postal cheque accounts, cheques and cash in hand

The cash at bank as at December 31, 2013 are comprised as follows:

In EUR	Comp. 2	Comp. 3	Comp. A	Comp. B	Comp. G1	2013 Combined	2012 Combined
Cash at bank	5,756	122,418,807	1,169	-	30,400,652	220,326,759	267,452,284
Deposit and cash reserve account	-	-	37,500,000	67,500,375	-	105,000,375	37,500,000
	5,756	122,418,807	37,501,169	67,500,375	30,400,652	257,826,759	304,952,284

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

5 Cash at bank, cash in postal cheque accounts, cheques and cash in hand (continued)

The cash reserve account forms part of the available distribution amount and provides limited protection against shortfalls in the amounts required to pay in respect of interest, principal and other payment obligations in accordance with the priority of payments.

6 Capital and reserves

The subscribed capital of EUR 31,000 is issued and fully paid, and is represented by 3,100 shares of EUR 10 each.

Under Luxembourg law, the Company must appropriate at least 5% of its statutory net profit to a non-distributable legal reserve until the aggregate reserve reaches 10% of the subscribed share capital. The legal reserve is not distributable. No appropriation is required for the year ended December 31, 2013.

7 Subordinated debts

The subordinated debts as at December 31, 2013 comprise the following:

In EUR	2013	2012
Compartment 2	-	4,894,603
Compartment 3	44,000,000	44,000,000
Compartment A	1,532,257,995	1,532,257,786
Compartment G1	30,400,000	-
	1,606,657,995	1,581,152,389
Accrued interest	927,260	369,740
	1,607,585,255	1,581,522,129

Compartment 2 entered into a subordinated loan agreement with BMW Finance N.V. in February 2010. The use of the funds collected is to fund the cash reserve deposit. Interest paid on the subordinated loan is equal to the interest collected on the cash reserve deposit. During 2013, the transaction terminated and the subordinated loan has been repaid.

Compartment 3 entered into a subordinated loan agreement with BMW Bank GmbH in July 2012. The use of the funds collected is to fund the cash reserve deposit. Interest margin of 135 bps above 1 month Euribor is applied on the outstanding balance.

Compartment A entered into a subordinated loan agreement with BMW Bank GmbH (previously BMW Leasing GmbH). In July 2011, the subordinated loan was transferred to BMW Finance N.V., interest margin of 52.5 bps above 1 month Euribor is applied on the outstanding balance since July 2011.

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

7 Subordinated debts (continued)

Compartment German Auto Loans 1 entered into a subordinated loan agreement with BMW Bank GmbH in June 2013. The use of the funds collected is to fund the cash reserve deposit. Interest paid on the subordinated loan is equal to the interest collected on the cash reserve deposit.

Amounts in EUR, excluding accrued interest:

	Comp.2	Comp. 3	Comp. A	Comp. G1	2013 Combined	2012 Combined
Opening balance	4,894,603	44,000,000	1,532,257,786	-	1,581,152,389	1,537,152,586
Amounts drawn	-	-	209	30,400,000	30,400,209	44,000,000
Repayments	(4,894,603)	-	-	-	(4,894,603)	(197)
	-	44,000,000	1,532,257,995	30,400,000	1,606,657,995	1,581,152,389

8 Non-convertible bonds

As at December 31, 2013 the Notes issued are composed of the following:

In EUR	References	2013	2012
Compartment 2	8.1	-	47,049,925
Compartment 3	8.2	439,658,042	800,000,000
Compartment A	8.3	999,999,955	1,299,999,764
Compartment B	8.4	600,000,000	600,000,000
Compartment G1	8.5	629,700,701	-
		2,669,358,698	2,747,049,689
Accrued interest		619,879	1,024,477
		2,669,978,577	2,748,074,166

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

8 Non-convertible bonds (continued)

8.1 Compartment 2

In 2010, Compartment 2 issued Class A and Class B notes backed by a portfolio of auto lease receivables (see note 3) maturing on January 10, 2018.

All the notes have been redeemed in full during 2013.

8.2 Compartment 3

In 2012, Compartment 3 issued Class A and Class B notes backed by a portfolio of auto lease receivables (see note 3) maturing on January 10, 2020.

As at December 31, 2013 a total amount of EUR 360,341,958 Class A Notes were redeemed thus reducing the initial balance from EUR 769,600,000 to EUR 409,258,042.

The notes outstanding for Compartment 3 as at December 31, 2013 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Margin over 1 month Euribor	2013	2012
Class A	0.48%	409,258,042	769,600,000
Class B	1.23%	30,400,000	30,400,000
		<u>439,658,042</u>	<u>800,000,000</u>

8.3 Compartment A

In 2009, the Company entered into several Note Purchase Agreements for the purpose of partially funding its purchase of Expectancy Rights under Compartment A. The notes have been issued for an initial period of one year and shall be automatically renewed for one year periods thereafter, unless terminated by the Company or the note purchasers in accordance with the terms and conditions of the Notes Purchase Agreement. As of December 31, 2013, there were EUR 999,999,955 Notes outstanding with an interest rate of 1 month Euribor plus a variable margin in function of the cost of funding to these Notes holders (2012: EUR 1,299,999,764).

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

8 Non-convertible bonds (continued)

8.4 Compartment B

In 2010, Compartment B issued Class A notes backed by a portfolio of auto lease receivables maturing on May 21, 2021.

In October 2011 additional notes with a principal amount of EUR 200,000,000 were issued against the increase in the portfolio of auto lease receivables.

The notes outstanding for Compartment B as at December 31, 2013 and 2012 are comprised as follows:

In EUR		Notes issued	Notes issued
Notes	Margin over 1 month Euribor	2013	2012
Class A	1.5%	600,000,000	600,000,000
		<u>600,000,000</u>	<u>600,000,000</u>

8.5 Compartment German Auto Loans 1

In 2013, Compartment German Auto Loans 1 issued Class A and Class B notes backed by a portfolio of auto lease receivables (see note 3) maturing in June 2020.

As at December 31, 2013 a total amount of EUR 170,299,299 Class A Notes were redeemed thus reducing the initial balance from EUR 756,000,000 to EUR 585,700,701.

The notes outstanding for Compartment German Auto Loans 1 as at December 31, 2013 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Margin over 1 month Euribor	2013	2012
Class A	0.24%	585,700,701	-
Class B	0.68%	44,000,000	-
		<u>629,700,701</u>	<u>-</u>

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

9 Amounts owed to credit institutions

Compartment A's purchase of Expectancy Rights has been partially funded by credit institutions via Schuldschein loans. The loans have been granted for an initial period of one year effective from September 16, 2008 and shall be automatically extend for additional one year periods thereafter, unless terminated by either the Company or the lender in accordance with the terms of the agreement.

The amounts owed to credit institutions as at December 31, 2013 and 2012 comprise the following:

In EUR	2013	2012
Interest rate		
Euribor 1M+105bp	649,999,971	649,999,882
Euribor 1M+85bp	449,999,980	349,999,937
Euribor 1M+85bp	299,999,986	-
Euribor 1M+85bp	99,999,995	-
	<u>1,499,999,932</u>	<u>999,999,819</u>
Accrued Interest	599,119	394,097
	<u>1,500,599,051</u>	<u>1,000,393,916</u>

10 Trade creditors

This caption mainly includes amounts payable for domiciliation, accounting and audit fees for the year ended December 31, 2013.

11 Amounts owed to affiliated undertakings

In EUR	Reference to notes	2013	2012
becoming due and payable within one year			
Amounts due to seller of lease receivables	11.1	46,579,412	71,023,983
Accrued interest		-	246,792
		<u>46,579,412</u>	<u>71,270,775</u>
becoming due and payable after more than one year			
Indemnity reserve	11.2	4,000,000	4,000,000
Dilution reserve	11.3	37,500,000	37,500,000
Commingling reserve	11.4	113,918,807	152,940,175
Schuldschein loan	11.5	-	199,999,964
		<u>155,418,807</u>	<u>394,440,139</u>
		<u>201,998,219</u>	<u>465,710,914</u>

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

11 Amounts owed to affiliated undertakings (continued)

11.1 Amounts due to seller of lease receivables

As at December 31, 2013, amounts due to the seller of lease receivables are as follows:

In EUR	Compartment 2	Compartment 3	Compartment A	Compartment B	Compartment G1	2013 Combined	2012 Combined
Opening balance	56,979,735	1,012,035	(16,566,805)	29,599,018	-	71,023,983	44,277,265
Amounts paid during year	(911,151)	-	-	(29,020,488)	-	(29,931,639)	(30,898,345)
Accruals/ adjustments/reversals made during year	5,756	6,453,258	11,257,034	28,660,095	15,179,509	61,555,652	66,534,938
Distribution amount paid in cash	(56,068,584)	-	-	-	-	(56,068,584)	(8,889,875)
	5,756	7,465,293	(5,309,771)	29,238,625	15,179,509	46,579,412	71,023,983

The amounts due to the seller of the lease receivables is calculated in accordance with the trust deed as the excess spread remaining after all other payments have been made following the pre-enforcement priority of payments.

11.2 Indemnity reserve

The Compartment 3 entered into an Indemnity reserve in 2012 for an amount of EUR 4,000,000 with BMW Bank GmbH which was used to fund the deposit on the cash reserve account. No interest was charged on the outstanding balance.

11.3 Dilution reserve

As part of the Compartment A Expectancy Rights purchase agreement, BMW Bank GmbH (previously BMW Leasing GmbH) has agreed to establish, in the name of the Company, a dilution reserve to serve as a protection for the Company against any dilutions. For the purpose of this agreement, dilution is defined as any amount owed which is not timely and fully paid under the Expectancy Rights purchase agreement. The balance of the dilution reserve as at December 31, 2013 was EUR 37,500,000 (2012: EUR 37,500,000).

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

11.4 Commingling reserve

Compartments 2, 3 and B entered into a Commingling reserve with BMW Bank GmbH (previously BMW Leasing GmbH) which was used to fund the deposit on the cash reserve deposit. Interest was charged on the outstanding balance at the Eonia rate applied to the cash term deposit.

In EUR	Compartment 2	Compartment 3	Compartment B	2013 Combined	2012 Combined
Opening balance	29,441,270	83,998,905	39,500,000	152,940,175	114,263,606
Amounts drawn	-	-	-	-	83,998,905
Adjustments / Repayments	(29,441,270)	(9,580,098)	-	(39,021,368)	(45,322,336)
	-	74,418,807	39,500,000	113,918,807	152,940,175

11.5 Schuldschein loan

In 2013 the "Schuldschein" loan, entered into with BMW Finance N.V. for the purpose of financing the purchase of Expectancy Rights for Compartment A, was repaid.

12 Income Tax

The Company is subject to all taxes applicable to commercial companies in Luxembourg incorporated under the securitisation law of March 22, 2004.

13 Other creditors

As at December 31, 2013, other creditors comprise the following:

In EUR	Comp.2	Comp.3	Comp. A	Comp. B	Comp.G1	2013 Combined	2012 Combined
Accrued interest - interest rate swaps	-	69,613	5,322,814	165,000	42,330	5,599,757	4,941,606
	-	69,613	5,322,814	165,000	42,330	5,599,757	4,941,606

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Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

14 Other external charges

For the year ended December 31, 2013, other external charges comprise the following:

In EUR						2013	2012
	Comp. 2	Comp. 3	Comp. A	Comp. B	Comp. G1	Combined	Combined
Legal fees	-	-	-	1,731	-	1,731	26,910
Audit fees	-	107,958	-	-	-	107,958	37,638
Monitoring fees	-	-	364,000	2,000	-	366,000	356,000
Domiciliation fees	5,528	20,797	20,797	20,797	10,177	78,096	87,228
Administration fees	625	47,274	-	10,000	6,668	64,567	89,747
Other fees	50	1,500	-	-	5	1,555	5,346
	6,203	177,529	384,797	34,528	16,850	619,907	602,869

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Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

15 Interest and other financial charges

For the year ended December 31, 2013, interest and other financial charges were comprised as follows:

In EUR	Comp.2	Comp. 3	Comp. A	Comp. B	Comp. G1	2013 Combined	2012 Combined
Concerning affiliated undertakings							
Interest expense - borrowings	11,507	713,758	11,026,209	-	178,758	11,930,232	17,355,241
Interest expenses – interest rate swaps	-	-	111,319,545	-	-	111,319,545	126,607,902
Amount due to seller of lease receivable	4,171,457	20,030,901	-	28,968,626	15,179,509	68,350,493	64,836,283
	4,182,964	20,744,659	122,345,754	28,968,626	15,358,267	191,600,270	208,799,42
Other interest and similar financial charges							
Interest expense - notes issued	58,710	4,479,222	10,767,159	4,309,585	1,496,365	21,111,041	32,735,188
Interest expense – interest rate swaps	70,866	2,648,823	-	5,929,172	890,659	9,539,520	11,519,271
Interest expense – borrowings	-	-	16,097,073	-	-	16,097,073	14,572,566
	129,576	7,128,045	26,864,232	10,238,757	2,565,784	46,747,634	58,827,025

16 Income from financial fixed assets

Income from financial fixed assets of EUR 198,643,810 (2012: EUR 207,552,396) includes interest income recorded for the year ended December 31, 2013 of EUR 83,382,313 (2012: EUR 65,409,747), discount realised on the collected receivables of EUR 114,495,121 (2012: EUR 140,443,993) and recovery of defaulted amount of EUR 766,376 (2012: EUR 1,698,656).

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Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

17 Other interest and other financial income

For the year ended December 31, 2013, other interest and other financial comprise the following:

In EUR						2013	2012
	Comp. 2	Comp. 3	Comp. A	Comp. B	Comp. G1	Combined	Combined
Derived from affiliated undertakings							
Interest income – interest rate swap	-	-	38,905,025	-	-	38,905,025	58,218,066
	-	-	38,905,025	-	-	38,905,025	58,218,066
Other interest and similar financial income							
Interest income – interest rate swap	5,595	861,909	-	751,234	492,969	2,111,707	3,620,190
Interest income – cash at bank	-	-	76,240	1,031	506	77,777	466,810
	5,595	861,909	76,240	752,265	493,475	2,189,484	4,087,000

18 Employees

The Company did not employ any personnel during the period. No compensation has been paid, nor is due to be paid, to the Directors of the Company.

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Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

19 Off-balance sheet activities

19.1 Compartment A

On September 16, 2008, the Company entered into an interest rate settlement agreement for Compartment A whereby the counterparty agrees to pay to the Company an amount of settlement outflow which corresponds to the Company's funding costs for the relevant settlement period (1 month). In return, the Company pays to the counterparty an amount of settlement inflow which corresponds to the discounts applied to the Expectancy Rights collected during the immediately preceding calendar month.

19.2 Compartment 2

The Compartment 2 entered into an interest rate swap agreement in order to hedge its interest rate exposure resulting from the fixed rate receivable under the purchased lease receivables and floating rate interest obligations under the Compartment 2 notes.

Compartment 2 entered into an "interest rate settlement agreement" (IRS) on February 10, 2010 in order to manage the respective risk exposure of each party involved in the transaction.

The settlement inflows and settlement outflows are based on the initial aggregate discount amount purchased initially.

All the Class A notes were redeemed during 2012 for a total amount of EUR 278,749,515 and the Class B notes were redeemed during 2012 for an amount of EUR 10,950,075 and for an amount of EUR 47,049,925 in February 2013 thus the notes were fully redeemed in 2013 and the balances of the IRS were written off.

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

19 Off-balance sheet activities (continued)

19.3 Compartment 3

The Compartment 3 entered into an interest rate swap agreement (IRS) in order to hedge its interest rate exposure resulting from the fixed rate receivable under the purchased lease receivables and floating rate interest obligations under the Compartment 3 notes.

The Class A notes were redeemed during 2013 for a total amount of EUR 329 941 958.

The details of this contract are summarised as follows:

Notional amount	Termination date	Interest rate receivable	Interest rate payable
EUR 439,658,042	July 15, 2020	EURIBOR 1 month	0.38% p.a.

Compartment 3 entered into an "interest rate settlement agreement" on July 16, 2012 in order to manage the respective risk exposure of each party involved in the transaction.

The settlement inflows and settlement outflows are based on the initial aggregate discount amount purchased initially.

19.4 Compartment B

The Compartment B entered into an interest rate swap agreement in order to hedge its interest rate exposure resulting from the fixed rate receivable under the purchased lease receivables and floating rate interest obligations under the Compartment B notes.

In October 2011 additional notes with a principal amount of EUR 200,000,000 were issued against the increase in the portfolio of auto lease receivables, thus increasing the balance of the IRS from an initial balance of EUR 400,000,000 to EUR 600,000,000.

The details of this contract are summarised as follows:

Notional amount	Termination date	Interest rate receivable	Interest rate payable
EUR 600,000,000	May 21, 2021	EURIBOR 1 month	0.99% p.a.

Compartment B entered into an "interest rate settlement agreement" on June 21, 2010 in order to manage the respective risk exposure of each party involved in the transaction.

The settlement inflows and settlement outflows are based on the initial aggregate discount amount purchased initially.

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

19 Off-balance sheet activities (continued)

19.5 Compartment German Auto Loans 1

The Compartment German Auto Loans 1 entered into an interest rate swap agreement in order to hedge its interest rate exposure resulting from the fixed rate receivable under the purchased lease receivables and floating rate interest obligations under the Compartment German Auto Loans 1 notes.

The Class A notes were redeemed during 2013 for a total amount of EUR 170,299,298.

The details of this contract are summarised as follows:

Notional amount	Termination date	Interest rate	Interest rate payable
EUR 629,700,701	June 20, 2020	EURIBOR 1 month	0.122% p.a.

Compartment German Auto Loans 1 entered into an “interest rate settlement agreement” on June 3, 2013 in order to manage the respective risk exposure of each party involved in the transaction.

The settlement inflows and settlement outflows are based on the initial aggregate discount amount purchased initially.

20 Related party transactions

The Company has purchased a portfolio of lease receivables from BMW Bank GmbH (previously BMW Leasing GmbH) which also acts as servicer of the individual receivables. In accordance with the agreements in place, BMW Bank GmbH receives a fee for services provided to the Company.

Effective August 2011, BMW Leasing GmbH merged into BMW Bank GmbH and as a consequence all rights and obligations of BMW Leasing GmbH by operation of Law are assumed by BMW Bank GmbH.

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2013
(continued)

21 Compartmental Balance sheet and Profit and loss account

Summary of compartmental assets, liabilities, income and charges for the year ended December 31, 2013 and December 31, 2012 is given as below:

2013 (in EUR)	Comp. 2	Comp. 3	Comp. A	Comp. B	Comp. G1	Combined
ASSETS						
Loans and claims held as fixed assets	-	446,942,994	4,032,257,382	600,433,098	644,306,568	5,723,940,542
Other receivables	-	778,921	1,281,416	127,049	893,323	4,080,709
Cash at bank, cash in postal cheque accounts, cheques and cash in hand	5,756	122,418,807	37,501,169	67,500,375	30,400,632	257,826,759
	5,756	570,140,722	4,071,040,467	668,060,522	675,600,543	5,985,848,010
LIABILITIES						
Subscribed capital	-	31,000	-	-	-	31,000
Subordinated debts	-	44,306,402	1,532,700,094	-	30,578,759	1,607,585,255
Non-convertible bonds	-	439,795,607	1,000,227,153	600,155,872	629,799,945	2,669,978,577
Amounts owed to credit institutions	-	-	1,500,599,051	-	-	1,500,599,051
Trade creditors	-	54,000	-	-	-	54,000
Amounts owed to affiliated undertakings	5,756	85,884,100	32,190,229	61,738,625	15,179,505	201,998,219
Tax and social security debts	-	-	1,126	1,025	-	2,151
Other creditors	-	69,613	5,322,814	165,000	42,330	5,599,757
	5,756	570,140,722	4,071,040,467	668,060,522	675,600,543	5,985,848,010
CHARGES						
Other external charges	6,203	177,529	384,797	34,528	16,850	619,907
Value adjustments and fair value adjustments on financial fixed assets	111,753	321,131	-	335,357	5,788	774,029
Interest and other financial charges	4,312,540	27,872,704	149,209,586	39,207,383	17,745,291	238,347,904
Income tax	-	-	-	1,575	-	1,575
	4,430,496	28,371,364	149,594,783	39,578,843	17,767,929	239,743,415
INCOME						
Other operating income	5,096	-	-	-	-	5,096
Income from financial fixed assets	4,419,805	27,509,455	110,613,518	38,826,578	17,274,454	198,643,810
Other interest and other financial income	5,595	861,909	38,981,265	752,265	493,475	41,094,509
	4,430,496	28,371,364	149,594,783	39,578,843	17,767,929	239,743,415

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2013
(continued and end)

21 Compartmental Balance sheet and Profit and loss account
(continued)

2012 (in EUR)	Compartment 2	Compartment 3	Compartment A	Compartment B	Combined
ASSETS					
Loans and claims held as fixed assets	70,551,783	800,045,854	4,020,526,007	600,741,978	5,491,865,622
Other receivables	181,149	1,310,609	1,270,629	1,140,287	3,902,674
Cash at bank, cash in postal cheque accounts, cheques and cash in hand	67,941,980	131,999,213	37,511,067	67,500,024	304,952,284
	138,674,912	933,355,676	4,059,307,703	669,382,289	5,800,720,580
LIABILITIES					
Subscribed capital	31,000	-	-	-	31,000
Subordinated debts	4,894,603	44,024,982	1,532,602,544	-	1,581,522,129
Non-convertible bonds	47,071,149	800,192,430	1,300,704,168	600,106,419	2,748,074,166
Amounts owed to credit institutions	-	-	1,000,393,916	-	1,000,393,916
Trade creditors	35,550	-	-	-	35,550
Amounts owed to affiliated undertakings	86,611,798	89,010,940	220,989,159	69,099,017	465,710,914
Tax and social security	4,123	5,025	1,126	1,025	11,299
Other creditors	26,689	122,299	4,616,790	175,828	4,941,606
	138,674,912	933,355,676	4,059,307,703	669,382,289	5,800,720,580
CHARGES					
Other external charges	102,141	69,726	391,886	39,116	602,869
Value adjustments and fair value adjustments on financial fixed assets	584,571	221,089	-	820,906	1,626,566
Interest and other financial charges	27,458,859	14,742,888	183,944,006	41,480,699	267,626,452
Income tax	-	-	-	1,575	1,575
	28,145,571	15,033,703	184,335,892	42,342,296	269,857,462
INCOME					
Income from financial fixed assets	27,092,307	14,559,249	125,965,222	39,935,618	207,552,396
Other interest and other financial income	1,053,264	474,454	58,370,670	2,406,678	62,305,066
	28,145,571	15,033,703	184,335,892	42,342,296	269,857,462

22 Subsequent events

No events occurred subsequent to December 31, 2013, that would have a material impact on these annual accounts. A new compartment with the name "Compartment German Auto Loans2" is approved for creation during the second quarter of 2014.