



DEUTSCHER
VERBRIEFUNGSSTANDARD



STS Verification
International

Bavarian Sky S.A., acting in respect of its Compartment German Auto Leases 5

(a public company incorporated with limited liability as a "société anonyme" under the laws of Luxembourg having its registered office at 2a, rue Nicolas Bové, L-1253 Luxembourg with registered number B 127 982)

EUR 900,000,000 Class A Floating Rate Notes due September 2026, issue price: 100.465%

EUR 91,800,000 Class B Fixed Rate Notes due September 2026, issue price: 100%

Bavarian Sky S.A., acting in respect of its Compartment German Auto Leases 5 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 a securitisation transaction ("**Transaction**") carried out by Bavarian Sky S.A. acting in respect of its Compartment German Auto Leases 5 (the "**Compartment German Auto Leases 5**") 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 German Auto Leases 5.

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 lease receivables (the "**Purchased Lease Receivables**") secured by certain limited collateral more specifically described herein (the collateral and the proceeds therefrom, the "**Lease Collateral**"). The responsibility and liability of the Seller for any non-existent receivables (*Veritätshaftung*) shall be secured by security interests in certain passenger cars, light commercial vehicles or motorcycles (the "**Leased Vehicles**"). The obligations of the Issuer under the Notes will be secured by first-ranking security interests granted to BNY Mellon Corporate Trustee Services Limited (the "**Trustee**") acting in a fiduciary capacity for, *inter alia*, the Noteholders pursuant to a trust agreement (the "**Trust Agreement**") entered into between, *inter alia*, the Trustee and the Issuer and an English deed of security assignment (the "**Deed of Security Assignment**") entered into between 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 Lease Receivables secured by the Lease Collateral. Certain characteristics of the Purchased Lease Receivables and the Lease Collateral as well as the Leased Vehicles 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 Regulation (EU) 2017/1129 – the "**Prospectus Regulation**") for the approval of the Offering Circular. The CSSF only approves this Offering Circular as meeting the standards of completeness, comprehensibility and consistency requirements imposed under Luxembourg and EU law pursuant to the Prospectus Regulation. Such approval should neither be considered as an endorsement of the Issuer that is the subject of this Offering Circular nor of the quality of the Notes that are the subject of this Offering Circular. Furthermore, by approving the Offering Circular, in accordance with Article 20 of the Prospectus Regulation, the CSSF does not engage in respect of the economic or financial opportunity of the operation or the quality and solvency of the Issuer. Application has also been made to the Luxembourg Stock Exchange (*Bourse de Luxembourg*) (the "**Luxembourg Stock Exchange**") for the Notes to be listed on the official list of the Luxembourg Stock Exchange on 23 September 2019 (the "**Issue Date**") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market (segment for professional investors). The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments. This Offering Circular constitutes a prospectus for the purpose of Article 6(3) of the Prospectus Regulation. This Offering Circular will be

published in electronic form on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu/issuer/BavarianSky/60154>).

This Offering Circular will be valid until the end of date on which the Notes will be admitted to trading on the Luxembourg Stock Exchange. In case of a significant new factor, material mistake or material inaccuracy relating to the information included in this Offering Circular which may affect the assessment of the Notes, the Issuer will prepare and publish a supplement to the Offering Circular without undue delay in accordance with Article 23 of the Prospectus Regulation. The obligation of the Issuer to supplement this Offering Circular will cease to apply once the Notes have been admitted to trading on the regulated market (segment for professional investors) of the Luxembourg Stock Exchange and at the latest upon expiry of the validity period of this Offering Circular.

Société Générale S.A. and DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (the "**Joint Lead Managers**") and ING Bank N.V. and Skandinaviska Enskilda Banken AB (publ) (the "**Co-Managers**", and, together with the Joint Lead Managers, the "**Managers**") will subscribe and 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". Investors should make their own assessment as to the suitability of investing in the Notes.

Unless the context requires otherwise, all capitalised terms appearing in this Offering Circular which are not defined directly in the respective section shall have the meaning given to them in any other section of the Offering Circular. Any website referred to in this Offering Circular is for information purposes only and does not form part of this Offering Circular.

Joint Bookrunners and Joint Lead Managers

Société Générale S.A.

**DZ BANK AG Deutsche Zentral-
Genossenschaftsbank, Frankfurt am Main**

Co-Managers

ING Bank N.V.

**Skandinaviska Enskilda Banken
AB (publ)**

Arranger

BMW Bank GmbH

The date of this Offering Circular is 23 September 2019.

The Notes

Class	Class Outstanding Notes Balance as of Issue Date	Interest Rate	Issue Price	Expected Ratings	Legal Final Maturity Date	ISIN Code	Common Code
A	€ 900,000,000.00	1-Month-EURIBOR + 0.70% <i>per annum</i> , and if such rate is below zero, the Interest Rate will be zero	100.465%	AAAsf by Fitch Aaa(sf) by Moody's	Payment Date falling in September 2026	XS2009039863	200903986
B	€ 91,800,000.00	1.00% <i>per annum</i>	100%	not rated	Payment Date falling in September 2026	XS2009040283	200904028

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 for the Class A Notes 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 (i) the Eurosystem eligibility criteria and (ii) the reporting requirements related to the loan(lease)-level data for asset-backed securities, as published by the European Central Bank and/or ESMA from time to time. 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 in time during the life of the Class A Notes. 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.

Benchmark Regulation

Amounts payable under the Notes are calculated by reference to EURIBOR, which is provided by European Money Markets Institute, Brussels, Belgium (the "**Administrator**"). The Administrator appears on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "**Benchmark Regulation**") as it has been authorised as benchmark administrator for EURIBOR on 2 July 2019.

Rating of the Notes

The Class A Notes are expected, on the Issue Date, to be rated by Fitch Ratings Limited ("**Fitch**") and Moody's Investor Services Ltd. ("**Moody's**"), together with Fitch, the "**Rating Agencies**"). It is a condition to the issue of the Class A Notes that such Class of Notes is assigned the ratings indicated in the above table.

Each of Fitch and Moody's is established in the European Community and 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 5 July 2019 published by the European Securities and Markets Authority ("**ESMA**") under <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>.

The Rating Agencies' rating of the Class A 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 "AAAsf" and "Aaa(sf)" is the highest rating that each of Fitch and Moody's, respectively, assigns to long-term structured finance obligations. See "*RISK FACTORS —Ratings of the Class A Notes*".

However, the ratings assigned to the Class A Notes do not represent any assessment of the likelihood or level of principal prepayments. The ratings do not address the possibility that the holders of the Class A Notes 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 the Class A 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.

Risk Retention

In compliance with Article 6 paragraph (3)(d) of Regulation (EU) 2017/2402 (the "**Securitisation Regulation**"), the Seller has undertaken to retain, on an ongoing basis until the earlier of the redemption of the Class A Notes in full and the Legal Final Maturity Date, at least 5 per cent. of the nominal amount of the "securitised exposures" (i.e. the Purchased Lease Receivables) by retaining the Class B and, in its capacity as Subordinated Lender, providing the Subordinated Loan, provided that the Seller will not be in breach of such undertaking if the Seller fails to so comply due to events, actions or circumstances beyond the Seller's control (*Unmöglichkeit*).

The Seller, as the sponsor under the U.S. Risk Retention Rules, does not intend to retain at least 5 per cent. of the credit risk of the Notes for the purposes of the U.S. Risk Retention Rules, but rather intends to rely on an exemption provided for in Section _20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. There can be no assurance that the exemption provided for in Section _20 of the U.S. Risk Retention Rules regarding non-U.S. transactions will be available.

For details please see "*RISK RETENTION*".

Disclosure Requirements under Securitisation Regulation

Article 7 of the Securitisation Regulation requires, *inter alia*, that prospective investors have readily available access to information on the underlying exposures, the underlying documentation that is essential for the understanding of the transaction, quarterly investor reports containing, *inter alia*, all materially relevant data on the credit quality and performance of the individual underlying exposures and data on the cash flows generated by the underlying exposures and by the liabilities of the securitisation. For that purpose, materially relevant data shall be determined pursuant to Article 7 as

at the date of the securitisation and where appropriate due to the nature of the securitisation thereafter.

Pursuant to Article 7(2) of the Securitisation Regulation, the Seller or the Issuer are required to designate amongst themselves one entity to be the designated entity (the "**Reporting Entity**") to make available to the Class A Noteholders, potential investors in the Class A Notes and competent authorities (together, the "**Relevant Recipients**"), the documents, reports and information necessary to fulfil the relevant reporting obligations under Article 7(1) of the Securitisation Regulation. The Reporting Entity shall make the information for a securitisation transaction available by means of a securitisation repository or, for as long as no such securitisation repository is registered in accordance with Article 10 of the Securitisation Regulation, on a website that meets the requirements stipulated by Article 7(2) of the Securitisation Regulation. The Seller agreed, pursuant to the Lease Receivables Purchase Agreement, to act as the Reporting Entity for this Transaction. Under the Lease Receivables Purchase Agreement and the Incorporated Terms Memorandum, the Seller covenanted to provide the relevant information pursuant to Article 7(2) of the Securitisation Regulation (for the avoidance of doubt, including but not limited to any inside information relating to the securitisation that the originator, sponsor or SSPE is obliged to make public in accordance with the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse as referred to in Article 7(1)(f) of the Securitisation Regulation or any information relating to a significant event as referred to Article 7(1)(g) of the Securitisation Regulation), subject always to any requirement of law applicable to it, provided that (i) the Seller is only required to do so to the extent that the disclosure requirements under Article 7 of the Securitisation Regulation remain in effect and (ii) the Seller will not be in breach of such undertaking if the Seller fails to so comply due to events, actions or circumstances beyond the Seller's control (*Unmöglichkeit*). The Seller will also provide such further information as requested by the Class A Noteholders for the purposes of compliance of such Class A Noteholder with the requirements under the Securitisation Regulation and the implementation into the relevant national law, subject to applicable law and availability. Any failure by Seller to fulfil such obligations may cause this Transaction to be non-compliant with the Securitisation Regulation.

Each prospective investor and Noteholder is required independently to assess and determine the sufficiency of the information referred to in the preceding paragraphs for the purposes of complying with the Securitisation Regulation, in particular with Article 5 of the Securitisation Regulation and any corresponding national measures which may be relevant. Neither the Issuer, the Seller, the Servicer, the Arranger, any Manager nor any other party to the Transaction Documents gives any representation or assurance that such information is sufficient in all circumstances for such purposes. In addition, if and to the extent the Securitisation Regulation is relevant to any prospective investor and Noteholder, such investor and Noteholder should ensure that it complies with the Securitisation Regulation in its relevant jurisdiction. Prospective Noteholders who are uncertain as to the requirements which apply to them in any relevant jurisdiction should seek guidance from the competent regulator.

The Seller accepts responsibility for the information set out in this section "Disclosure Requirements under Securitisation Regulation".

Distribution of the Notes and this Offering Circular

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**") or the relevant implementing national laws; or (ii) a customer within the meaning of Directive 2016/97/EU, as

amended ("**IDD**") or the relevant implementing national laws; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.

Solely for the purposes of the Joint Lead Managers' product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II and any relevant implementing national laws; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the Joint Lead Managers' target market assessment; however, a distributor subject to MiFID II or the relevant implementing national laws is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the Joint Lead Managers' target market assessment) and determining appropriate distribution channels.

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 set out in 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.

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.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any other jurisdiction. Accordingly, the Notes are being offered and/or sold only outside the United States in accordance with Regulation S 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 (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.

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*".

Responsibility for the Contents of this Offering Circular

The Issuer accepts 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 Lease Receivables, the Lease Collateral, the Leased Vehicles, the disclosure of servicing related risk factors, risk factors relating to the Purchased Lease Receivables, the information contained in "*EXPECTED MATURITY AND AVERAGE LIFE OF CLASS A NOTES AND ASSUMPTIONS*", "*PURCHASED LEASE RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA*", "*CREDIT AND COLLECTION POLICY*" and "*THE SELLER AND SERVICER*";
- (ii) only the Swap Counterparty is responsible for the information in this Offering Circular contained in "*THE SWAP COUNTERPARTY*";
- (iii) only the Trustee is responsible for the information in this Offering Circular contained in "*THE TRUSTEE*";
- (iv) only the Account Bank and the Data Trustee is responsible for the information in this Offering Circular contained in "*THE ACCOUNT BANK AND THE DATA TRUSTEE*";
- (v) only the Calculation Agent, the Paying Agent and the Interest Determination Agent are responsible for the information in this Offering Circular contained in "*THE CALCULATION AGENT, THE PAYING AGENT AND THE INTEREST DETERMINATION AGENT*"; and
- (vi) only the Corporate Administrator is responsible for the information in this Offering Circular contained in "*THE CORPORATE ADMINISTRATOR*",

provided that, with respect to any information included herein and specified to be sourced from a third party other than on its behalf (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, 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 Account Bank and the Data 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 Account Bank or the Data 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 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 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**", the "**Co-Managers**" or by any other party mentioned herein.

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 on the Functioning of the European Union (signed in Rome on 25 March 1957) and the Treaty on European Union (signed in Maastricht on 7 February 1992), as amended from time to time, including 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 "**EU Treaties**").

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.

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 and make their own assessment as to the suitability of investing in the Notes. If you are in doubt about the contents of this Offering Circular, you should consult your

stockbroker, bank manager, legal adviser, tax 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.

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RISK FACTORS

The Issuer believes that the factors referred to in this part of this Offering Circular may affect its ability to fulfil its obligations under the Notes. The risk factors which are material for the purpose of taking an informed investment decision with respect to the Notes are categorised as either (i) risks relating to the Issuer, (ii) risks relating to the Notes, (iii) risks relating to the Purchased Lease Receivables, (iv) risks relating to the Transaction Parties and (v) tax risks.

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 Safekeepers 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 the principal 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 and are up to date as of the date of this Offering Circular. The Issuer does not represent that the statements below regarding the risk of holding any Notes are exhaustive. 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.

More than one risk factor can affect simultaneously the Issuer's ability to fulfil its obligations under the Notes. The extent of the effect of a combination of risk factors is uncertain and cannot be accurately predicted.

I. Risks relating to the Issuer

Limited resources of the Issuer

Bavarian Sky S.A. is a special purpose entity organised under and governed by the Luxembourg Securitisation Law and, in respect of Compartment German Auto Leases 5, with no business operations other than the issue of the Notes, the purchase and financing of the Purchased Lease Receivables secured by the Lease Collateral as well as the entry into related Transaction Documents. Assets and proceeds of Bavarian Sky S.A. in respect of Compartments other than Compartment German Auto Leases 5 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 amount standing to the credit of the Cash Reserve Ledger on 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 Lease 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 (other than the Commingling Reserve Ledger) during such Monthly Period;
- (f) the amount standing to the credit of the Commingling Reserve Ledger upon 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) any payments under the other Transaction Documents in accordance with the terms thereof.

Other than the foregoing, the Issuer will have no funds available to meet its obligations under the Notes. Under the Notes the Noteholders will only have a claim for payments if and to the extent that the Issuer provides for the corresponding amount of funds, subject to the applicable Priority of Payments. If no sufficient funds are available to the Issuer, there is a risk that the Noteholders will ultimately not receive the full principal amount of the Notes and/or interest thereon.

Non-petition and limited recourse clauses

Non-petition, exclusion of liability and limited recourse clauses as provided for in the Transaction Documents may be held invalid in certain circumstances under German law and where any such clause is directly contrary to the purpose of the contract, the relevant clause 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.

The Luxembourg Securitisation Law recognises non-petition and limited recourse clauses. As a consequence, the rights of the Transaction Parties are limited to the assets allocated to Compartment German Auto Leases 5. The Issuer will not be obliged to make any further payments to any Transaction Party in excess of the amounts received upon the realisation of the assets allocated to Compartment German Auto Leases 5. 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 German Auto Leases 5, if foreign courts, which have jurisdiction over assets of the Issuer allocated to Compartment German Auto Leases 5, do not recognise the segregation of assets as provided for in the Luxembourg Securitisation Law.

Insolvency of Bavarian Sky S.A.

Although Bavarian Sky S.A. will contract on a "limited recourse" and "non-petition" basis, 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 interests (*centre des intérêts principaux*) (for the purposes of Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings) 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 (*cessation de paiements*) and when its creditworthiness is impaired (*ébranlement de crédit*).

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 as they fall due 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 it would not have recourse to the assets of any other Compartment.

Under Article 448 of the Luxembourg Code of Commerce and Article 1167 of Luxembourg Civil Code (*action paulienne*), transactions entered into by the bankrupt debtor with the intent to deprive its creditors are null and void 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 insolvency proceedings are the suspension 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 insolvency proceedings. If the above mentioned conditions are satisfied, the Luxembourg court will appoint a bankruptcy receiver (*curateur*) who will 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.

In any such circumstances, there is a risk that the Noteholders will ultimately not receive the full principal amount of the Notes and/or interest thereon.

Violation of Articles of Association

The Bavarian Sky S.A.'s articles of association and undertakings provided in the Incorporated Terms Memorandum limit the scope of the Issuer's business. In particular, the Issuer undertakes not to engage in any business activity other than entering into and performing its obligations under the Transaction Documents and any agreements relating thereto. However, under Luxembourg law, an

action by the Issuer that violates the relevant Transaction Document would still be a valid obligation of the Issuer. Further, according to Luxembourg company law, a public limited liability company (*société anonyme*) shall be bound by any act of the board of directors, even if such act exceeds the corporate object, unless it proves that the third party knew that the act exceeded the corporate object or could not in view of the circumstances have been unaware of it without the mere publication of the articles of association constituting such evidence. Any such activity which is to the detriment of the Noteholders may adversely affect payments to the Noteholders under the Notes.

II. Risks relating to the Notes

Liability under the Notes

The Notes will be contractual obligations of the Bavarian Sky S.A. acting solely in respect of Compartment German Auto Leases 5. 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 Safekeepers or any of their respective Affiliates or any Affiliate of the Issuer or any other party to the Transaction Documents other than the Issuer, or any other third person or entity other than the Issuer. Furthermore, no person other than the Issuer 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 the Compartments of Bavarian Sky S.A. (or assets relating to such Compartments) other than Compartment German Auto Leases 5.

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. If the proceeds are not sufficient to satisfy all obligations of the Issuer, there is a risk that the Noteholders will ultimately not receive the full principal amount of the Notes and/or interest thereon.

Credit Enhancement

Losses in respect of the Purchased Lease 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 to a certain extent by (i) the Excess Spread, (ii) the subordination of the Class B Notes to the Class A Notes and (iii) the subordination of the Subordinated Loan to the Notes.

There is no assurance that the credit enhancement provided for under the Transaction will be sufficient to cover losses in respect of the Purchased Lease Receivables and that the Class A Noteholders will receive for each Class A Note the Note Principal Amount plus interest as set forth in the Conditions.

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 Lease Receivables and the price paid by the Noteholder for such Note.

Following any Payment Date on which the Current Aggregate Discounted Outstanding Lease Balance is less than 10 per cent. of the Initial Aggregate Discounted Outstanding Lease Balance on the Cut-Off Date immediately preceding the Issue Date, the Seller may, subject to certain conditions, request to repurchase all outstanding Purchased Lease Receivables (together with any Lease Collateral) at the then current value of such Purchased Lease 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.

Potential Reform of EURIBOR Determinations

Financial market reference rates and their calculation and determination procedures have come under close public scrutiny in recent years. Starting in 2009, authorities in jurisdictions such as the European Union, the United States, Japan and others investigated cases of alleged misconduct around the rate setting of LIBOR, EURIBOR and other reference rates finally resulting, *inter alia*, in the Benchmark Regulation which applies from 1 January 2018.

The Benchmark Regulation applies to "contributors", "administrators" and "users of" benchmarks (such as EURIBOR and LIBOR) in the EU, and, among other things, (i) requires benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of "benchmarks" and (ii) ban the use of benchmarks of unauthorised administrators.

As part of the initiatives to reform reference rate setting referred to above, there has also been discussion in the regulatory and supervisory communities about the discontinuation of certain financial market reference rates. For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. With effect from 3 December 2018, the European Money Markets Institute discontinued the publication of the two-week, two-month and nine-month EURIBOR tenors. Although thus far there has been no specific indication from the European Money Markets Institute that the one (1) month EURIBOR tenor may also be phased out or discontinued during the life of the Notes, this cannot be ruled out as possibility in the current regulatory climate.

Changes in the manner of administration of benchmarks (such as EURIBOR) may result in such benchmarks performing differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. The potential elimination of a benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions (including by way of determination of an alternative base rate), early redemption, discretionary valuation of the Interest Determination Agent, delisting or result in other consequences in respect of any Notes linked to such benchmark (including but not limited to the Class A Notes whose interest rates are linked to EURIBOR). Any such consequence could

have a material adverse effect on the ability of the Issuer to meet its obligations under the Notes and/or on the value of and return on any such Notes.

Interest Rate Risk

A holder of the floating rate Class A Notes is particularly exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the profitability of the Class A Notes in advance.

Payments made to the Seller by any Lessee under a Lease Agreement comprise monthly amounts calculated on the basis of fixed interest rates. However, payments of interest on the Class A 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 Class A Outstanding Notes 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 Class A Notes. Consequently, a default by the Swap Counterparty on its obligations under the Swap Agreement may lead to the Issuer not having sufficient funds to meet its obligations to pay interest on the Class A Notes.

In addition, the floating leg of the swap agreement payable by the Swap Counterparty corresponds to EURIBOR 1 month and does not provide for a floor. For any period that EURIBOR 1 month is a negative rate, the Issuer will instead be required to pay to the Swap Counterparty for such period (subject to the netting provided for by the Swap Agreement) an amount equal to the absolute value of such negative rate applied to the swap notional amount. Although the structure provides some protection via credit enhancement, noteholders will be exposed if EURIBOR 1 month turns deeply negative resulting in significant amounts becoming payable to the Swap Counterparty and thereby reducing amounts available for payment to the Noteholders.

Security and Trustee Claim

The Issuer has granted to the Trustee the Trustee Claim under Clause 6 of the Trust Agreement. To secure the Trustee Claim, the Issuer will assign and transfer to the Trustee the Transferred Assets pursuant to Clause 8.1 of the Trust Agreement and will grant a pledge to the Trustee pursuant to Clause 8.2 of the Trust Agreement with respect to all its present and future claims against the Trustee arising under the Trust Agreement as well as its present and future claims under the Issuer Account. In addition, the Issuer will assign to the Trustee the Charged Property pursuant to the Deed of Security Assignment. The Trustee Claim entitles the Trustee to demand, *inter alia*, performance by the Issuer of the Secured Obligations.

However, where an agreement provides that a security agent (e.g. the Trustee) holding assets on trust for other entities has its own separate and independent right to demand payment from the relevant grantor of security to it which mirrors the obligations of the relevant debtors to the secured creditors (e.g. the Trustee Claim), there is an argument that accessory security (such as the pledge granted by the Issuer to the Trustee in order to, amongst others, secure the Trustee Claim) created to secure such a parallel obligation is not enforceable for the benefit of such beneficiaries who are not a party to the relevant security agreement. This is because the parallel obligation could be seen as an instrument to avoid the accessory nature of, e.g. a pledge. This argument has – as far as the

Issuer is aware – not yet been tested in court. Further, it is frequently seen in the market that accessory security such as a pledge is given to secure a parallel obligation such as the Trustee Claim. However, as there is no established case law confirming the validity of such pledge, the validity of such pledge is subject to some degree of legal uncertainty. If such pledge was considered to be void, the Trustee would not be able to realise such security interest and the Noteholders may ultimately bear the risk that due to a lack of sufficient funds available that they will ultimately not receive the full principal amount of the Notes and/or interest thereon.

Resolutions of Noteholders; Noteholders Representative

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.

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.

Ratings of the Class A Notes

Each rating assigned to the Class A Notes by any Rating Agency takes into consideration the structural, legal, tax and Issuer-related aspects associated with the Class A Notes and the underlying Purchased Lease Receivables, the credit quality of the Purchased Lease Receivables and the Lease Collateral, the extent to which the Lessees' payments under the Purchased Lease Receivables are adequate to make the payments required under the Class A 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 of the Class A Notes by the Rating Agencies addresses the likelihood of full and timely payment of interest on, and ultimate repayment of principal of, the Class A Notes.

The Issuer has neither requested a rating of the Class B Notes by any rating agency nor a rating of the Class A Notes by any rating agency other than the Rating Agencies. However, rating organisations other than the Rating Agencies may seek to rate the Class A Notes and, if such "shadow ratings" or "unsolicited ratings" are lower than the comparable ratings assigned to the Class A Notes by the Rating Agencies, such shadow or unsolicited ratings could have an adverse effect on the value of the Class A 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 the Class A Notes if and to the extent such counterparties are not replaced by another eligible third party with the required ratings.

There is no assurance that the ratings of the Class A 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 the Class A 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 Class A Notes.

Further, the United Kingdom voted to leave the European Union in a referendum (the "**Brexit Vote**") and gave formal notice (the "**Article 50 Notice**") under Article 50 of the Treaty on European Union

(the "**Article 50**") of its intention to leave the European Union. The Brexit Vote has already resulted in downgrades of the UK sovereign and the Bank of England by Standard & Poor's and by Fitch. S&P, Fitch and Moody's have all placed a negative outlook on the UK sovereign rating and that of the Bank of England, suggesting a strong possibility of further negative rating action. The rating of the sovereign affects the ratings of entities operating in its territory, and, in particular, the ratings of financial institutions. Further downgrades may cause downgrades to counterparties on the Transaction meaning that they cease to have the relevant required ratings to fulfil their roles and need to be replaced. If rating action is widespread, it may become difficult or impossible to replace counterparties on the Transaction with others who have the required ratings on similar terms or at all.

Any downgrade of the Notes may reduce the value and secondary market marketability of the Notes.

CRA III

Regulation (EU) No 462/2013 ("**CRA III**") of the European Parliament and of the European Council amending Regulation (EC) No 1060/2009 ("**CRA**") requires that an issuer or related third party (which term includes sponsors and originators) which intends to solicit a credit rating of a structured finance instrument 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 CRA III)) (a small credit rating agency), **provided that** a small credit rating agency is capable of rating the relevant issuance or entity. Where the issuer or a related third party does not appoint at least one credit rating agency with no more than 10 per cent. market share, this must be documented. The Seller considered the appointment of several credit rating agencies including one having a less than 10 per cent. total market share (based on information provided by ESMA) and concluded that the most appropriate credit rating agencies to rate the Class A Notes are Fitch and Moody's. As there is no guidance on the requirements for any such documentation there remains some uncertainty whether the Issuer's documentation efforts will be considered sufficient for these purposes and what the consequences of any non-compliance may be for the Issuer, and hence, the investors in the Notes.

No Rights after Legal Final Maturity Date

No Noteholder will have any rights under any Note after the Legal Final Maturity Date and, accordingly, may fall short with any claims *vis-à-vis* the Issuer after such date if at such date not all payment obligations by the Issuer under the Notes had been fulfilled.

EMIR/EMIR Refit and MiFID II/MiFIR

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**") including a number of regulatory technical standards and implementing technical standards in relation thereto introduce certain requirements in respect of OTC derivative contracts. 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 registered or recognised trade repository (the "**Reporting Obligation**") and certain risk mitigation requirements in relation to derivative contracts which are not centrally cleared in relation to timely confirmation, portfolio reconciliation and compression, and dispute resolution. Non-compliance with certain obligations under EMIR may qualify as an administrative offence (*Ordnungswidrigkeit*) pursuant to the German Securities Trading Act (*Wertpapierhandelsgesetz*, "**WpHG**") and lead to fines being imposed on the Issuer with the effect that the Noteholders may ultimately bear the risk that, due to a lack of sufficient

funds available to the Issuer, they will ultimately not receive the full principal amount of the Notes and/or interest thereon.

EMIR has further been amended by, *inter alia*, Regulation (EU) 2019/834 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories ("**EMIR REFIT**"). For the avoidance of doubt, any reference to EMIR is to the version as amended by EMIR REFIT. The changes introduced by EMIR REFIT are in force since 17 June 2019 with certain amended provisions being immediately applicable (such as the changes in relation to the clearing obligation) and further obligations being phased in until 18 June 2021.

Whilst it is questionable whether the Swap Agreement which is adjusted to the specifics of the Transaction, is subject to limited recourse and no-petition and the applicable Priority of payments would be clearable at all, there remains some uncertainty in this respect. On the basis of the relevant technical standards, it is expected that the Issuer will be treated as an NFC ("**NFCs**") for the purposes of EMIR, that the Issuer will calculate its positions in OTC derivative contracts against the clearing thresholds and the swap transactions to be entered into by it on the Issue Date will not exceed the relevant "clearing threshold", particularly given that mere hedging transactions are not accounted for in calculating the thresholds, however, this cannot be entirely excluded. In addition, even though the Issuer enters into the Swap Agreement or a replacement swap as an NFC and solely to reduce risks directly relating to its commercial activity or treasury financing activity, the relevant clearing threshold could be exceeded on a consolidated basis pursuant to Article 10(3) EMIR to the extent that the Issuer forms part of the BMW Group. Thus, as of the date hereof, it cannot be entirely excluded that the Issuer will be subject to the Clearing Obligation in the future in respect of any swap replacing the Swap Agreement. However, with regard to the Securitisation Regulation, there is an amendment to EMIR providing for an exemption from the Clearing Obligation if the relevant derivative contract is concluded by a securitisation special purpose entity in connection with an STS-securitisation. As there is no final suitable guidance in this regard, there remains some uncertainty if the exemption referring to the "securitisation special purpose entity" could also be considered to refer to the company as such. If this was the case the Issuer may be subject to the Clearing Obligation. Non-compliance may qualify as an administrative offence (*Ordnungswidrigkeit*) pursuant to the WpHG and lead to fines being imposed on the Issuer with the effect that the Noteholders may ultimately bear the risk that, due to a lack of sufficient funds available to the Issuer, they will ultimately not receive the full principal amount of the Notes and/or interest thereon.

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 on or after 12 February 2014. The deadline for reporting derivatives is one business day after the derivative contract was entered into, amended or terminated with the details of such derivative contracts required to be reported to a trade repository. It will therefore apply to the Swap Agreement and any replacement swap agreement. Pursuant to EMIR REFIT from 18 June 2020 onwards the FC ("**FCs**"), should, as a rule, be solely responsible, and legally liable, for reporting on behalf of both itself and NFCs that are not subject to the clearing obligation with regard to OTC derivative contracts entered into by those counterparties, as well as for ensuring the correctness of the details reported. Non-compliance may qualify as an administrative offence (*Ordnungswidrigkeit*) pursuant to the WpHG and lead to fines being imposed on the Issuer to the effect that the Noteholders may ultimately bear the risk that, due to a lack of sufficient funds available to the Issuer, they will ultimately not receive the full principal amount of the Notes and/or interest thereon.

The EU regulatory framework and legal regime relating to derivatives is set not only by EMIR but also by the recast version of the Markets in Financial Instruments Directive ("**MiFID II**") as supplemented by the Regulation (EU) No. 600/2014 ("**MiFIR**"). MiFID II and MiFIR provide for regulations which require transactions in OTC derivatives to be traded on organised markets MiFIR is supplemented by technical standards and delegated acts implementing such technical standards, such as the delegated Regulation (EU) 2017/2417 of 17 November 2017 supplementing MiFIR with regard to regulatory technical standards on the trading obligation for certain derivatives which, *inter alia*, determine which standardised derivatives will have to be traded on exchanges and electronic platforms. For the scope of transactions in OTC derivatives subject to the trading obligation, it is Article 28 paragraph 1 and Article 32 MiFIR referring to the definition of FCs and to NFCs that meet certain conditions of EMIR. Since MiFIR was not amended by EMIR REFIT, following the entry into force of EMIR REFIT on 17 June 2019 there is a misalignment in the scope of counterparties as regards the trading obligation under MiFIR and clearing obligation under EMIR: potentially some NFCs would be subject to the trading obligation while being exempted from the clearing obligation. In this respect, ESMA expects competent authorities not to prioritise their supervisory actions in relation to the MiFIR derivatives trading obligation towards counterparties who are not subject to the clearing obligation, and to generally apply their risk-based supervisory powers in their day-to-day enforcement of applicable legislation in this area in a proportionate manner.

In addition, given that the application of some of the EMIR provisions and given that additional technical standards or amendments to the existing EMIR provisions may come into effect, 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.

Termination for good cause

As a general principle of German law, the right to terminate a contract for good cause (*wichtiger Grund*) may not be totally excluded nor may it be made subject to unreasonable restrictions or the consent of a third party. It cannot be excluded that the Noteholders have a right to terminate the Notes for good cause. Pursuant to Section 314 paragraph 1 sentence 2 BGB good cause exists if, having regard to the circumstances of the specific case and balancing the interests of the parties involved, the terminating party cannot reasonably be expected to continue the contractual relationship until the agreed termination date or until the end of a notice period. Any provision expressly or impliedly restricting the right of a person to terminate a continuing obligation (*Dauerschuldverhältnis*) for good cause (*aus wichtigem Grund*) would be unenforceable under German law in a situation where serious cause to terminate such an ongoing contractual obligation existed. This may also have an impact on several limitations of the right of the parties to the Transaction Documents (as well as the underlying Lease Agreements) to terminate for good cause.

Where such right was exercised, this may lead to an early termination of the Notes in case of the Notes, and, thus, less interest received by the Noteholders or a replacement counterparty being required under the Transaction Documents or, in case of the underlying Lease Agreements, the Issuer may not have sufficient funds to pay interest and or principal on the Notes.

Limitation of secondary market liquidity and market value of Notes

Although application has been made to admit the Notes to trading on the regulated market (segment for professional investors) of the Luxembourg Stock Exchange and to list the Notes on the official list of the Luxembourg Stock Exchange, the 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 and this may continue to apply also with a view to various regulatory requirements for investors in the Notes (e.g. CRD IV Regime). 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.

The development of market prices of the Notes depends on various factors, such as changes of the policy of central banks which may lead to the Class A Notes not or no longer being Eurosystem eligible, overall economic developments which may lead to less capital being available in the secondary market or the general lack of or excess demand for the relevant type of Notes. A Noteholder therefore bears the risk that the market price of the Notes falls as a result of the general development of the market such that the Noteholder may bear a loss in respect of its initial investment if such Noteholder decides to sell the Notes in the secondary market.

III. Risks relating to the Purchased Lease Receivables

Credit risk of the Lessees

If the Seller does not receive the full amounts due from the Lessees in respect of the Purchased Lease 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 Lessees. Neither the Seller nor the Issuer guarantees or warrants the full and timely payment by the Lessees of any sums payable under the Purchased Lease Receivables. The ability of any Lessee to make timely payments of amounts due under the relevant Lease Agreement will mainly depend on its assets and liabilities as well as its ability to generate sufficient income to make the required payments. The Lessees' 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 Lease Receivables will at any time be equal to or greater than the principal amounts outstanding of the Notes.

The rate of recovery upon a Lessee default may itself be influenced by various economic, tax, legal and other factors.

Security Purpose of Leased Vehicles

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 Lease Receivables do not exist or cease to exist (*Bestands- und Veritätshaftung*) in accordance with the Lease Receivables Purchase Agreement. To this extent, the Issuer is subject to the credit risk of the Seller and payments under the Notes may be affected if the Seller is unable to fulfil its obligations *vis-à-vis* the Issuer.

Furthermore, in order to secure any claims of the Issuer against the Seller arising due to the non-existence (*Nicht-Bestand*) of the respective relating Lease Instalments (*Bestands- und Veritätshaftung*), including the damage claim of the Seller against the relevant Lessee as a consequence of the early termination of the relevant Lease Agreement, the Leased Vehicles are transferred to the Issuer for security purposes (*Sicherungsübereignung*). For the avoidance of doubt, the Leased Vehicles shall neither collateralise the due payment of any Lease Instalments by the relevant Lessee nor, in the absence of a default of the Seller in respect of the above-mentioned claims, due payment under the Notes.

If the security purpose is met and a Leased Vehicle is realised, the Issuer will not receive the full amount of the enforcement proceeds. The Issuer will only receive the Pro Rata Lease Instalment Share, which is calculated as (i) the present value of the relevant Purchased Lease Receivable outstanding using the APR divided by (ii) the sum of (a) the present value of the relevant Purchased Lease Receivable outstanding using the APR plus (b) the present value of the calculated residual value (*kalkulierter Restwert*) of the relevant Leased Vehicle using the APR. The Pro Rata Residual Value Share will be distributed to the Seller or the financier of the residual value of the Leased Vehicle (as notified by the Seller to the Issuer) and shall be a rate calculated as (i) the present value of the calculated residual value (*kalkulierter Restwert*) of the relevant Leased Vehicle using the APR divided by (ii) the sum of (a) the present value of the relevant Purchased Lease Receivable outstanding using the APR plus (b) the present value of the calculated residual value (*kalkulierter Restwert*) of the relevant Leased Vehicle using the APR.

The difference between the enforcement proceeds and the Pro Rata Lease Instalment Share shall be disbursed to the Seller or the financier of the residual value of the Leased Vehicle (as notified by the Seller to the Issuer).

Limited Value of the Lease Collateral

Each Purchased Lease Receivable is secured by the relevant related Lease Collateral, which comprises (i) the Pro Rata Lease Instalment Share of any claims of the Seller to damages and excess mileage in accordance with its Credit and Collection Policy, and (ii) any other security interests related to the Purchased Lease Receivables under the Lease Agreements, such as the assignment of insurance claims. The Issuer can enforce such Lease Collateral in case of a default of the relevant Lessee, however, there is no certainty that the Issuer will be able to recover any amounts from components of the Lease Collateral, in particular with respect to which the relevant debtor is the defaulted Lessee (e.g., damage claims and excess mileage claims) or an insurance company which would only be required to make payments if the default of the relevant Lessee coincides with a damage to the relevant Vehicle. Therefore, the value of the Lease Collateral in case of a default of the Lessee is negligible to the effect that the Purchased Lease Receivables can be deemed to be unsecured receivables such that any investor in the Notes would bear the full credit risk of the Lessees. This means that, if the Seller does not receive the full amounts due from the Lessees in respect of the Purchased Lease Receivables, the Noteholders are at risk to receive less than the full principal amount of their Notes and interest payable thereon.

Silent Assignment of Lease Receivables

As a general rule under German law, receivables are assignable unless their assignment is excluded either by mutual agreement, by the nature of the receivables to be assigned or on the basis of legal restrictions applicable thereto.

The Lease Agreements under which the Purchased Lease Receivables have been originated are based on certain standard forms. These standard forms do not specifically prohibit the Seller from assigning its rights under the relevant Lease Agreement to a third party for refinancing purposes.

The assignment of the Purchased Lease Receivables and the assignment is in principle "silent" (i.e. without notification to the Lessees) and may only be disclosed to the relevant Lessees in accordance with the Servicing Agreement or the Lease Receivables Purchase Agreement or where the Seller otherwise agrees to such disclosure. Until the relevant Lessees have been notified of the assignment of the relevant Purchased Lease Receivables, they may pay with discharging effect to the Seller or enter into any other transaction with regard to such Purchased Lease Receivables with the Seller which will have binding effect on the Issuer and the Trustee.

According to Section 404 of the German Civil Code, each Lessee 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 Lease Receivables.

Pursuant to Section 406 of the German Civil Code, each Lessee is entitled to set-off against the Issuer and the Trustee its claims, if any, against the Seller, unless such Lessee has knowledge of the assignment upon acquiring such claims or such claims become due only after the Lessee acquires such knowledge and after the relevant Purchased Lease Receivables themselves become due. Whilst, as of the relevant Issue Date, the Seller represents and warrants to the Issuer that it is not aware that any Lessee has asserted any lien, right of rescission, counterclaim, set-off, right to contest or defence against the Seller in relation to any Lease Agreement, the Seller is obliged pursuant to the Lease Receivables Purchase Agreement to pay to the Issuer Deemed Collections in an amount equal to the Discounted Outstanding Lease Balance of the affected Purchased Lease Receivable if, *inter alia*, the Discounted Outstanding Lease Balance of such Purchased Lease Receivable or any other amount owed by a Lessee is reduced due to any set-off against the Seller based on a counterclaim of such Lessee or any set-off or equivalent action against the relevant Lessee by the Seller. In the case of any misrepresentation of the Seller, the Noteholders, therefore, would become exposed to the risk that the Seller may be unable to pay Deemed Collections or perform any other remedy in full.

For the purpose of notification of the Lessees in respect of the assignment of the Purchased Lease Receivables, the Issuer or the Trustee or any successor servicer or substitute Servicer will require data which is 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, including, without limitation, if a Lessee Notification Event has occurred. However, the Issuer or the Trustee, any successor servicer or any substitute Servicer (as applicable) might not be able to obtain such data in a timely manner as a result of which the notification of the Lessees may be considerably delayed and the Noteholders would bear Seller credit risk as the Lessees may continue to pay with discharging effect to the Seller until being notified of the assignment.

German consumer loan legislation

Certain Lessees qualify as consumers (*Verbraucher*) within the meaning of Section 13 of the German Civil Code or enter into the Lease Agreements to take up a trade or self-employed occupation (*Existenzgründer*). The Higher Regional Court (*Oberlandesgericht*) of Düsseldorf (judgment dated 2 October 2012, I – 24 U 15/12) held that lease contracts (*Leasingverträge*) providing for a kilometre settlement (*Kilometerabrechnung*) may qualify as contracts providing for financial assistance against consideration (*entgeltliche Finanzierungshilfe*) with the consequence that, based on the provisions in Sections 491 et seqq. of the German Civil Code and Article 247 of the Introductory Act to the German Civil Code (*Einführungsgesetz zum Bürgerlichen Gesetzbuch*), the following rules apply to the Lease Agreements with Lessees qualifying as consumers:

- The Seller would have to provide substantial information on the lease to the Lessee prior to the conclusion of the Lease Agreement (including the standardised consumer credit information and reasonable additional information enabling the Lessee to decide on whether to conclude the Lease Agreement) as well as further information during the term of the Lease Agreement. Any breach by the Seller of the respective obligations may give rise to claims for damages on the side of the Lessee, which may lead to set-off or defences on the part of the Lessee. In such cases, the Seller is obliged to pay to the Issuer Deemed Collections and the Noteholders, therefore, would become exposed to the risk that the Seller may be unable to pay Deemed Collections or perform any other remedy in full.

- The Lease Agreements would generally have to contain (i) certain mandatory statutory information (*Pflichtangaben*) and (ii) an information on the Lessee's right of revocation (*Widerrufsinformation*) in due form. If (i) the mandatory statutory information is not duly given or (ii) the information on the Lessee's revocation right is not given or not given in due form, the statutory revocation period (*Widerrufsfrist*) of 14 calendar days would not start. In such cases, the relevant Lessee would be able to revoke its declaration to enter into the relevant Lease Agreement at any time, unless and until (i) in case of missing mandatory statutory information, 1 calendar month and (ii) in case of a missing or undue revocation information, 14 calendar days, in each case after it has been duly informed. In case of a revocation of a Lease Agreement, all amounts received thereunder would need to be returned to the relevant Lessee against surrender of the relevant vehicle and there is a risk that the Noteholders will ultimately not receive the full principal amount of the Notes and/or interest thereon.

Banking secrecy and data protection

Under the banking secrecy duty (*Bankgeheimnis*), a bank may not disclose information regarding its customer without the prior consent of such customer. In addition, Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 (the "GDPR") applies, pursuant to which a transfer of a customer's personal data is permitted, *inter alia*, if, in the absence of a consent by the data subject, processing is necessary for the purposes of the legitimate interests pursued by the data controller or by a third party, except where such interests are overridden by the interests or fundamental rights and freedoms of the data subject which require protection of personal data.

In order to protect the interests and rights of the Lessees, the assignment of the Lease Receivables has been structured in compliance with the BaFin Circular 4/97 regarding the sale of customer receivables in connection with asset backed securities transactions by German credit institutions and the corresponding publications by BaFin in respect thereof (albeit immediately only being applicable as regards loan receivables). This includes the implementation of a data trustee structure and the obligation to generally encrypt Lessee related personal data. 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 Lessee is not to be sent to the Issuer on the Issue Date, but only to the Data Trustee which does not receive the relevant encrypted data. 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.

There is no jurisprudence or publication from a court or other competent authority available confirming the traditional view on the manner and procedures for an assignment of lease receivables (i.e. structuring in line with BaFin Circular 4/97) to be in compliance with, or the consequences of a violation of, the GDPR or the Data Protection Amendment and Implementation Act (*Datenschutzanpassungs- und Umsetzungsgesetz*) which implements Directive (EU) 2016/680 of the European Parliament and the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data. Therefore, at this point there remains some uncertainty to predict the potential impact on the Transaction. If the Issuer was considered to be in breach of the GDPR or the Data Protection Amendment and Implementation Act (*Datenschutzanpassungs- und Umsetzungsgesetz*) despite the Transaction being structured in line with BaFin Circular 4/97, it could be fined and in case of such fines being substantial, this could have an impact on the ability of the Issuer to make payments on the Notes ultimately leading to a risk of the Noteholders to incur a loss.

IV. Risks relating to the Transaction Parties

Insolvency Proceedings in relation to BMW Bank GmbH as Seller

The legal existence of the Purchased Lease Receivables assigned under the Lease Receivables Purchase Agreement would generally survive the institution of Insolvency Proceedings against BMW Bank GmbH pursuant to Section 108 para. 1 sentence 2 of the German Insolvency Code (*Insolvenzordnung*) ("**Section 108 InsO**") under the condition that (i) the Leased Vehicles were financed by a third party and (ii) the title to the Leased Vehicles was transferred to such third party as security for such financing.

The transaction relies on the interpretation of Section 108 InsO that, if applied to the transaction, the insolvency administrator of BMW Bank GmbH will not have the right to discontinue Lease Agreements on the grounds that the acquisition finance of the Leased Vehicles has been refinanced through securitisation. However, it should be noted that there is no case law on this point. Should a court come to the conclusion that Section 108 InsO does not apply, this would have, under Section 103 of the German Insolvency Code (*Insolvenzordnung*) (the "**InsO**"), the following consequences:

Section 103 InsO grants BMW Bank GmbH's insolvency administrator for mutual contracts which have not been (or have not been completely) performed by BMW Bank GmbH and the Lessees at the date when Insolvency Proceedings were opened against BMW Bank GmbH the right to opt whether such contracts will be (i) continued or (ii) terminated.

The exercise of such option by the insolvency administrator would in case of item (i) above lead to a change in the quality of the parties' obligations under the relevant agreement which leads to a non-enforceability of any prior assignment of the claims arising under such agreement and in case of item (ii) above lead to the non-enforceability of the mutual contract.

If Section 103 InsO applied to the Lease Agreements and irrespective of an insolvency administrator's election thereunder, the Lessees would be obliged to make their payments (if any) under such agreements to the insolvency estate (*Zahlung an die Masse*) of the Seller and not to the Issuer as assignee to which claims arising from the Lease Agreements had been assigned prior to an insolvency of the Seller. The Issuer's security title (*Sicherungseigentum*) in the Leased Vehicle would entitle the Issuer to the realisation of the Leased Vehicle in such scenario though. However, an insolvency administrator of the Seller would be entitled to deduct its fees from such realisation proceeds; amounting to up to four (4) per cent. (for the determination of the relevant assets and the existing rights of assets (*Feststellungskosten*)) plus five (5) per cent. for costs of enforcement (*Kosten der Verwertung*) plus any applicable VAT. If the actual costs of enforcement are materially higher or lower than five (5) per cent. of the realisation proceeds, the actual costs shall be applied (all such costs, the "**Enforcement Costs**").

The Transaction is structured to qualify under German law as an "true sale" of the Lease Receivables under the Lease Receivables Purchase Agreement and not as a secured loan. The transfer of the Purchased Lease Receivables is construed to transfer the risk of the insolvency of the Lessees to the Issuer. Therefore, the Issuer would have a right to segregate (*Aussonderungsrecht*) the Purchased Lease Receivables from the estate of the Seller in the event of its insolvency. However, there are no statutory or case-law-based tests as to when a securitisation transaction may be characterised as a true sale or as a secured loan. Therefore, there is a risk that a court, in the insolvency of the Seller, could "re-characterise" the sale of Purchased Lease Receivables under the Lease Receivables Purchase Agreement as a secured loan. In such case, the insolvency administrator of the Seller would be authorised by German law to enforce the Purchased Lease Receivables on behalf of the Issuer which are deemed to be assigned to the Issuer for security

purposes (on behalf of the assignee) and the Issuer would in this case be barred from enforcing the Purchased Lease Receivables assigned to it (i.e. no segregation right (*Aussonderungsrecht*) would exist).

Accordingly, the Issuer would have to share in the costs of an insolvency proceeding of the Seller as the insolvency administrator would be entitled to deduct the Enforcement Costs from any realisation proceeds. This would reduce the funds available to the Issuer and, therefore, increase the risk that the Noteholders will ultimately not receive the full principal amount of the Notes and/or interest thereon.

Under Section 113 InsO, the insolvency administrator of the principal is entitled to terminate service agreements (*Dienstleistungsverhältnisse*), agency agreements (*Geschäftsbesorgungsverträge*), mandates (*Aufträge*) and, according to Sections 115 et seqq. of the German Insolvency Code, powers of attorney (*Vollmachten*) extinguish by operation of law with the opening of insolvency proceedings against the principal. A number of the Transaction Documents, to the extent that they qualify as service agreements or agency agreements or contain mandates or powers of attorney, would be affected by the application of these provisions in an insolvency of the principal thereunder. This would be particularly relevant for the Issuer's power of attorney granted by the Seller under the Lease Receivables Purchase Agreement in order for the Issuer to notify the Lessees in the name of the Seller and the authorisation of, *inter alia*, the Issuer pursuant to the Servicing Agreement to cancel and revoke direct debit arrangements the Servicer has established in respect of the Purchased Lease Receivables with respect to any Lessees.

Lease Services Component and Termination Rights of Lessees

The Lease Agreements executed between the Seller and the relevant Lessees do not only comprise the leasing of the relevant Vehicles, but also envisage that the Seller renders the so-called "SEW-Services" (i.e. the offer provided by the Seller to the Lessees to use a replacement vehicle for up to two (2) days a year in certain circumstances).

It is not entirely clear whether and to what extent Section 108 InsO of the German Insolvency Code (*Insolvenzordnung*) applies to other services comprised in the relevant lease agreement as such services could have detrimental effects to the insolvency estate (*Massebelastungen*) due to the fact that the insolvency estate would be required to render the additional services but would not receive the relevant consideration. If a court followed the view that Section 103 InsO is to be applied to the additional services component, and such so-called SEW-Services were not rendered (if relevant), it cannot entirely be ruled out that the relevant Lessee might have a right to terminate the relevant Lease Agreement for good cause (*aus wichtigem Grund*). Such termination right requires that, having regard to the circumstances of the specific case and balancing the interests of the parties involved, the terminating party cannot reasonably be expected to continue the contractual relationship until the agreed termination date or until the end of a notice period. Whether the rendering of the ancillary so-called SEW-Services – which only represent a marginal component of the entire Lease Agreement – could be considered to be so crucial for a particular Lessee that their non-fulfilment could be considered to enable the relevant Lessee to argue that without such services it cannot be reasonably be expected to continue the contractual relationship until the agreed termination date may be questionable as such services are not comparable to other ancillary services components which sometimes are considered to be crucial for a lessee (e.g. maintenance of the vehicle).

However, as the above questions to a large extent depend on (a) the analysis of legal issues which are to a considerable extent undetermined by German courts and (b) questions of fact the outcome of which cannot be fully predicted, the result outlined above is subject to some degree of uncertainty.

If there was a termination of the relevant Lease Agreements in such scenarios, this might have a negative impact on the funds available to the Issuer and, therefore, increase the risk that the Noteholders will ultimately not receive the full principal amount of the Notes and/or interest thereon.

Restructuring and resolution proceedings

The German Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz* - "**SAG**") implementing provisions of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 (the "**BRRD**") establishes a framework for the recovery, restructuring and resolution of credit institutions and investment firms. The SAG provides for various actions and measures that can be taken by the BaFin as supervisory and resolution authority at once in order to avoid systemic risks for the financial markets or the necessity of a public bail-out if a credit institution that is subject to SAG is in financial difficulties (failing or likely to fail). Amongst other things, the BaFin could, under certain circumstances, require creditors of such credit institution to "bail-in" by a conversion of their claims into core capital or the reduction of the amount of such claims (Section 90 SAG). Furthermore, the BaFin could decide to transfer certain assets and liabilities of such credit institution to another entity or a bridge institution or an asset management vehicle under the control of the BaFin (cf. Section 107 SAG).

The SAG is applicable, *inter alia*, with respect to credit institutions such as the Seller and, consequently, the BaFin could take any of the above described measures and actions with regard to the Seller **provided that** the prerequisites for the taking of reorganisation measures pursuant to the SAG are met. Pursuant to Section 97 SAG, the claims of the Issuer against the Seller would only become subject to a bail-in after the equity and capital positions set out in Section 90(1) No. a) through c) SAG have been exhausted and (ii) Section 147 SAG provides creditors with a compensatory claim against the restructuring fund pursuant to Section 8 of the Restructuring Fund Act (*Restrukturierungsfondsgesetz*) if and to the extent the restructuring measures under the SAG put them into a worse position than they would be in if insolvency proceedings had been opened over the assets of the relevant credit institution.

To simplify the application of bail-in tools within the European Union and to continue the harmonisation of the European regulatory framework with regard to the European banking sector, the European Parliament and Council of the European Union as legislative adopted Directive (EU) 2019/879 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms in order to implement the Financial Stability Board's total loss absorbing capacity ("**TLAC**") standard, including the amendments to the existing regime relating to the minimum requirement for own funds and eligible liabilities ("**MREL**"). The amendment of the BRRD is generally effective from 27 June 2019 but will only apply from 28 December 2020 when the EU member states need to have adopted the amendments to the BRRD (except for certain provisions which need to be implemented into national laws by 1 January 2024 only).

As this Directive emphasises the principle of bail-in and gives the BaFin further scope for action as, for example, it may suspend any payment for a timely manner in the case that the prerequisites are met. Such moratorium provisions may lead to a revision of Section 46g KWG according to which the Federal Government (*Bundesregierung*) may, by way of statutory order, impose a moratorium and suspension of banking and stock exchange business if there is reason to fear that credit institutions may encounter financial difficulties which are likely to pose grave dangers to the economy as a whole, and particularly to the proper functioning of the general payment system.

If the Seller was in financial difficulties and measures pursuant to the SAG were taken with respect to it, such measures should only have limited impact on the claims of the Issuer against the Seller for the following reasons: The Purchased Lease Receivables should not form part of the Seller's

estate and accordingly not be subject to bail-in pursuant to the SAG as long as the sale and transfer of the Purchased Lease Receivables from the Seller to the Issuer will not be re-characterised as a secured loan (see above). However, even if the sale and transfer of the Purchased Lease Receivables was re-characterised as a secured loan, claims against the Seller would not become subject to bail-in if and to the extent these claims are secured claims within the meaning of Section 91(2) No. 2 SAG. Consequently, if and to the extent the relevant claims against the Seller are secured by Purchased Lease Receivables (including Lease Collateral) and Leased Vehicles they should not be affected by bail-in. Claims of the Issuer against the Seller (in its capacity as Seller or Servicer) for payment of Collections received in respect of the Purchased Lease Receivables may become subject to a bail-in even though they are subject to a trust arrangement (*Treuhandverhältnis*) if Collections are commingled with other moneys of the Seller and are therefore, not subject to substitute segregation (*Ersatzaussonderung*). Finally, although the Issuer will not be in a position to prevent the transfer of any of the Seller's assets to another entity, such transfer pursuant to Section 110(1) SAG may only occur in conjunction with a transfer of the security provided therefor and vice versa. A separation of the Purchased Lease Receivables from the Lease Collateral and the Leased Vehicles should therefore not result from any such transfer (see also Section 110(3) No. 4 SAG).

However, absent any court rulings which explicitly confirm the above analysis, there remains legal uncertainty with respect to any potential bail-in measures. If such measures were taken they could have a negative impact on the funds available to the Issuer and, therefore, increase the risk that the Noteholders will ultimately not receive the full principal amount of the Notes and/or interest thereon. Besides, it is not foreseeable how the Directive will be implemented into German law and therefore which amendments or changes will be necessary in the respective acts like the SAG.

In addition, credit institutions within the meaning of Section 1(1) of the German Banking Act (*Kreditwesengesetz*), such as the Seller, may under certain circumstances become subject to restructuring proceedings (*Sanierungsverfahren*) and/or reorganisation proceedings (*Reorganisationsverfahren*) in accordance with the Act on the Reorganisation of Credit Institutions (*Kreditreorganisationsgesetz*). Furthermore, measures that are comparable to those under the SAG may be possible with respect to the Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 ("**SRM**").

All these proceedings may also result in an impairment of the rights of creditors of such credit institutions such as the Issuer. In particular, if during restructuring proceedings the affected credit institution enters into new financing arrangements as a borrower, the creditors of such new financing arrangements may rank ahead of existing creditors of such credit institution in any insolvency proceedings that will be commenced in respect of the affected credit institution within a period of three years after the commencement of such restructuring proceedings has been ordered. Reorganisation proceedings may, for example, result in a reduction or deferral of the claims and other rights of creditors (such as the Issuer) of the affected credit institution and resolution actions may, for example, result in the deferral or suspension of payment or delivery obligations of creditors (such as the Issuer) of the affected credit institution or in a change in the nature of the receivables or claims into equity of the affected credit institution, which may, in the worst case, have no value. If such proceedings are applied to the Seller and the Issuer has at that time claims for payments outstanding against the Seller (e.g. under the Servicing Agreement) such claims may be subordinated or deferred as set out above and the Issuer may not or not timely receive such amounts required to make payments under the Notes.

Creditworthiness and due performance of Parties to the Transaction Documents

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 and due performance of the Transaction Parties, in particular the Servicer, the Swap Counterparty, the Paying Agent 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 Lease Receivables by the Servicer in accordance with the Servicing Agreement. As the Account Bank uses the assistance of a Swift correspondent agent in the settlement process, the Noteholders are also exposed to the capability of such Swift correspondent agent to perform such tasks in the future.

If the Transaction Parties are not duly performing their duties under the Transaction Documents, this may lead to losses at the level of the Issuer, which could have an impact on the ability of the Issuer to make payments on the Notes ultimately leading to a risk of the Noteholders to incur a loss.

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 revocation of the Collection Mandate of the Servicer, the Seller in its capacity as Servicer is entitled to commingle any Collections from the Purchased Lease Receivables, including proceeds from the realisation of Lease Collateral 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 discretion 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. Upon the occurrence of a Commingling Reserve Trigger Event and for so long as such event continues, the Servicer shall, within fourteen (14) calendar days, notify the Issuer in writing that it will elect to (i) with effect from the date of such notification, transfer any Collections to the Issuer Account within two (2) Business Days upon receipt of such Collections; or (ii) fund the Commingling Reserve Ledger (not using any Collections) on each Payment Date with the Commingling Reserve Required Amount as of such Payment Date. For so long as such Commingling Reserve Trigger Event prevails, the Servicer shall have the right to switch between the above options by written notice to the Issuer. In addition, no assurance can be given that the Commingling Reserve Required Amount will be sufficient to cover commingling risks or risks of Servicer Shortfalls. This may lead to losses at the level of the Issuer, which could have an impact on the ability of the Issuer to make payments on the Notes ultimately leading to a risk of the Noteholders to incur a loss.

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 Lease Receivables, the Lease Collateral and the Leased Vehicles in accordance with the terms of the Servicing Agreement, be duly qualified and licensed to administer leasing contracts in Germany such as the Lease 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 Intertrust (Luxembourg) S.à r.l. 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 and, thus, on the funds available to the Issuer for the payment of interest and/or principal on the Notes.

Replacement of the Trustee, the Account Bank or any Agent

If the appointment of the Trustee is terminated due to good cause (*wichtiger Grund*) by the Issuer, the Issuer will appoint a replacement Trustee in accordance with the Trust Agreement. Such replacement costs will be borne by the Trustee, however, subject to a cap as agreed between the Trustee and the Issuer. There is no assurance that such replacement costs will not exceed such cap.

If the appointment of the Account Bank is terminated due to a rating downgrade of the Account Bank or due to good cause (*wichtiger Grund*) by the Issuer, the Issuer will appoint a replacement Account Bank in accordance with the Bank Account Agreement. Such replacement costs will be borne by the Account Bank, however, subject to a cap as agreed between the Account Bank and the Issuer. There is no assurance that such replacement costs will not exceed such cap.

If the appointment of an Agent is terminated due to good cause (*wichtiger Grund*) by the Issuer, the Issuer will appoint a replacement Agent in accordance with the Agency Agreement, and in the case of the Calculation Agent, the Calculation Agency Agreement. Such replacement costs will be borne by the respective Agent, however, subject to a cap as agreed between the Agents and the Issuer. There is no assurance that such replacement costs will not exceed such cap.

Moreover, no assurance can be given that a successor Trustee, a successor Account Bank or a successor Agent will be appointed in time and/or on terms similar to the provisions agreed on in the relevant Transaction Document.

Any failure to replace in a timely manner or higher costs associated with the appointment of a successor may have a negative impact on the funds available to the Issuer and, therefore, increase the risk that the Noteholders will ultimately not receive the full principal amount of the Notes and/or interest thereon.

Registration Requirement of the Trustee under the German Legal Services Act

Collecting receivables such as the Purchased Lease Receivables as a collection agent for a third party is generally regarded as rendering legal services under the German Legal Services Act (*Rechtsdienstleistungsgesetz*) and subject to a registration requirement. Any agreement entered into in violation of such requirement, including transactions contemplated thereby, could potentially be void. Depending on the relevant activities of the Trustee in connection with the enforcement of the Security following an Issuer Event of Default, the Trustee may be regarded as acting as collection agent for the Noteholders and other Secured Parties. The Issuer has been advised, however, that as of the date of the Trust Agreement, the Trustee will not be subject to the requirement to register under the German Legal Services Act solely by entering into the Trust Agreement, as its services

would be permitted to be performed without registration as ancillary to the profession or activity (*Nebenleistung zum Berufs- oder Tätigkeitsbild*) of the Trustee. Any enforcement services conducted by the Trustee should, in general, not qualify as main business of the Trustee as the main task of a security trustee is rather to hold and administer the security and when enforcing such security, it would do so only in an event of default or similar event. The Trustee should, therefore, be exempt from a registration requirement under the German Legal Services Act (*Rechtsdienstleistungsgesetz*). However, in the absence of an express court precedent or developed rule, there remains some legal uncertainty with respect to this issue. If the appointment of the Trustee under the Trust Agreement was considered to be void due to a missing registration of the Trustee under the German Legal Services Act (*Rechtsdienstleistungsgesetz*), the Trustee may need to be replaced and the Noteholder might incur losses under the Notes if this leads to a lack of funds/security interests that may be realised for the benefit of the Noteholders.

Possible Exit of the UK from the European Union

The timing of the UK's exit from the EU on the basis of the Brexit Vote remains subject to some uncertainty, but it may occur on 31 October 2019. Article 50 provides, subject to certain circumstances, that the EU treaties will cease to apply to the UK two years after the Article 50 Notice. The terms of the UK's exit from the EU are also unclear and will be determined by the negotiations taking place following the Article 50 Notice. It is possible that the UK will leave the EU with no withdrawal agreement if no agreement can be finalised within two years. In such circumstances, it is likely that a high degree of political, legal, economic and other uncertainty will result. The Brexit Vote and delivery of the Article 50 Notice have resulted in political (including UK constitutional), legal, regulatory, economic and market uncertainty – the effects of each of which could adversely affect the Transaction and the interests of Noteholders. Such uncertainty and consequential market disruption may also cause investment decisions to be delayed, reduce job security and damage consumer confidence. The resulting adverse economic conditions could affect obligors' willingness or ability to meet their obligations, resulting in increased defaults in the securitised portfolio and ultimately the ability of the Issuer to pay interest and repay principal to Noteholders.

The Brexit Vote may also have an adverse effect on counterparties on the transaction. Depending on the terms of the exit from the EU they may become unable to perform their obligations resulting from changes in regulation, including the loss of existing regulatory rights to do cross-border business. Additionally, counterparties may be adversely affected by rating actions or volatile and illiquid markets (including currency markets and bank funding markets) arising from the Brexit Vote, the Article 50 Notice and the conduct and progress of the formal withdrawal negotiations. As a result, there is an increased risk of such counterparties becoming unable to fulfil their obligations which could have an adverse impact on Noteholders.

While the extent and impact of these issues is not possible for the Issuer to predict, Noteholders should be aware that they could have an adverse impact on the transaction and the payment of interest and repayment of principal 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 the Class A Notes.

The Swap Counterparty may terminate the Swap Agreement, among other things, 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 (3) 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 below certain specified levels, 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 will endeavour but 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 Class A Notes will be reduced if the floating rates-based interest on Class A 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 Class A Notes and the holders of Class A Notes may experience delays and/or shortfalls in the interest and principal payments on the Class A Notes.

Moreover, the Noteholders should be aware that the regulatory changes arising from EMIR, MiFID II and MiFIR 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, including if the Issuer intends to replace the Swap Counterparty and/or enter into a replacement swap. 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, MiFID II and MiFIR, in making any investment decision in respect of 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. Given that the Transaction Documents include terms providing for the subordination of certain payments under the Swap Agreement, there may be a risk that any court proceedings in the relevant jurisdiction 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.

Conflicts of interest

In connection with the Transaction, the Seller will also act as the Servicer and as the Subordinated Lender, and the Account Bank will also act as the Interest Determination Agent, the Calculation 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 German Auto Leases 5) may enter into other business dealings with each other (including Bavarian Sky S.A. in respect of Compartments other than Compartment German Auto Leases 5) 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 Lessees other than the Purchased Lease 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 Lessees, the Seller, the Servicer, the Issuer (in respect of Compartments other than Compartment German Auto Leases 5), 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.

V. Tax risks

The following should be read in conjunction with "TAXATION".

German taxation

The Issuer is subject to certain German tax risks:

Pursuant to Section 13c of the German VAT Act (*Umsatzsteuergesetz – UStG*), the Issuer may incur a secondary liability for German VAT payable by the Seller in relation to the Purchased Lease Receivables, i.e. VAT owed but not paid by the Seller in respect of such receivables.

In addition, if the German tax authorities take the view that the Issuer maintains a taxable presence in Germany a corporate income tax or trade tax liability could be significant, if interest under the Notes is not fully taxable or restricted under certain German tax provisions (in this respect, please also see the considerations in "TAXATION — German taxation of the Issuer")

If any of such tax risk would materialise, any tax liability of the Issuer would reduce the amounts available for payments under the Notes.

To cover the risk that the Issuer may be held secondarily liable for VAT purposes and that interest expenses under the Notes are subject to an add-back taxation for German trade tax purposes, if the Issuer would maintain a taxable presence in Germany, the Seller has undertaken to indemnify the Issuer against any liabilities, costs, claims and expenses resulting from such risks, except those penalties and interest surcharges that are due to the gross negligence or wilful default of the Issuer.

However, the Noteholders are still exposed to the credit risk of the Seller and may still, if that is realised, incur losses on the Notes. In addition, the tax indemnity does not cover all potential tax risks, which may arise, for example the risk that interest expenses under the Notes are not fully tax deductible for corporate income tax and trade tax purposes under the German interest barrier rules, if the Issuer would maintain a taxable presence in Germany.

Withholding Tax

Provided that the Purchased Lease Receivables will not be derecognised from the tax balance sheet of the Seller, it cannot be excluded that the German tax authorities take the view that the sale of the Purchased Lease Receivables qualify as a loan granted by the Issuer to the Seller and that payments received by the Issuer from the Seller constitute interest income subject to German withholding tax since (i) the Seller is a domestic bank (*inländisches Kreditinstitut*) within the meaning of the KWG (Section 43 paragraph. 1 no. 7 lit. b) sentence 1 EStG)

Nevertheless, the Seller should not be obliged to withhold tax on such notional interest payments. This is because levying withholding tax is merely a particular form of satisfying a foreign or domestic investor's German tax liability. Therefore, according to the German Federal Fiscal Court, the deduction of German withholding tax in principles requires that the investor is subject to an unlimited or limited German tax liability (decision dated 19 October 2005, published in BFH/NV 2006, page 926 and decision dated 14 February 1973, published in Federal Tax Gazette II 1973, page 452). The German tax authorities generally follow this approach and explicitly state that with respect to investors who are not tax-resident in Germany that no withholding tax has to be withheld by the competent disbursing agent in case such an investor is not subject to a German limited tax liability and has provided appropriate evidence for its non-tax-residence to the competent disbursing agent (Circular of the Federal Ministry of Finance, dated 18 January 2016, Federal Tax Gazette I 2016, page 85 number 313 and 314).

As regular interest received by a German non-resident is not subject to limited tax liability in Germany the Seller in its capacity as Servicer should be required to make any deduction or withholding from such payments in respect of German withholding tax (*Kapitalertragsteuer*) even if the sale of the Purchased Lease Receivables had to be qualified into a loan for withholding tax purposes. This is based upon the consideration that such loan would not qualify as a profit participating loan (*partiarisches Darlehen*) within the meaning of Section 20 subsection 1 number 4 German Income Tax Act (*Einkommensteuergesetz* or *EStG*). It should, however, be noted that the German Federal Fiscal Court has stated in a decision dated 22 June 2010 (I R 78/09) as an obiter dictum that the mere fact that an interest payment is deferred until the debtor has sufficient liquidity would give rise to a treatment of the loan as profit participating as, in such case, the interest claim would only be fulfilled once the borrower has realised an operating profit. The Issuer takes the view that the principles of such decision are not applicable in the case at hand. This is however not entirely clear and it cannot be excluded that one would take a different view, in which case it cannot be excluded that the Seller would be obliged to make withholding tax deductions from payments it makes under the Notes.

Luxembourg Taxation

The Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market dated 12 July 2016 ("**ATAD 1**") was transposed into Luxembourg domestic law by the law of 21 December 2018 (the "**ATAD Law**") and entered into force on 1 January 2019. ATAD 1 has been amended by the Council Directive (EU) 2017/952 of 29 May 2017 ("**ATAD 2**", together with ATAD 1 in the following to be referred to as "**ATAD**"). The draft law implementing ATAD 2 was presented to the Luxembourg parliament on 8 August 2019. Such draft law may still be subject to change as it goes through the Luxembourg legislative process.

The ATAD Law notably introduces a new framework that may limit the tax deduction of interest and other deductible payments and charges for Luxembourg companies subject to corporate income tax (such as the Issuer).

Whilst (i) ATAD may be subject to future amendment by the relevant Luxembourg authorities and (ii) the impact of ATAD on the Issuer is not yet clear, ATAD may result in corporate income tax being effectively imposed and due on the Issuer to the extent that the Issuer derives income other than interest income or income equivalent to interest from its underlying assets and transactions or, as the case may be, if the Notes issued by the Issuer qualify for tax purposes as hybrid financial instruments.

The ATAD also provides for a few exemptions, grandfathering and *de minimis* clauses. Notably, securitisation vehicles under article 2 point 2 of Regulation (EU) 2017/2402 are specifically excluded by the ATAD Law from the application of the interest deductibility limitation rules. However, Luxembourg securitisation companies subject to the Securitisation Act 2004 (such as the Issuer) may not necessarily fall under the scope of article 2 point 2 of Regulation (EU) 2017/2402. Therefore, such interest deductibility limitation rules could still result in denying the tax deduction of a portion of interests accrued under the Notes. This could increase the taxable base of the Issuer and therefore impact negatively the return of the Noteholders.

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. THE ISSUER DOES NOT REPRESENT THAT THE ABOVE STATEMENTS REGARDING THE RISK OF HOLDING THE NOTES ARE EXHAUSTIVE. 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 AND PRINCIPAL PARTIES OF THE TRANSACTION

On the Issue Date, the Seller will sell and assign to the Issuer, against payment of the aggregate Purchase Prices (EUR 991,799,990.80) all of its rights, titles and claims, to receive lease instalments (the "**Lease Instalments**") (excluding any portion relating to VAT, relating to residual values or relating to the provision of services) in respect of an initial portfolio of auto lease receivables (the "**Purchased Lease Receivables**") against customers in Germany. The Seller will transfer to the Issuer its title to the Leased Vehicles which will be selected according to the eligibility criteria (the "**Eligibility Criteria**") set out in "*ELIGIBILITY CRITERIA*" for the purposes of securing any claims of the Issuer vis-à-vis the Seller in respect of the non-existence of any related Purchased Lease Receivable.

The Lease Collateral granted to the Issuer consists of (i) the Pro Rata Lease Instalment Share of any claims of the Seller to damages and excess mileage in accordance with its Credit and Collection Policy, and (ii) any other security interests related to the Purchased Lease Receivables under the relevant lease agreements entered into between the relevant Lessee and the Seller (the "**Lease Agreements**"). Furthermore, the title to the Leased Vehicles has been transferred as security to the Issuer exclusively for the purposes of securing any claims of the Issuer vis-à-vis the Seller arising due to the non-existence (*Nicht-Bestand*) of the respective relating Lease Instalments (*Veritätshaftung*), including any damage claim of the Seller against the relevant Lessee as a consequence of the early termination of the relevant Lease Agreement. The Leased Vehicles shall neither collateralise the due payment of any Lease Instalments by the relevant Lessee nor, in the absence of a default of the Seller in respect of the above-mentioned claims, due payment under the Notes. If the security purpose is met and a Leased Vehicle is realised by the Seller in accordance with its Credit and Collection Policy, the Issuer will not receive the full amount of the enforcement proceeds. The Issuer will only receive the Pro Rata Lease Instalment Share. The Issuer will create security over substantially all of its assets, rights, claims and interests in respect of Compartment German Auto Leases 5 (together the "**Security**", as more specifically defined in the "*MASTER DEFINITIONS SCHEDULE*"), comprising primarily the Purchased Lease Receivables, the Lease Collateral, the Leased Vehicles 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 AAAsf by Fitch and Aaa(sf) by Moody's. For the Class B Notes no rating will be solicited. Each of Fitch and Moody's is established in the European Community and 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 <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk> as last updated on 5 July 2019. The assignment of ratings to the Class A Notes or an outlook on these ratings is not a recommendation to invest in the Class A Notes and may be revised, suspended or withdrawn at any time.

According to the latest available version of the Fitch rating definitions dated 3 May 2019 an AAA rating denotes the lowest expectation of default risk. It is assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events. The suffix 'sf' denotes an issuance that is a structured finance transaction.

According to the latest available version of the Moody's rating definitions dated February 2019 obligations that are rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk. Moody's differentiates structured finance ratings from fundamental ratings (i.e., ratings on nonfinancial corporate, financial institution, and public sector entities) on the global long-term scale by adding (sf) to all structured finance ratings. The addition of (sf) to structured finance ratings should eliminate any presumption that such ratings and fundamental ratings at the same letter grade level will behave the same. The (sf) indicator for structured finance security ratings indicates that otherwise similarly rated structured finance and fundamental securities may have different risk characteristics. Through its current methodologies, however, Moody's aspires to achieve broad expected equivalence in structured finance and fundamental rating performance when measured over a long period of 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 Lease Receivables, the Lease Collateral and the Leased Vehicles 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 Lease Receivables, the Lease Collateral and the Leased Vehicles were its own property.

RISK RETENTION

Risk retention under the Securitisation Regulation

INVESTORS SHOULD MAKE THEMSELVES AWARE OF THE REQUIREMENTS OF THE SECURITISATION REGULATION AS WELL AS ANY 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.

Investors should be aware of the EU risk retention and due diligence requirements that apply in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings and UCITS funds. With regard to institutional investors (i.e. an insurance undertaking, reinsurance undertaking, an institution for occupational retirement provision, an alternative investment fund manager, an undertaking for the collective investment in transferable securities management company, an internally managed undertaking for the collective investment in transferable securities, a credit institution or an investment firm), Article 5 of the Securitisation Regulation provides that an institutional investor other than the originator, sponsor or original lender shall, prior to holding an exposure to a securitisation (as defined in Article 2 of the Securitisation Regulation), verify that the originator, sponsor or original lender retains on an ongoing basis a material net economic interest of not less than 5 per cent. of the securitised exposures, and has a thorough understanding of all structural features of a securitisation transaction and shall carry out a due-diligence assessment which enables it to assess the risks involved with the securitisation transaction. The permissible forms of risk retention are set out in Article 6 paragraph (3) of the Securitisation Regulation. Failure to comply with one or more of the requirements set out in the Securitisation Regulation may result, *inter alia*, in the imposition of a penal capital charge on the notes acquired by the relevant investor.

With respect to the commitment of the Seller to retain a material net economic interest in the securitisation as contemplated by Article 6 of the Securitisation Regulation, the Seller will – in compliance with Article 6 paragraph (3)(d) of the Securitisation Regulation – (i) retain, on an ongoing basis until the earlier of the redemption of the Class A Notes in full and the Legal Final Maturity Date, the Class B Notes (the "**Retained Class B Notes**") and (ii) retain, in its capacity as Subordinated Lender, on an ongoing basis until the earlier of the redemption of the Notes in full and the Legal Final Maturity Date, a first loss tranche constituted by the claim for repayment of a loan advance in an initial principal amount of EUR 5,000,000, which is equal to 0.50 per cent. of the Initial Aggregate Discounted Outstanding Lease Balance (the "**Subordinated Loan**") made available by the Subordinated Lender to the Issuer under the Subordinated Loan Agreement as of the Issue Date, provided that the Seller will not be in breach of such undertaking if the Seller fails to so comply due to events, actions or circumstances beyond the Seller's control (*Unmöglichkeit*). In such event, the Seller will use commercially reasonable measures to ensure compliance with Article 6 of the Securitisation Regulation as soon as possible, taking into account the circumstances. The sum of the aggregate principal amount of the Retained Class B Notes and the nominal amount of the Subordinated Loan is equal to at least 5 per cent. of the nominal amount of the "securitised exposures" (i.e. the Purchased Lease Receivables), which amounts to EUR 991,799,990.80, in each case as of the Issue Date. The Seller will purchase and acquire the Retained Class B Notes from the Issuer. Pursuant to any Priority of Payments, any payments due under the Subordinated Loan Agreement are subordinated to payments due under the Notes. Prior to the full redemption of all Notes, no outstanding principal amount under the Subordinated Loan will be repaid in accordance with the applicable Priority of Payments with the effect that prior to the redemption of all Notes in full, the sum of the aggregate outstanding principal amount of the Subordinated Loan and the

aggregate principal amount of the Retained Class B Notes will as of any date until the earlier of the redemption of the Class A Notes in full and the Legal Final Maturity Date equal at least 5 per cent. of the nominal amount of the "securitised exposures" (i.e. the Purchased Lease Receivables). Pursuant to the Incorporated Terms Memorandum, the Seller undertakes (i) to retain the Retained Class B Notes and not to sell and/or transfer them (whether in full or in part) to any third party until the earlier of the redemption of the Class A Notes in full and the Legal Final Maturity Date and (ii), in its capacity as Subordinated Lender, to grant and keep outstanding the Subordinated Loan and not to sell and/or transfer and/or hedge the Subordinated Loan (whether in full or in part) until the earlier of the redemption of the Notes in full and the Legal Final Maturity Date, subject always to any requirement of law applicable to it. The outstanding balance of the retained exposures may be reduced over time by, amongst other things, amortisation, allocation of losses or defaults on the Retained Class B Notes and the Subordinated Loan. The monthly investor reports will also set out monthly confirmation as to the Seller's continued holding of the original retained exposures.

Article 5 of the Securitisation Regulation also places an obligation on institutional investors, before investing in a securitisation and thereafter, to, *inter alia*, 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 Lease 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 5 of the Securitisation Regulation. Each investor that is required to comply with Article 5 of the Securitisation Regulation is required to independently assess and determine the sufficiency of the information described in this Offering Circular and which may otherwise be made available to investors for the purposes of its initial and ongoing compliance with Article 5 of the Securitisation Regulation. Although the Servicer will produce the monthly investor reports and the Issuer may make announcements from time to time in accordance with applicable law or regulation or the terms of the Notes, none of the Issuer, the Managers, the Joint Bookrunners or any of the other transaction parties (i) makes any representation that the information described above or elsewhere in this Offering Circular or which may otherwise be made available to such investors or to which such investors are entitled (if any) is sufficient for such purposes, (ii) shall have any liability to any actual or prospective investor or any other person with respect to the insufficiency of such information or any failure of the transactions contemplated herein to comply with or otherwise satisfy the requirements of Article 5 of the Securitisation Regulation or any other applicable legal, regulatory or other requirements; or (iii) shall have any obligation (including, but not limited to, the provision of additional information) to enable compliance by relevant investors with the requirements of Article 5 of the Securitisation Regulation or any other applicable legal, regulatory or other requirements. Investors who are affected should therefore be aware that should they determine at any time, whether for their initial investment or as a result of changes following the end of the transitional period for reporting under Article 7 of the Securitisation Regulation or otherwise, that they have insufficient information in order to comply with their own due diligence obligations under Article 5 of the Securitisation Regulation, there is no obligation on the Issuer or any other party (including, for the avoidance of doubt, any Manager or Joint Bookrunner) to provide further information to meet such insufficiency.

According to Article 270a of the CRR, incorporated by Regulation (EU) 2017/2401, where an institution (i.e. a credit institution or an investment firm) that is investing in the Notes does not meet the requirements in Chapter 2 of the Securitisation Regulation in any material respect by reason of negligence or omission by such institution, the competent authorities shall impose a proportionate additional risk weight of no less than 250 per cent. of the risk weight, capped at 1250 per cent.,

which shall apply to the relevant securitisation positions, progressively increasing with each subsequent infringement of the due diligence provisions. The calculation of the additional risk weight has been specified in the Commission Implementing Regulation (EU) No 602/2014. Noteholders should make themselves aware of the relevant provisions of the CRD IV Regime and make their own investigation and analysis as to the impact of the CRD IV Regime on any holding of Notes.

Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with CRD IV Regime. 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 Articles 6 paragraph (3)(d) and 7 of the Securitisation Regulation, and none of the Issuer, the Seller, the Corporate Administrator, the Arranger nor the Managers makes any representation that the information described above is sufficient in all circumstances for such purposes.

In addition, if and to the extent the Securitisation Regulation is relevant to any prospective investor and Noteholder, such investor and Noteholder should ensure that it complies with the Securitisation Regulation in its relevant jurisdiction. Prospective Noteholders who are uncertain as to the requirements which apply to them in any relevant jurisdiction should seek guidance from the competent regulator.

U.S. Risk Retention

The final rules implementing the credit risk retention requirements of Section 941 of the Dodd-Frank Act, codified by Section 15G of the U.S. Securities Exchange Act of 1934, as in effect at any time or as otherwise amended (the "**U.S. Risk Retention Rules**"), came into effect with respect to all asset classes on 24 December 2016 and require the "sponsor" of a "securitisation transaction" to retain at least 5 per cent. of the "credit risk" of "securitized assets", as such terms are defined for purposes of that statute, and generally prohibit a sponsor from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the sponsor is required to retain. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

The Seller, as the sponsor under the U.S. Risk Retention Rules, does not intend to retain at least 5 per cent. of the credit risk of the Notes for the purposes of the U.S. Risk Retention Rules, but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. Such non-U.S. transactions must meet certain requirements, including that (1) the transaction is not required to be and is not registered under the Securities Act; (2) no more than 10 per cent. of the dollar value (or equivalent amount in the currency in which the asset-backed securities are issued, as applicable) of all classes of asset-backed securities issued in the securitisation transaction are sold or transferred to U.S. persons (as defined in the U.S. Risk Retention Rules and referred to in this Offering Circular as "**Risk Retention U.S. Persons**") or for the account or benefit of Risk Retention U.S. Persons; (3) neither the sponsor nor the issuer of the securitisation transaction is organised under U.S. law or is a branch located in the United States of a non-U.S. entity; and (4) no more than 25 per cent. of the underlying collateral was acquired from a majority-owned affiliate or branch of the sponsor or issuer organised and located in the United States.

Prospective investors should note that the definition of U.S. person in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of U.S. person under Regulation S under the Securities Act, and that persons who are not "U.S. persons" under Regulation S may be U.S. persons under the U.S. Risk Retention Rules. The definition of U.S. person in the U.S. Risk

Retention Rules is excerpted below. Particular attention should be paid to clauses (b) and (h), which are different than comparable provisions from Regulation S.

Under the U.S. Risk Retention Rules, and subject to limited exceptions, "**U.S. person**" (and "**Risk Retention U.S. Person**" in this Offering Circular) means any of the following:

- (a) any natural person resident in the United States;
- (b) any partnership, corporation, limited liability company, or other organisation or entity organised or incorporated under the laws of any State or of the United States;
- (c) any estate of which any executor or administrator is a U.S. person (as defined under any other clause of this definition);
- (d) any trust of which any trustee is a U.S. person (as defined under any other clause of this definition);
- (e) any agency or branch of a foreign entity located in the United States;
- (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person (as defined under any other clause of this definition);
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and
- (h) any partnership, corporation, limited liability company, or other organisation or entity if:
 - (i) organised or incorporated under the laws of any foreign jurisdiction; and
 - (ii) formed by a U.S. person (as defined under any other clause of this definition) principally for the purpose of investing in securities not registered under the Securities Act.

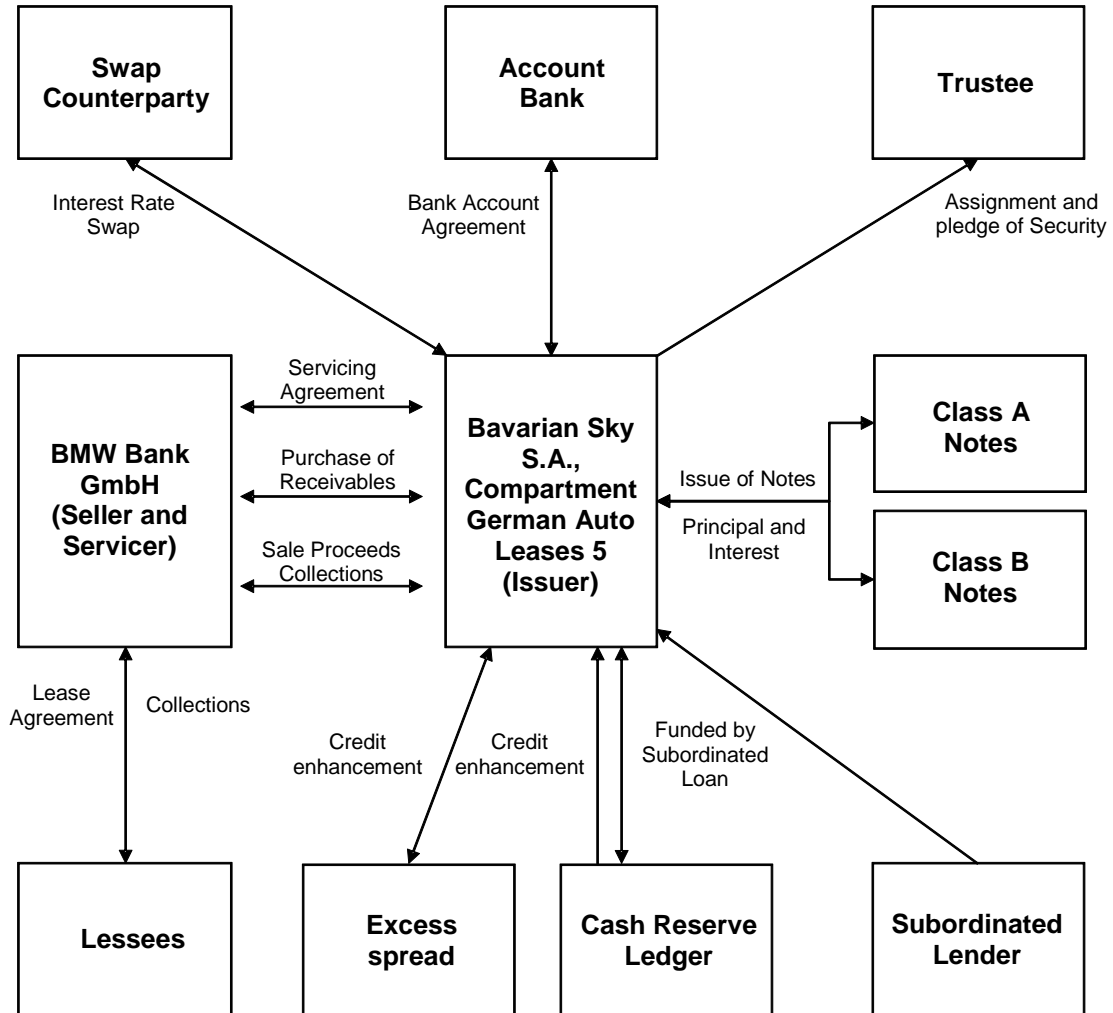
Each holder of a Note or a beneficial interest therein acquired on the Issue Date, by its acquisition of a Note or a beneficial interest in a Note, will be deemed and, in certain circumstances will be required, to represent to the Issuer, the Seller and the Managers that it (1) is not a Risk Retention U.S. Person, (2) is acquiring such Note or a beneficial interest therein for its own account and not with a view to distribute such Note to a U.S. person and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules.

There can be no assurance that the exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions will be available. No assurance can be given as to whether a failure by the sponsor to comply with the U.S. Risk Retention Rules (regardless of the reason for such failure to comply) may give rise to regulatory action which may adversely affect the market value of the Notes. Furthermore, the impact of the U.S. Risk Retention Rules on the securitisation market generally is uncertain, and a failure by a sponsor to comply with the U.S. Risk Retention Rules could therefore negatively affect the market value and secondary market liquidity of the Notes.

None of the Issuer, the Seller or the Managers or any of their respective affiliates makes any representation to any prospective investor or purchaser of the Notes as to whether the transactions described in this Offering Circular comply as a matter of fact with the U.S. Risk Retention Rules on the Issue Date or at any time in the future. Investors should consult their own advisors as to the U.S. Risk Retention Rules. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

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 Leases 5, 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 2a, rue Nicolas Bové, L-1253 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 law of 22 March 2004 on securitisation, as amended (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 Object of Bavarian Sky S.A.*"). 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 German Auto Leases 5. The assets allocated to Compartment German Auto Leases 5 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 German Auto Leases 5. 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 (<i>stichting</i>) established under the laws of The Netherlands whose statutory seat is in Amsterdam and whose registered office is at Prins Bernhardplein 200, 1097 JB 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 German Auto Leases 5	Compartment German Auto Leases 5 is a compartment of Bavarian Sky S.A. which has been created by a decision of the board of directors of Bavarian Sky S.A. on 19 August 2019 and to which the Notes, the Purchased Lease Receivables and the Lease Collateral are allocated.
Seller	BMW Bank GmbH (" BMW Bank "), acting through its office at Lilienthalallee 26, 80939 Munich, Germany, is a wholly-owned subsidiary of Bayerische Motoren Werke Aktiengesellschaft (" BMW AG "). See " <i>THE SELLER AND SERVICER</i> ".
Lessee	In respect of a Lease Receivable, a Person (including consumers and businesses) with whom the Seller has entered into Lease Agreements with respect to Leased Vehicles, which are owned by the Seller.
Servicer	BMW Bank, unless the engagement of BMW Bank as servicer of the Issuer in respect of Compartment German Auto Leases 5 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 " <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Servicing Agreement</i> ". See also " <i>THE SELLER AND SERVICER</i> ".
Swap Counterparty	Skandinaviska Enskilda Banken AB (publ), Kungsträdgårdsgatan 8, SE-106 40 Stockholm, Sweden. See " <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Swap Agreement</i> ". See also " <i>THE SWAP COUNTERPARTY</i> ".
Trustee	BNY Mellon Corporate Trustee Services Limited, One Canada Square, London E14 5AL, United Kingdom. See " <i>THE TRUST AGREEMENT</i> ". See also " <i>THE TRUSTEE</i> ".
Secured Parties	The Noteholders, the Trustee, the Seller, the Servicer (if different from the Seller), the Subordinated Lender, the Swap Counterparty, the Paying Agent, the Interest Determination Agent, the Calculation Agent, the Account Bank, the Data Trustee, the Corporate Administrator and the Back-Up Servicer Facilitator.

Joint Lead Managers	Société Générale S.A. and DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main.
Co-Managers	ING Bank N.V. and Skandinaviska Enskilda Banken AB (publ).
Subordinated Lender	BMW Bank. See " <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Subordinated Loan Agreement</i> ".
Account Bank	The Bank of New York Mellon, Frankfurt Branch, a branch of The Bank of New York Mellon Corporation (incorporated, with limited liability by Charter, under the Laws of the State of New York by special act of the New York State Legislature, Chapter 616 of the Laws of 1871, with its Head Office situate at 225 Liberty Street, New York, NY 10286, USA) and registered in Germany with its principal office at Messeturm, Friedrich-Ebert-Anlage 49, 60327 Frankfurt am Main, Germany. See " <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Bank Account Agreement</i> ". See also " <i>THE ACCOUNT BANK AND THE DATA TRUSTEE</i> ".
Data Trustee	The Bank of New York Mellon, Frankfurt Branch, a branch of The Bank of New York Mellon Corporation (incorporated, with limited liability by Charter, under the Laws of the State of New York by special act of the New York State Legislature, Chapter 616 of the Laws of 1871, with its Head Office situate at 225 Liberty Street, New York, NY 10286, USA) and registered in Germany with its principal office at Messeturm, Friedrich-Ebert-Anlage 49, 60327 Frankfurt am Main, Germany. See " <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Data Trust Agreement</i> ". See also " <i>THE ACCOUNT BANK AND THE DATA TRUSTEE</i> ".
Calculation Agent	The Bank of New York Mellon, London Branch, a branch of The Bank of New York Mellon Corporation (incorporated with limited liability by Charter, under the Laws of the State of New York by special act of the New York State Legislature, Chapter 616 of the Laws of 1871, with its Head Office situate at 225 Liberty Street, New York, NY 10286, USA) and registered in England & Wales with FC No 005522 and BR No 000818 with its principal office in the United Kingdom situated at One Canada Square, London E14 5AL, United Kingdom. See " <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Calculation Agency Agreement</i> ". See also " <i>THE CALCULATION AGENT, THE PAYING AGENT AND THE INTEREST DETERMINATION AGENT</i> ".
Paying Agent	The Bank of New York Mellon, London Branch, a branch of The Bank of New York Mellon Corporation (incorporated with limited liability by Charter, under the Laws of the State of New York by special act of the New York State Legislature, Chapter 616 of the

Laws of 1871, with its Head Office situate at 225 Liberty Street, New York, NY 10286, USA) and registered in England & Wales with FC No 005522 and BR No 000818 with its principal office in the United Kingdom situated at One Canada Square, London E14 5AL, United Kingdom.

See "*OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Agency Agreement*". See also "*THE CALCULATION AGENT, THE PAYING AGENT AND THE INTEREST DETERMINATION AGENT*".

Interest Determination Agent

The Bank of New York Mellon, London Branch, a branch of The Bank of New York Mellon Corporation (incorporated with limited liability by Charter, under the Laws of the State of New York by special act of the New York State Legislature, Chapter 616 of the Laws of 1871, with its Head Office situate at 225 Liberty Street, New York, NY 10286, USA) and registered in England & Wales with FC No 005522 and BR No 000818 with its principal office in the United Kingdom situated at One Canada Square, London E14 5AL, United Kingdom.

See "*OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Agency Agreement*". See also "*THE CALCULATION AGENT, THE PAYING AGENT AND THE INTEREST DETERMINATION AGENT*".

Corporate Administrator

Intertrust (Luxembourg) S.à r.l., acting through its office at 6, rue Eugène Ruppert, L-2453 Luxembourg. See "*THE CORPORATE ADMINISTRATOR*".

Rating Agencies

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 will prevail.

General Description

On the Issue Date, the Seller will sell and assign to the Issuer, against payment of the Purchase Price (EUR 991,799,990.80), Lease Receivables originated by the Seller as lessor together with the Lease Collateral as well as any Leased Vehicles pursuant to the Lease Receivables Purchase Agreement. The Purchased Lease Receivables are owed by the respective Lessees to the Seller. The Seller will assign to the Issuer the Purchased Lease Receivables which will be selected according to the Eligibility Criteria. See "ELIGIBILITY CRITERIA". The Eligibility Criteria are to be fulfilled on the Cut-Off Date immediately preceding the Issue 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 Leases 5.

The related Lease Collateral will consist, *inter alia*, of (i) the Pro Rata Lease Instalment Share of any claims of the Seller to damages and excess mileage in accordance with its Credit and Collection Policy, and (ii) any other security interests related to the Purchased Lease Receivables under the relevant Lease Agreements. Furthermore, the title to the Leased Vehicles has been transferred as security to the Issuer exclusively for the purposes of securing any claims of the Issuer vis-à-vis the Seller arising due to the non-existence (*Nicht-Bestand*) of the respective relating Lease Instalments (*Veritätshaftung*), including any damage claim of the Seller against the relevant Lessee as a consequence of the early termination of the relevant Lease Agreement. The Leased Vehicles shall neither collateralise the due payment of any Lease Instalments by the relevant Lessee nor, in the absence of a default of the Seller in respect of the above-mentioned claims, due payment under the Notes. If the security purpose is met and a Leased Vehicle is realised by the Seller in accordance with its Credit and Collection Policy, the Issuer will not receive the full amount of the enforcement proceeds. The Issuer will only receive the Pro Rata Lease Instalment Share. The Issuer will create the Security 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 securing their respective payment claims backed by the assets of Compartment German Auto Leases 5.

On the Issue Date, the Class A Notes will be issued to investors, and be listed and carry two ratings from the Rating Agencies. The Class A Notes are expected to be rated AAAsf by Fitch and Aaa(sf) by Moody's. For the Class B Notes no rating will be solicited.

Each of Fitch and Moody's is established in the European Community and 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 5 July 2019 published by ESMA under <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>.

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, (ii) the amount credited to the Cash Reserve Ledger and (iii) in case of the Class A Notes, the subordination as to payment of the Class B Notes to the Class A Notes. The Cash Reserve Ledger will be funded, as of the Issue Date, with EUR 5,000,000 being the nominal amount the Issuer will raise through the Subordinated Loan.

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 Lease Receivables, the Lease Collateral and the Leased Vehicles 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 Lease Receivables, the Lease Collateral and the Leased Vehicles were its own property.

Aggregate Purchase Price

EUR 991,799,990.80.

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 Cut-Off Date immediately preceding the Issue Date is 31 August 2019.

Issue Date	23 September 2019.
The Notes	The Notes are the Class A Notes and the Class B Notes. See " <i>TERMS AND CONDITIONS OF THE NOTES</i> ".
Class A Notes	The EUR 900,000,000.00 Class A floating rate notes due September 2026, consisting of 9,000 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 91,800,000.00 Class B fixed rate notes due September 2026, consisting of 918 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. The Seller will purchase and retain the Retained Class B Notes until the earlier of the redemption of the Class A Notes in full and the Legal Final Maturity Date in order to comply with the Securitisation Regulation. Yield to maturity for the Class B Notes will be 1.0%.
Use of Proceeds	The aggregate net proceeds from the issue of the Notes amounting to EUR 991,800,000.00 will be used by the Issuer to purchase, on the Issue Date, Eligible Lease Receivables secured by the Lease 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, <i>inter alia</i> , the Trustee pursuant to which the Issuer has appointed the Trustee to act as trustee for the 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 form and in NGN 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 form and in NGN form, without coupons attached. The Global Notes representing the Notes will be deposited with the respective common safekeeper appointed by Euroclear Bank S.A./N.V. as the operator of Euroclear and Clearstream Luxembourg. 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 and the Managers. 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 — 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 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 German Auto Leases 5 only.

See "*RISK FACTORS —Liability under the Notes*".

Level of Collateralisation

On the Issue Date, the level of collateralisation of the Notes is 100% and calculated as (i) the Initial Aggregate Discounted Outstanding Lease Balance divided by (ii) the sum of the then Outstanding Note Balance of the Class A Notes and the Class B Notes, collectively.

Payment Date

In respect of the first Payment Date, 21 October 2019 and thereafter the twentieth (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 unless such date would thereby fall into the next calendar month, in which case the Payment Date will be the immediately preceding 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 in September 2026.

Presentation Period

The presentation period for the Global Notes is reduced to five (5) years after the date on which the last payment in respect of the Notes represented by such Global Notes was due.

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 0.70 per cent. per annum and if such rate is below zero, the interest rate will be zero; and
- (b) in the case of the Class B Notes, 1.00 per cent. per annum.

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 Lease 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 Lease Receivable and related Lease Collateral including, without limitation:

- (a) all collections of the Lease Instalments that have been paid by the Lessees;
- (b) the Deemed Collections, if any, paid in respect of such Purchased Lease Receivable;
- (c) the Pro Rata Lease Instalment Share of any proceeds of any Lease Collateral and all proceeds received by means of realisation of any related security which for the avoidance of doubt excludes the Pro Rata Residual Value Share of such recovery proceeds; and
- (d) any proceeds from the sale of Defaulted Lease Receivables received by the Servicer on behalf of the Issuer from any third party;

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*)), and any Deemed Collections of such Purchased Lease Receivable 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 Lessee will be applied in accordance with Section 366 et seq. of the German Civil Code.

Monthly Period

With respect to the first Monthly Period, the period commencing on (but excluding) the Cut-Off Date immediately preceding the Issue Date and ending on (and including) 30 September 2019 and with respect to each following Monthly Period the period commencing on a Cut-Off Date (but excluding) and ending on the immediately following Cut-Off-Date (and including).

Deemed Collections

"Deemed Collection" means, in respect of any Purchased Lease Receivable, an amount to be paid if, and equal to, the Discounted Outstanding Lease Balance of such Purchased Lease Receivable (including, for the avoidance of doubt, in case only a portion of the Purchased Lease Receivable is affected) outstanding on the Cut-Off Date falling in the Monthly Period during which one of the following events occurs:

- (a) such Purchased Lease Receivable proves to be in material breach of any of the Eligibility Criteria as at the first Cut-Off Date, unless such non-compliance is fully remedied by the Seller to the satisfaction of the Trustee;
- (b) such Purchased Lease Receivable remains unpaid solely as a result of a material 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);
- (c) such Purchased Lease Receivable is affected due to any material modification or amendment to the relevant Lease Agreement or early termination of the relevant Lease Agreement agreed upon by the parties thereto other than in accordance with the Credit and Collection Policy;
- (d) any material reduction of the Discounted Outstanding Lease Balance of such Purchased Lease Receivable or any other amount owed by a Lessee due to (x) any set-off against the Seller due to a counterclaim of the Lessee or any set-off or equivalent action against the relevant Lessee by the Seller or (y) any discount or other credit in favour of the Lessee, in each case as at the date of such reduction for such Purchased Lease Receivable

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

Any such Deemed Collection shall be at an amount equal to the Discounted Outstanding Lease Balance(s) of the affected Purchased Lease Receivable(s) (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 Current Aggregate Discounted Outstanding Lease Balance is less than 10 per cent. of the Initial Aggregate Discounted Outstanding Lease Balance on the Cut-Off Date immediately preceding the Issue Date, the Seller will (**provided that** on the relevant Payment Date no Enforcement Event has occurred) have the option under the Lease Receivables Purchase Agreement to demand from the Issuer the resale of all outstanding Purchased Lease Receivables (together with any Lease 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 Lease Receivables (together with any Lease 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 plus (y) accrued but unpaid interest thereon plus (z) all claims of any creditors of the Issuer in respect of Compartment German Auto Leases 5 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 ten (10) calendar 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 Lease 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 and the Counterparty Downgrade Collateral Account on the Payment Date immediately following such Cut-Off Date **provided that**, for the avoidance of doubt, except to the extent set out under item (vii) below, any balance credited to the Counterparty Downgrade Collateral Account will not form part of the Available Distribution Amount, 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 amount standing to the credit of the Cash Reserve Ledger as of such Cut-Off Date to 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, (b) the Available Distribution Amount suffices to reduce the Class A Outstanding Notes Balance to zero or (c) once the Current Aggregate Discounted Outstanding Lease Balance is reduced to zero, in each case, in accordance with the Pre-Enforcement Priority of Payment;
- (ii) any Collections received by or, in the case of Deemed Collections, payable 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 Lease 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 (other than the amount allocated to the Commingling Reserve Ledger) during such Monthly Period;
- (vi) the amount standing to the credit of the Commingling Reserve Ledger upon 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;
- (vii) any balance credited to the Counterparty Downgrade Collateral Account, however, only to the extent that the proceeds from any swap collateral posted on the Counterparty Downgrade Collateral Account have been applied pursuant to the terms of the Swap Agreement to reduce the amount that would otherwise be payable by the Swap Counterparty upon early termination of the Swap Agreement and any amount received by the Issuer in respect of Replacement Swap Premium to the extent that such amount exceeds the amount required to be applied directly to pay a termination payment due and payable by the Issuer to the Swap Counterparty upon termination of the Swap Agreement; and

- (viii) any other amounts (other than covered by item (i) through (vii) above (if any)) paid to the Issuer by any other party to any Transaction Document up to (and including) the Payment Date immediately following such Cut-Off Date, unless otherwise specified, which according to such Transaction Document is to be allocated to 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 on 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 per cent. of all taxes payable exclusively in respect of Compartment German Auto Leases 5 shall 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 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 (i) to the Data Trustee under the Data Trust Agreement, (ii) to the Rating Agencies in respect of the monitoring fees, (iii) to the Servicer under the Servicing Agreement, (iv) to the Corporate Administrator under the

Corporate Administration Agreement, (v) to the Calculation Agent under the Calculation Agency Agreement and the Servicing Agreement, (vi) to the Interest Determination Agent and the Paying Agent under the Agency Agreement, (vii) to the Account Bank under the Bank Account Agreement, (viii) to the Back-Up Servicer Facilitator under the Servicing Agreement, (ix) as listing fees, costs and expenses, (x) as auditor fees and (xi) as other fees that are 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 by the Issuer to the Class A Noteholders;
- (f) *sixth*, on a *pari passu* basis, accrued and unpaid interest (including any Interest Shortfall) payable by the Issuer 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 by the Issuer 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 by the Issuer to the Subordinated Lender under the Subordinated Loan Agreement;
- (l) *twelfth*, principal payable by the Issuer 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 Lessee Notification Event, to pay any amounts owed by the Issuer to the Seller due and payable under the Lease 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
- (n) *fourteenth*, all remaining excess to the Seller,
provided that
 - (i) 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 or the Cash Reserve Ledger or the Counterparty Downgrade Collateral Account,
 - (ii) outside of such order of priority, any swap collateral or any Replacement Swap Premium due to be transferred or paid by the Issuer to the Swap Counterparty or the replacement swap counterparty (as applicable) pursuant to the terms and conditions of the Swap Agreement will be transferred or paid (as applicable) by the Issuer to the Swap Counterparty or the replacement swap counterparty (as applicable) if and to the extent that such Replacement Swap Premium has been received by the Issuer,
 - (iii) outside of such order of priority any interest earned on the balance credited to the Commingling Reserve Ledger and any Commingling Reserve Excess Amount in accordance with Clauses 13.3 of the Servicing Agreement shall be paid to the Seller as well as any (i) remaining amount standing to the credit of the Commingling Reserve Ledger to the extent

not part of the Available Distribution Amount and (ii) amounts to be released to the Servicer in accordance with Clauses 13.4 of the Servicing Agreement, once the Issuer has determined that no Servicer Shortfall exists and no further Servicer Shortfalls are to be expected and no Commingling Reserve Trigger Event has occurred and is still continuing, and

- (iv) outside of such order of priority any interest compensation fee payable by the Issuer to the Seller will be paid pursuant to a separate arrangement between the Issuer and the Seller.

Post-Enforcement Priority of Payments

After the occurrence of an Enforcement Event, the Trustee will distribute the Available Post-Enforcement Funds 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 per cent. of all taxes payable exclusively in respect of Compartment German Auto Leases 5 shall 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 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 (i) to the Data Trustee under the Data Trust Agreement, (ii) to the Rating Agencies in respect of the monitoring fees, (iii) to the Servicer under the Servicing Agreement, (iv) to the Corporate Administrator under the Corporate Administration Agreement, (v) to the Calculation Agent under the Calculation Agency Agreement and the Servicing Agreement, (vi) to the Interest Determination Agent and the Paying Agent under the Agency Agreement, (vii) to the Account Bank under the Bank Account Agreement, (viii) to the Back-Up Servicer Facilitator under the Servicing Agreement, (ix) as listing fees, costs and expenses, (x) as auditor fees and (xi) as other fees that are 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 by the Issuer to the Class A Noteholders;
- (f) *sixth*, on a *pari passu* basis, any amount 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, any amount 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 by the Issuer 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 by the Issuer 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 by the Issuer 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 Lease 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

- (i) 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,
- (ii) outside of such order of priority, any swap collateral and any Replacement Swap Premium due to be transferred or paid by the Issuer to the Swap Counterparty or the replacement swap counterparty (as applicable) pursuant to the terms and conditions of the Swap Agreement will be transferred or paid (as applicable) by the Issuer to the Swap Counterparty or the replacement swap counterparty (as applicable) if and to the extent that such Replacement Swap Collateral has been received by the Issuer, and
- (iii) outside of such order of priority any interest compensation fee payable by the Issuer to the Seller will be paid pursuant to a separate arrangement between the Issuer and the Seller.

"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 and any balance credited to the Cash Reserve Ledger and any balance credited to the Commingling Reserve Ledger upon 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 including, without limitation, any balance credited to the Counterparty Downgrade Collateral Account to the extent that the proceeds from any swap collateral posted on the Counterparty Downgrade Collateral Account have been applied pursuant to the terms of the Swap Agreement to reduce the amount that would otherwise be payable by the Swap Counterparty upon early termination of the Swap Agreement and any amount received by the Issuer in respect of Replacement Swap Premium to the extent that such amount exceeds the amount required to be applied directly to pay a termination payment due and payable by the Issuer to the Swap Counterparty upon termination of the Swap Agreement, but excluding for the avoidance of doubt, any amount credited to the Counterparty Downgrade Collateral Account which will be returned directly to the Swap Counterparty, including, without limitation, any Replacement Swap Premium (only to the extent

that it is applied directly to pay a termination payment due and payable by the Issuer 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 Discounted Outstanding Lease Balances of the affected Purchased Lease 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 "*OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Lease 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 and pay interest accrued thereon.
Limited Recourse	<p>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.</p> <p>See "<i>TERMS AND CONDITIONS OF THE NOTES — Condition 4.2 (Limited Recourse)</i>".</p>
Subordinated Loan	The Subordinated Lender will grant the Subordinated Loan in a total amount of EUR 5,000,000, which is equal to 0.50 per cent. of the Initial Aggregate Discounted Outstanding Lease Balance, to the Issuer under the Subordinated Loan Agreement entered into by, <i>inter alia</i> , the Issuer and the Subordinated Lender. The Issuer will use the Subordinated Loan to fund the initial Required Cash Reserve Amount of EUR 5,000,000, which is equal to 0.50 per cent. of the Initial Aggregate Discounted Outstanding Lease Balance, as of the Issue Date. The Subordinated Lender will undertake to grant and keep outstanding the Subordinated Loan and not to sell and /or transfer and/or hedge the Subordinated Loan (whether in full or in part) until the earlier of the redemption of the Notes in full and the Legal Final Maturity Date in order to comply with the Securitisation Regulation.
Credit Enhancement	<p>The Notes have the benefit of credit enhancement through (i) the Excess Spread, (ii) the amount credited to the Cash Reserve Ledger and (iii) in case of the Class A Notes, the subordination as to payment of the Class B Notes to the Class A Notes.</p> <p>See "<i>CREDIT STRUCTURE AND FLOW OF FUNDS — Credit Enhancement</i>".</p>
Resolutions of Noteholders	In accordance with the German Act on Debt Securities (<i>Gesetz über Schuldverschreibungen aus Gesamtemissionen - SchVG</i>), 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 them 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 "*OVERVIEW 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 three (3) ledgers to the Issuer Account: The Operating Ledger, the Cash Reserve Ledger and the Commingling 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 or be charged (as applicable) 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. The swap 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.

Purchased Lease Receivables and Lease Collateral

The Purchased Lease Receivables and the Lease 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 Lease Receivables

On the Issue Date, the Issuer will purchase from the Seller certain Receivables originated by the Seller as lessor against customers located in Germany pursuant to the Lease Receivables Purchase Agreement and will grant security interests in the Lease Collateral as well as the Leased Vehicles for different security purposes. Each Purchased Lease Receivable is owed by the respective Lessee (together, the "**Lessees**"). The Purchased Lease Receivables are euro-denominated as set forth in the relevant Lease Agreements.

Collections under each Purchased Lease Receivable will be payable on a monthly instalment basis. If a Purchased Lease Receivable should partially or totally fail to comply on the Cut-Off Date immediately preceding the Issue 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 Lease Agreement underlying the relevant Purchased Lease Receivable only in accordance with the Credit and Collection Policy (applicable as of the date of such modification).

Lease Collateral

The Lease Collateral includes with respect to any Purchased Lease Receivable:

- (a) the Pro Rata Lease Instalment Share of any claims of the Seller to damages and excess mileage in accordance with its Credit and Collection Policy; and
- (b) any other security interests related to the Purchased Lease Receivables under the relevant Lease Agreements. Furthermore, title to the Leased Vehicles has been transferred as security to the Issuer exclusively for the purposes of securing any claims of the Issuer vis-à-vis the Seller arising due to the non-existence (*Nicht-Bestand*) of the respective relating Lease Instalments (*Veritätshaftung*), including any damage claim of the Seller against the relevant Lessee as a consequence of the early termination of the relevant Lease Agreement. The Leased Vehicles shall neither collateralise the due payment of any Lease Instalments by the relevant Lessee nor, in the absence of a default of the Seller in respect of the above-mentioned claims, due payment under the Notes. If the security purpose is met and a Leased Vehicle is realised by the Seller in accordance with its Credit and Collection Policy, the Issuer will not receive the full amount of the enforcement proceeds. The Issuer will only receive the Pro Rata Lease Instalment Share.

The Issuer will create the Security 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 securing their respective payment claims backed by the assets of Compartment German Auto Leases 5.

Servicing Agreement

Under the Servicing Agreement, the Servicer has agreed (i) to administer the Purchased Lease Receivables, the Lease Collateral and the Leased Vehicles and in particular to collect the

Purchased Lease Receivables in accordance with the Credit and Collection Policy, (ii) to enforce the Lease Collateral in accordance with the Credit and Collection Policy, (iii) to release, on behalf of the Issuer, Lease Collateral in accordance with the Credit and Collection Policy (as further described in "*Lease Collateral*" above), and (iv) to perform other tasks incidental to the above.

Pursuant to the terms of the Servicing Agreement, Intertrust (Luxembourg) S.à r.l. 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 Lessee Notification Event occurs, the Servicer will promptly send Lessee Notifications to any relevant Lessees and, if the Servicer fails to deliver such Lessee Notifications within five (5) Business Days after the Lessee Notification Event, the Issuer (and after the occurrence of an Issuer Event of Default, the Trustee, **provided that** the Trustee has obtained actual knowledge of such Lessee Notification Event) will be obliged to deliver or to instruct a successor Servicer or an agent that is compatible with the Secrecy Rules to deliver on its behalf such Lessee Notifications to the relevant Lessees 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 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 cooperate 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 "*OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Servicing Agreement*" and "*OUTLINE 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 Lease 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 Lease Receivables, Lease Collateral and/or the Leased Vehicles.

See "*OUTLINE 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 Lease Receivables, the Lease Collateral, the Leased Vehicles, the Issuer's claims against the Swap Counterparty under the Swap Agreement, any claims the Issuer might have against the Seller under the Lease 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 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 Lease Receivables from the Seller by (i) utilising the net proceeds of the issue of the Notes for the payment of the aggregate Purchase Price (EUR 991,799,990.80) and (ii) to the extent applicable, part of the Subordinated Loan for the Acquisition of the Purchased Lease 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 Lease Collateral will be credited to the Cash Reserve Ledger.

Cash Reserve Ledger

On the Issue Date, the Issuer will credit an amount of EUR 5,000,000 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 Lease Receivables 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 (but only if the Available Distribution Amount suffices to reduce the Class A Outstanding Notes Balance to zero or once the Current Aggregate Discounted Outstanding Lease Balance is reduced to zero or on the Legal Final Maturity Date) 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 Ledger*" 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.

See "*TERMS AND CONDITIONS OF THE NOTES — Condition 7.6 (Pre-Enforcement Priority of Payments)*".

Required Cash Reserve Amount

The Required Cash Reserve Amount will, as of any date, be an amount equal to either (i) EUR 5,000,000, which is equal to 0.50 per cent of the Initial Aggregate Discounted Outstanding Lease Balance; or (ii) zero upon the occurrence of either (a) the Legal Final Maturity Date or (b) the Available Distribution Amount as of such date being sufficient to reduce the Class A Outstanding Notes Balance to zero or (c) the Current Aggregate Discounted Outstanding Lease Balance being equal to zero, whichever occurs earlier.

Commingling Reserve Ledger

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 may 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 "OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Servicing Agreement — Commingling Reserve Ledger".

Upon the occurrence of a Commingling Reserve Trigger Event and for so long as such event continues, the Servicer shall, within fourteen (14) calendar days (the "**Performance Period**"), notify the Issuer in writing that it will elect to (i) with effect from the date of such notification, transfer any Collections to the Issuer Account within two (2) Business Days upon receipt of such Collections; or (ii) fund the Commingling Reserve Ledger (not using any Collections) on each Payment Date with the Commingling Reserve Required Amount as of such Payment Date.

For so long as such Commingling Reserve Trigger Event prevails, the Servicer shall have the right to switch between the above options by written notice to the Issuer.

Swap Agreement

As the Purchased Lease Receivables carry interest at a fixed rate, but the Class A 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 as of any date will be equal to the Class A Outstanding Notes Balance as of the immediately preceding Payment Date. 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 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, (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; (C) procure another person that has the required ratings to irrevocably and unconditionally guarantee the obligations of the Swap Counterparty under the Swap Agreement; or (D) 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 "OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Swap Agreement".

Transaction Documents	The Notes, the Trust Agreement, the Agency Agreement, the Bank Account Agreement, the Calculation Agency Agreement, the Lease 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 (assigning 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.
Law governing the Notes	The Notes are governed by and are to be construed in accordance with the laws of Germany. For the avoidance of doubt, Articles 470-3 to 470-19 of the Luxembourg law dated 10 August 1915 on commercial companies, as amended, shall not apply.
Tax Status of the Notes	See " <i>TAXATION</i> ".
Selling Restrictions	See " <i>SUBSCRIPTION AND SALE — Selling Restrictions</i> ".
Listing and Admission to Trading	Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and to admit them to trading on the regulated market (segment for professional investors) 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 S.A. of 42 Avenue John F. Kennedy, L-1855 Luxembourg (see " <i>GENERAL INFORMATION — ICSDs</i> ").
Ratings	<p>Class A: AAAsf by Fitch and Aaa(sf) by Moody's. For the Class B Notes no rating will be solicited.</p> <p>Each of 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, 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 5 July 2019 published by ESMA under https://www.esma.europa.eu/supervision/credit-rating-agencies/risk.</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

Since 2010 True Sale International GmbH ("TSI") grants a registered certification label "CERTIFIED BY TSI – DEUTSCHER VERBRIEFUNGSSTANDARD" if a special purpose vehicle complies with certain TSI conditions. These conditions are intended to contribute that securitisations involving a special purpose vehicle which is domiciled within the European Union adhere to certain quality standards. The TSI conditions have been updated in the past from time to time, and in the context of the recent Securitisation Regulation, TSI has made a further update to the TSI conditions in order to reflect quality standards that have also been incorporated into the STS requirements, based on TSI's interpretation of the Securitisation Regulation. The label "CERTIFIED BY TSI – DEUTSCHER VERBRIEFUNGSSTANDARD" thus indicates that standards based on the conditions established by TSI have been met.

TSI grants the issuer a certificate entitled "CERTIFIED BY TSI – DEUTSCHER VERBRIEFUNGSSTANDARD", which may be used as a quality label for the securities in question.

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 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 monthly reports, prospectus and the originator's or issuer's declaration of undertaking on the True Sale International GmbH website (www.true-sale-international.de);
- the originator must confirm that the quality criteria of the "*CERTIFIED BY TSI – DEUTSCHER VERBRIEFUNGSSTANDARD*" label are maintained throughout the duration of the transaction;
- since September 2018 and on the basis of TSI's interpretation of the Securitisation Regulation, certain quality standards included in the STS requirements are also incorporated in TSI's DEUTSCHER VERBRIEFUNGSSTANDARD criteria for EU securitisation transactions with car financing receivables as underlying. However, it should be noted that the TSI certification does not constitute a verification according to Article 28 of the Securitisation Regulation, neither has TSI checked and verified the originator's statements.

Certification by TSI is not a recommendation to buy, sell or hold securities and does not represent any assessment of the expected performance of the Purchased Lease Receivables or the Notes. TSI's certification label is issued on the basis of an assurance given to True Sale International GmbH by the Issuer, as of the date of this Offering Circular, that, throughout the duration of the transaction, it will comply with:

- (a) the reporting and disclosure requirements of True Sale International GmbH, and
- (b) the main quality criteria of the "*CERTIFIED BY TSI – DEUTSCHER VERBRIEFUNGSSTANDARD*" label.

True Sale International GmbH 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 securities, and disclaims any responsibility for monitoring continuing compliance with these standards by the parties concerned or any other aspect of their activities or operations. Investors should therefore not evaluate their notes investments on the basis of this certification.

VERIFICATION BY SVI

STS Verification International GmbH ("**SVI**") has been authorised by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) as third party verification agent pursuant to Article 28 of the Securitisation Regulation.

SVI grants a registered verification label "*verified – STS VERIFICATION INTERNATIONAL*" if a securitisation complies with the requirements for simple, transparent and standardised securitisation as set out in Articles 19 to 22 of the Securitisation Regulation ("**STS Requirements**"). The aim of the Securitisation Regulation is to restart high-quality securitisation markets, and the intention of implementing a framework for simple, transparent and standardised transactions with corresponding STS criteria shall contribute to this. However, it should be noted that the SVI verification does not affect the liability of such originator or special purpose vehicle in respect of their legal obligations under the Securitisation Regulation. Furthermore, the use of such verification by SVI shall not affect the obligations imposed on institutional investors as set out in Article 5 of the Securitisation Regulation. Notwithstanding confirmation by SVI which verifies compliance of a securitisation with the STS Requirements, such verification by SVI does not ensure the compliance of a securitisation with the general requirements of the Securitisation Regulation.

The verification label "*verified – STS VERIFICATION INTERNATIONAL*" has been officially registered as a trade mark and is licensed to an issuer of securities if the securities meet the STS Requirements.

The verification label is issued on the basis of SVI's verification process, which is explained in detail on the SVI website (www.sts-verification-international.com). The verification process is based on the SVI verification manual. It describes the verification process and the individual inspections in detail. The verification manual is authoritative for all parties involved in the verification process and its application ensures an objective and uniform verification of transactions to be verified.

The originator will include in its notification pursuant to Article 27(1) of the Securitisation Regulation a statement that compliance of its securitisation with the STS Requirements has been confirmed by SVI.

SVI has carried out no other investigations or surveys in respect of the Issuer or the notes concerned other than as such set out in SVI's final verification report. SVI disclaims any responsibility for monitoring continuing compliance with the STS Requirements by the parties concerned or other aspect of their activities or operations. Furthermore, SVI has not provided any form of advisory, audit or equivalent service to the Issuer.

Verification by SVI is not a recommendation to buy, sell or hold securities. Investors should, therefore, not evaluate their investment in notes on the basis of this verification. Furthermore, the STS status of a transaction is not static and investors should therefore verify the current status of the transaction on ESMA's website.

CREDIT STRUCTURE AND FLOW OF FUNDS

Lease Instalments of the Purchased Lease Receivables

The Lease Receivables which will be purchased by the Issuer shall not include any amounts owed under or in connection with the Lease Agreements other than the Lease Instalments. The Purchased Lease Receivables shall not include the portions relating to the VAT, the residual value and the provision of services. The Lease Instalments in respect of each Purchased Lease Receivable will be payable on a monthly basis. See "*PURCHASED LEASE RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA*".

Collection arrangements

Payments by the Lessees of Lease Instalments under the Purchased Lease Receivables are scheduled to become due and payable on a monthly basis. Prior to a Servicer Termination Event, all Collections received from the Lessees 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 "*OUTLINE 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 three (3) ledgers relating to the Issuer Account in order to record amounts held in respect thereof: (i) the Operating Ledger, (ii) the Cash Reserve Ledger and (iii) the Commingling 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*".

Any amount credited to the Commingling Reserve Ledger will constitute part of the Available Distribution Amount upon the occurrence and continuance of a Servicer Termination Event if and only to the extent that the Servicer has, on the relevant Payment Date, failed to transfer to the Issuer any Collections received by or, in the case of Deemed Collections, 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).

Bank account used for the Transaction

No later than on the Issue Date, the Issuer will have established the Issuer Account and the Counterparty Downgrade Collateral 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 5,000,000, which is equal to 0.50 per cent. of the Initial Aggregate Discounted Outstanding Lease Balance, 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 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, (b) the Available Distribution Amount suffices to reduce the Class A Outstanding Notes Balance to zero or (c) once the Current Aggregate Discounted Outstanding Lease Balance is reduced to zero, in each case, in accordance with the Pre-Enforcement Priority of Payments. After the occurrence of an Enforcement Event, the amount 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.

If at any time the Account Bank ceases to be an Eligible Counterparty, it shall at its own cost, (in case of a downgrade of the Account Bank by Fitch or Moody's within sixty (60) 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) a short-term, deposit rating of at least F1 (or its replacement) by Fitch (or, if it does not have a short-term deposit rating assigned by Fitch, a short-term credit rating of at least F1 (or its replacement) by Fitch) or a long-term deposit rating of at least A (or its replacement) by Fitch (or, if it does not have a long-term deposit rating assigned by Fitch, a long-term unsecured, unsubordinated and unguaranteed debt obligations rating at least A (or its replacement) by Fitch), and (y) a long-term issuer credit rating of at least A2 (or its replacement) by Moody's and a short-term issuer credit rating of P-1 (or its replacement) by Moody's, unless such entity does not have a long-term issuer credit rating assigned by Moody's, in which case such entity must be a financial institution with a short-term issuer credit rating of at least P-1 (or its replacement) by Moody's or, in each case, such other rating as is otherwise acceptable to the relevant Rating Agency from time to time as would maintain the then current rating of the Class A Notes rated by it, or (iii) take any other action in order to maintain the rating of the Class A Notes or to restore the rating of the Class A Notes. In each case of (i) or (ii) above, the Account Bank will 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. In addition, the outgoing Account Bank shall 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 Account Bank is taking effect and, in case of termination of the appointment of the Account Bank as a result of the Account Bank no longer being an Eligible Counterparty or in case of a termination for good cause (*aus wichtigem Grund*) caused by the Account Bank, the outgoing Account Bank shall reimburse the Issuer for the costs (including legal costs and administration costs) or pay any costs incurred for the purpose of appointing a successor bank, subject to a cap as agreed between the bank and the Issuer. Any costs in excess of such cap will be borne by the Issuer.

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 amount 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 German Auto Leases 5. The amount of Collections received by the Issuer with

respect to the Purchased Lease 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 Lease Receivables. The effect of such variations could lead to drawings from and replenishment of the Cash Reserve Ledger.

Interest rate hedging

The Purchased Lease Receivables are discounted to their net present value by using the Discount Rate. 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*).

The calculation of the Purchase Prices for the Purchased Lease Receivables is made on the basis of a fixed interest rate to determine the net present value by discounting the Purchased Lease Receivables with the Discount Rate. The interest rate payable by the Issuer with respect to the Class A Notes is calculated as the sum of EURIBOR and the margin 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 with respect to the Class A Notes, 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 Class A Outstanding Notes Balance on the immediately preceding Payment Date. Payments under the Swap Agreement will be made on a net basis. See "*OUTLINE 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 the Class A 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, procuring another person that has the required ratings to irrevocably and unconditionally guarantee the obligations of the Swap Counterparty under the Swap Agreement or taking other agreed remedial action (which may include no action). See "*OUTLINE 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 credit to the Cash Reserve Ledger funded by way of drawings under the Subordinated Loan and (iii) in case of the Class A Notes, the subordination as to payment of the Class B Notes to the Class A Notes.

Subordinated Loan and Cash Reserve Ledger

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 5,000,000. The Issuer will use the Subordinated Loan to fund the initial Required Cash Reserve Amount of EUR 5,000,000, which is equal to 0.50 per cent. of the Initial Aggregate Discounted Outstanding Lease Balance and which will, no later than the Issue Date, be paid into the Cash Reserve Ledger by the Issuer. 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 amount 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 thirteenth upon the earlier of (a) the Legal Final Maturity Date, (b) the Available Distribution Amount suffices to reduce the Class A Outstanding Notes Balance to zero or (c) once the Current Aggregate Discounted Outstanding Lease Balance is reduced to zero 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 Ledger 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 amount 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 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. 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 Incorporated Terms Memorandum (see pages 103 et seqq.) and Appendix B to the Conditions sets out the Trust Agreement (excluding its schedules 1, 2, 3 and 4) (see "*THE TRUST AGREEMENT*" (see pages 192 et seqq.).

1 Appendixes

Appendix A and Appendix B 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 2a, rue Nicolas Bové, L-1253 Luxembourg, registered with the Luxembourg trade and companies register under number B 127982, acting in respect of its Compartment German Auto Leases 5 (the "**Issuer**") will issue (*begeben*) the following classes of floating rate and fixed rate amortising asset-backed notes in bearer form (*Inhaberschuld-verschreibungen*) (each, a "**Class**" and collectively, the "**Notes**") pursuant to these terms and conditions (the "**Conditions**"):

- (i) The Class A notes due September 2026 (the "**Class A Notes**") which are issued in an initial aggregate principal amount of EUR 900,000,000 and divided into 9,000 Notes, each having a principal amount of EUR 100,000; and
- (ii) The Class B notes due September 2026 (the "**Class B Notes**") which are issued in an initial aggregate principal amount of EUR 91,800,000 and divided into 918 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 authorised 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 shall be deposited with an entity appointed as common safekeeper (the "**Common Safekeeper for the Class A Notes**") by Euroclear Bank S.A./N.V. as the operator of the Euroclear System ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream Luxembourg**", and, together with Euroclear, the "**Clearing Systems**"). Each Global Note representing the Class B Notes shall be deposited with an entity appointed as common safekeeper (the "**Common Safekeeper for the Class B Notes**", together with the Common Safekeeper for the Class A Notes, the "**Common Safekeepers**") for Euroclear Bank S.A./N.V. as the operator of Euroclear and for Clearstream Luxembourg.
- (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 "United States Person" as defined in the U.S. Internal Revenue Code of 1986, as amended (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 authorised 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 Common Safekeeper for the Class A Notes on behalf of the Issuer and, in respect of each Global Note representing the Class B Notes, effectuated by the Common Safekeeper for the Class B Notes 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 2 of the Agency Agreement between the Paying Agent, the Interest Determination Agent, the Issuer and the Seller / the Servicer 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 or Appendix B, to these Conditions ("**Appendix A**", "**Appendix B**", respectively).
- (j) The Notes are subject to the provisions of a trust agreement relating to Compartment German Auto Leases 5 (the "**Trust Agreement**") between the Issuer, the Paying Agent, the Swap Counterparty, 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 1, 2, 3 and 4) 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 German Auto Leases 5.
- (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 Condition 7.6 (*Pre-Enforcement Priority of Payments*) 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 Condition 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 assigned, transferred or pledged (as applicable) to the Trustee all its rights, claims and interests in the Purchased Lease Receivables, the Lease Collateral and the Leased Vehicles (that was assigned or transferred by the Seller to it under the Lease 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 3 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.

(c) The limitations set out in this Condition 4.2 shall not apply in respect of liabilities for (a) damages to persons (*Verletzung von Leben, Körper und Gesundheit*); (b) any losses, liability, claims, damages or expenses caused intentionally (*Vorsatz*) or by gross negligence (*grobe Fahrlässigkeit*) of the Issuer, its directors, officers, agents or persons acting on its behalf; or (c) any losses, liability, claims, damages or expenses resulting solely from negligence (*einfache Fahrlässigkeit*) of the Issuer, its directors, officers, agents or persons acting on its behalf in relation to the breach of essential rights or duties (*Kardinalspflichten*) hereunder.

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 German Auto Leases 5 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) 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) calendar 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 or any other Transaction Document (other than the Subordinated Loan Agreement); or
- (d) an Insolvency Event has occurred with respect to the Issuer.

Upon the occurrence of an Enforcement Event, the full Class Outstanding Notes Balance of each Class of Notes shall become due and payable in accordance with the Post-Enforcement Priority of Payments.

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 Auto Leases 5, 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 twentieth (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 21 October 2019 (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 900,000,000, and of all the Class B Notes is EUR 91,800,000. "**Class A Outstanding Notes Balance**" means, as of any date, the sum of the Outstanding Note Balances of all Class A Notes as of such date and if such date is a Payment Date, taking in account the principal redemption on such Payment Date, and "**Class B Outstanding Notes Balance**" means, as of any date, the sum of the Outstanding Note Balances of all Class B Notes as of such date and if such date is a Payment Date, taking in account the principal redemption on such Payment Date. The "**Class Outstanding Notes Balance**" means either of the Class A Outstanding Notes Balance or the Class B Outstanding Notes Balance, as applicable. The aggregate amount of the Class A Outstanding Notes Balance and the Class B Outstanding Notes Balance 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 and the Counterparty Downgrade Collateral Account on the Payment Date immediately following such Cut-Off Date **provided that**, for the avoidance of doubt, except to the extent set out under item (vii) below, any balance credited to the Counterparty Downgrade Collateral Account will not form part of the Available Distribution Amount, 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 amount standing to the credit of the Cash Reserve Ledger as of such Cut-Off Date, to 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, (b) the Available Distribution Amount suffices to reduce the Class A Outstanding Notes Balance to zero or (c) once the Current Aggregate Discounted Outstanding Lease Balance is reduced to zero, in each case, in accordance with the Pre-Enforcement Priority of Payments;
- (ii) any Collections received by or, in the case of Deemed Collections, payable 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 Lease 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 (other than the amount allocated to the Commingling Reserve Ledger) during such Monthly Period;
 - (vi) the amount standing to the credit of the Commingling Reserve Ledger upon 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;
 - (vii) any balance credited to the Counterparty Downgrade Collateral Account, however, only to the extent that the proceeds from any swap collateral posted on the Counterparty Downgrade Collateral Account have been applied pursuant to the terms of the Swap Agreement to reduce the amount that would otherwise be payable by the Swap Counterparty upon early termination of the Swap Agreement and any amount received by the Issuer in respect of Replacement Swap Premium to the extent that such amount exceeds the amount required to be applied directly to pay a termination payment due and payable by the Issuer to the Swap Counterparty upon termination of the Swap Agreement; and
 - (viii) any other amounts (other than covered by item (i) through (vi) above (if any)) paid to the Issuer by any other party to any Transaction Document up to (and including) the Payment Date immediately following such Cut-Off Date, unless otherwise specified, which according to such Transaction Document is to be allocated to 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 of such Note immediately prior to the relevant Payment Date and multiplying the result by the actual number of calendar 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 0.70 per cent. per annum and if such rate is below zero, the Interest Rate will be zero, and
 - (ii) in the case of the Class B Notes, 1.00 per cent. 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 page EURIBOR 01 of the Reuters screen (or such other page as may replace such page on that service for the purpose of displaying the euro inter-bank offered rate administered by the Banking Federation of the European Union (or any other person which takes over the administration of such rate)) 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 page EURIBOR 01 of the Reuters screen is not available or if no such quotation appears thereon, in each case as at such time, the Interest Determination Agent shall either specify another page or service displaying the relevant rate or use the Reference Bank Rate (expressed as a percentage rate per annum) as determined by it in consultation with the Issuer for one-month deposits in euro at approximately 11:00 a.m. (Brussels time) on the relevant Interest Determination Date, where the "**Reference Bank Rate**" means the arithmetic mean of the rates (rounded upwards to four decimal places)

as supplied to the Interest Determination Agent at its request by the Reference Banks selected by it in consultation with the Issuer as the rate at which such Reference Bank could borrow funds in the European interbank market in euro and for such Interest Period were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in euro and for such Interest Period.

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:

- (i) for any reason other than as described under (ii) below, EURIBOR for such Interest Period shall be EURIBOR as determined on the previous Interest Determination Date.
 - (ii) due to a public announcement of the permanent or indefinite discontinuation of EURIBOR that applies to the Class A Notes at that time (the date of such public announcement being the "**Relevant Time**"), the Issuer (acting on the advice of the Servicer) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Base Rate in accordance with Clause 22 (*Base Rate Modification*) of the Trust Agreement.
- (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 doubt, in respect of the most senior Class of Notes a default in the payment of interest on any Payment Date (where 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, the applicable Interest Rate, the applicable Interest Amount, the applicable 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 (segment for professional investors) of the Luxembourg Stock Exchange, to the Luxembourg Stock Exchange 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, 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 (*Post-Enforcement Priority of Payments*). 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 on 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 per cent. of all taxes payable exclusively in respect of Compartment German Auto Leases 5 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 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 (i) to the Data Trustee under the Data Trust Agreement, (ii) to the Rating Agencies in respect of the monitoring fees, (iii) to the Servicer under the Servicing Agreement, (iv) to the Corporate Administrator under the Corporate Administration Agreement, (v) to the Calculation Agent under the Calculation Agency Agreement and the Servicing Agreement, (vi) to the Interest Determination Agent and the Paying Agent under the Agency Agreement, (vii) to the Account Bank under the Bank Account Agreement, (viii) to the Back-Up Servicer Facilitator under the Servicing Agreement, (ix) as listing fees, costs and expenses, (x) as auditor fees and (xi) as other fees that are 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 by the Issuer to the Class A Noteholders;
- (f) *sixth*, on a *pari passu* basis, accrued and unpaid interest (including any Interest Shortfall) payable by the Issuer 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 by the Issuer 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 by the Issuer to the Subordinated Lender under the Subordinated Loan Agreement;
- (l) *twelfth*, principal payable by the Issuer 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 Lessee Notification Event, to pay any amounts owed by the Issuer to the Seller due and payable under the Lease 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
- (n) *fourteenth*, all remaining excess to the Seller,

provided that

- (i) 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 or the Cash Reserve Ledger or the Counterparty Downgrade Collateral Account;
- (ii) outside of such order of priority, any swap collateral or any Replacement Swap Premium due to be transferred or paid by the Issuer to the Swap Counterparty or the replacement swap counterparty (as applicable) pursuant to the terms and conditions of the Swap Agreement shall be transferred or paid (as applicable) by the Issuer to the Swap Counterparty or the replacement swap counterparty (as applicable) if and to the extent that such Replacement Swap Premium has been received by the Issuer;
- (iii) outside of such order of priority any interest earned on the balance credited to the Commingling Reserve Ledger and any Commingling Reserve Excess Amount in accordance with Clause 13.3 of the Servicing Agreement shall be paid to the Seller as well as any (i) remaining amount standing to the

credit of the Commingling Reserve Ledger to the extent not part of the Available Distribution Amount and (ii) amounts to be released to the Servicer in accordance with Clause 13.4 of the Servicing Agreement, once the Issuer has determined that no Servicer Shortfall exists and no further Servicer Shortfalls are to be expected and no Commingling Reserve Trigger Event has occurred and is still continuing, and

- (iv) outside of such order of priority any interest compensation fee payable by the Issuer to the Seller will be paid pursuant to a separate arrangement between the Issuer and 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 in September 2026 (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 Current Aggregate Discounted Outstanding Lease Balance is less than 10 per cent. of the Initial Aggregate Discounted Outstanding Lease Balance on the Cut-Off Date immediately preceding the Issue Date, the Seller shall (**provided that** on the relevant Payment Date no Enforcement Event has occurred) have the option under the Lease Receivables Purchase Agreement to demand from the Issuer and trigger the resale of all outstanding Purchased Lease Receivables (together with any Lease 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 Lease Receivables (together with any Lease 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 plus (y) accrued but unpaid interest thereon plus (z) all claims of any creditors of the Issuer in respect of Compartment German Auto Leases 5 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 ten (10) calendar 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 Lease 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 the Class A 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, 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 Lease 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 German Auto Leases 5 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 under any applicable law (if any) **provided that** (i) 100 per cent. of all taxes payable exclusively in respect of Compartment German Auto Leases 5 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 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 (i) to the Data Trustee under the Data Trust Agreement, (ii) to the Rating Agencies in respect of the monitoring fees, (iii) to the Servicer under the Servicing Agreement, (iv) to the Corporate Administrator under the Corporate Administration Agreement, (v) to the Calculation Agent under the Calculation Agency Agreement and the Servicing Agreement, (vi) to the Interest Determination Agent and the Paying Agent under the Agency Agreement, (vii) to the Account Bank under the Bank Account Agreement, (viii) to the Back-Up Servicer Facilitator under the Servicing Agreement, (ix) as listing fees, costs and expenses, (x) as auditor fees and (xi) as other fees that are 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 by the Issuer to the Class A Noteholders;
- (f) *sixth*, on a *pari passu* basis, any amount 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, any amount 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 by the Issuer 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 by the Issuer 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 by the Issuer 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 Lease 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

- (i) 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;
- (ii) outside of such order of priority, any swap collateral and any Replacement Swap Premium due to be transferred or paid by the Issuer to the Swap Counterparty or the replacement swap counterparty (as applicable) pursuant to the terms and conditions of the Swap Agreement shall be transferred or paid (as applicable) by the Issuer to the Swap Counterparty or the replacement swap counterparty (as applicable) if and to the extent that such Replacement Swap Collateral has been received by the Issuer; and
- (iii) outside of such order of priority any interest compensation fee payable by the Issuer to the Seller will be paid pursuant to a separate arrangement between the Issuer and the Seller.

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 (segment for professional investors) of the Luxembourg Stock Exchange and listed on the Luxembourg Stock Exchange, the Luxembourg Stock Exchange 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) The Bank of New York Mellon, London Branch as paying agent (in such capacity the "**Paying Agent**"), (ii) The Bank of New York Mellon, London Branch as calculation agent (in such capacity the "**Calculation Agent**") and (iii) The Bank of New York Mellon, London Branch as interest determination agent (in such capacity the "**Interest Determination Agent**", together with the Paying Agent and the Calculation Agent, the "**Agents**").
- (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 will for as long as any Notes are listed on the official list of the Luxembourg Stock Exchange, assume the obligations assigned to 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 or by agreement with the U.S. Internal Revenue Service entered into pursuant to FATCA. 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*). The Issuer shall procure that no payments are made to any Person located in the United States.

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 German Auto Leases 5), 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 (a) and the following conditions:
- (i) the New Issuer assumes all rights and duties of the Issuer (in respect of Compartment German Auto Leases 5) 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 German Auto Leases 5) 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 the Class A Notes.

Upon fulfilment of the aforementioned conditions, the New Issuer shall in every respect substitute the Issuer (in respect of Compartment German Auto Leases 5) and the Issuer (in respect of Compartment German Auto Leases 5) 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 German Auto Leases 5) 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 German Auto Leases 5) 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(c) (*Resolutions of Noteholders*) 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 authorised 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 (segment for professional investors) 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)(i) 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 Amendments to the Conditions

Subject to giving five (5) Business Days prior notice to the Noteholders pursuant to Condition 15 (*Form of Notices*), by publishing such notice with the Luxembourg Stock Exchange (www.bourse.lu), the Issuer will be entitled to amend any term or provision of the Conditions including this Condition 16.1 (*Amendments to the Conditions*) or the Transaction Documents with the consent of the Trustee, but without the consent of any Noteholder, any Swap Counterparty, the Arrangers, the Managers or any other Person if it is advised by a third party authorised under Article 28 of the Securitisation Regulation or a reputable international law firm that such amendments are required for the Transaction to comply with the Securitisation Regulation including the requirements for simple, transparent and standardised securitisations set out therein and in any regulatory technical standards authorised under the Securitisation Regulation.

16.2 Presentation Period

The presentation period for the Global Notes shall be reduced to five (5) years after the date on which the last payment in respect of the Notes represented by such Global Note was due in accordance with Section 801 (1), first sentence, of the German Civil Code.

16.3 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.

16.4 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 470-3 to 470-19 of the Luxembourg law dated 10 August 1915 on commercial companies, as amended, shall not apply.

16.5 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.

16.6 Judicial Assertion

Subject to the limitations set forth in Condition 4.2 (*Limited Recourse*) and Condition 4.3 (*Enforcement of Payment Obligations*), any Noteholder may in any proceedings against the Issuer, or to which such Noteholder and the Issuer are parties, protect and enforce in his own name its rights arising under such Notes on the basis of:

- (a) a statement issued by the Custodian Bank with whom such Noteholder maintains a securities account in respect of the Notes (i) stating the full name and address of the Noteholder, (ii) specifying the aggregate Note Principal Amount of Notes credited to such securities account on the date of such statement and (iii) confirming that the Custodian Bank has given written notice to the Clearing Systems containing the information set out under items (i) and (ii) which has been confirmed by the Clearing Systems; and
- (b) a copy of the Global Notes representing the Notes, certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the original Global Notes representing the Notes.

For the purposes of this Condition 16.6 (*Judicial Assertion*), "**Custodian Bank**" means any bank or other financial institution of recognised standing authorised to engage in security custody business (*Wertpapierverwahrungsgeschäft*) with which a Noteholder maintains a securities account in respect of the Notes and which maintains an account with the Clearing Systems, including the Clearing Systems. Each Noteholder may, without prejudice to the foregoing, protect or enforce its rights and claims arising from the Notes in any other way legally permitted in proceedings pursuant to the laws of the country in which proceedings take place. Section 797 of the German Civil Code (*Bürgerliches Gesetzbuch*) shall not apply.

OVERVIEW 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 2 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) calendar 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.

THE INCORPORATED TERMS MEMORANDUM

The following is the text of the Incorporated Terms Memorandum. The text of the Incorporated Terms Memorandum is 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 Incorporated Terms Memorandum and elsewhere in this Offering Circular, the definitions and expressions in the Incorporated Terms Memorandum will prevail.

The descriptions in this section refer to the Incorporated Terms Memorandum. These descriptions do not purport to be complete and are subject to, and are qualified in their entirety by, the detailed provisions of the Incorporated Terms Memorandum.

The Incorporated Terms Memorandum is made on or before the Issue Date between the Issuer, the Seller, Servicer and Subordinated Lender, the Trustee, the Account Bank and Data Trustee, the Interest Determination Agent, Paying Agent and Calculation Agent, the Corporate Administrator and Back-Up Servicer Facilitator and the Swap Counterparty.

SCHEDULE 1 – MASTER DEFINITIONS SCHEDULE

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.

"2006 ISDA Definitions"	means the definitions and provisions published by the International Swaps and Derivatives Association, Inc.
"Account Bank"	means The Bank of New York Mellon, Frankfurt 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.
"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, <i>inter alia</i> , the Paying Agent, the Interest Determination Agent, the Issuer, the Seller and the Servicer dated as of the Signing Date.
"Aggregate Outstanding Notes Balance"	means, as of any date, the aggregate amount of the Class A Outstanding Notes Balance and the Class B Outstanding Notes Balance, in each case, as of such date.
"Aggregate Purchase Price"	means EUR 991,799,990.80.
"Alternative Base Rate"	has the meaning assigned thereto in Clause 22 (i) of the Trust Agreement.
"Applicable Insolvency Law"	means any applicable bankruptcy, insolvency or other similar law affecting creditor's rights now or hereafter in effect in any jurisdiction.
"APR" or "Annual Percentage Rate"	means the effective annual percentage rate expressed as a percentage.
"Arranger"	means BMW Bank GmbH.
"Articles of Incorporation"	means the <i>statuts</i> of Bavarian Sky S.A. under Luxembourg law, as published on 26 April 2017 in the Luxembourg Official Journal.
"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 and the Counterparty Downgrade Collateral Account on the

Payment Date immediately following such Cut-Off Date provided that, for the avoidance of doubt, except to the extent set out under item (vii) below, any balance credited to the Counterparty Downgrade Collateral Account will not form part of the Available Distribution Amount, 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 amount standing to the credit of the Cash Reserve Ledger as of such Cut-Off Date, to 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, (b) the Available Distribution Amount suffices to reduce the Class A Outstanding Notes Balance to zero or (c) the Current Aggregate Discounted Outstanding Lease Balance is reduced to zero, in each case, in accordance with the Pre-Enforcement Priority of Payments;
- (ii) any Collections received by or, in the case of Deemed Collections, payable 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 Lease 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 (other than the amount allocated to the Commingling Reserve Ledger) during such Monthly Period;
- (vi) the amount standing to the credit of the Commingling Reserve Ledger upon 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;

- (vii) any balance credited to the Counterparty Downgrade Collateral Account, however, only to the extent that the proceeds from any swap collateral posted on the Counterparty Downgrade Collateral Account are applied pursuant to the terms of the Swap Agreement to reduce the amount that would otherwise be payable by the Swap Counterparty upon early termination of the Swap Agreement and any amount received by the Issuer in respect of Replacement Swap Premium to the extent that such amount exceeds the amount required to be applied directly to pay a termination payment due and payable by the Issuer to the Swap Counterparty upon termination of the Swap Agreement; and
- (viii) any other amounts (other than covered by item (i) through (vii) above (if any)) paid to the Issuer by any other party to any Transaction Document up to (and including) the Payment Date immediately following such Cut-Off Date, unless otherwise specified, which according to such Transaction Document is to be allocated to 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 and any balance credited to the Cash Reserve Ledger and any balance credited to the Commingling Reserve Ledger upon the occurrence and continuance of a Servicer Termination Event as of the relevant Cut-Off Date, to the extent necessary to cover any Servicer Shortfall caused on the part of BMW Bank as Servicer; and including, without limitation, any balance credited to the Counterparty Downgrade Collateral Account to the extent that the proceeds from any swap collateral posted on the Counterparty Downgrade Collateral Account have been applied pursuant to the terms of the Swap Agreement to reduce the amount that would otherwise be payable by the Swap Counterparty upon early termination of the Swap Agreement and any amount received by the Issuer in respect of Replacement Swap Premium to the extent that such amount exceeds the amount required to be applied directly to pay a termination payment due and payable by the Issuer to the Swap Counterparty upon termination of the Swap Agreement, but excluding, for the avoidance of doubt, any

amount credited to the Counterparty Downgrade Collateral Account which will be returned directly to the Swap Counterparty, including, without limitation, any Replacement Swap Premium (only to the extent that it is applied directly to pay a termination payment due and payable by the Issuer to the Swap Counterparty) and excluding, for the avoidance of doubt, the Pro Rata Residual Value Share.

"Back-Up Servicer Facilitator"	means Intertrust (Luxembourg) S.à r.l.
"BaFin"	means the German Federal Financial Supervisory Authority (<i>Bundesanstalt für Finanzdienstleistungsaufsicht</i>).
"Bank Account Agreement"	means a bank account agreement between, <i>inter alia</i> , the Issuer and the Account Bank relating to the Issuer Account and the Counterparty Downgrade Collateral Account and dated as of the Signing Date.
"Benchmark Regulation"	means Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, as amended, and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.
"BMW AG"	means Bayerische Motoren Werke Aktiengesellschaft.
"BMW Bank"	means BMW Bank GmbH.
"BMW Group"	means BMW AG together with its consolidated subsidiaries.
"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 (TARGET 2) operates.
"Calculation Agency Agreement"	means the calculation agency agreement between, <i>inter alios</i> , the Issuer and the Calculation Agent dated as of the Signing Date.
"Calculation Agent"	means The Bank of New York Mellon, London 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 Notice"	means the written notice issued by the Calculation Agent to the Issuer and the Servicer after conducting the Calculation Check.

"Calculation Check"	has the meaning assigned thereto in Clause 5.1 of the Calculation Agency Agreement.
"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 German Auto Leases 5 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 Transferred 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 (<i>Grant of Security and Declaration of Trust</i>) of the Deed of Security Assignment.
"Class Outstanding Notes Balance"	means either of the Class A Outstanding Notes Balance or the Class B Outstanding Notes Balance, as applicable.
"Class A Noteholder"	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 900,000,000, consisting of 9,000 individual Notes, each in the nominal amount of EUR 100,000 and ranking senior to the Class B Notes and the Subordinated Loan.
"Class A Outstanding Notes Balance"	means, as of any date, the sum of the Outstanding Note Balances of all Class A Notes as of such date and if such date is a Payment Date, taking into account the principal redemption on such Payment Date.
"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 91,800,000, consisting of 918 individual Notes, each in the nominal amount of EUR 100,000 and ranking junior to the Class A Notes and senior to the Subordinated Loan.
"Class B Outstanding Notes Balance"	means, as of any date, the sum of the Outstanding Note Balances of all Class B Notes as of such date and if such date is a Payment Date, taking into account the principal redemption on such Payment Date.

"Class"	means any of the Class A Notes and the Class B Notes.
"Clean-Up Call Conditions"	<p>means:</p> <p>(a) the proceeds distributable as a result of the repurchase of all outstanding Purchased Lease Receivables (together with any Lease Collateral and the relevant Leased Vehicles) (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 plus (y) accrued but unpaid interest thereon plus (z) all claims of any creditors of the Issuer in respect of Compartment German Auto Leases 5 ranking prior to the claims of the Noteholders according to the Pre-Enforcement Priority of Payments;</p> <p>(b) the Seller shall have notified the Issuer and the Trustee of its intention to exercise the Clean-Up Call Option at least ten (10) calendar days prior to the contemplated Clean-Up Call Settlement Date; and</p> <p>(c) the repurchase price to be paid by the Seller shall be equal to the then current value (<i>aktueller Wert</i>) of all Purchased Lease Receivables plus any interest accrued until and outstanding on the Clean-Up Call Settlement Date.</p>
"Clean-Up Call Notice"	means a notice substantially in the form as set out in <u>Schedule 5 (Form of Clean-Up Call Notice)</u> to the Lease Receivables Purchase Agreement.
"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 a Payment Date as specified by the Seller upon the Clean-Up Call Conditions being satisfied and provided that the Seller exercises the Clean-Up Call Option with at least ten (10) calendar days prior to the such specified Payment Date in accordance with the form of Clean-Up Call Notice.
"Clearstream Luxembourg"	means the Clearstream clearance system for internationally traded securities operated by Clearstream Banking S.A. at 42 Avenue John F. Kennedy, L-1855 Luxembourg and any successor thereto.
"Collection Mandate"	means the authority to collect (<i>Einziehungsermächtigung</i>) the Purchased Lease Receivables and any amounts or proceeds from the related Lease Collateral and the Leased Vehicles.

"Collections"

means, with respect to any Purchased Lease 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 Lease Receivable and related Lease Collateral including, without limitation:

- (a) all collections of the Lease Instalments that have been paid by the Lessees;
- (b) the Deemed Collections, if any, paid in respect of such Purchased Lease Receivable;
- (c) the Pro Rata Lease Instalment Share of any proceeds of any Lease Collateral, including, without limitation, all proceeds received by means of realisation of any related security which for the avoidance of doubt excludes the Pro Rata Residual Value Share of such recovery proceeds; and
- (d) any proceeds from the sale of Defaulted Lease Receivables received by the Servicer on behalf of the Issuer from any third party;

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 (*Lastschriftrückbelastung*)), and any Deemed Collections of such Purchased Lease Receivable 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 Lessee shall be applied in accordance with Sections 366 et seq. and 506, 497 (3) of the German Civil Code.

"Co-Managers"

means ING Bank N.V. and Skandinaviska Enskilda Banken AB (publ).

"Commingling Reserve Excess Amount"

means, as of any Cut-off Date, an amount equal to the amount credited to the Commingling Reserve Ledger which exceeds the Commingling Reserve Required Amount.

"Commingling Reserve Ledger"

means a ledger to the Issuer Account held by the Issuer with the Account Bank for the Commingling Reserve Required Amount in respect of Compartment German Auto Leases 5 and for the purposes of the Transaction.

"Commingling Reserve Reduction Amount"

means on any Payment Date following (i) the occurrence and continuation of a Commingling Reserve Trigger Event and (ii) for as long as the Servicer has selected the option

set-out in Clause 13.1(ii) of the Servicing Agreement, the product of

- (a) the Discounted Outstanding Lease Balance on the Cut-Off Date immediately preceding the relevant Payment Date; and
- (b) the difference, if positive, of (i) over (ii) where:
 - (i) is the result of (A) Discounted Outstanding Lease Balance on the Cut-Off Date immediately preceding the relevant Payment Date minus the Class A Outstanding Notes Balance on such Payment Date plus the cash reserve amount standing to the credit of the Cash Reserve Ledger on such Payment Date, divided by (B) the Discounted Outstanding Lease Balance on the Cut-Off Date immediately preceding the relevant Payment Date; and
 - (ii) is 9.76%,

provided that if (i) is lower than (ii), the Commingling Reserve Reduction Amount shall be zero.

"Commingling Reserve Required Amount"

means (i) if no Commingling Reserve Trigger Event prevails or if and for as long as the Servicer has selected the option set out in Clause 13.1(i) of the Servicing Agreement, zero, and (ii) upon the occurrence and the continuance of a Commingling Reserve Trigger Event and if and for as long as the Servicer has selected the option set out in Clause 13.1(ii) of the Servicing Agreement, an amount equal to the sum of the Collections expected to be received during the Monthly Period in which such Payment Date falls and the immediately following Monthly Period, reduced by the Commingling Reserve Reduction Amount provided that such sum shall at all times be a positive amount or otherwise zero,

provided that, after the occurrence of a Servicer Termination Event, such amount shall equal zero on the date on which the Issuer has determined that no Servicer Shortfall exists and no further Servicer Shortfalls are to be expected.

"Commingling Reserve Trigger Event"

means if, at any time for as long as the Seller remains the Servicer:

- (a) (A) Fitch deems the credit worthiness of BMW AG (i) in respect of the short-term unsecured, unguaranteed and unsubordinated debt obligations, to be lower than F2 (or its replacement) and (ii) in respect of the long-term

unsecured, unguaranteed and unsubordinated debt obligations, to be lower than BBB (or its replacement), or (B) the short-term unsecured, unguaranteed and unsubordinated debt obligations of BMW AG are assigned a rating of lower than P-2 (or its replacement) by Moody's and (ii) the long-term unsecured, unsubordinated and unguaranteed debt obligations of BMW AG are assigned a rating of lower than Baa1 (or its replacement) by Moody's; or

- (b) BMW AG ceases to own, directly or indirectly, 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 Lessees have redirected their payments directly to the Issuer Account and (B) a substitute Servicer has been appointed.

Upon the occurrence of a Commingling Reserve Trigger Event and for so long as such event remains, the Servicer shall, within fourteen (14) calendar days (the "**Performance Period**"), notify the Issuer in writing that it will elect to:

- (a) with effect from the date of such notification, transfer any Collections to the Issuer Account within two (2) Business Days upon receipt of such Collections, or
- (b) fund the Commingling Reserve Ledger (not using any Collections) on each Payment Date with the Commingling Reserve Required Amount as of such Payment Date.

For so long as such Commingling Reserve Trigger Event prevails, the Servicer shall have the right to switch between the above options by written notice to the Issuer.

"Common Safekeeper for the Class A Notes"

means the entity appointed by the ICSDs to provide safekeeping for the Class A Notes in NGN form.

"Common Safekeeper for the Class B Notes"

means the entity appointed by the ICSDs to provide safekeeping for the Class B Notes in NGN form.

"Common Safekeeper"

means any of the Common Safekeeper for the Class A Notes and the Common Safekeeper for the Class B Notes.

"Common Terms"

means the provisions set out in Schedule 2 (Common Terms) of this Incorporated Terms Memorandum.

"Compartment German Auto Leases 5"	means the Compartment of the Issuer designated for the purposes of the Transaction and named ' <i>Compartment German Auto Leases 5</i> '.
"Compartment"	means a compartment of the Issuer within the meaning of the Luxembourg Securitisation Law.
"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 Bavarian Sky S.A.) 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 Intertrust (Luxembourg) S.à.r.l., 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 <u>Schedule 11 (Account Details)</u> to the Incorporated Terms Memorandum and opened for the posting of collateral by the Swap Counterparty under the Swap Agreement and receiving any Replacement Swap Premium.
"Credit and Collection Policy"	means the body of binding working instructions (<i>Richtlinien and Arbeitsanweisungen</i>) 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.
"CRR"	means 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 amended from time to time).
"CSSF"	means the <i>Commission de Surveillance du Secteur Financier of Luxembourg</i> .
"CSP"	means the entity appointed by the ICSDs to provide asset servicing for the Notes in NGN form.

"Current Aggregate Discounted Outstanding Lease Balance"	means each Cut-Off Date, the sum of the Discounted Outstanding Lease Balances of all Purchased Lease Receivables as at such date.
"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 Cut-Off Date immediately preceding the Issue Date is 31 August 2019.
"Data Trust Agreement"	means a data trust agreement between the Seller, the Servicer, the Data Trustee and the Issuer dated as of the Signing Date.
"Data Trustee"	means The Bank of New York Mellon, Frankfurt Branch 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 calendar days in such period divided by 360.
"Deed of Security Assignment"	means a deed of security assignment between, <i>inter alios</i> , the Issuer and the Trustee dated as of the Signing Date.
"Deemed Collection"	<p>means, in respect of any Purchased Lease Receivable, an amount to be paid if, and equal to, the Discounted Outstanding Lease Balance of such Purchased Lease Receivable (including, for the avoidance of doubt, in case only a portion of the Purchased Lease Receivable is affected) outstanding on the Cut-Off Date falling in the Monthly Period during which one of the following events occurs:</p> <ul style="list-style-type: none"> (a) such Purchased Lease Receivable proves to be in material breach of any of the Eligibility Criteria as at the first Cut-Off Date, unless such non-compliance is fully remedied by the Seller to the satisfaction of the Trustee; (b) such Purchased Lease Receivable remains unpaid solely as a result of a material 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); (c) such Purchased Lease Receivable is affected due to any material modification or amendment to the relevant Lease Agreement or early termination of the relevant Lease Agreement agreed upon by the parties thereto other than in accordance with the Credit and Collection Policy;

- (d) any material reduction of the Discounted Outstanding Lease Balance of such Purchased Lease Receivable or any other amount owed by a Lessee due to (x) any set-off against the Seller due to a counterclaim of the Lessee or any set-off or equivalent action against the relevant Lessee by the Seller or (y) any discount or other credit in favour of the Lessee, in each case as at the date of such reduction for such Purchased Lease Receivable,

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

Any such Deemed Collection shall be at an amount equal to the Discounted Outstanding Lease Balance(s) of the affected Purchased Lease Receivable(s) (the Deemed Collections will be collected by the Servicer from the Seller, if the Servicer and the Seller are not the same person).

"Defaulted Lease Receivable"

means, as of any date, any Purchased Lease Receivable which (i) has been sold to a debt collection agency, (ii) is terminated and the Leased Vehicle is repossessed in accordance with the Credit and Collection Policy or (iii) has been written off in the system of the Seller.

"Discount Rate"

means 4.0%.

"Discounted Outstanding Lease Balance"

means on each Cut-Off Date, in respect of a Purchased Lease Receivable, the outstanding balance of such Purchased Lease Receivable discounted by the Discount Rate as at such date.

"EBA Guidelines on STS Criteria"

means the Final Report on the STS criteria for non-ABCP securitisation dated 12 December 2018 of the European Banking Authority.

"Eligibility Criteria"

means the eligibility criteria set out in Appendix 1 to Schedule 3 Part 3 (Receivables Representations and Warranties of the Seller) of this Incorporated Terms Memorandum and being relevant on the Cut-Off Date immediately preceding the Issue Date.

"Eligible Counterparty"

means any entity with

- (i) a short-term deposit rating of at least F1 (or its replacement) by Fitch (or, if it does not have a short-term deposit rating assigned by Fitch, a short-term credit rating of at least F1 (or its replacement) by Fitch) or a long-term deposit rating of at least A (or its replacement) by Fitch (or, if it does not have a long-term deposit rating

assigned by Fitch, a long-term unsecured, unsubordinated and unguaranteed debt obligations rating at least A (or its replacement) by Fitch;

- (i) a long-term issuer credit rating of at least A2 (or its replacement) by Moody's and a short-term issuer credit rating of P-1 (or its replacement) by Moody's, unless such entity does not have a long-term issuer credit rating assigned by Moody's, in which case such entity must be a financial institution with a short-term issuer credit rating of at least P-1 (or its replacement) by Moody's; and
- (ii) another rating provided that such entity will have taken measures that would lead to the then current rating of the Class A 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 Fitch or Moody's within sixty (60) 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) a short-term, deposit rating of at least F1 (or its replacement) by Fitch (or, if it does not have a short-term deposit rating assigned by Fitch, a short-term credit rating of at least F1 (or its replacement) by Fitch) or a long-term deposit rating of at least A (or its replacement) by Fitch (or, if it does not have a long-term deposit rating assigned by Fitch, a long-term unsecured, unsubordinated and unguaranteed debt obligations rating at least A (or its replacement) by Fitch) and (y) a long-term issuer credit rating of at least A2 (or its replacement) by Moody's and a short-term issuer credit rating of P-1 (or its replacement) by Moody's, unless such entity does not have a long-term issuer credit rating assigned by Moody's, in which case such entity must be a financial institution with a short-term issuer credit rating of at least P-1 (or its replacement) by Moody's 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 Class A Notes rated by it, or (iii) take any other action in order to maintain the rating of the Class A Notes or to restore the rating of the Class A Notes.

**"Eligible Lease
Receivable"**

means any Lease Receivable which satisfies the Eligibility Criteria on the Cut-Off Date immediately preceding the Issue Date.

"Eligible Swap Counterparty"

means any entity with

- (a) (A) a short-term, unsecured and unsubordinated debt obligations rating of at least F3 (or its replacement) by Fitch or a derivative counterparty rating (or, if it does not have a derivative counterparty rating, a long-term, unsecured and unsubordinated debt obligations rating) of at least BBB- (or its replacement) by Fitch provided that collateral will be posted by such entity in accordance with the respective requirements under the Swap Agreement, or otherwise (B) a short-term, unsecured and unsubordinated debt obligations rating of at least F1 (or its replacement) by Fitch or a derivative counterparty rating (or, if it does not have a derivative counterparty rating, a long-term, unsecured and unsubordinated debt obligations rating) of at least A (or its replacement) by Fitch; and
- (b) a counterparty risk assessment (or, if it does not have a counterparty risk assessment from Moody's, a long-term unsecured, unguaranteed and unsubordinated debt obligations rating) from Moody's of at least Baa1 (or its replacement); or
- (c) another rating provided that such entity will have taken measures that would lead to the then current rating of the Class A Notes not being downgraded or withdrawn.

"Enforcement Event"

means the event that (i) (in the sole judgment of the Trustee) an Issuer Event of Default has occurred; (ii) in case of any security interests granted in the form of a German law pledge (*Pfandrecht*) that the Secured Obligations have become due and payable in whole or in part (*Pfandreife*); and (iii) 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.

"EU Insolvency Regulation"

means Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings which applies to insolvency proceedings opened after 26 June 2017, as amended.

"EU Treaties"

means the Treaty on the Functioning of the European Union (signed in Rome on 25 March 1957) and the Treaty on European Union (signed in Maastricht on 7 February 1992), as amended from time to time, including 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).

"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 EU Treaties.

**"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 page EURIBOR 01 of the Reuters screen (or such other page as may replace such page on that service for the purpose of displaying the euro interbank offered rate administered by the Banking Federation of the European Union (or any other person which takes over the administration of such rate)) 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 page EURIBOR 01 of the Reuters screen is not available or if no such quotation appears thereon, in each case as at such time, the Interest Determination Agent shall either specify another page or service displaying the relevant rate or use the Reference Bank Rate (expressed as a percentage rate per annum) as determined by it in consultation with the Issuer for one-month deposits (with respect to the first Interest Period, for one (1) month deposit in euro at approximately 11:00 a.m. (Brussels time) on the relevant Interest Determination Date, where the **"Reference Bank Rate"** means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Interest Determination Agent at its request by the Reference Banks selected by it in consultation with the Issuer as the rate at which such Reference Bank could borrow funds in the European interbank market in euro and for such Interest Period were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in euro and for such Interest Period.

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:

- (i) for any reason other than as described under (ii) below, EURIBOR for such Interest Period shall be

EURIBOR as determined on the previous Interest Determination Date.

- (ii) due to a public announcement of the permanent or indefinite discontinuation of EURIBOR that applies to the Class A Notes at that time (the date of such public announcement being the "**Relevant Time**"), the Issuer (acting on the advice of the Servicer) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Base Rate in accordance with Clause 22 (*Base Rate Modification*) of the Trust Agreement.

"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.
"European Economic Area" or "EEA"	means then economic area established by the Agreement on the European Economic Area (signed in Brussels on 17 March 1993) and comprising the European Union, Iceland, the Principality of Liechtenstein and the Kingdom of Norway.
"European Union" or "EU"	means the union of European states initially established by Treaty on European Union (signed on Maastricht on 7 February 1992).
"Euro-zone"	means the region comprising member states of the European Union that have adopted the single currency, the euro, in accordance with the EU Treaties.
"Excess Collateral Compensation Obligation"	means, in case the credit support balance was greater than zero upon the close-out under the Swap Agreement, the obligation (if any) of the Issuer under the Swap Agreement to pay to the Swap Counterparty, in accordance with the terms of the Swap, the final netted amount following the close-out.
"Excess Spread"	means, with respect to any Payment Date, the amount equal to the difference between the amount of collections, which are interest income calculated using the Discount Rate during the Monthly Period immediately preceding a Payment Date and the sum of the amounts required to be paid under items (a) to (f) of the Pre-Enforcement Priority of Payments and item (a) to (e) of the Post-Enforcement Priority of Payments, respectively, on such Payment Date and providing the first loss protection to the Notes.
"Exchange Date"	has the meaning assigned thereto 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.
"Fitch"	means Fitch Ratings Limited or its affiliate and its successors.
"Form of Accession Agreement"	means a form of accession agreement as set out in Schedule 4 to the Trust Agreement.
"Foundation"	means the Stichting Andesien, a Dutch foundation (<i>stichting</i>) established under the laws of The Netherlands whose statutory seat is in Amsterdam and whose registered office is at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands.
"FSMA"	means the United Kingdom Financial Services and Markets Act 2000.
"German Civil Code"	means the civil code (<i>Bürgerliches Gesetzbuch - BGB</i>) of Germany, as amended or restated from time to time.
"German Insolvency Code"	means the insolvency code (<i>Insolvenzordnung – InsO</i>) of Germany, as amended or restated from time to time.
"German Transaction Documents"	means the Notes, the Trust Agreement, the Agency Agreement, the Bank Account Agreement, the Calculation Agency Agreement, the Lease 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 BaFin.
"ICSD"	means either of Clearstream Banking S.A. or Euroclear Bank S.A./N.V., and "ICSDs" means Clearstream Banking S.A. and Euroclear Bank S.A./N.V. collectively.
"IDD"	means Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution, as amended.

"Incorporated Terms Memorandum"	means this memorandum so named, dated on or about the Issue Date and signed for the purpose of identification by each of the Transaction Parties.
"Initial Aggregate Discounted Outstanding Lease Balance"	means the sum of the Discounted Outstanding Lease Balances of all Purchased Lease Receivables on the first Cut-Off Date.
"Insolvency Event"	<p>means, with respect to Bavarian Sky S.A. (where the context requires, in respect of its Compartment German Auto Leases 5) or any Transaction Party, as the case may be, each of the following events:</p> <ul style="list-style-type: none"> (a) if such person is incorporated, domiciled or resident in Luxembourg or has its "centre of main interests" in Luxembourg, as such term is used by the EU Insolvency Regulation, such person is subject to a winding-up, administration or dissolution, administration or reorganisation, composition, compromise, assignment or arrangement or similar laws affecting the rights of creditors generally which includes without limitation when such person <ul style="list-style-type: none"> (i) enters into a voluntary arrangement with its creditors (<i>concordat préventif de la faillite</i>) pursuant to the law of 14 April 1886 on arrangements to prevent insolvency, as amended; (ii) is granted a moratorium or reprieve from payment (<i>sursis de paiement</i>) within the meaning of Articles 593 et seq. of the Luxembourg Commercial Code (<i>Code de Commerce</i>); (iii) is subject to controlled management (<i>gestion contrôlée</i>) within the meaning of the grand ducal regulation 24 May 1935 on controlled management; (iv) is itself or any of its assets the subject of any Insolvency Proceedings commenced pursuant to Articles 437 et seq. of the Luxembourg Commercial Code (<i>Code de Commerce</i>) or any other Insolvency Proceedings pursuant to the EU Insolvency Regulation, unless the application for such proceedings is dismissed within thirty (30) calendar days from and excluding the day it is filed (unless dismissed on the ground that the costs of the Insolvency Proceedings were

- likely to exceed the assets of such person (*clôture pour insuffisance d'actifs*));
- (v) takes any corporate action or is the subject of any legal proceedings commenced against it for its dissolution or (voluntary or judicial) liquidation in accordance with the laws of Luxembourg;
 - (vi) is in a situation of illiquidity (*cessation de paiements*), and without access to credit (*credit ébranlé*) within the meaning of Article 437 of the Luxembourg Commercial Code (*Code de Commerce*);
 - (vii) has entered into general settlement arrangement with creditors; or
 - (viii) where such person is a bank or another entity licensed under the Luxembourg Banking Act to conduct management of third party assets, any action under Articles 120 et seq. of the Luxembourg Law of 18 December 2018 on the resolution, reorganisation and winding up measures of credit institutions and certain investment firms have been taken with respect to such person; or
- (b) if such person is incorporated, domiciled or resident in Germany or has its "centre of main interests" in Germany, as such term is used by the EU Insolvency Regulation, such person
- (i) enters into a voluntary arrangement with its creditors or is declared bankrupt;
 - (ii) is itself or any of its assets the subject of any insolvency proceedings commenced pursuant to Section 13 of the German Insolvency Code (*Insolvenzordnung*), unless the application for such proceedings is dismissed within thirty (30) calendar days from and excluding the day it is filed (unless dismissed on the ground that the costs of the insolvency proceedings were likely to exceed the assets of such person (*Abweisung mangels Masse*));
 - (iii) takes any corporate action or is the subject of any legal proceedings commenced

against it for its dissolution or liquidation in accordance with the laws of Germany;

- (iv) is in a situation of illiquidity (*Zahlungsunfähigkeit*), over-indebtedness (*Überschuldung*) or presumably unable to pay its debts as they fall due within the meaning of Section 18 of the German Insolvency Code (*drohende Zahlungsunfähigkeit*); or
 - (v) where such person is a credit institution, any action under Sections 45 through 48u of the German Banking Act (*Kreditwesengesetz*) or any measures under the German Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*) have been taken or any other restructuring or reorganisation proceedings within the meaning of the German Bank Reorganisation Act (*Kreditinstitute-Reorganisationsgesetz*) have been commenced with respect to such person or such person is subject to the rules of the Regulation (EU) No 806/2014 of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010; or
- (c) if such person is not insolvent according to (a) or (b) above, such person:
- (i) is dissolved or has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
 - (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
 - (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
 - (iv) institutes or has instituted against it proceedings seeking a judgment of

insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition instituted against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty (30) calendar days of the institution or presentation thereof;

- (v) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
 - (vi) has a creditor take possession of all or substantially all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such creditor maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) calendar days thereafter;
 - (vii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified under paragraphs (i) to (vi) above (inclusive); or
 - (viii) takes any formal action in indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or
- (d) such person is itself or any of its assets are otherwise subject to any Insolvency Proceeding.

"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*), reorganisation or similar proceedings affecting the rights of creditors generally.

"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 The Bank of New York Mellon, London 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 (2 nd) 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 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.
"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 resulting from a correction of any miscalculation of interest payable on a Note related to the last Interest Period immediately prior to the Payment Date.
"Investor Reporting Date"	means the second (2 nd) 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 23 September 2019.
"Issuer Account"	means an account held with the Account Bank in respect of the Compartment German Auto Leases 5.
"Issuer Event of Default"	means in respect of the Notes any of the following events: <ul style="list-style-type: none"> (a) 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) calendar 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 or any other Transaction Document (other than the Subordinated Loan Agreement); or (d) an Insolvency Event has occurred with respect to the Issuer.
"Issuer Representations and Warranties"	means representations and warranties as set out for the Issuer in <u>Schedule 7</u> (<i>Issuer Representations and Warranties</i>).
"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 (<i>société anonyme</i>), with registered office at 2a, rue Nicolas Bové, L-1253 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 German Auto Leases 5.

"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 Bookrunners"	means DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, and Société Générale S.A.
"Joint Lead Managers"	means DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, and Société Générale S.A.
"Lease Agreement Identifier"	means the lease agreement identification number as allocated to the relevant Purchased Lease Receivable by the Servicer in the portfolio management system.
"Lease Agreement Termination Event"	means the termination of the Lease Agreement including, without limitation: <ul style="list-style-type: none"> (a) termination due to contractual lapse of agreement (<i>Ablauf der regulären, ursprünglich vereinbarten Leasingdauer</i>); or (b) rescission of the Lease Agreement by the Lessee (<i>Rücktritt des Leasingnehmers</i>); or (c) termination for good cause (<i>Kündigung aus wichtigem Grund</i>).
"Lease Agreement"	means each contractual framework, based on the standard business terms (<i>Allgemeine Geschäftsbedingungen</i>) or otherwise, which governs the Seller's relationship with the respective Lessee(s) with regard to the Lease Receivables.
"Lease Collateral"	means (i) the Pro Rata Lease Instalment Share of any claims of the Seller to damages and excess mileage in accordance with its Credit and Collection Policy, and (ii) any other security interests related to the Purchased Lease Receivables under the Lease Agreements.
"Lease Instalment"	means any lease instalment due and payable by the Lessee in the future, but excluding (i) any portion relating to VAT, relating to residual values or relating to the provision of services, under a Lease Agreement as well as (ii) any Lease Collateral.
"Lease Receivable"	means any obligation to pay Lease Instalments which a Lessee owes to the Seller in accordance with the Lease Agreement, together with any and all present and future ancillary rights under the relevant Lease Agreement(s), in particular rights to determine legal relationships (<i>Gestaltungsrechte</i>), including termination rights (<i>Kündigungsrechte</i>), and the right to give directions

	(<i>Weisungsrechte</i>) but excluding any portion relating to VAT, relating to residual values or relating to the provision of services.
"Lease Receivables Purchase Agreement"	means the lease receivables purchase agreement between the Seller and the Issuer dated as of the Signing Date.
"Leased Vehicle"	means any passenger car, light commercial vehicle or motorcycles leased to a customer under a Lease Agreement.
"Legal Final Maturity Date"	means the Payment Date falling in September 2026.
"Lessee Identifier"	means the lessee identification number allocated to the relevant Lessee by the Servicer.
"Lessee Notification Event"	means a Servicer Termination Event.
"Lessee Notification"	means in respect of a Purchased Lease Receivable a notice substantially in the form as set out in Schedule 3 of the Lease Receivables Purchase Agreement sent to the relevant Lessees in accordance with the provisions of the Lease Receivables Purchase Agreement.
"Lessee"	means, in respect of a Lease Receivable, a Person (including consumers and businesses) to whom the Seller has leased one or more vehicles on the terms of the relevant Lease Agreement(s).
"Loss"	means, in respect of any Person, any loss, liability, damages, 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 Securitisation Law"	means the Luxembourg law on securitisation of 22 March 2004, as amended.
"Luxembourg Stock Exchange"	means <i>société de la bourse de Luxembourg</i> .
"Luxembourg"	means the Grand Duchy of Luxembourg.
"Managers"	means Société Générale S.A. (legal entity identifier (LEI): O2RNE8IBXP4R0TD8PU41), DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (legal entity identifier (LEI): 529900HNOAA1KXQJUQ27) ING Bank N.V. (legal entity identifier (LEI): 3TK20IVIUJ8J3ZU0QE75) and Skandinaviska Enskilda Banken AB (publ) (legal entity identifier (LEI): F3JS33DEI6XQ4ZBPTN86), collectively.

"Master Definitions Schedule"	means <u>Schedule 1</u> (<i>Master Definitions Schedule</i>) of this 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.
"MiFID II"	means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended.
"Monthly Investor Report"	means the report which contains key information the investor needs to analyse the development of the Purchased Lease 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 and more than one report the "Monthly Investor Reports" .
"Monthly Period"	means, with respect to the first Monthly Period, the period commencing on (but excluding) the Cut-Off Date immediately preceding the Issue Date and ending on (and including) 30 September 2019 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 and includes any successors thereto.
"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.
"Note Principal Amount"	means the initial note principal amount of any Note of EUR 100,000.
"Noteholders"	means collectively the Class A Noteholders and the Class B Noteholders and each holder of a Note, a "Noteholder" .
"Notes"	means collectively the Class A Notes and the Class B Notes.

"Offering Circular"	means the offering circular 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 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 German Auto Leases 5 and for the purposes of the Transaction.
"Outstanding Lease Receivables"	means a Purchased Lease Receivable that is neither a Defaulted Lease Receivable, nor a Purchased Lease Receivable being fully repaid.
"Outstanding Note Balance"	means, as of any date in respect of any Note 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.
"Paying Agent"	means The Bank of New York Mellon, London 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) 21 October 2019 and thereafter the twentieth (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 unless such date would thereby fall into the next calendar month, in which case the Payment Date shall be the immediately preceding 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.
"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.
"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 Lease 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 (<i>Post-Enforcement Priority of Payments</i>) of the Conditions.
"Pre-Enforcement Priority of Payments"	means the priority of payments set out in Condition 7.6 (<i>Pre-Enforcement Priority of Payments</i>) 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.
"Priority of Payments"	means either the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments (as applicable).
"Pro Rata Lease Instalment Share"	means the rate, expressed as a percentage, calculated as (i) the present value of the relevant Purchased Lease Receivable outstanding using the APR divided by (ii) the sum of (a) the present value of the relevant Purchased Lease Receivable outstanding using the APR plus (b) the present value of the calculated residual value (<i>kalkulierter Restwert</i>) of the relevant Leased Vehicle using the APR.
"Pro Rata Residual Value Share"	means the rate, expressed as a percentage, calculated as (i) the present value of the calculated residual value (<i>kalkulierter Restwert</i>) of the relevant Leased Vehicle using the APR divided by (ii) the sum of (a) the present value of the relevant Purchased Lease Receivable outstanding using the APR plus (b) the present value of the calculated residual value (<i>kalkulierter Restwert</i>) of the relevant Leased Vehicle using the APR.
"Prospectus Regulation"	means Regulation (EU) 2017/1129, as amended or superseded from time to time.
"Prospectus"	means the prospectus prepared by the Issuer for the purposes of admission to trading of the Notes and filed with, and approved by, the Competent Authority pursuant to the Prospectus Regulation on 23 September 2019 (which term shall include those documents incorporated in it by reference from time to time as provided in it) as from time to time amended, supplemented or replaced (but not including any information or documents replaced or superseded by any information so subsequently included or incorporated

"Purchase Price"	means with respect to any Purchased Lease Receivable, an amount equal to its Discounted Outstanding Lease Balance.
"Purchased Lease Receivable"	means any Lease Receivable which is sold and assigned or purported to be assigned to the Issuer in accordance with the Lease Receivables Purchase Agreement.
"Rating Agencies"	means Fitch and Moody's and each a "Rating Agency" .
"Records"	means with respect to any Purchased Lease Receivable, Lease Collateral, Leased Vehicle and the related Lessees which owes such Purchased Lease 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 Lease Receivable by the Servicer after the date such Purchased Lease Receivable became a Defaulted Lease Receivable (provided that such Defaulted Lease Receivable has not been totally written off) including, for the avoidance of doubt, Lease Instalments, damages, reminder fees, past due interest and any other payment, by or for the account of the relevant Lessee minus all out-of-pocket expenses paid to third parties and incurred by the Servicer in connection with the collection of Defaulted Lease Receivables or the enforcement of the Lease Collateral.
"Reference Banks"	means four major banks in the Euro-zone inter-bank market selected by the Paying Agent from time to time.
"Release Condition"	means the earlier of (i) the full and final fulfilment of the obligations secured pursuant to Clause 4.5 of the Lease Receivables Purchase Agreement; (ii) the full and final payment of the relevant Purchased Lease Receivables or (iii) the termination of the relevant Lease Agreement.
"Replacement Swap Premium"	shall mean an amount received by the Issuer from a replacement interest rate swap provider upon entry by the Issuer into an agreement with such replacement interest rate swap provider to replace a transaction entered into under the Swap Agreement;
"Reporting Date"	means the seventh (7th) Business Day prior to the respective Payment Date.
"Required Cash Reserve Amount"	means as of any date, an amount equal to either (i) EUR 5,000,000, which is equal to 0.50 per cent. of the

Initial Aggregate Discounted Outstanding Lease Balance; or (ii) zero upon the occurrence of either (a) the Legal Final Maturity Date, (b) the Available Distribution Amount as of such date being sufficient to reduce the Class A Outstanding Notes Balance to zero or (c) the Current Aggregate Discounted Outstanding Lease Balance being equal to zero, whichever occurs earlier.

"Secrecy Rules"

means, collectively, the rules of German banking secrecy (*Bankgeheimnis*), the provisions of the German Federal Data Protection Act (*Bundesdatenschutzgesetz*), Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016, as amended, and the German Data Protection Amendment and Implementation Act (*Datenschutzanpassungs- und Umsetzungsgesetz*) as such rules are binding the relevant Transaction Party to the German Transaction Documents with respect to the Purchased Lease Receivables, the Leased Vehicles and the Lease 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(i) and (ii) 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 Calculation Agent, the Account Bank, the Data Trustee, the Corporate Administrator, the Back-Up Servicer Facilitator and any successor, assignee, transferee or replacement thereof.

"Securities Act"

means the U.S. Securities Act of 1933 as amended from time to time.

"Securitisation Regulation"

means Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 on laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012.

"Security Documents"

means the Trust Agreement and the Deed of Security Assignment.

"Security"

means the security interests created pursuant to Clause 8 (*Creation of Security*, i.e., Clause 8.1 (*Transfer for security purposes of Transferred 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.

"Seller Representations and Warranties"

means representations and warranties as set out for the Seller in Schedule 3 (*Seller Representations and Warranties*).

"Seller"

means BMW Bank.

"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 and in respect of which no previous drawing has been made from the Commingling Reserve Ledger.

"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 Lease 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 Lease 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.

"Servicer"

means BMW Bank, unless the engagement of BMW Bank as servicer of the Issuer in respect of Compartment German Auto Leases 5 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.

"Servicing Agreement"	means a servicing agreement between, <i>inter alia</i> , the Servicer and the Issuer 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: $(1.00\% \times \text{the Current Aggregate Discounted Outstanding Lease Balance of the Purchased Lease Receivables at the beginning of the respective Monthly Period}) \div 12$.
"Signing Date"	means 19 September 2019.
"Subordinated Lender"	means BMW Bank or any successor thereof.
"Subordinated Loan Agreement"	means a subordinated loan agreement entered into, <i>inter alios</i> , by the Issuer (in respect of Compartment German Auto Leases 5) and the Subordinated Lender 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.
"Subordinated Loan"	means the EUR 5,000,000, which is equal to 0.50 per cent. of the Initial Aggregate Discounted Outstanding Lease Balance, loan received (or to be received at the latest on the Issue Date) by the Issuer under the Subordinated Loan Agreement.
"Subscription Agreement"	means a subscription agreement between, <i>inter alia</i> , the Issuer in respect of Compartment German Auto Leases 5, the Seller and the Managers 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, <i>inter alia</i> , 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.

"SVI"	STS Verification International GmbH.
"Swap Agreement"	means a swap agreement dated and executed prior to the Issue Date between, <i>inter alios</i> , the Issuer and the Swap Counterparty pursuant to the 1992 ISDA Master Agreement and a rating agency compliant Schedule (including the related Credit Support Annex) and Confirmation (such confirmation executed on or about 12 September 2019 with trade date 11 September 2019 and effective date 23 September 2019).
"Swap Counterparty"	means Skandinaviska Enskilda Banken AB (publ) or its successor or any transferee appointed in accordance with the Swap Agreement.
"Swap Fixed Interest Rate"	means -0.6223% 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 Class A Notes for such Payment Date) two (2) Business Days before the inception of the Interest Period ending on such Payment Date.
"Swap Incoming Cashflow"	<p>means on any Payment Date, the product of:</p> <ul style="list-style-type: none">(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, <p>payable by the Swap Counterparty to the Issuer under the Swap Agreement.</p>
"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, as of any date, an amount equal to the Class A Outstanding Notes Balance on the immediately preceding Payment Date.
"Swap Outgoing Cashflow"	<p>means on any Payment Date, the product of:</p> <ul style="list-style-type: none">(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 calendar days with twelve thirty-day months,
	payable by the Issuer to the Swap Counterparty under the Swap Agreement.
"Swap Replacement Expense Obligation"	means any amount payable by the Issuer to any Person that constitute costs and expenses of the Issuer in respect of any replacement of the Swap Agreement.
"Swap Termination Date"	means the earlier of (i) the Legal Final Maturity Date, (ii) the Clean-up Call Settlement Date and (iii) the date on which the Notes are otherwise redeemed in full in accordance with the Conditions.
"Taxes"	means any stamp duty, sales, exercise, registration and other tax (including value added tax, income tax (other than the income tax payable by the Issuer or its shareholder at its place of incorporation or at its registered office) due and payable by the Issuer and reasonably evidenced in connection with the execution, filing or recording of the Transaction Documents or the purchase, transfer or retransfer of Lease Receivables or their financing under or pursuant to the Transaction Documents or the other documents to be delivered under or relating to the Transaction Documents or in any way connected with any transaction contemplated by the Lease Receivables Purchase Agreement or the Servicing Agreement.
"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 Documents"	means the German Transaction Documents, Deed of Security Assignment and the Swap 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.
"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 German Auto Leases 5 on the Issue Date.
"Transferred Assets"	has the meaning assigned thereto in Clause 8.1 of the Trust Agreement.
"Trust Agreement"	means a trust agreement entered into by, <i>inter alios</i> , the Issuer in respect of the Transaction and the Trustee.

"Trust Property"	has the meaning assigned thereto in Clause 7.1 (<i>Appointment as Trustee</i>) of the Trust Agreement.
"Trustee Claim"	has the meaning assigned thereto in Clause 6.1 (<i>Parallel Debt – Trustee joint and several creditor</i>) of the Trust Agreement.
"Trustee"	means BNY Mellon Corporate Trustee Services Limited, any successor thereof or any other Person appointed as replacement trustee from time to time in accordance with the Trust Agreement.
"TSI"	means True Sale International GmbH.
"U.S." or "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).
"UK" or "United Kingdom"	means the United Kingdom of Great Britain and Northern Ireland.
"USD"	means the lawful currency of the United States.
"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.

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 Trust 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.

SCHEDULE 2 – COMMON TERMS

The terms "**German Transaction Document**" and "**Transaction Documents**" shall, when used in these Common Terms, mean "**German Transaction Document**" and "**Transaction Documents**", respectively, in each case excluding the Notes.

PART 1 – GENERAL COMMON TERMS

1 Further Assurance

Except where any Transaction Document specifies otherwise, each Transaction Party shall (at such Transaction Party's cost) do and execute, or arrange for the doing and executing of, each act, document and thing reasonably requested of it by any other Transaction Party in order to implement and/or give effect to such Transaction Document and the Transaction.

2 Entire Agreement

The Transaction Documents and any document referred to in the Transaction Document constitute the entire agreement and understanding between the Transaction Parties and supersede any previous agreements (if any) between the Transaction Parties relating to the subject matter of the Transaction Documents.

3 Application of Common Terms

3.1 Separate parties

Where any Transaction Party acts in more than one capacity, the provisions of the Common Terms shall apply to such person as though it were a separate party in each such capacity.

3.2 Inconsistency

If a provision of any Transaction Document is inconsistent with any provision of the Common Terms or the Master Definitions Schedule, the provision of such Transaction Document shall prevail.

4 Services Non-Exclusive

Subject to the provisions of the Transaction Document, nothing in the Transaction Document shall prevent any Transaction Party from rendering services similar to those provided for in the Transaction Document to other persons, firms or companies or from carrying on any business similar to or in competition with the business of any of the Transaction Parties.

5 Non-Petition and Limited Recourse

5.1 No proceedings against the Issuer

Each Transaction Party (other than the Issuer) to any German Transaction Document agrees with and acknowledges to each of the Issuer and the Trustee, and the Trustee agrees with and acknowledges to the Issuer, that:

- (i) until the date falling one (1) year and one (1) day after the Final Discharge Date, none of the Transaction Parties nor any person on their behalf shall initiate, or join any Person in initiating, an Insolvency Event in respect of the Issuer, provided that

any such Transaction Party may join any proceedings or action under any Applicable Insolvency Law that is initiated by any Person other than such Transaction Party or one of such Transaction Party's Affiliates; and

- (ii) none of the Transaction Parties shall be entitled to take, or join in the taking of, any corporate action, legal proceedings or other procedure or step which would result in any applicable Priority of Payments not being complied with.

5.2 Limited recourse

Each Transaction Party (other than the Issuer) to any German Transaction Document agrees with and acknowledges to each of the Issuer and the Trustee, and the Trustee agrees with and acknowledges to the Issuer, that notwithstanding any other provision of any Transaction Document, all obligations of the Issuer to such Transaction Party, including, without limitation, the obligations, are limited in recourse as set out below:

- (i) each Transaction Party agrees that it will have a claim only in respect of the Security and will not have any claim, by operation of law or otherwise, against, or recourse to any of the Issuer's other assets or its equity capital;
- (ii) sums payable to each Transaction Party in respect of the Issuer's obligations to such Transaction Party shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to such Transaction Party and (b) the aggregate amounts received, realised or otherwise recovered by or for the account of the Issuer in respect of the Security, whether pursuant to enforcement of the Security or otherwise, net of any sums which are payable by the Issuer in accordance with the applicable Priority of Payments in priority to or *pari passu* with sums payable to such Transaction Party; and
- (iii) upon the Trustee giving written notice to the relevant Transaction Parties that the Trustee has determined (in reliance on the certification delivered to it by the Servicer) that there is no reasonable likelihood of there being any further realisations in respect of the Security (whether arising from an enforcement of the Security or otherwise) which would be available pursuant to the applicable Priority of Payments to pay unpaid amounts outstanding under the relevant Transaction Document, the relevant Transaction Party shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

The limitations set out in this Clause 5.2 shall not apply in respect of liabilities for (a) damages to persons (*Verletzung von Leben, Körper und Gesundheit*); (b) any losses, liability, claims, damages or expenses caused intentionally (*Vorsatz*) or by gross negligence (*grobe Fahrlässigkeit*) of the Issuer, its directors, officers, agents or persons acting on its behalf; or (c) any losses, liability, claims, damages or expenses resulting solely from ordinary negligence (*einfache Fahrlässigkeit*) of the Issuer, its directors, officers, agents or persons acting on its behalf in relation to the breach of essential rights or duties (*Kardinalspflichten*) hereunder.

5.3 The provisions of this Clause 5 shall survive the termination of any Transaction Document.

6 Provisions Relating to the Transaction Documents

6.1 Acknowledgement of the Security

Each Secured Party:

- (i) acknowledges the Security created by the Security Documents;
- (ii) undertakes to the Trustee not to do anything inconsistent with the Security or the terms of the Transaction Documents; and
- (iii) acknowledges that the Security is held by the Trustee for the benefit of all the Secured Parties and that any receiver shall be appointed by the Trustee for the benefit of all the Secured Parties.

6.2 Recoveries after breach of Transaction Documents

Each Secured Party acknowledges that in the event of:

- (i) any payment, repayment or distribution in cash or in kind being made to any Secured Party other than in accordance with the provisions of the Transaction Documents (including in particular the applicable Priority of Payments); or
- (ii) any Secured Obligation being set-off against any moneys, liabilities or obligations owing from or incurred by the Issuer to any Secured Party,

the relevant Secured Party shall (by operation of a separate covenant with the Issuer and the Trustee) promptly pay or deliver (without set-off, deduction or counterclaim) an amount equal to the amount so paid, repaid to or distributed in cash or kind to or set-off against the Issuer or, following the service of any Enforcement Notice, to the Trustee, such amount paid or delivered, to be applied in or towards discharge of all debts, indebtedness, liabilities and obligations incurred by the Issuer in connection with the Transaction in accordance with the Transaction Documents, including in particular the applicable Priority of Payments.

7 Obligations as Corporate Obligations

7.1 No recourse against shareholders and others

No Transaction Party to any German Transaction Document shall have any recourse against, nor shall any personal liability attach to, any shareholder, officer, agent, employee or director of the Issuer or any other Transaction Party in its capacity as such, by any proceedings or otherwise, in respect of any obligation, covenant, or agreement of the Issuer contained in the Transaction Documents.

7.2 No recourse against assets relating to other Compartments

No Transaction Party shall have recourse against any asset, right, interest or benefit of the Issuer held or owned by the Issuer in respect of any Compartment other than Compartment German Auto Leases 5.

7.3 No liability for obligations of the Issuer

The Transaction Parties, other than the Issuer, shall not have any liability for the obligations of the Issuer, and nothing in the Transaction Documents shall constitute the giving of a guarantee, an indemnity or the assumption of a similar obligation by any of the Transaction Parties in respect of the performance by the Issuer of its obligations.

7.4 Effective date in respect of Representations and Warranties

Except as otherwise provided in any Transaction Document, a representation and warranty expressed therein (either directly or by incorporation by reference of a representation and warranty set out in these Common Terms) shall be given as of the Issue Date.

8 Variation of Transaction Documents

8.1 Save for any correction of a manifest or proven error or variation of a formal, minor or technical nature, a variation of any Transaction Document is valid only

- (i) in case of amendments which do not materially and adversely affect the interests of the Noteholders and/or any other Secured Party, if it is notified to the Trustee and the Rating Agencies in writing and it has been demonstrated to the reasonable satisfaction of the Trustee that such amendment is not materially prejudicial to the interests of the Noteholders and/or any other Secured Party, provided that if such amendments are to the Swap Agreement, the Trustee shall give its written confirmation as set out in the Swap Agreement;
- (ii) in case of amendments which materially and adversely affect the interests of the Noteholders and/or any other Secured Party, if it is notified to the Trustee and the Rating Agencies in writing and the Issuer has received the written consent to such amendment from the Trustee and the Secured Parties that are materially and adversely affected.

The Trustee may grant or withhold the requested confirmation or consent at its sole professional judgment taking into account what the Trustee believes to be the interests of the Secured Parties subject to Clause 14 (*When Security becomes enforceable and the respective Procedure*) of the Trust Agreement. For the purpose of this Clause 8.1, the Trustee is hereby irrevocably authorised to execute such amendments for and on behalf of the Secured Parties and is hereby irrevocably exempted to the fullest extent permitted under applicable law from the restrictions set out in Section 181 of the German Civil Code and any similar provisions under any applicable law of any other country.

8.2 Notwithstanding any provision to the contrary in any Transaction Document, each Transaction Party agrees that no consent of the Trustee shall be required with respect to (i) any replacement or substitution of a party to any Transaction Document (including, without limitation, any replacement or substitution made or proposed to be made for the purpose of averting an expected or imminent downgrade or withdrawal, or reversing a downgrade or withdrawal, of any minimum rating set forth in any Transaction Document) and (ii) any amendment or termination of any Transaction Document, and/or entry into any supplemental, substitute or additional document, in each case in connection with such replacement or substitution referred to under (i) above, provided that the Issuer shall not enter into any such supplemental, substitute or additional document if the Issuer receives, no later than on the fifth (5th) Business Day following notification and provision of the draft document by or on behalf of the Issuer to the Trustee, a notice from the Trustee to the effect that, in the reasonable view of the Trustee, such document would (if entered into) be in whole or in part materially prejudicial (*wesentlich nachteilig*) to the interests of the holders of the then outstanding most senior Class of Notes and provided further that the Issuer shall notify each of the Rating Agencies in writing of any replacement or substitution effected in accordance with this Clause 8.2.

8.3 Notwithstanding any provision to the contrary in any Transaction Document, the Issuer shall be entitled to amend any term or provision of the Transaction Documents, including this Clause 8.3 with the consent of the Trustee, but without the consent of any Noteholder, any Swap Counterparty, the Arrangers, the Managers or any other Person, if it is advised by a third party authorised under Article 28 of the Securitisation Regulation or a reputable international law firm that such amendments are required for the Transaction to comply with the Securitisation Regulation including the requirements for simple, transparent and standardised securitisations set out therein and in any regulatory technical standards authorised under the Securitisation Regulation.

9 Exercise of Rights, Remedies and Indemnity

9.1 No waiver

A failure to exercise or delay in exercising a right or remedy provided by any Transaction Document or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by any Transaction Document or by law prevents further exercise of the right or remedy or the exercise of another right or remedy.

9.2 Rights and remedies cumulative

Except where any Transaction Document expressly specifically provides otherwise, the rights and remedies contained in a Transaction Document are cumulative and not exclusive of rights or remedies provided by law.

9.3 Indemnity payments

In respect of any claim, demand or action brought or asserted in respect of which one or more persons (for the purposes of this Clause, each, an "**Indemnified Person**") are entitled to be paid by the Issuer pursuant to the indemnity provisions of any Transaction Document, the Issuer as indemnifier will not be required to make payment to an Indemnified Person while such Indemnified Person is in breach (taking into account the applicable standard of care) of its duties and obligations under the relevant Transaction Document.

10 Severability

Without prejudice to any other provision of the German Transaction Documents, if at any time any provision of the German Transaction Documents is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction this shall not affect or impair:

- (i) the legality, validity or enforceability in that jurisdiction of any other provision of such Transaction Document; or
- (ii) the legality, validity or enforceability under the law of any other jurisdiction of that or any other provision of such Transaction Document.

All Transaction Parties to this Incorporated Terms Memorandum agree that any such invalid, illegal or unenforceable provision shall be replaced with a provision which comes as close as reasonably possible to the commercial intentions of the invalid, illegal or unenforceable provision. Equally, the Transaction Parties to this Incorporated Terms Memorandum agree that any gap or omission in such German Transaction Document shall be filled with a provision that reflects the commercial intentions of the relevant Transaction Parties in the best possible way.

11 No Partnership or Agency

Except where any Transaction Document expressly specifically provides otherwise, no provision of any Transaction Document creates a partnership between any of the Transaction Parties or makes a Transaction Party the agent of another Transaction Party for any purpose. Except where any Transaction Document provides otherwise, a Transaction Party has no authority or power to bind, to contract in the name of, or to create a liability for another Transaction Party in any way or for any purpose.

12 Continuation of Obligations

Except to the extent that they have been performed and/or except where any Transaction Document expressly specifically provides otherwise, the warranties, representations, indemnities, and obligations contained in any Transaction Document remain in force from the date on which they were expressed to take effect until the Final Discharge Date.

13 Standard of Care

Unless a German Transaction Document expressly specifically provides otherwise, each obligation under the German Transaction Documents shall be performed with the standard of care of a prudent business person (*Sorgfalt eines ordentlichen Kaufmanns*).

14 Assignment and Subcontracting

14.1 Assignment of claims

Except where any Transaction Document provides otherwise or with the prior written consent of the Trustee, a Transaction Party (other than the Trustee in its capacity as Trustee on behalf of the Secured Parties) may not assign or transfer, or purport to assign or transfer, a claim under any Transaction Document to which it is a party, excluding the assignment or transfer of the claims of the Issuer under and pursuant to the Security Documents.

14.2 Benefit

Each Transaction Party (other than the Trustee in its capacity as Trustee on behalf of the Secured Parties) is entering into each Transaction Document to which it is a party for its own benefit and not for the benefit of another person.

14.3 Delegation

14.3.1 Except where any German Transaction Document expressly specifically provides otherwise, a Transaction Party may not subcontract or delegate the performance of any of its obligations under a German Transaction Document; and

14.3.2 except where any German Transaction Document expressly specifically provides otherwise, where a German Transaction Document provides for the possibility of a Transaction Party to sub-contract or delegate the performance of any of its obligations under such German Transaction Document, the sub-contracting or delegating Transaction Party shall remain responsible for any negligence (*Fahrlässigkeit*) or wilful misconduct (*Vorsatz*) on the part of the sub-contractor or delegates pursuant to Section 278 of the German Civil Code (*Verantwortlichkeit des Schuldners für Dritte*) and any similar provisions under any applicable law of any other country.

15 Third Party Transaction Rights

Except where any German Transaction Document expressly specifically provides otherwise, rights under a German Transaction Document only accrue to a person who is a party to such German Transaction Document, and accordingly a person who is not a party to a German Transaction Document shall have no rights under section 328 of the German Civil Code (*Vertrag zugunsten Dritter*) to enforce any term of any German Transaction Document.

16 Confidentiality

16.1 Confidentiality of information

Each Transaction Party agrees that prior to the Final Discharge Date and thereafter, it shall keep confidential and it shall not disclose to any person whatsoever, any information relating to the business, finances or other matters of a confidential nature of any of the Seller, the Servicer, the Subordinated Lender or the Issuer (as the case may be) which it may have obtained as a result of the execution of any Transaction Document or of which it may otherwise have gained knowledge or possession as a result of the performance of its obligations in respect of the Transaction, including any information concerning the identity of any Lessee.

16.2 Disapplication of confidentiality undertakings

The relevant Transaction Parties shall use all reasonable endeavours to prevent any disclosure referred to in Clause 16.1, provided, however, that the provisions of Clause 16.1 shall not apply:

- 16.2.1** to the disclosure of any information to any person who is a Transaction Party (or any affiliate of a Transaction Party) or any Noteholder insofar as such disclosure is expressly permitted or contemplated by the relevant Transaction Document;
- 16.2.2** to the disclosure of any information already known to the recipient prior to the entering into any of the Transaction Documents, provided, for the avoidance of doubt, that the recipient may not disclose such information to any third party unless such disclosure is permitted by separate operation of any provision set out in Clause 16.2;
- 16.2.3** to the disclosure of any information with the consent of the relevant Transaction Parties;
- 16.2.4** to the disclosure of any information in the Offering Circular;
- 16.2.5** to the disclosure of any information which is or becomes public knowledge otherwise than as a result of the conduct of the recipient in breach of the Transaction Documents to which it is a party;
- 16.2.6** to the extent that the recipient is required to disclose the same pursuant to relevant law and regulatory rules or in the case of the Issuer pursuant to any listing requirement of the Luxembourg Stock Exchange or has been ordered by a competent Governmental Authority to do so;
- 16.2.7** to the extent that the Transaction Party needs to disclose the same for the exercise, protection or enforcement of any of such Transaction Party's rights under any of the Transaction Documents or, in the case of the Trustee, for the purpose of fulfilling, in such manner as the Trustee thinks fit, the Trustee's duties or obligations under or in connection with the Transaction Documents in each case to such persons as

required to be informed of such information for such purposes or, in the case of the Trustee, in connection with transferring or purporting to transfer its rights and obligations to a successor Trustee;

- 16.2.8 to the extent that the recipient needs to disclose the same to any of its employees, provided that before any such disclosure each Transaction Party shall make the relevant employees aware of its obligations of confidentiality under the relevant Transaction Document and shall at all times procure compliance with such obligations by such employees;
- 16.2.9 to the disclosure of any information to professional advisers or agents who receive the same under a duty of confidentiality;
- 16.2.10 to the disclosure of any information disclosed to a prospective successor Servicer or successor Trustee on the basis that the recipient will hold such information confidential upon substantially the same terms as this Clause; or
- 16.2.11 to the disclosure of any information which the Rating Agency may require to be disclosed to it or its professional advisers on the basis that the recipient will hold such information confidential upon substantially the same terms as this Clause,

provided, however, that nothing in this Clause 16 shall permit the Seller or any of its agents to breach the Secrecy Rules.

17 Notices

17.1 Communications in writing

Except as specified in any German Transaction Document, any notice:

- 17.1.1 shall be in the English language (by an officer of the person making or delivering the same) as being a true and accurate translation thereof; and
- 17.1.2 shall be delivered personally or sent by post pre-paid recorded delivery (and air mail if overseas) or by e-mail to the party due to receive the notice at its address or e-mail address and marked for the attention of the person or persons set out in Schedule 10 (Notice Details) to this Incorporated Terms Memorandum or to another address or e-mail address or marked for the attention of another person or persons specified by the receiving party by not less than seven (7) days' written notice to the other relevant Transaction Parties received before the notice was despatched, provided that notices regarding the termination of any Transaction Document given by e-mail shall also be confirmed by post.

Except for the Monthly Investor Reports prepared by the Servicer, any communication which is received after 4.00 p.m. (in the city of the addressee) on any particular day or on a day on which commercial banks and foreign exchange markets do not settle payments in the city of the addressee shall be deemed to have been received and shall take effect from 10.00 a.m. on the next following day on which commercial banks and foreign exchange markets settle payments in the city of the addressee or on the next Business Day.

17.2 Time of receipt

Unless there is evidence that it was received earlier, a notice marked for the attention of the person specified in accordance with Clause 17.1 is deemed given:

- 17.2.1 if delivered personally, when left at the relevant address referred to in Schedule 10 (Notice Details) to this Incorporated Terms Memorandum;
- 17.2.2 if sent by post (including in case of confirmation by post in case of the termination of any Transaction Document by e-mail), except if sent overseas, two (2) Business Days after posting it;
- 17.2.3 if sent overseas, six (6) Business Days after posting it; and
- 17.2.4 if sent by e-mail, when it has been transmitted to the recipient at the relevant e-mail address.

17.3 Business day

In Clause 17.2, "**Business Day**" means a day other than a Saturday, Sunday or public holiday in either the country from which the notice is sent or in the country to which the notice is sent.

18 Termination for Good Cause

Unless otherwise provided in the relevant German Transaction Document, no Transaction Party (other than the Issuer) may terminate a German Transaction Document to which it is a party except for good cause (*aus wichtigem Grund*). Due to the nature of the Transaction as a securitisation transaction, each Transaction Party (other than the Issuer) has entered into all German Transaction Documents to which it is a party in reliance on the credit quality of the Purchased Lease Receivables, its position in the applicable Priority of Payments and the quality of the structure of the Transaction.

Therefore, for the purpose of the German Transaction Documents, it is understood by each relevant Transaction Party that the following circumstances shall not per se give rise to good cause (*wichtiger Grund*):

- 18.1 a substantial deterioration of the Issuer's financial status (including the credit quality of the Purchased Lease Receivables or of any other Transaction Party); or
- 18.2 the Issuer's failure to supply additional security for its obligations under the Transaction Documents.

19 Counterparts

Each German Transaction Document may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, i.e. this has the same effect as if the signatures on the counterparts were on a single copy of such German Transaction Document.

20 Governing Language

The Transaction Documents are in the English language. If any of the Transaction Documents is translated into another language, the English language text prevails.

**PART 2 –
PAYMENT PROVISIONS**

21 Calculations and Payments

21.1 Basis of accrual

Except as otherwise provided in any Transaction Document, any interest, commitment commission or fees due from one relevant Transaction Party to another party under any Transaction Document shall accrue from day to day and shall be calculated on the basis of the actual number of calendar days divided by 360 (actual /360).

21.2 Prima facie evidence and provisional calculations

In any legal action or proceeding arising out of or in connection with any Transaction Document, the Monthly Investor Reports prepared by the Servicer shall be prima facie evidence (in the absence of manifest or proven error and subject to the correction of errors pursuant to the terms of the Calculation Agency Agreement) of the existence and amounts due from one Transaction Party to another or to any third party. For so long as an error has not been corrected pursuant to the terms of the Calculation Agency Agreement, the information contained in the relevant Monthly Investor Report shall be deemed to be correct until the error has been so corrected. If an error is subsequently corrected, any payments made prior to such correction that were affected by such error shall be corrected on the subsequent Payment Date.

21.3 Currency of account and payment

Except where expressly specified otherwise, Euro is the currency of account and payment for each and every sum at any time due from any Transaction Party under the Transaction Documents.

21.4 Payments to the Seller

On each date on which any Transaction Document requires an amount to be paid by a relevant Transaction Party to the Seller, such relevant Transaction Party shall make the relevant amount available to the Seller by payment to the Seller account as set out in Schedule 11 (Account Details) to this Incorporated Terms Memorandum, or prior to, on the due date and, in case of any further specification as to time, no later than the time specified in the relevant Transaction Document.

21.5 Payments to the Issuer

On each date on which any Transaction Document requires an amount to be paid by a relevant Transaction Party to the Issuer, such relevant Transaction Party shall make the relevant amount available to the Issuer by payment to the Issuer Account on, or prior to, the due date and, in case of any further specification as to time, no later than the time specified in the relevant Transaction Document.

21.6 Payments to other Transaction Parties

On each date on which any Transaction Document requires an amount to be paid by one Transaction Party to another Transaction Party (other than to the Seller or to the Issuer), such paying Transaction Party shall make the relevant amount available to the receiving Transaction Party by payment to the account specified in the relevant Transaction Document on, or prior to, the due date and, in case of any further specification as to time, no later than the time specified in the relevant Transaction Document.

21.7 No set-off

Except where expressly specified otherwise, all payments required to be made by any relevant Transaction Party under the Transaction Documents shall be calculated without reference to any set-off or counterclaim and shall be made free and clear of and without any deduction for or on account of any set-off or counterclaim, unless the counterclaims are undisputed (*unbestritten*) or confirmed by final judgment (*rechtskräftig festgestellt*).

21.8 Business Days

Except as otherwise provided in any Transaction Document, any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or on the preceding Business Day (if there is no further Business Day in the same calendar month).

21.9 Rectification

If any amount paid pursuant to a Transaction Document (other than by or to the Trustee) shall be determined (after consultation in good faith between the relevant Transaction Parties) to have been incorrect, the relevant Transaction Parties shall consult in good faith in order to agree upon an appropriate method for rectifying such error so that the amounts subsequently received or retained by all relevant Transaction Parties are those which they would have received or retained if no such error had been made. In the event of any conflict between (i) this Clause 21.9 and (ii) (x) Clause 6.2 (*Recoveries after breach of Transaction Documents*) or (y) the second sentence of Clause 21.2, then, Clause 6.2 (*Recoveries after breach of Transaction Documents*) or the second sentence of Clause 21.2, as applicable, shall prevail.

21.10 Amounts not due to be held on trust

If any Secured Party:

- (i) receives any amount which should not have been paid out of the Issuer Account; or
- (ii) purports to set-off any amount owed to it by the Issuer in or towards satisfaction of any sum owed by it under any Transaction Document,

such Secured Party shall pay such amount immediately to the Issuer or, if immediate payment is not possible, hold the amount so received or applied on behalf of, to the order of and, to the extent recognised by applicable law, on trust for the Issuer and in each case for application in accordance with the applicable Priority of Payments.

22 Withholding Taxes

22.1 Tax Deduction

Except as otherwise provided in any Transaction Document, each payment made by a paying Transaction Party to a receiving Transaction Party under any Transaction Document shall be made without any tax deduction, unless a tax deduction is required by any relevant law or regulation.

22.2 Notification

If a paying Transaction Party becomes aware that it must make a tax deduction in respect of any payment under any Transaction Document (or that there is any change in the rate or the basis of a tax deduction), it shall notify the receiving Transaction Party accordingly.

22.3 Tax gross-up

If a tax deduction is required by law to be made by a paying Transaction Party (other than the Issuer or the Trustee), the amount of the payment due from such paying Transaction Party shall be increased to an amount which (after making any tax deduction) leaves an amount equal to the payment which would have been due if no tax deduction had been required.

22.4 Tax Credits

If a paying Transaction Party makes a tax payment, and a receiving Transaction Party (other than the Issuer) determines in good faith that a tax credit is attributable to that tax payment, and the receiving Transaction Party (other than the Issuer) has obtained, utilised and retained that tax credit, then the receiving Transaction Party (other than the Issuer) shall pay an amount to the paying Transaction Party which the receiving Transaction Party (other than the Issuer) determines will leave it (after that payment) in the same after-tax position as it would have been in had the tax payment not been required to be made by the paying Transaction Party.

23 Costs

Except as otherwise agreed, each Transaction Party shall pay its own costs relating to the negotiation, preparation, execution and implementation of each Transaction Document and of each document referred to in it.

**PART 3 –
GOVERNING LAW PROVISIONS**

24 Governing Law

- 24.1** Each German Transaction Document shall be governed by German law.
- 24.2** All non-contractual obligations arising from or in connection with each German Transaction Document shall be governed by German law.
- 24.3** For the avoidance of doubt, in respect of the Notes, the provisions of articles 470-3 to 470-19 of the Luxembourg law on commercial companies of 10 August 1915, as amended, shall not apply.

25 Jurisdiction

- 25.1** Except where expressly specified otherwise, each Transaction Party to the German Transaction Documents irrevocably agrees that the competent local courts of Munich shall have exclusive jurisdiction for any and all disputes arising under or in connection with any German Transaction Document, and each party to this Incorporated Terms Memorandum being a Transaction Party to the German Transaction Documents irrevocably submits to the jurisdiction of the German courts. This jurisdiction agreement is not concluded for the benefit of only one party.
- 25.2** Upon the request of a party to the Transaction Documents, each party to this Incorporated Terms Memorandum, which has neither a branch nor a branch office in Germany, shall appoint a third party as its process agent (*Zustellungsbevollmächtigter ohne Vertretungsmacht*) *vis-à-vis* the other parties hereto within fourteen (14) calendar days from such request, which shall be competent to receive notification relating to or in connection with court proceedings before German courts in connection with any Transaction Document.

**SCHEDULE 3 –
SELLER REPRESENTATIONS AND WARRANTIES**

**PART 1 –
CORPORATE REPRESENTATIONS AND WARRANTIES OF THE SELLER**

1 Incorporation

The Seller has legal personality and is duly incorporated with limited liability as a *Gesellschaft mit beschränkter Haftung* under the laws of Germany, registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich under registration number HRB 82381 and has its office at Lilienthalallee 26, 80939 Munich, Federal Republic of Germany.

2 Centre of Main Interests

The Seller has its "centre of main interests", as such term is used in Article 3(1) of the EU Insolvency Regulation, as amended, in Germany.

3 Solvency

No Insolvency Event has occurred in respect of the Seller.

4 Consents

The Seller has obtained all material authorisations, approvals, licences and consents required in connection with its business pursuant to any relevant law and regulatory rules applicable to the Seller in Germany.

**PART 2 –
TRANSACTION DOCUMENT REPRESENTATIONS AND WARRANTIES OF THE SELLER**

1 Corporate Power

The Seller has the requisite power and authority to enter into each relevant German Transaction Document and to undertake and perform the obligations expressed to be assumed by it therein.

2 Authorisation

All acts, conditions and things required to be done, fulfilled and performed in order:

2.1 to enable the Seller lawfully to enter into each relevant German Transaction Document; and

2.2 to enable the Seller lawfully to exercise its rights under and perform and comply with the obligations expressed to be assumed by it in the relevant German Transaction Document;

have been done, fulfilled and performed and are in full force and effect or, as the case may be, have been effected and no steps have been taken to challenge, revoke or cancel any such authorisation obtained or effected.

3 No Breach of Law, Charter or Contract

The entry of the Seller into and the execution and, where applicable, delivery of the relevant German Transaction Document and the performance by the Seller of its obligations under the relevant German Transaction Document do not and will not conflict with or constitute a breach or infringement of any of the terms of, or constitute a default by, the Seller under:

3.1 the Seller's charter (*Gesellschaftsvertrag*);

3.2 any relevant law and regulatory rules in Germany (including, without limitation, the Secrecy Rules); or

3.3 any agreement, indenture, contract, mortgage, deed or other instrument to which the Seller is a party or which is binding on it or any of its assets,

where such conflict, breach, infringement or default might have a Material Adverse Effect on the Seller, any relevant German Transaction Document or any Purchased Lease Receivables.

4 Valid and Binding Obligations

The obligations expressed to be assumed by the Seller under the relevant German Transaction Document will, upon their due execution and delivery by or on behalf of the Seller, constitute legal, valid, binding and enforceable obligations in accordance with its terms, except:

4.1 as such enforcement may be limited by applicable bankruptcy, insolvency, moratorium, reorganisation or other similar laws affecting the enforcement of the rights of creditors generally; and

4.2 as such enforceability may be limited by the effect of general principles of equity (*Grundsätze von Treu und Glauben*).

5 Representations and Warranties Qualified

The reservations set out in the legal opinions dated the Issue Date from Linklaters LLP and addressed to the Issuer and the Joint Lead Managers are deemed to be incorporated herein.

**PART 3 –
RECEIVABLES REPRESENTATIONS AND WARRANTIES OF THE SELLER**

As of the Issue Date, the Seller represents and warrants that any Lease Receivable offered for purchase is eligible in accordance with the Eligibility Criteria (see Appendix 1 hereto) as of the Cut-Off Date immediately preceding the Issue Date.

**APPENDIX 1 –
ELIGIBILITY CRITERIA**

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

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

- 1** The Lease Agreement under which the relevant Lease Receivable arises as well as the Lease Collateral and the legal documents underlying such Lease Collateral are legally valid, binding and enforceable, and the relevant Lease Receivable exists and constitutes legally valid, binding and enforceable obligations of the respective Lessee. In addition, no Lease Agreement 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 Lease Receivables offered for purchase.
- 2** The relevant Lease Receivable is assignable and can be transferred by way of assignment without the consent of the related Lessee.
- 3** The relevant Lease Receivable has a fixed interest rate and is payable by way of monthly instalments (except for the first instalment and the final instalment payable under the relevant Lease Agreement which may differ from the monthly instalments payable for subsequent or previous months).
- 4** The relevant Lease Receivable is denominated and payable in euro.
- 5** The relevant Lease Receivable was originated on or after 1 April 2012 and 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 Lease Receivable is not subject to any right of revocation (*Anfechtungsrecht*), set-off or counterclaim or warranty claims of the Lessee 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 Lessee of the relevant Lease Receivable does not hold deposits (*Einlagen*) with the Seller.
- 8** The Lease Receivables do not comprise any servicing component (other than the so-called SEW Services, i.e. the offer to use a replacement vehicle for up to two (2) days per year in certain circumstances).
- 9** The Lease Agreement under which the relevant Lease Receivable arises has not been terminated and, according to the Seller's records, the Seller has not received a termination notice.

- 10 The Lease Agreement under which the relevant Lease Receivable arises has a maximum remaining term of sixty (60) months.
- 11 At least one (1) due Lease Instalment has been fully paid in respect of the relevant Lease Receivable.
- 12 The Seller is fully entitled to the relevant Lease Receivable, and such Lease Receivable is free of any rights of any third party, and the Seller may freely dispose of such Lease Receivable (including any part thereof, the related Leased Vehicle and the other Lease Collateral) to which the Seller is fully entitled, free of any rights of any third party and over which the Seller may freely dispose.
- 13 The relevant Lease Receivable may be segregated and identified at any time for purposes of ownership and Lease Collateral in the electronic files of the Seller.
- 14 If the relevant Lease 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 Lease Agreement complies in all material respects with the requirements of such provisions.
- 15 The relevant Lease Receivable is not overdue for more than thirty (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 Lessee or intermediary credit institution because of a return of such direct debit (*Rücklastschrift*) shall not render the relevant Lease Receivable to be an ineligible Lease Receivable ab initio if, but only if, such Lessee has objected (*widersprechen*) to such direct debit within six (6) weeks of such debit), or a Defaulted Lease Receivable or a Lease Receivable disputed by the relevant Lessee whether by reason of any matter concerning the Leased Vehicles or by reason of any other matter or in respect of which a set-off or counterclaim is being claimed by such Lessee. No breach of any obligation under any agreement (except of the obligation to pay) of any party exists with respect to the relevant Lease Receivable.
- 16 The relevant Lease Agreement is subject to, and governed by, the laws of Germany.
- 17 The assignment of the relevant Lease Receivable does not violate any law or agreements (in particular with respect to consumer protection and data protection) to which the Seller is bound.
- 18 The relevant Lease Agreement has been entered into with a Lessee 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.
- 19 According to the Seller's records and to the best of its knowledge, the relevant Lease Receivable is due from a Lessee who
 - 19.1 has neither been declared insolvent nor had a court grant its creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination or has undergone a debt-restructuring process with regard to its non-performing exposures within three years prior to the date of transfer or assignment of the Purchased Lease Receivables to the Issuer;

- 19.2** was, at the time of origination, where applicable, not on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the Seller; or
- 19.3** has neither a credit assessment nor a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the originator which are not securitised.
- 20** The relevant Lease Receivable is not due from a Lessee who is (i) either an employee or an officer of BMW Bank or of an Affiliate of BMW AG or (ii) an employee or officer of BMW AG.

SCHEDULE 4 – SELLER COVENANTS

PART 1 – CORPORATE COVENANTS OF THE SELLER

The Seller shall:

1 Conduct

At all times carry on and conduct its affairs in a proper and efficient manner in compliance with any material relevant law and regulatory rules from time to time in force in Germany;

2 Consents

Obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all material authorisations, approvals, licences and consents necessary under any relevant law and regulatory rules from time to time in force in Germany in connection with its business or to enable it to lawfully perform its obligations under the relevant German Transaction Documents; and

3 Registered Office, Head Office and Centre of Main Interests

Maintain its registered office, its head office and its "centre of main interests", as that term is used in Article 3(1) of the EU Insolvency Regulation, as amended, in Germany and will not move such offices to another jurisdiction.

**PART 2 –
TRANSACTION DOCUMENT COVENANTS OF THE SELLER**

The Seller shall:

1 Compliance with Relevant Transaction Documents

At all times comply with and perform all its obligations under the relevant Transaction Documents;

2 Information

- (a) Comply with any applicable reporting requirements pursuant to 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, and the regulatory technical standards applicable pursuant to the Commission Delegated Regulation (EU) 2015/3 of 30 September 2014 or such further regulatory technical standards in connection therewith applicable from time to time; and
- (b) Supply to the Issuer such other information (including non-financial information) as the Issuer may from time to time reasonably request;

3 Securitisation Regulation Covenants

For the benefit of the Joint Lead Managers and the Noteholders (*echter Vertrag zugunsten Dritter*) pursuant to Section 328(1) of the German Civil Code:

- (a) if and to the extent it has purchased the Class B Notes from the Joint Lead Managers on the Issue Date, retain the Class B Notes so purchased (the "**Retained Class B Notes**") and retain, in its capacity as Subordinated Lender, a first loss tranche constituted by the claim for repayment of the Subordinated Loan made available by the Subordinated Lender to the Issuer as of the Issue Date pursuant to the Subordinated Loan Agreement so that the sum of the aggregate principal amount of the Retained Class B Notes and the initial principal amount of the Subordinated Loan is equal to at least 5 per cent. of the nominal amount of the "securitised exposures" (i.e. the Purchased Lease Receivables) as of the Issue Date and (i) will not sell or otherwise transfer any of the Retained Class B Notes or any interest therein (whether in whole or in part) to any third person, but will retain such Retained Class B Notes on an ongoing basis, in each case until the earlier of (x) the redemption in full of the Class A Notes and (y) the Legal Final Maturity Date and (ii) will not sell or otherwise transfer any interest in the Subordinated Loan (whether in whole or in part) nor enter into any credit protection agreement or similar hedging arrangement with respect to the Subordinated Loan but grant and keep outstanding the Subordinated Loan on an ongoing basis, in each case until the earlier of (x) the redemption in full of the Class A Notes and (y) the Legal Final Maturity Date;
- (b) retain on an ongoing basis a material net economic interest of not less than 5 per cent. in the securitisation pursuant to Article 6 of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 (the "**Securitisation Regulation**"), subject always to any requirement of law applicable to it, provided that the Seller will not be in breach of such undertaking if the Seller fails to so comply due to events, actions or circumstances beyond the Seller's control (*Unmöglichkeit*). In such event, the Seller will use commercially reasonable measures to ensure

compliance with Article 6 of the Securitisation Regulation as soon as possible, taking into account the circumstances. The Seller shall notify to the Managers should it at any time until maturity of the Notes fail to comply with such undertaking. As of the Issue Date, the retention requirement will be satisfied by the Seller holding the Retained Class B Notes and, in its capacity as Subordinated Lender, continued granting of the Subordinated Loan to the Issuer. The Seller undertakes to the Managers that it will disclose in the Monthly Investor Report (or such other manner as the Seller may determine) any change in the manner in which the net economic interest is held it being noted that any such change should only be made in exceptional circumstances and must be made in accordance with Article 6 of the Securitisation Regulation, provided that the Seller is only required to do so to the extent that the retention requirements under Article 6 of the Securitisation Regulation remain in effect and subject always to any requirement of law applicable to it. The Seller, in its capacity as Servicer, shall procure that a Monthly Investor Report is made available to Bloomberg for publication on the website of Bloomberg (<https://bloomberg.com>) by the Calculation Agent without undue delay in order to inform the Noteholders of any change to the manner in which such interest in the securitised exposures is held; and

- (c) as designated entity, comply with the disclosure obligations pursuant to Article 7 of the Securitisation Regulation, subject always to any requirement of law applicable to it, provided that (i) the Seller is only required to do so to the extent that the disclosure requirements under Article 7 of the Securitisation Regulation remain in effect and (ii) the Seller will not be in breach of such undertaking if the Seller fails to so comply due to events, actions or circumstances beyond the Seller's control (*Unmöglichkeit*).

**PART 3 –
RECEIVABLES COVENANTS OF THE SELLER**

The Seller shall:

1 Lessee Notification Event

Promptly but no later than within five (5) calendar days after the occurrence of a Lessee Notification Event, issue a statement of an authorised officer of the Seller setting forth details of such Lessee Notification Event and the action which the Seller proposes to take with respect thereto (for the avoidance of doubt, any such proposal shall not limit the Issuer's rights resulting from the occurrence of such Lessee Notification Event);

2 Lease Collateral and Leased Vehicle Information

Supply such information as the Issuer may from time to time reasonably request in respect of the Leased Vehicles and the Lease Collateral, including, for the avoidance of doubt, information reasonably required by the Issuer for any realisation of such Leased Vehicles and the Lease Collateral, subject to and in accordance with the Secrecy Rules;

3 Performance and Compliance with Purchased Lease Receivables and Lease Agreements

At its expense, in a timely manner, fully perform and comply with all provisions, covenants and other promises required to be observed by it under the Lease Agreements and Lease Collateral documents pertaining to the Purchased Lease Receivables as if the rights and interests in such Purchased Lease Receivables, including the Lease Collateral, had not been assigned or transferred and sold under the Lease Receivables Purchase Agreement, and the Seller shall notify the Issuer in the Monthly Investor Reports prepared by the Seller in its role as Servicer if third parties make claims regarding the Purchased Lease Receivables and/or the Lease Collateral or if the Purchased Lease Receivables and/or the Lease Collateral are negatively affected or challenged by other events such as a stoppage of payment by a Lessee;

4 Payment of Collections

Procure that any amounts received by it with regard to a Purchased Lease Receivable will be paid as Collections on such Purchased Lease Receivable to the Issuer Account; and

5 Sales, Adverse Claims

Except as otherwise provided herein, not sell, assign (cause as assignment by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any security interest or other right or adverse claim (especially, the filing of any financing statement) in respect of any related Lease Agreement, Collections, any Leased Vehicles and any Lease Collateral, or assign any right to receive income in respect thereof or attempt, purport or agree to do any of the foregoing or anything which has a similar commercial effect.

**SCHEDULE 5 –
SERVICER'S REPRESENTATIONS AND WARRANTIES**

**PART 1 –
CORPORATE REPRESENTATIONS AND WARRANTIES OF THE SERVICER**

The Servicer makes, *mutatis mutandis*, the same corporate representations and warranties as set out for the Seller in Schedule 3 Part 1 (*Corporate Representations and Warranties of the Seller*).

**PART 2 –
TRANSACTION DOCUMENT REPRESENTATIONS AND WARRANTIES OF THE
SERVICER**

1 No Servicer Termination Event

To the best of the Servicer's knowledge, no event exists which would constitute a Servicer Termination Event.

2 Analogy

The Servicer makes, *mutatis mutandis*, the same Transaction Document representation and warranties as set out for the Seller in Schedule 3 Part 2 (*Transaction Document Representations and Warranties of the Seller*).

3 Representations and Warranties Qualified

The reservations set out in the legal opinion dated the Issue Date from Linklaters LLP and addressed to the Issuer and the Joint Lead Managers are deemed to be incorporated herein.

**SCHEDULE 6 –
SERVICER COVENANTS**

**PART 1 –
CORPORATE COVENANTS OF THE SERVICER**

The Servicer covenants, *mutatis mutandis*, on the same terms as set out for the Seller in Schedule 4 Part 1 (*Corporate Covenants of the Seller*).

**PART 2 –
TRANSACTION DOCUMENT COVENANTS OF THE SERVICER LICENSES, APPROVALS,
AUTHORISATIONS AND CONSENTS**

The Servicer shall obtain and keep in force all necessary licenses, approvals, consents and authorisations which may be necessary in connection with the performance of its services or its standing as a servicer for the servicing of the Purchased Lease Receivables, the Leased Vehicles and the Lease Collateral.

**PART 3 –
RECEIVABLE COVENANTS OF THE SERVICER**

The Servicer shall, unless otherwise agreed with the prior written consent of the Issuer:

1 Standard of Care

Give such time and attention and exercise such skill, care and diligence in the performance of the Services as the Servicer does in servicing lease receivables and collateral other than the Purchased Lease Receivables, the Leased Vehicles and the Lease Collateral.

2 Credit and Collection Policy

Comply with the Credit and Collection Policy with regard to the realisation of Collections in respect of each Purchased Lease Receivable, the Leased Vehicles and any Lease Collateral.

3 Issuer's Best Interests

Subject to the Credit and Collection Policy, act in the best interests of the Issuer in the Servicer's relations with Lessees and in its exercise of any discretion arising from its performance of the Services.

4 Compliance with Documents

At its own expense and in a timely manner fully perform and comply with all provisions, covenants and other promises required to be observed by the Servicer under the Lease Agreements and Lease Collateral documents in connection with the Purchased Lease Receivables.

5 Compliance with Legal Requirements

Comply with all legal requirements (including, for the avoidance of doubt, any applicable consumer loan/lease and protection legislation as well as the Secrecy Rules) in relation to all Purchased Lease Receivables and the Lease Collateral.

6 No Change in Credit and Collection Policy

Not make any change in or amendment to the Credit and Collection Policy which change would, in either case, have adverse consequences for the collectability of any Purchased Lease Receivables, the enforceability of any the Leased Vehicles or Lease Collateral or for the ability of the Servicer to perform its obligations under the relevant Transaction Documents without the prior written approval from the Issuer and the Trustee (it being understood that such approval is not to be unreasonably withheld or delayed) and provided further that the Servicer shall notify each of the Rating Agencies in writing of such change or amendment.

7 Information Systems

Have systems in place in relation to the relevant Purchased Lease Receivables, the Leased Vehicles and the Lease Collateral that are capable of providing the information to which the Issuer is entitled pursuant to the relevant Transaction Documents, shall use all reasonable endeavours to maintain such systems in working order and shall, subject in all cases to the Secrecy Rules and the Data Trust Agreement, permit the Issuer, any firm of independent internationally recognised public accountants (who are subject to a professional duty of confidentiality) and/or any other representatives of the Issuer (subject to a professional duty

of confidentiality in relation to the affairs of the Servicer) to enter during normal business hours and upon two (2) Business Days' prior written notice upon the premises of the Servicer to:

- conduct periodic audits of the Purchased Lease Receivables, the Leased Vehicles and the Lease Collateral and any Records;
- inspect and satisfy itself or themselves that the systems are in place, maintained in working order and are capable of providing the information to which it or they are entitled pursuant to the relevant Transaction Document and which information the Servicer has failed to supply within three (3) Business Days of receiving written notice or to verify any such information which has been provided and which the Issuer has reason to believe is inaccurate;
- examine and make copies of and extracts from all Records as are in the reasonable opinion of the Issuer relevant to the collection of the Purchased Lease Receivables but, for the avoidance of doubt, the Issuer shall have no right to examine and make copies of and extracts from Records (i) in respect of which the Servicer has a duty of confidentiality under a Lease Agreement or (ii) which contain confidential information of the Servicer; however, on the request of the Issuer, the Servicer shall use all reasonable endeavours that its duty of confidentiality is waived; and
- discuss matters relating to Purchased Lease Receivables, the Leased Vehicles and any Lease Collateral or the Servicer's performance under the Servicing Agreement or under the contracts with any of the officers or employees of the relevant Servicer having knowledge of such matters,

provided that no Records, files or other information other than that which the Issuer is entitled so to examine, copy or make extracts from shall be removed from the Servicer's premises, and such Records, files or other information shall remain confidential in accordance with the Secrecy Rules and shall not be used or disclosed or divulged to any Person (except to the extent and in the circumstances permitted by the relevant Transaction Document and in accordance with applicable law (in particular, but without limitation, in relation to German data protection and banking secrecy)) without the prior written consent of the Servicer, provided that such consent may not be unreasonably withheld or delayed.

8 VAT Certificate

If BMW AG ceases to own, directly or indirectly, 100% of the share capital of BMW Bank, BMW Bank as Servicer shall make available to the Issuer a VAT certificate on each Payment Date duly signed by two representatives from the management.

9 Updates

Provide to the Issuer monthly on or about each Payment Date an update of the encrypted Portfolio Information and to the Data Trustee monthly on or about each Payment Date an update of the Portfolio Decryption Key.

10 Regular Business

Act within the scope of its regular business and shall procure that its agents and representatives will also act within the scope of their regular business and shall not make available to the Issuer or provide access to the Issuer to a fixed place of business, a branch office or office facility located in Germany.

11 No Action as Branch, Agency or Representative of Issuer

Not enter into any new contracts or amend the Servicing Agreement or the Lease Receivables Purchase Agreement or any other contract on behalf of the Issuer or act as a branch, agency or representative of the Issuer or direct, administer or manage any aspect of the Issuer's business or otherwise conduct the business of the Issuer in any way other than the actions which it is expressly authorised or obliged to carry out on behalf of the Issuer.

12 No Encumbrances

Not sell, assign or otherwise dispose of, or create or permit to exist any encumbrance over or with respect to any Purchased Lease Receivable or Lease Agreement, or in, over or in relation to a collection account, or assign any right to receive income in respect thereof or give any consent to the creation of any such encumbrance or attempt, purport or agree to do any of the foregoing (except any encumbrances created by the Purchaser under or pursuant to the Transaction Documents).

SCHEDULE 7 – ISSUER REPRESENTATIONS AND WARRANTIES

PART 1 – CORPORATE REPRESENTATIONS AND WARRANTIES OF THE ISSUER

1 Incorporation

The Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg as a securitisation company (*société de titrisation*) within the meaning of, and governed by, the Luxembourg Securitisation Law, registered with the Luxembourg Register of Commerce and Companies under number B 127 982 and having its registered office at 2a, rue Nicolas Bové, L-1253 Luxembourg with full power and authority to own its property and assets and conduct its business as described in the Offering Circular. The Issuer is subject, as an unregulated securitisation undertaking, to the provisions of the Luxembourg Securitisation Law and has validly created the Compartment German Auto Leases 5 by means of a decision of its board of directors taken on 19 August 2019.

2 Centre of Main Interests

The Issuer has its "centre of main interests", as that term is used in Article 3(1) of the EU Insolvency Regulation, as amended, in Luxembourg.

3 Litigation

No litigation, arbitration or administrative proceedings of or before any court, tribunal or governmental body have been commenced or, so far as the Issuer is aware, are pending or threatened against the Issuer or any of its assets or revenues which may have a Material Adverse Effect on the Issuer, any relevant Transaction Document or any Purchased Lease Receivables, the Leased Vehicles or the Lease Collateral.

4 Solvency

No Insolvency Event has occurred in respect of the Issuer.

5 Tax Residence in Luxembourg and not in Germany

5.1 The Issuer is a company which is and has, since incorporation, been resident for tax purposes solely in Luxembourg.

5.2 The Issuer has its own active management, separate book keeping system, separate stationery (showing its street address, phone and fax number and e-mail address) and maintains an actual place of business at its registered (shared) office in Luxembourg (e.g., *inter alia*, that the Issuer's phone number is answered during normal business hours either by a director of the Issuer or, if no such person is immediately available, by another officer of the Issuer, who will answer in the name of the Issuer, forward calls or take messages, and that one of the directors or other officers of the Issuer will be available, either on site or after the call has been forwarded, to answer questions regarding the Issuer and its business during normal business hours).

5.3 The Issuer has unlimited access to and control over its registered (shared) office (such registered office bearing a name sign of the Issuer and being provided by the Corporate Administrator and the premises at which such registered office is located being fully equipped by the Corporate Administrator with telecommunication equipment (whereby the

Issuer has a separate phone number which is listed in the local telephone directory, a separate fax number, and a separate e-mail address provided by the Corporate Administrator) and office furniture and the usage of such premises as a registered office by the Issuer being effected separately to the usage of the premises by any other entity) in Luxembourg and has exclusive and unlimited access to its records, correspondence and any other documents pertaining to its business, such records, correspondence and documents being kept at its registered office in Luxembourg locked in a separate cabinet distinctly separate from those of other securitisation vehicles, including, without limitation, those whose shares are owned by the Foundation which holds the shares of the Issuer.

- 5.4** The Issuer does not have and has not had at its disposal a fixed place of business or an installation or equipment located in Germany which serves its activities; in particular it does not have its management or part of its management exercising any of their management functions in Germany.
- 5.5** The Issuer does not have and has not had a branch office or office facilities in Germany.
- 5.6** The Issuer does not have and has not had any storage facilities (*Warenlager*) or purchase facilities (*Einkaufsstellen*) in Germany.
- 5.7** The Issuer's board of directors adopts the relevant resolutions approving the Transaction Documents and executes such Transaction Documents to which the Issuer is a party in Luxembourg, the Issuer carries out other material business and transactions (such as the purchase of assets for its other compartments and, in particular, all financing and refinancing decisions) in Luxembourg, the Corporate Administrator is acting from outside Germany when performing its corporate services and, as a result of the foregoing, the Issuer does not have its management or part of its management exercising management functions on behalf of the Issuer in Germany, there is no Person in Germany that makes business or management decisions on its behalf, and its business and management decisions are made outside of Germany.
- 5.8** Except for the Servicer acting in its ordinary course of business as an independent agent, the Issuer does not have and has not had a representative in Germany with a power of attorney or a power of attorney in fact to represent the Issuer or to enter into contracts on behalf of the Issuer (as the case may be) and who uses such power constantly (*nachhaltig*) or is seeking or has sought the conclusion of contracts for the Issuer in Germany.
- 5.9** There is no person (individual or legal entity) who constantly (*nachhaltig*) carries out business in Germany on behalf of the Issuer and no person who is incorporated or resident in Germany acting on behalf of the Issuer is subject to or considers itself subject to instructions (whether in writing or orally) of the Issuer; in particular, none of its directors is resident for tax purposes in Germany or exercises his managing functions in Germany.

6 Management and Administration

The Issuer's management, the places of residence of the majority of the directors of the Issuer and the place at which meetings of the board of directors of the Issuer are held are all situated in Luxembourg.

7 No Establishment, Subsidiaries, Employees or Premises

The Issuer has no "establishment", as that term is used in Article 2(10) of the EU Insolvency Regulation, as amended, branch office, subsidiaries, employees or premises in any jurisdiction other than Luxembourg.

8 No Encumbrances

There exists no mortgage, charge (whether fixed or floating), pledge, lien, title retention or other security interest or encumbrance over or in respect of any assets, revenues or properties of the Issuer in respect of its Compartment German Auto Leases 5, other than as permitted by any Transaction Document.

9 Issuer's Activities

The Issuer has not engaged in any material activities since the creation of the Compartment German Auto Leases 5 other than those in respect of its Compartments or as disclosed in the Offering Circular.

10 Consents

The Issuer has obtained all authorisations, approvals, licences and consents required in connection with its business and the consummation of the transactions contemplated by the relevant Transaction Document pursuant to any relevant law and regulatory rules applicable to the Issuer in Luxembourg.

11 No Governmental Investigation

No governmental or official investigation or inquiry concerning the Issuer is progressing or pending or, so far as the Issuer is aware, has been threatened in writing which may have a Material Adverse Effect on the Issuer, any Transaction Document, or any of the Purchased Lease Receivables.

**PART 2 –
TRANSACTION DOCUMENT REPRESENTATIONS AND WARRANTIES OF THE ISSUER**

1 Corporate Power

The Issuer has the requisite power and authority to:

- 1.1 enter into each Transaction Document to which it is expressed to be a party;
- 1.2 create Compartment German Auto Leases 5, create and issue the Notes and the Security; and
- 1.3 undertake and perform the obligations expressed to be assumed by it in the Transaction Documents.

2 Authorisation

All acts, conditions and things required to be done, fulfilled and performed, including all relevant resolutions of its board of directors are satisfied, in order:

- 2.1 to enable the Issuer lawfully to issue, distribute and perform the terms of the Notes and distribute the Offering Circular in accordance with the selling restrictions set out in Schedule 4 (Selling Restrictions) of the Subscription Agreement;
- 2.2 to enable the Issuer lawfully to enter into each Transaction Document to which it is expressed to be a party;
- 2.3 to enable the Issuer lawfully to exercise its rights under and perform and comply with the obligations expressed to be assumed by it in the Transaction Documents.

3 No Breach of Law or Contract

The entry by the Issuer into and the execution (and, where appropriate, delivery) of the Transaction Documents to which it is expressed to be a party and the performance by the Issuer of its obligations under the Transaction Documents to which it is expressed to be a party do not and will not conflict with or constitute a breach or infringement by the Issuer of:

- 3.1 the Issuer's Articles of Incorporation;
- 3.2 any relevant law or regulatory rules; or
- 3.3 any agreement, indenture, contract, mortgage, deed or other instrument to which the Issuer is a party or which is binding on it or any of its assets,

where such conflict, breach, infringement or default may have a Material Adverse Effect on the Issuer, any Transaction Document to which it is expressed to be a party, the Notes or any Purchased Lease Receivables.

4 Valid and Binding Obligations

The obligations expressed to be assumed by the Issuer under the Transaction Documents (other than the Notes) to which it is expressed to be a party are legal and valid obligations, binding on it and enforceable against it in accordance with their terms, except:

- 4.1 as such enforcement may be limited by applicable bankruptcy, insolvency, moratorium, reorganisation or other similar laws affecting the enforcement of the rights of creditors generally; and

4.2 as such enforceability may be limited by the effect of general principles of equity (*Grundsätze von Treu und Glauben*).

5 Security

The Notes, the Secured Obligations and the obligations of the Issuer under the Trustee Claim will be validly secured by and in accordance with the provisions of the Security Documents on or before the Issue Date.

6 Ringfencing

By entering into, and assuming the obligations under, the Transaction Documents, the Issuer incurs duties, liabilities and obligations in respect of Compartment German Auto Leases 5 only but not in respect of any other Compartment or in respect of Bavarian Sky S.A. generally.

7 Representations and Warranties Qualified

The reservations set out in the legal opinions dated the Issue Date from Linklaters LLP and addressed to the Issuer and the Joint Lead Managers are deemed to be incorporated herein.

SCHEDULE 8 – ISSUER COVENANTS

PART 1 – CORPORATE COVENANTS OF THE ISSUER

The Issuer shall:

1 Financial Statements

1.1 Preparation of Financial Statements

Cause to be prepared in respect of each of its financial years, financial statements in such form as will comply with all relevant law and regulatory rules.

1.2 Delivery of Financial Statements

As soon as the same become available and in any event within one-hundred and fifty (150) calendar days of the end of each fiscal year of Bavarian Sky S.A., deliver to the Servicer, the Subordinated Lender and the Trustee two copies of its financial statements for such financial year.

2 Existence and Conduct

At all times maintain its existence and carry on and conduct its affairs in a proper and efficient manner in compliance with any relevant law and regulatory rules from time to time in force in Luxembourg.

3 Consents

Obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents necessary under any relevant law and regulatory rules from time to time in force in Luxembourg:

3.1 in connection with its business; or

3.2 to enable it lawfully to perform its obligations under the relevant Transaction Documents.

4 Authorised Signatories

Upon the Trustee's prior written request, deliver to the Trustee (with a copy to the Servicer) on the Issue Date and thereafter upon any change of the same, a list of authorised signatories of the Issuer together with a specimen signature of each authorised signatory.

5 Registered Office, Head Office and Centre of Main Interests

Maintain its registered office, its head office and its "centre of main interests", as that term is used in Article 3(1) of the EU Insolvency Regulation, as amended, in Luxembourg and not move such offices to another jurisdiction.

6 Board Meetings, Management and Administration

Hold all meetings of the board of directors of the Issuer in Luxembourg and not hold any such meeting outside Luxembourg and procure that the Issuer's management, and the place where the Issuer effects its central management and decision-making are all, at all times, situated in Luxembourg.

7 No Foreign Establishment

Not establish any "establishment", as that term is used in Article 2(10) of the EU Insolvency Regulation, as amended, outside of Luxembourg.

8 General Negative Covenants

Not until after the Final Discharge Date, save as contemplated by and to the extent permitted by the Transaction Documents or with the prior written consent of the Trustee:

- 8.1** carry on any business or enter into any transactions or documents in respect of Compartment German Auto Leases 5 other than those contemplated by the Transaction Documents;
- 8.2** sell, convey, transfer, lease, assign or otherwise dispose of or agree or attempt or purport to sell, convey, transfer, lease or otherwise dispose of or use, invest or otherwise deal with the Security or undertaking or grant any option or right to acquire the same;
- 8.3** grant, create or permit to exist any mortgage, charge (whether fixed or floating), pledge, lien, title retention or other security interest or encumbrance over the Charged Assets;
- 8.4** incur or permit to subsist any indebtedness whatsoever in respect of Compartment German Auto Leases 5, except:
 - (i) indebtedness arising under or pursuant to the Transaction Documents;
 - (ii) indebtedness representing (i) fees or expenses payable to its accountants, auditors or legal counsel or directors and (ii) any fees due to the government of Luxembourg from time to time;
 - (iii) taxes;
 - (iv) without duplication of (i) and (ii) above, indebtedness on account of incidentals or services supplied or furnished to it, provided that the aggregate amount of the indebtedness in this sub-paragraph (iv) shall not collectively exceed EUR 1,000 at any one time outstanding; or
 - (v) any other indebtedness consented to in writing by the Calculation Agent and in respect of which the Rating Agencies have given prior written confirmation that the rating of the Class A Notes will not be adversely affected,

provided that all indebtedness incurred by the Issuer in respect of Compartment German Auto Leases 5 shall be payable in accordance with the applicable Priority of Payments and shall not constitute a claim against it to the extent that funds are insufficient to pay such indebtedness;

- 8.5** make any loans, grant any credit or give any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any other person;
- 8.6** consolidate or merge with any other person;
- 8.7** surrender any assets or rights to any other company resulting in losses in respect of Compartment German Auto Leases 5 and then only in the manner permitted by its shareholders and approved by the Trustee;

- 8.8 have any employees or premises or have any Subsidiaries or become a director of any company;
- 8.9 have any bank account in respect of Compartment German Auto Leases 5 other than the Issuer Account and the Counterparty Downgrade Collateral Account unless permitted by the Trustee;
- 8.10 amend, supplement or otherwise modify its Articles of Incorporation, unless permitted by its shareholders and approved by the Trustee;
- 8.11 permit the validity or effectiveness of the Security to be impaired;
- 8.12 commingle assets with those of any other entity (other than Collections placed in an account in the name of the Servicer);
- 8.13 guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of others;
- 8.14 pledge its assets for the benefit of any other entity or make loans or advances to any entity, except as provided in the Transaction Document;
- 8.15 acquire the obligations or securities of its shareholders; or
- 8.16 declare or pay any distribution, purchase, redeem, retire or otherwise acquire for value any of its shares now or hereafter outstanding, return any capital to its shareholders as such or make any distribution of assets to its shareholders as such, except that the Issuer may (i) declare and deliver distributions payable only in its shares, and (ii) purchase, redeem, retire or otherwise acquire its shares with the proceeds from the issuance of new shares.

9 General Positive Covenants

Until after the Final Discharge Date, save to the extent otherwise permitted by the Transaction Documents or with the prior written consent of the Trustee:

- 9.1 maintain books and records separate from any other entity or Person;
- 9.2 maintain its accounts and prepare separate financial statements;
- 9.3 use separate stationery, invoices and checks, if any;
- 9.4 pay its own liabilities out of its own funds;
- 9.5 maintain adequate capital in light of its contemplated business operations;
- 9.6 have at all times at least one director independent from the Seller and the Issuer's shareholder;
- 9.7 hold itself out as a separate, individual entity;
- 9.8 correct any known misunderstanding regarding its separate identity;
- 9.9 maintain an arm's-length relationship with its Affiliates, if any;
- 9.10 at all times prior to either the Final Discharge Date or the Legal Final Maturity Date, whichever occurs earlier, realise, or procure the realisation of, all amounts arising from rights under the Transaction Document when due and shall collect, or procure the collection of, the proceeds of all rights under the Transaction Documents, credit, or procure the crediting of, all proceeds from rights under the Transaction Documents to the Issuer Account and not use

any moneys standing to the credit of the Issuer Account for the time being other than for the purposes specified in, and in accordance with, the provisions of the Transaction Documents;

9.11 maintain at all times the Issuer Account and the Counterparty Downgrade Collateral Account;

9.12 not acquire any assets located in Luxembourg; and

9.13 for so long as any of the Notes remains outstanding, procure satisfaction of the following requirements and, upon request, provide evidence to the satisfaction of the German tax authorities that:

- (i) it shall have its own active management, separate book keeping system, separate stationery (showing its street address, phone and fax number and e-mail address) and maintains an actual place of business at its registered (shared) office in Luxembourg (e.g., *inter alia*, that the Issuer's phone number shall be answered during normal business hours either by a director of the Issuer or, if no such person is immediately available, by another officer of the Issuer, who shall answer in the name of the Issuer, forward calls or take messages, and one of the directors or other officers of the Issuer shall be available, either on site or after the call has been forwarded, to answer questions regarding the Issuer and its business during normal business hours).
- (ii) it shall have unlimited access to and control over its registered (shared) office (such registered office bearing a name-sign of the Issuer and being provided by the Corporate Administrator and the premises at which such registered office is located being fully equipped by the Corporate Administrator with telecommunication equipment (whereby the Issuer shall have a separate phone number which shall be listed in the local telephone directory, a separate fax number, and a separate e-mail address provided by the Corporate Administrator) and office furniture and the usage of such premises as a registered office by the Issuer being effected separately to the usage of the premises by any other entity) in Luxembourg and shall have exclusive and unlimited access to its records, correspondence and any other documents pertaining to its business, such records, correspondence and documents shall be kept at its registered office in Luxembourg locked in a separate cabinet distinctly separate from those of other securitisation vehicles.
- (iii) it shall not have at its disposal a fixed place of business or an installation or equipment located in Germany which serves its activities; in particular it shall not have its management or part of its management exercising any of their management functions in Germany;
- (iv) it shall not have a branch office or office facilities in Germany;
- (v) it shall not have any storage facilities (*Warenlager*) or purchase facilities (*Einkaufsstellen*) in Germany;
- (vi) it shall carry out other material business and transactions (such as the purchase of assets for its other Compartments and, in particular, all financing and refinancing decisions) in Luxembourg, and there shall be no Person in Germany making business or management decisions on its behalf, and its business and management decisions shall be made from outside of Germany;
- (vii) except for the Servicer acting in its ordinary course of business as an independent agent, the Issuer shall not have a representative in Germany with a power of attorney

or a power of attorney in fact to represent the Issuer or to enter into contracts on behalf of the Issuer (as the case may be) and who uses such power constantly (*nachhaltig*) or is seeking the conclusion of contracts for the Issuer in Germany; and

(viii) there shall be no Person (individual or legal entity) who constantly (*nachhaltig*) carries out business in Germany on behalf of the Issuer and no person who is incorporated or resident in Germany acting on behalf of the Issuer shall be subject to or considers itself subject to instructions (whether in writing or orally) of the Issuer; in particular, none of its directors shall be resident for tax purposes in Germany or exercising his managing functions in Germany;

9.14 pay and discharge promptly or cause to be paid and discharged promptly all Taxes imposed upon it or upon its income or profits or upon any of its properties, provided that the payment of any such Taxes shall not be required so long as the amount, applicability or validity thereof shall be contested in good faith by appropriate proceedings and the Issuer shall have set aside on its books adequate reserves in respect thereof (segregated to the extent required by generally accepted accounting principles);

9.15 ensure at all times compliance with any obligations under the Secrecy Rules, including any applicable requirements on data protection under foreign law; and

9.16 promptly do all such acts and execute all such documents to ensure compliance with any clearing, reporting or other obligations as may be required 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).

**PART 2 –
TRANSACTION DOCUMENT COVENANTS OF THE ISSUER**

The Issuer shall:

1 Compliance with Relevant Transaction Documents

At all times

- (i) comply with and perform all its obligations under the Transaction Documents and the Notes; and
- (ii) send or procure to be sent to the Trustee, if and how reasonably possible, not less than three (3) Business Days prior to the date of publication, for the Trustee's approval, one copy of each notice to be given to the Noteholders in accordance with the Conditions and not publish such notice without such approval and, upon such publication, send to the Trustee one copy of such notice (such approval, unless so expressed, not to constitute approval for the purpose of Section 21 of FSMA or such notice as an investment advertisement (as therein defined)).

2 Exercise Rights

Preserve and/or exercise and/or enforce its rights under and pursuant to the Notes and the Transaction Documents.

3 Notification of Breach of Issuer Warranties and Undertakings

Immediately notify the Servicer and the Trustee if the Issuer becomes aware of any breach of the Issuer Representations and Warranties or of any breach of any undertaking given by the Issuer in any Transaction Document.

4 Legal Proceedings

4.1 Notification of Legal Proceedings

If any legal proceedings are instituted against it by any of its creditors or in respect of any of the Purchased Lease Receivables, the Leased Vehicles or the Lease Collateral, including any litigation or claim calling into question in any material way the Issuer's interest therein, immediately:

- 4.1.1 notify the Servicer, the Subordinated Lender and the Trustee of such proceedings; and
- 4.1.2 notify the court the subject of such proceedings of the interests of the Trustee in the Purchased Lease Receivables, the Leased Vehicles and the Lease Collateral.

4.2 Join in Legal Proceedings

Join in any legal proceedings brought by the Trustee against any person in respect of, or in connection with, the Transaction if the Trustee so requires.

5 Notification of Issuer Event of Default

Deliver notice to the Trustee and the Subordinated Lender forthwith upon becoming aware of any Issuer Event of Default or any event which with the giving of notice or lapse of time would become an Issuer Event of Default without waiting for the Trustee to take any further action.

6 No Encumbrances

Not create or permit to subsist any mortgage, charge (whether fixed or floating), pledge, lien, title retention or other security interest or encumbrance in respect of either of the Issuer Account or any assets of the Issuer in respect of Compartment German Auto Leases 5 other than pursuant to the Security Documents.

**PART 3 –
RECEIVABLE COVENANTS OF THE ISSUER**

The Issuer shall:

1 Interests in the Purchased Lease Receivables

At all times own, exercise and protect its rights in respect of the Purchased Lease Receivables and its interest in the Purchased Lease Receivables and perform and comply with its obligations in respect of the Purchased Lease Receivables under the terms of the Transaction Documents.

2 Negative Covenant

Not until the Final Discharge Date, save to the extent permitted by the Transaction Documents, permit any person other than itself and the Trustee to have any interest in the Purchased Lease Receivables.

**SCHEDULE 9 –
REPRESENTATIONS AND WARRANTIES OF TRANSACTION PARTIES**

Each party to the Transaction Documents other than the Issuer, the Seller and the Servicer hereby represents and warrants to the Issuer and the other parties hereto as follows:

It has full corporate power and authority to execute, deliver and perform the obligations under the Transaction Documents to which it is a party and all obligations required thereunder and has taken all necessary corporate action to authorise the relevant Transaction Document to which it is a party on the terms and conditions thereof, the execution, delivery and performance of the relevant Transaction Document to which it is a party on the terms and conditions thereof, and all obligations required thereunder. No consent of any other person including, without limitation, its shareholders or stockholders and creditors, and no licence, permit, approval or authorisation of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required by it in connection with the relevant Transaction Document to which it is a party or the execution, delivery, performance of such Transaction Document and the performance of the obligations expressly imposed upon it thereunder.

SCHEDULE 10 – NOTICE DETAILS

The addresses referred to in Clause 17 (*Notices*) of the Common Terms are:

1 In the case of the Issuer:

Address: **BAVARIAN SKY S.A., COMPARTMENT GERMAN AUTO LEASES 5**
2a, rue Nicolas Bové
L-1253 Luxembourg
Grand Duchy of Luxembourg

Telephone: +352 26 56 31 71

Fax: +352 26 56 35 82

Email: LU-BavarianSky@intertrustgroup.com

Attention: The Directors

2 In the case of the Seller:

Address: **BMW BANK GMBH**
Lilienthalallee 26
80939 Munich
Federal Republic of Germany

Telephone: +49 89 3184 4658

Attention: Dr. Holger Bachmann

3 In the case of the Servicer:

Address: **BMW BANK GMBH**
Lilienthalallee 26
80939 Munich
Federal Republic of Germany

Telephone: +49 89 3184 4658

Attention: Dr. Holger Bachmann

4 In the case of the Subordinated Lender

Address: **BMW BANK GMBH**
Lilienthalallee 26
80939 Munich
Federal Republic of Germany

Telephone: +49 89 3184 4658

Attention: Dr. Holger Bachmann

5 In the case of the Paying Agent, the Calculation Agent and the Interest Determination Agent:

Address: **THE BANK OF NEW YORK MELLON, LONDON BRANCH**
One Canada Square
London E14 5 AL
United Kingdom

Email: BNYM.structured.finance.team.8@bnymellon.com

Attention: BNYM Structured Finance Team 8

6 In the case of the Trustee:

Address: **BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED**
One Canada Square
London E14 5 AL
United Kingdom

Email: BNYM.structured.finance.team.8@bnymellon.com

Attention: BNYM Structured Finance Team 8

7 In the case of the Account Bank and the Data Trustee:

Address: THE BANK OF NEW YORK MELLON, FRANKFURT BRANCH
Messeturm
Friedrich-Ebert-Anlage 49
60327 Frankfurt am Main
Germany

Email: BNYM.structured.finance.team.8@bnymellon.com

Telefax: +49 69 12014 1695

Attention: BNYM Structured Finance Team 8

8 In the case of the Swap Counterparty:

Address: SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)
Kungsträdgårdsgatan 8
SE-106 40 Stockholm
Sweden

Email: TDLegal@seb.se

Telephone: +46 8 763 80 00

Attention: Markets

9 In the case of the Corporate Administrator:

Address: INTERTRUST (LUXEMBOURG) S.À R.L.
6, rue Eugène Ruppert
L-2453 Luxembourg
Grand Duchy of Luxembourg

Telephone: +352 26 44 91

Telefax: +352 26 44 91 67

Email: LU-BavarianSky@intertrustgroup.com

Attention: BUO - Capital Markets

10 In case of Fitch

Address: **FITCH RATINGS**
30 North Colonnade
Canary Wharf
London E14 5GN
United Kingdom

Telephone: +44 203 530 1000

Email: ABSsurveillance@fitchratings.com

Attention: Structured Finance – ABS

11 In the case of Moody's

Address: **MOODY'S DEUTSCHLAND GMBH**
An der Welle 5
60322 Frankfurt am Main
Federal Republic of Germany

Email: monitor.abs@moodys.com

Attention: Moody's SFG Surveillance

12 In the case of Joint Lead Managers

Address: **DZ BANK AG DEUTSCHE ZENTRAL-GENOSSENSCHAFTSBANK
FRANKFURT AM MAIN**
Platz der Republik
60265 Frankfurt am Main
Federal Republic of Germany

Email: syndicate@dzbank.de

Telephone: +49 69 7447 4812

Telefax: +49 69 7447 2884

Attention: Bond Syndicate

Address: **SOCIÉTÉ GÉNÉRALE S.A.**
Neue Mainzer Straße 46-50
60311 Frankfurt am Main
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Attention: Jan Groesser

13 In the case of Co-Managers

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Attention: Niels Spieker
Leon Maagdenberg

Address: **SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)**
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E-Mail: peter.frank@seb.de
ABSGermany@seb.de

Telephone: +49 69 258 6153

Attention: Peter Frank

SCHEDULE 11 – ACCOUNT DETAILS

Seller Account Details

Payment to: BMW Bank GmbH
In favour of: BMW Bank GmbH
Account: 83711787
IBAN: DE93 702 0300 0083 7117 87
BMW Bank GmbH SWIFT: BMWBDEMURXXX
Nat bank Code: 70220300
Reference: Bavarian Sky S.A., Compartment Leases 5

Issuer Account Details

Intermediary Bank: The Bank of New York Mellon, Frankfurt Branch
Account: 226 041 9710
IBAN: DE44 5033 0300 2260 4197 10
SWIFT IRVTDEFX
Reference: Bavarian Sky S.A. Auto Leases 5 / Issuer Acc AB CSH

Intermediary Bank: The Bank of New York Mellon, Frankfurt Branch
Account: 226 041 9711
IBAN: DE17 5033 0300 2260 4197 11
SWIFT IRVTDEFX
Reference: Bavarian Sky S.A. Auto Leases 5 / Cash reserve ledger

Intermediary Bank: The Bank of New York Mellon, Frankfurt Branch
Account: 226 041 9712
IBAN: DE87 5033 0300 2260 4197 12
SWIFT IRVTDEFX
Reference: Bavarian Sky S.A. Auto Leases 5 / Commingling Reserve Ledger

Intermediary Bank: The Bank of New York Mellon, Frankfurt Branch
Account: 226 041 9713
IBAN: DE60 5033 0300 2260 4197 13
SWIFT IRVTDEFX
Reference: Bavarian Sky S.A. Auto Leases 5 / Operating Ledger

Counterparty Downgrade Collateral Account Details

Intermediary Bank: The Bank of New York Mellon, Frankfurt Branch
Account: 226 041 9714
IBAN: DE33 5033 0300 2260 4197 14
SWIFT IRVTDEFX
Reference: Bavarian Sky S.A. Auto Leases 5 / Downgrade Collateral

Subordinated Lender Account Details

Payment to: BMW Bank GmbH
In favour of: BMW Bank GmbH
Account: 83711787
IBAN: DE93 7022 0300 0083 7117 87
BMW Bank GmbH SWIFT: BMWBDEMUXXX
Nat bank Code: 70220300
Reference: Bavarian Sky S.A., Compartment Leases 5

THE TRUST AGREEMENT

The following is the text of the Trust Agreement. The text of the Trust Agreement, excluding the schedule 1, 2, 3 and 4 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 this 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. For Schedule 5 to the Trust Agreement, which contains the Common Terms, see "COMMON TERMS" (see pages 141 et seqq.), and for Schedule 6 to the Trust Agreement, which contains the Issuer Representations and Warranties and the Issuer Covenants, see "ISSUER REPRESENTATIONS AND WARRANTIES AND ISSUER COVENANTS" (see page 171 et seqq.).

The descriptions in this section refer to 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, BNY Mellon Corporate Trustee Services Limited as the Trustee, BMW Bank as the Seller and the Servicer, BMW Bank as the Subordinated Lender, Skandinaviska Enskilda Banken AB (publ) as the Swap Counterparty, The Bank of New York Mellon, Frankfurt Branch as the Account Bank and the Data Trustee, The Bank of New York Mellon, London Branch as the Interest Determination Agent, the Paying Agent and the Calculation Agent and Intertrust (Luxembourg) S.à r.l. as the Corporate Administrator and Back-Up Servicer Facilitator.

1 Definitions, Interpretation and Common Terms

1.1 Definitions

1.1.1 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.

1.1.2 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

1.3.1 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.

1.3.2 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 5 (*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.

1.3.3 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 24 (*Governing Law*) of the Common Terms. Clause 25 (*Jurisdiction*) of the Common Terms applies to this Agreement as if set out in full in this Agreement.

1.4 Transaction Documents

The Trustee hereby confirms that it has received copies of all Transaction Documents. For the avoidance of doubt: The Trustee will not have any obligations under any Transaction Document to which it is not a party.

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 the Noteholders are not 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 lapsed 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 Parties 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 Clause 13 (*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 in the case of 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 its securities account. The

Trustee shall rely on the records of Euroclear and Clearstream Luxembourg in relation to any determination of the Class Outstanding Notes Balance of each Global Note.

- 2.16** Whenever in this 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 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 the Class A 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 (*Resolutions of Noteholders*) 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 (*Resolutions of Noteholders*) 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, pre-funded 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 13 (*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:

- (i) 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;
- (ii) the foreclosure on Security; and
- (iii) the settlement of payments pursuant to Clause 17.2(iii) (*Post-Enforcement Priority of Payments*).

3.3 The Trustee may delegate some but not substantially all of its rights, authorities, powers and performance of its obligations under this 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. Provided it has exercised such due care, the Trustee 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.

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 by way of an abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) that, subject as provided in the relevant Transaction Documents and this Agreement, it will:

- (i) 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

- (ii) 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 (including any sums payable on the grounds of any invalidity or unenforceability of any of the Transaction Documents, in particular claims on the grounds of unjustified enrichment (*ungerechtfertigter Bereicherung*)) 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(i) and (ii) 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 (*Rights, Obligations and Powers of the Trustee, Binding Effect of Conditions*) or remedied to its satisfaction, the Trustee may:

- (i) 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:
 - (a) 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
 - (b) 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
- (ii) 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(i) and (ii) (*Payment to Noteholders and other Secured Parties*), 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 granted in the form of an abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*, the "**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 BNY Mellon Corporate Trustee Services Limited as security trustee (*Sicherheitentreuhänder*) 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**"). BNY Mellon Corporate Trustee Services Limited hereby accepts such appointment.

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 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, Clause 8.2 and Clause 8.3.

8.1 Transfer for security purposes of Transferred Assets

8.1.1 Assignment and transfer

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

- (i) all Purchased Lease Receivables together with any related Lease Collateral as transferred by the Seller to the Issuer pursuant to the Lease Receivables Purchase Agreement and all rights, claims and interests relating thereto;

- (ii) subject in each case to the condition subsequent (*auflösende Bedingung*) of the earlier of (i) the occurrence of a Lease Agreement Termination Event or (ii) full and final fulfilment of the obligations secured pursuant to Clause 4.3 of the Lease Receivables Purchase Agreement, its security title (*Sicherungseigentum*) to the Leased Vehicles relating to the Purchased Lease 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 this Agreement (for the avoidance of doubt, such transfer of security title shall leave the security purpose as agreed in Clause 4.5 of the Lease Receivables Purchase Agreement unchanged);
- (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 Lease 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 Account 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) 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 (including, where appropriate, by way of separate documentation), 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 Leased Vehicles including any subsequently inserted parts and other moveable Lease 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 Leased Vehicles or of other moveable Lease Collateral (including any vehicle certificate (*Zulassungsbescheinigung Teil II* or *KFZ-Brief*, as applicable)), the Issuer hereby assigns to the Trustee as part of the Lease Collateral all related existing or future restitution claims (*Herausgabeansprüche*).

8.1.2 The Trustee hereby accepts the assignment and the transfer of the Transferred 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 earlier of (i) a Release Condition being fulfilled; and (ii) full and final satisfaction of the Secured Obligations and the full and final discharge of the Trustee Claim, title (*Sicherungseigentum*) to the relevant Leased Vehicles to the Issuer. The Issuer accepts such retransfer.

8.1.3 The existing Transferred Assets shall pass to the Trustee on the Issue Date, and any future Transferred Assets shall directly pass to the Trustee as of the date on which such Transferred 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 Transferred 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.

8.1.4 To the extent that title to the Transferred Assets cannot be transferred by sole agreement between the Issuer and the Trustee as contemplated by the foregoing sub-clauses 8.1.1 to 8.1.3, the Issuer and the Trustee agree that:

(i) with respect to the Leased Vehicles, in lieu of the delivery (*Übergabe*) necessary to effect the transfer of title for security purposes with regard to the Leased Vehicles and any vehicle certificates (*Zulassungsbescheinigung Teil II* or *KFZ-Brief*, as applicable) and any other moveable Lease 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 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 Lessee) which is in the direct possession (*unmittelbarer Besitz*) or indirect possession (*mittelbarer Besitz*) of the Leased Vehicles (and any car or vehicle certificates (*Zulassungsbescheinigung Teil II* or *KFZ-Brief*, as applicable) with respect thereto) or other moveable Lease 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 Leased

Vehicle or other moveable Lease Collateral is in the Issuer's direct possession (*unmittelbarer Besitz*), the Issuer shall hold possession as fiduciary (*treuhänderisch*) on behalf of the Trustee and shall grant the Trustee indirect possession (*mittelbarer Besitz*) of the related Leased Vehicle and other moveable Lease Collateral by keeping it with due care free of charge (*als unentgeltlicher Verwahrer*) and separate from other assets owned by it for the Trustee until revoked or the related Leased Vehicle or other moveable Lease Collateral is released or replaced in accordance with the Transaction Documents (*Besitzkonstitut*);

- (ii) any notice to be given in order to effect transfer of title in the Transferred 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;
- (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 Transferred 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; and
- (iv) the Issuer shall provide any and all necessary details in order to identify the Leased Vehicles, title to which has been transferred hereunder from the Issuer to the Trustee as contemplated herein, at the latest on the date on which this Agreement becomes effective.

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

8.1.5 Acknowledgement of assignment

All Parties hereby acknowledge that the rights and claims of the Issuer which constitute the Transferred Assets and which have arisen under contracts and agreements between the Issuer and the Parties 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 (*Collections*) and the other provisions hereof or of the Deed of Security Assignment and subject to the restrictions contained in this Agreement. Upon notification to any Party 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, including, without limitation, the right to give instructions to each such party pursuant to the relevant Transaction Document and each Party 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.

- 8.1.6** The Trustee hereby consents to any reassignments and retransfers by the Issuer to the Seller in accordance with Clause 12.2 of the Lease Receivables Purchase Agreement.

8.2 Pledges

- 8.2.1** 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 , subject, for the avoidance of doubt, to Clause 14 (*When Security becomes enforceable and the Respective Procedure*).

8.2.2 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, against the Account Bank under or in connection with the Bank Account Agreement, in particular all claims for cash deposits and credit balances (*Guthaben und positive Salden*) of the Issuer Account (including any ledgers thereof) and all claims for interest in respect of such accounts, with the exception of the Counterparty Downgrade Collateral Account. The Issuer hereby gives notice to the Account Bank of such pledge and the Account Bank hereby confirms receipt of such notice.

8.2.3 The Issuer has opened the Counterparty Downgrade Collateral Account in its name with the Account Bank.

8.2.4

(i) The Issuer hereby irrevocably and unconditionally, by way of an independent promise to perform obligations (*abstraktes Schuldversprechen*), promises to pay, whenever (A) any Swap Replacement Expense Obligation or (B) any Excess Collateral Compensation Obligation has become due (*fällig*), an equal amount to the Trustee.

(ii) The claim of the Trustee granted in paragraph (i) shall rank with the same priority as the relevant Swap Replacement Expense Obligation or Excess Collateral Compensation Obligation.

(iii) The claim of the Trustee granted in paragraph (i) is separate and independent from any claims in respect of the Swap Replacement Expense Obligations or Excess Collateral Compensation Obligations, provided that:

(a) the claim of the Trustee granted in paragraph (i) shall be reduced to the extent that any payment obligations under the Swap Replacement Expense Obligations or under the Excess Collateral Compensation Obligations have been discharged (*erfüllt*); and

(b) the claim of the Trustee granted in paragraph (i) shall correspond to the Issuer's payment obligations under the Swap Replacement Expense Obligations and the Excess Collateral Compensation Obligations.

(iv) The claim of the Trustee granted in paragraph (i) will become due (*fällig*), if and to the extent that the Swap Replacement Expense Obligations or the Excess Collateral Compensation Obligations have become due (*fällig*).

(v) Any amounts received by the Trustee set out in paragraph (i) shall not be applied in accordance with the applicable Priority of Payments, but shall only be applied to the payment of any amounts due by the Issuer under the Swap Replacement Expense Obligations or the Excess Collateral Compensation Obligations to the relevant obligors.

8.2.5 The Issuer hereby pledges to the Trustee all its present and future claims in respect of the Counterparty Downgrade Collateral Account, in particular, but not limited to, all claims for cash deposits and credit balances (*Guthaben und positive Salden*) in the Counterparty Downgrade Collateral Account and all claims for interest in respect

of the Counterparty Downgrade Collateral Account and the proceeds of such account,

- (i) first, to secure the claims against the Swap Counterparty under the Swap Agreement which have been assigned to the Trustee pursuant to the Deed of Security Assignment. This includes unpaid swap net amounts, and the Swap Counterparty agrees that it owes such amounts (if any), which would be Swap Net Cashflow due under the Swap Agreement (prior to the replacement of the Swap Counterparty) but for an automatic early termination under Clause 6(a) of the ISDA master agreement forming part of the Swap Agreement; and
- (ii) second (and subordinated), to secure the claims of the Trustee set out in Clause 8.2.4(i).

8.2.6 The Issuer hereby gives notice to the Account Bank of the pledge pursuant to Clause 8.2.5 and the Account Bank hereby acknowledges such pledge.

8.2.7 Upon enforcement of the pledges set out in Clause 8.2.5 the Trustee shall apply all amounts received from such enforcement towards fulfilment of the secured claims as set out in Clause 8.2.5(i) and 8.2.5(ii), respectively, provided that:

- (i) Any amounts resulting from the enforcement of the first-ranking pledge and applied towards fulfilment of any unpaid Swap Net Cashflow (including any unpaid swap net amounts referred to in Clause 8.2.5(i)) shall be transferred to the Issuer Account; and
- (ii) any amounts resulting from the enforcement of any of the pledges and applied towards fulfilment of any other secured claims set out in Clause 8.2.5 shall not be transferred to any Issuer Account and the Priority of Payments shall not apply to any amounts so applied.

8.2.8 If the Swap Counterparty does not pay the Swap Net Cashflow when due and the Issuer or the Trustee applies any amount standing to the credit of the Counterparty Downgrade Collateral Account to make up for such non-payment in accordance with Clause 8.2.7(i), any later payment of such unpaid Swap Net Cashflow by the Swap Counterparty to the Issuer shall not be credited to the Issuer Account but shall be credited to the Counterparty Downgrade Collateral Account.

8.2.9 If and to the extent that the swap collateral granted in connection with the Swap Agreement is adjusted and the Issuer is obliged under the relevant credit support document relating to the Swap Agreement to repay the relevant swap collateral (or amounts equal to the value thereof), the Issuer shall be entitled to make a corresponding payment to the Swap Counterparty from Counterparty Downgrade Collateral Account. The Trustee consents to such payment (Section 1276 BGB). For the avoidance of doubt, the Priority of Payments shall not apply to any such payment by or on behalf of the Issuer to the Swap Counterparty from the Counterparty Downgrade Collateral Account.

8.2.10 If and to the extent the Issuer is obliged to make a payment to the Swap Counterparty in respect of any Excess Collateral Compensation Obligation when all payment obligations of the Swap Counterparty under the Swap Agreement have been discharged in full, the Issuer shall be entitled to make a corresponding payment to the Swap Counterparty from the Counterparty Downgrade Collateral Account. Such

payment will not be subject to the Priority of Payments. The Trustee consents to such payment by or on behalf of the Issuer to the Swap Counterparty from the Counterparty Downgrade Collateral Account (Section 1276 BGB).

8.2.11 If and to the extent the Issuer is required to replace the Swap Counterparty, following a close-out netting under the relevant ISDA master agreement forming part of the Swap Agreement, the Issuer shall be entitled to apply funds standing to the credit of the Counterparty Downgrade Collateral Account towards meeting any Swap Replacement Expense Obligations. Such application of funds will not be subject to the Priority of Payments. The Trustee consents to such application of funds standing to the credit of the Counterparty Downgrade Collateral Account (Section 1276 BGB).

8.2.12 The recourse of the Swap Counterparty in respect of the claim against the Issuer set out under Clause 8.2.10 is limited to the amount standing to the credit of the Counterparty Downgrade Collateral Account following a close-out netting under the relevant ISDA master agreement forming part of the Swap Agreement.

To the extent the amount standing to the credit of the Counterparty Downgrade Collateral Account following a close-out netting under the relevant ISDA master agreement is insufficient to pay in full all amounts due under the Swap Agreement in respect of any Excess Collateral Compensation Obligation, such Excess Collateral Compensation Obligation of the Issuer shall be extinguished in full upon payment of the amount remaining after the application of amounts standing to the credit of the Counterparty Downgrade Collateral Account in accordance with Clause 8.2.7, but prior to the application of such amounts for payment of such Excess Collateral Compensation Obligation. The preceding sentence shall apply in addition to Clause 5 (*Non-Petition and Limited Recourse*) of the Common Terms.

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 (without prejudice to and after giving effect to any contractual netting provision contained in the Swap Agreement) 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 (*Form of Deed of Security Assignment*) hereto. 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 (*Creation of Security*, i.e., Clause 8.1 (*Transfer for security purposes of Transferred Assets*) except for Clause 8.1.1(ii) 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 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 hereby represents and warrants to the Trustee, also for the benefit of the other Secured Parties, by way of an independent guarantee irrespective of fault within the meaning of Section 311 BGB (*selbständiges, verschuldensunabhängiges Garantieverprechen*) on the terms of the Issuer Representations and Warranties as set out in Schedule 7 (*Issuer Representations and Warranties*) 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 and the Trustee Claim (Clause 18 (*Release of Security*)).
- 11.2 The Trustee shall not release the Security or dispose of the Transferred 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 (*Term of this Agreement; Resignation, Replacement and Substitution of the Trustee*).
- 11.3 Subject to Clause 12 (*Collections*) and in accordance with the Servicing Agreement and the Lease Receivables Purchase Agreement, the Servicer is entitled to realise the Leased 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 Transferred Assets (including, for the avoidance of doubt, to enforce the Lease Collateral as well as the Leases Vehicles) transferred for security purposes under Clause 8.1 (*Transfer for security purposes of Transferred Assets*) and the rights pledged and assigned pursuant to Clauses 8.2 (*Pledges*) and 8.3 (*English law Deed of Security Assignment*) of this Agreement.
- 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 Lease Receivables, Lease Collateral and the Leased Vehicles to any third party in accordance with the Credit and Collection Policy and the release by the Servicer of any Leased Vehicle in accordance with the Lease 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 above may be revoked by the Trustee if, in the Trustee's opinion (having taken such advice as it reasonably considers necessary), such revocation is necessary in order to avoid an adverse effect on the Security or their value which the Trustee considers material, and the Trustee gives notice thereof to the Issuer and the Seller. 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.

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 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 to the fullest extent permitted under 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

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

- 14.2.1 Upon the occurrence of an Issuer Event of Default, the Trustee shall as soon as reasonably practicable after having become aware thereof notify the Issuer, each of the other Secured Parties and the Rating Agencies of such Issuer Event of Default (such notice, the "**Enforcement Notice**").
- 14.2.2 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 may, and if instructed by the Noteholders 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.
- 14.2.3 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.
- 14.2.4 Each of the parties to this Agreement agrees and acknowledges and, by executing a Form of Accession Agreement, 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).
- 14.2.5 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.

14.3 Notification of authorised signatories for instructions

The Trustee shall, promptly after delivery of an Enforcement Notice, provide to the Account Bank and the Calculation Agent the specimen signatures of its own authorised signatories who shall be entitled to give instructions to the Calculation Agent and the Account Bank.

15 Realisation of the Leased Vehicles

- 15.1 The Leased 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.

- 15.2** If the security purpose is met and a Leased Vehicle is realised, the proceeds shall be divided proportionally between the Issuer in case the security purpose of Clause 4.5 (*Transfer of Leased Vehicles for Security Purposes*) of the Lease Receivables Purchase Agreement is triggered, the Seller and the respective financier of the residual value portion relating to the respective Leased Vehicles (as notified by the Seller to the Issuer) at any time. The Issuer is entitled to receive the Pro Rata Lease Instalment Share of the enforcement proceeds from the realisation of the Leased Vehicles in relation to the relevant Purchased Lease Receivable. The Seller or the respective financier of the residual value portion (as notified by the Seller to the Issuer) at any time is entitled to receive the Pro Rata Residual Value Share of the enforcement proceeds from the realisation of the Leased Vehicles in relation to the agreed residual value of the relevant Leased Vehicle.

The Seller is entitled to receive all payments on the Purchased Lease Receivables it collects after the day on which the Servicer has finally written off the relevant Lease Agreements pertaining to such Purchased Lease Receivables in accordance with its customary practice as applicable from time to time.

16 Conflicts of Interest

16.1 Interests of Secured Parties

Subject to the other provisions of this Clause 16, 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 and each of them agrees that it shall have no claim against the Trustee for acting in accordance with the provisions of such clause.

16.3 Reliance by Trustee

16.3.1 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 14.3.2 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(i) through (iii) (*General Covenants of the Trustee*) 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.

16.3.2 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:

- (i) the Issuer may not make any withdrawal from the Issuer Account and the Counterparty Downgrade Collateral Account;
- (ii) unless with the express consent from the Trustee, the Issuer shall refrain from exercising any rights in relation to the Security; and
- (iii) the Trustee may withdraw moneys from the Issuer Account and apply the Available Post-Enforcement Funds 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 as may be necessary to release the Security and the Trustee shall, to the extent applicable, assign and re-transfer all Transferred 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 (*Issuer Covenants*) of the Incorporated Terms Memorandum.

20 Term of this Agreement; Resignation, Replacement and Substitution of the Trustee

20.1 This Agreement shall terminate automatically on the Final Discharge Date.

20.2 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 lease 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 sixty (60) Business Days of the resignation notice of the Trustee.

20.3 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 if an Insolvency Event occurs with respect to the Trustee or, if the Issuer determines, in its sole discretion (exercised reasonably) that the Trustee has failed to perform its material obligations under this Agreement, the Conditions and the other Transactions to which it is a party as trustee. The Issuer shall notify the Rating Agencies upon the appointment of a substitute Trustee without undue delay.

20.4 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 or Clause 20.3, 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 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.

20.5 Assumption of obligations

In the event of a substitution of an existing Trustee with a new Trustee, as contemplated by Clause 20.1 or Clause 20.3, 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; and (ii) notify the Servicer, the Issuer, the Account Bank, the Paying Agent and the Calculation Agent.

A termination pursuant to Clause 20.2 or Clause 20.3 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 20.5 hereof have been assigned to the new Trustee.

20.6 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 takes 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 13 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 as separately agreed. 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 13 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.

20.7 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 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 Transferred 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, subject to Clause 5 (*Non-Petition and Limited Recourse*) of the Common Terms, indemnify and hold harmless the Trustee, its officers, employees and agents (for the purposes of this Clause, each an "**Indemnified Person**") against any loss, liability, expense, claim or action (including all reasonably incurred and duly documented fees and expenses incurred in disputing or defending any of the foregoing) which the Indemnified Person may incur or which may be made against it arising out of or in connection with its appointment or performance of its functions, except such as may result from a violation by the Trustee of its obligations under this Agreement caused by negligence (*Fahrlässigkeit*) or wilful misconduct (*Vorsatz*) of the Trustee or its officers, employees or agents.

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 Conditions or the other Transaction Documents. If required to do so by law, the Trustee may

withhold tax and may deduct amounts from sums held by it under this Agreement to pay any taxes due and the Trustee shall have no responsibility whatsoever to any Secured Party as regards any deficiency or additional payment, as the case may be, which might arise because the Trustee is subject to any stamp, issue, registration, documentary and other fees, duties, and taxes.

22 Base Rate Modification

Notwithstanding Clause 8 (*Variation of Transaction Documents*) of the Common Terms, the Trustee shall be obliged (and with no liability whatsoever attached to the Trustee), without any consent or sanction of the Noteholders and any of the other Transaction Parties, to agree with the Issuer in making any modification (other than in respect of a matter for a qualified majority is required) to the Trust Agreement, the Conditions of the Notes or any other Transaction Document to which it is a party that the Issuer solely considers necessary:

(i) for the purpose of changing EURIBOR that then applies to the Notes to an alternative base rate (any such rate, an "**Alternative Base Rate**") and making such other amendments as are necessary or advisable in the commercially reasonable judgement of the Issuer (or the Servicer on its behalf) to facilitate such change (a "**Base Rate Modification**"), provided that the Servicer, on behalf of the Issuer, certifies to the Trustee in writing (such certificate, a "**Base Rate Modification Certificate**") that:

(a) such Base Rate Modification is being undertaken due to:

- A. a material disruption to EURIBOR, an adverse change in the methodology of calculating EURIBOR or EURIBOR ceasing to exist or be published;
- B. a public statement by the EURIBOR administrator that it will cease publishing EURIBOR permanently or indefinitely (in circumstances where no successor EURIBOR administrator has been appointed that will continue publication of EURIBOR);
- C. a public statement by the supervisor of the EURIBOR administrator that EURIBOR has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner;
- D. a public announcement of the permanent or indefinite discontinuation of EURIBOR that applies to the rated Notes at such time;
- E. a public statement by the supervisor for the EURIBOR administrator that means EURIBOR may no longer be used or that its use is subject to restrictions or adverse consequences; or
- F. the reasonable expectation of the Servicer that any of the events specified in items A. to E. above will occur or exist within six months of such Base Rate Modification,

and, in each case, such Base Rate Modification is required solely for such purpose; and

- (b) such Alternative Base Rate is:
- A. a base rate published, endorsed, approved or recognised by the relevant regulatory authority or any stock exchange on which the Notes are listed or any relevant committee or other body established, sponsored or approved by any of the foregoing;
 - B. a base rate utilised in a material number of publicly-listed new issues of Euro denominated asset-backed floating rate notes prior to the effective date of such Base Rate Modification;
 - C. a base rate utilised in a publicly-listed new issue of Euro denominated asset-backed floating rate notes where the originator of the relevant assets is an affiliate of BMW Bank GmbH; or
 - D. such other base rate as the Servicer reasonably determines;
- and:
- E. in each case, the change to the Alternative Base Rate will not, in the Servicer's opinion, be materially prejudicial to the interest of the Noteholders;
 - F. for the avoidance of doubt, the Servicer may propose an Alternative Base Rate on more than one occasion provided that the conditions set out in this Clause 22 (*Base Rate Modification*) are satisfied; and
 - G. which, for the avoidance of doubt, may be an Alternative Base Rate together with a specified adjustment factor which may increase or decrease the relevant Alternative Base Rate.

In the event that no Alternative Base Rate can be determined in a timely manner in accordance with the above, the Interest Determination Agent shall use the Reference Bank Rate (expressed as a percentage rate per annum) as determined by it in consultation with the Issuer for one-month deposits in euro at approximately 11:00 a.m. (Brussels time) on the relevant Interest Determination Date, where the "**Reference Bank Rate**" means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Interest Determination Agent at its request by the Reference Banks selected by it in consultation with the Issuer as the rate at which such Reference Bank could borrow funds in the European interbank market in euro and for such Interest Period were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in euro and for such Interest Period. In the event that the Interest Determination Agent is unable to make such determination for the relevant Interest Period in accordance with the aforesaid, the Alternative Base Rate shall be EURIBOR as determined on the last Interest Determination Date on which EURIBOR was still available.

- (ii) For the purpose of changing the base rate that then applies in respect of the Swap Agreement to an alternative base rate as is necessary or advisable in the commercially reasonable judgement of the Issuer (or the Servicer on its behalf) solely as a consequence of a Base Rate Modification and solely for the purpose of aligning the base rate of the Swap Agreement to the base rate of the Class A Notes following such Base Rate Modification (a "**Interest Rate Swap Rate Modification**"), provided that the Servicer, on behalf of the Issuer, certifies to the Trustee in writing

that such modification is required solely for such purpose (such certificate being a **"Interest Rate Swap Rate Modification Certificate"** and the Interest Rate Swap Rate Modification Certificate and the Base Rate Modification Certificate each a **"Modification Certificate"**), provided that, in the case of any modification made pursuant to Clause 22(i)(a) or Clause 22(i)(b):

- (a) at least 5 days' prior written notice (including, for such purposes, via email) of any such proposed modification has been given to the Trustee;
 - (b) the Base Rate Modification Certificate or the Interest Rate Swap Rate Modification Certificate, as applicable, in relation to such modification is provided to the Trustee both at the time the Trustee is notified of the proposed modification in accordance with Clause 22(i)(a) and on the date that such modification takes effect;
 - (c) with respect to each Rating Agency, either:
 - A.** the Issuer obtains from such Rating Agency written confirmation that such modification would not result in (I) a downgrade, withdrawal or suspension of the then current ratings assigned to the Class A Notes by such Rating Agency or (II) such Rating Agency placing any Class A Notes on rating watch negative (or equivalent) and delivers a copy of each such confirmation to the Trustee; or
 - B.** the Issuer certifies in writing to the Trustee that it has notified such Rating Agency of the proposed modification and, in its reasonable opinion, formed on the basis of due consideration and consultation with such Rating Agency (including, as applicable, upon receipt of confirmation from an appropriately authorised person at such Rating Agency), such modification would not result in (I) a downgrade, withdrawal or suspension of the then current ratings assigned to the Class A Notes or by such Rating Agency or (II) such Rating Agency placing any Class A Notes on rating watch negative (or equivalent); and
 - (d) the Issuer (or the Paying Agent on its behalf, itself acting upon instruction of the Servicer) has provided at least 30 days' prior written notice to the Noteholders of each Class of Notes of the proposed modification in accordance with Condition 15 (*Form of Notices*).
- (iii) The Trustee will be obliged to consent to the Issuer making any modification referred to under this Clause 22, if:
- (a) in the sole opinion of the Trustee such modification would not have the effect of (A) exposing the Trustee to any liability against which it has not been indemnified and/or prefunded and/or secured to its satisfaction or (B) increasing the obligations or duties, or decreasing the protections, rights or indemnities, of the Trustee in the Transaction Documents and/or the Conditions of the Notes; and
 - (b) the Issuer certifies in writing to the Trustee (which certification may be in the relevant Modification Certificate) that in relation to such modification (A) the Issuer (or the Paying Agent on its behalf, itself acting upon instruction of the Servicer) has provided at least 30 days' notice to the Noteholders of the

Class A Notes of the proposed modification in accordance with Condition 15 (*Form of Notices*) relating to the Class A Notes, in each case specifying the date and time by which Noteholders may object to the proposed modification, and has made available at such time the modification documents for inspection at the registered office of the Trustee for the time being during normal business hours, and (B) the Issuer has not been contacted by holders of the Class A Notes representing at least 10 per cent. of the Notes Outstanding Amount of the Class A Notes in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that the holders of the Class A Notes object to the proposed modification of the Class A Notes; and

- (c) if holders of the Class A Notes representing at least 10 per cent. of the aggregate Notes Outstanding Amount of the Class A Notes have notified the Issuer in accordance with the notice provided above and the then current practice of any applicable clearing system through which the Class A Notes may be held within the notification period referred to above that they object to the proposed Base Rate Modification, then such modification will not be made unless a resolution of the holders of the Class A Notes is passed in favour of such modification in accordance with Condition 14 (*Resolutions of Noteholders*) by a qualified majority of the holders of the Class A Notes, provided that objections made in writing to the Issuer other than through the applicable clearing system must be accompanied by evidence to the Issuer's satisfaction (having regard to prevailing market practices) of the holders of the Class A Notes.
- (iv) When implementing any modification pursuant to this Clause 22, the Trustee will not consider the interests of the Noteholders, any other Transaction Party or any other Person and will act and rely solely, and without further investigation, on any Modification Certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Clause 22, and shall not be liable to the Noteholders, any other Transaction Party or any other Person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such Person.
- (v) The Issuer (or the Paying Agent on its behalf, itself acting upon instruction of the Servicer) will notify, or shall cause notice thereof to be given to, the Noteholders and the other Transaction Party of any such effected modifications in accordance with Condition 15 (*Form of Notices*).

23 Miscellaneous

23.1 Ringfencing and further securities/transactions

All Parties agree that each Transaction Document (other than the Corporate Administration Agreement) shall incur obligations and liabilities in respect of Compartment German Auto Leases 5 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 German Auto Leases 5. All Parties 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.

23.2 New securitisations and further securities requiring consent

The Issuer shall not enter into any further securitisation transactions and shall not issue any further securities unless (i) one or more reputable law firm(s) (as appropriate) shall have, in one or more legal opinion(s) satisfactory to the Issuer, confirmed to the Issuer that as a result of the issuance of the securities or the entrance into any other transaction documents related therewith, the Issuer shall not incur any payment or other obligations in respect of its Compartment German Auto Leases 5 or in respect of any other pre-existing Compartment and (ii) based, *inter alia*, on such legal opinion, the board of directors of the Issuer shall have approved the issuance of the securities and the entrance into related transaction documents. In case of any further securitisation transactions of the Issuer, the transactions shall not be cross-collateralised or cross-defaulted.

23.3 Global condition precedent

All Parties agree that it shall constitute a condition precedent in respect of each Transaction Document that all Transaction Documents to be executed on or prior to the Issue Date have, no later than on the Issue Date, been executed and delivered by each of the relevant parties thereto. Each Party acknowledges that all other Parties are entering into this Transaction in reliance upon all such Transaction Documents being validly entered into by all relevant parties to such documents.

23.4 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.

**SCHEDULE 1 –
PRE-ENFORCEMENT PRIORITY OF PAYMENTS**

Please see "TERMS AND CONDITIONS OF THE NOTES – Condition 7.6 (Pre-Enforcement Priority of Payments)".

**SCHEDULE 2 –
POST-ENFORCEMENT PRIORITY OF PAYMENTS**

*Please see "TERMS AND CONDITIONS OF THE NOTES – Condition 9 (Post-Enforcement
Priority of Payments)".*

SCHEDULE 3 – FORM OF DEED OF SECURITY ASSIGNMENT

THIS DEED OF SECURITY ASSIGNMENT has been made as of 19 September 2019 (the "**Deed**")
between

- (1) **BAVARIAN SKY S.A.**, a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg as a securitisation company (*société de titrisation*) within the meaning of, and governed by, the law of 22 March 2004 on securitisation, as amended, (the "**Luxembourg Securitisation Law**") and registered with the Luxembourg Register of Commerce and Companies under number B 127982 and having its registered office at 2a, rue Nicolas Bové, L-1253 Luxembourg, acting in respect of its Compartment German Auto Leases 5 (the "**Issuer**"); and
- (2) **BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED**, (registered number 2631386), a private limited company incorporated under the laws of England and Wales, having its registered office at One Canada Square, London E14 5AL, United Kingdom, as trustee for the Secured Parties (the "**Trustee**" which expression shall, wherever the context so admits, include such company and all other persons or companies for the time being the trustee or trustees pursuant to these presents).

WHEREAS:

- (A) Bavarian Sky S.A. is subject, as an unregulated securitisation undertaking, to the provisions of the Luxembourg Securitisation Law. For the purposes of the Transaction, Bavarian Sky S.A. has created Compartment German Auto Leases 5 and all Transaction Documents (other than the Corporate Administration Agreement) shall relate to Compartment German Auto Leases 5 only.
- (B) To secure its obligations to the Secured Parties under the relevant Transaction Documents and its obligations to the Trustee under Clause 6.1 (*Trustee joint and several creditor*) of the Trust Agreement (the "**Trustee Claim**"), the Issuer has agreed to enter, *inter alia*, into this Deed.

NOW, THEREFORE, the parties hereby agree as follows:

1 Definitions and Interpretations

1.1 Definitions

1.1.1 Unless otherwise defined herein or the context requires otherwise, capitalised terms used in this Deed 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 Deed 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 Deed by reference. In addition:

"**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 this Deed;

"**Delegate**" means any person appointed pursuant to Clause 11.2 (*Delegation*) and any person appointed as an attorney of the Trustee and/or any Receiver;

"Encumbrance" means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, standard security, assignment by way of security or other security interest of any kind, but does not include liens arising in the ordinary course of trading by operation of law; and

"Receiver" means a receiver or receiver and manager appointed under this Deed.

- 1.1.2 In the event of any conflict between the Master Definitions Schedule and this Deed, this Deed shall prevail.

1.2 Interpretation

- 1.2.1 Terms in this Deed, except where otherwise stated or where the context otherwise requires, shall be interpreted in the same way as set forth in Clause 2 of the Master Definitions Schedule.
- 1.2.2 Unless a contrary indication appears, any reference to the Issuer or the Trustee shall be construed so as to include its successors, permitted assigns and permitted transferees.
- 1.2.3 Clause and Schedule headings are for ease of reference only.
- 1.2.4 The security created pursuant to this Deed and the rights of the Trustee under this Deed shall be enforceable notwithstanding any change in the constitution of the Trustee or its absorption into, or amalgamation with, any other person or the acquisition of all or any part of its undertaking by any other person.

1.3 Third Party Rights

Except as otherwise expressly contemplated by this Deed, a person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Deed.

2 Issuer's Covenant to Pay

The Issuer covenants with the Trustee that, subject to and in accordance with the relevant Transaction Documents and this Deed, 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 by way 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 made 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.

3 Grant of Security and Declaration of Trust

- 3.1** The Issuer hereby assigns absolutely with full title guarantee in accordance with the Law of Property (Miscellaneous Provisions) Act 1994 to the Trustee (for its own account and as Trustee for the Secured Parties) as security (without prejudice to and after giving effect to any contractual netting provision contained in the Swap Agreement) for the payment and discharge of the Trustee Claim and of the Secured Obligations all of the Issuer's right, title, interest and benefit from time to time in, under and to the Swap Agreement including, without limitation, all rights to receive payment of any amounts which may be or become payable to the Issuer thereunder and all payments received by the Issuer thereunder including all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof.
- 3.2** Neither the Trustee nor any of the Secured Parties shall incur any liabilities whatsoever in respect of the Swap Agreement under this Deed. The Issuer remains liable to perform all the obligations assumed by it under the Swap Agreement.
- 3.3** All rights, benefits and interests granted to or conferred upon the Trustee pursuant to Clause 3.1 and all other rights, powers and discretions granted to or conferred upon the Trustee under this Deed shall be held by the Trustee on trust for the benefit of itself and for the Secured Parties from time to time subject to and in accordance with this Deed and the Trust Agreement. The trust constituted by this Clause shall come into existence on the date of this Deed and shall last for so long as any part of the Trustee Claim and of the Secured Obligations remains unpaid.

4 Notice of Assignment

The Issuer shall:

- (a) on execution of this Deed give to the Swap Counterparty a notice in the form set out in Part I of the Schedule to this Deed; and
- (b) use all reasonable efforts to procure that the Swap Counterparty executes and delivers to the Trustee the acknowledgement set out in Part II of the Schedule to this Deed.

5 Negative Undertakings by the Issuer

So long as any part of the Trustee Claim or the Secured Obligations remains outstanding, the Issuer covenants and undertakes with the Trustee (on behalf of the Secured Parties) that it shall not, without the prior written consent of the Trustee:

- (a) create or permit to subsist any Encumbrance (other than in favour of the Trustee pursuant to this Deed or the Trust Agreement) over any of the Charged Property;
- (b) sell, transfer, assign or otherwise dispose of any of the Charged Property or any part thereof or attempt or agree to do so except in the case of disposals expressly permitted by the terms of the Transaction Documents; or
- (c) in each case except as permitted by the terms of any Transaction Document, (i) rescind or otherwise terminate the Swap Agreement, (ii) (except as permitted by the terms of any Transaction Document) agree to any amendment, termination or

novation of the Swap Agreement, (iii) waive or compromise any of its rights under the Swap Agreement, or (iv) do or omit to do anything which would reduce the value of the Charged Property.

6 Positive Undertakings by the Issuer

So long as any part of the Trustee Claim or the Secured Obligations remains outstanding, the Issuer covenants and undertakes with the Trustee (on behalf of the Secured Parties) that it shall:

- (a) deposit with the Trustee or its nominee an original or a certified copy of all documents evidencing the Charged Property, and permit it to retain them;
- (b) duly perform all of its obligations under the Swap Agreement;
- (c) use all reasonable endeavours to ensure that the Swap Counterparty performs all of its obligations under the Swap Agreement;
- (d) notify the Trustee as soon as it becomes aware of: (i) any breach by either party to the Swap Agreement or any claim by either party of any purported breach of the Swap Agreement; or (ii) any claim by any Person to any interest in any of the Charged Property;
- (e) forthwith inform the Trustee of any claim or notice relating to the Charged Property received from any other party and of all other matters relevant thereto; and
- (f) provide the Trustee with all information from time to time required by it in relation to the Charged Property.

7 Representation by the Issuer

The Issuer represents to the Trustee on the Issue Date that:

- (a) it has taken all necessary steps to enable it to assign as security the Charged Property in accordance with Clause 3 (*Grant of Security and Declaration of Trust*) and it has taken no steps to prejudice its right, title and interest in and to the Charged Property;
- (b) it has provided the Trustee with a complete copy of the Swap Agreement;
- (c) assuming execution and delivery of the Swap Agreement, it is the beneficial owner of and has full right and title to the Charged Property and that the same is free from any Encumbrance (other than the Encumbrances created pursuant to this Deed or created or permitted by the Trust Agreement);
- (d) it is duly incorporated and validly exists under the laws of Luxembourg and has full power to create and perform its obligations under this Deed;
- (e) all necessary corporate action to enable it to execute, deliver and perform its obligations under this Deed has been taken and the signatories hereto have been duly authorised and are entitled to execute this Deed and it has obtained and will maintain in full force and effect all necessary consents, licences and authorities required in connection with this Deed;
- (f) the execution, delivery and performance of this Deed by it does not and will not (i) conflict with or breach the terms of, or constitute a default under, any

agreement, charge or other instrument to which it is a party or is subject or by which it is bound, or (ii) result in the creation or imposition of or oblige it to create any Encumbrance (other than the Encumbrances created pursuant to this Deed) on any of its assets;

- (g) this Deed creates the security it purports to create and such security is not liable to be avoided or otherwise set aside in the winding-up of the Issuer; and
- (h) it is not at the date of this Deed registered as an overseas company under Part 34 of the Companies Act 2006.

8 Enforcement of Security

8.1 Consequences of Occurrence of Enforcement Event

Upon the occurrence of an Enforcement Event, any security interest created under this Deed that takes effect as a floating charge shall, to the extent that it has not already done so, crystallise.

8.2 Enforcement

At any time on or after the occurrence of an Enforcement Event, the security created by or pursuant to this Deed shall be immediately enforceable and the Trustee may, without notice to the Issuer or prior authorisation from any court, in its absolute discretion:

- (a) enforce all or any part of the Charged Property (at the times, in such lawful manner and on such lawful terms as it thinks fit);
- (b) take possession of and hold or dispose of all or any part of the Charged Property; and
- (c) exercise, to the fullest extent permitted by law, all or any of the powers authorities and discretions conferred on a Receiver by this Deed, whether as attorney of the Issuer or otherwise and whether or not a Receiver has been appointed.

8.3 Redemption of Prior Encumbrances

8.3.1 At any time after the Charged Property has become enforceable or at any time after any powers conferred by any prior Encumbrance over all or any part of the Charged Property shall have become exercisable, the Trustee or any Receiver or Delegate may:

- (i) redeem any such prior Encumbrance over all or any part of the Charged Property;
- (ii) procure the transfer of any such prior Encumbrance to itself; and/or
- (iii) settle and pass the accounts of the person or persons entitled to such Encumbrance (and any accounts so settled and passed shall be conclusive and binding on the Issuer).

8.3.2 The Issuer shall pay to the Trustee on demand all principal monies, interest, costs, charges and expenses (including any legal fees) of and incidental to any such redemption and/or transfer.

8.4 Contingencies

If the Trustee enforces the Charged Property at a time when amounts may or will become due to any Secured Party under the Transaction Documents, the Trustee or any Receiver or Delegate may pay the proceeds of any recoveries made by it into a suspense account.

9 Appointment of Receiver

9.1 Appointment and Removal

9.1.1 At any time on or after the occurrence of an Enforcement Event or if requested to do so by the Issuer, the Trustee may by deed or otherwise (acting through an authorised officer of the Trustee), without prior notice to the Issuer:

- (i) appoint one or more persons to be a Receiver in respect of the Charged Property;
- (ii) remove any Receiver so appointed; and
- (iii) appoint another person (or persons) as an additional or replacement Receiver (or Receivers) in respect of the Charged Property.

9.1.2 Any Receiver may be appointed in respect of any part of the Charged Property specified in the instrument appointing it and different Receivers may be appointed in respect of different parts of the Charged Property. If a Receiver is appointed in respect of a part of the Charged Property, the powers and rights conferred on the Receiver under this Deed shall be limited to the part of the Charged Property specified in the instrument of appointment or to any part of that Charged Property.

9.2 Statutory Powers of Appointment

The powers of appointment of a Receiver conferred on the Trustee by this Deed shall be in addition to all statutory and other powers of appointment conferred by the Law of Property Act 1925 (for the purposes of this Deed, the "**Act**") (as varied or extended by this Deed), the Insolvency Act 1986 or otherwise and such powers shall remain exercisable from time to time by the Trustee in respect of any part of the Charged Property.

9.3 Capacity

Each Receiver shall be:

- (a) entitled to act individually or together with any other person appointed or substituted as Receiver (except to the extent that the Trustee may specify to the contrary in the instrument of appointment);
- (b) deemed for all purposes to be the agent of the Issuer which shall be solely responsible for its acts, defaults and liabilities and for the payment of its remuneration and no Receiver shall at any time act as agent for the Trustee; and
- (c) entitled to remuneration for its services at a rate to be reasonably determined by the Trustee from time to time (without being limited to any maximum rate specified by any applicable law).

9.4 Powers of Receiver

Every Receiver shall (subject to any restrictions contained in the instrument appointing him but notwithstanding any winding-up or dissolution of the Issuer) have and be entitled to

exercise, in relation to the Charged Property (and any assets of the Issuer which, when received, would be Charged Property), and as varied and extended by the provisions of this Deed (in the name of or on behalf of the Issuer or in his own name and, in each case, at the cost of the Issuer):

- (a) all the powers conferred by the Act on mortgagees and mortgagees in possession and on receivers appointed under the Act;
- (b) all the powers of an administrative receiver set out in Schedule 1 to the Insolvency Act 1986;
- (c) all the powers and rights of an absolute owner and the power to do or omit to do anything which the Issuer itself could do or omit to do;
- (d) the power to do all things (including bringing or defending proceedings in the name of or on behalf of the Issuer) which seem to the Receiver to be incidental or conducive to:
 - (i) any of the functions, powers, authorities or discretions conferred on or vested in the Receiver; and
 - (ii) collecting any assets of the Issuer forming part of, or which when got in would be, the Charged Property.

10 Extension and Variation of the Law of Property Act 1925

10.1 Extension of Powers

The power of sale or other disposal conferred on the Trustee and on any Receiver by this Deed shall operate as a variation and extension of the statutory power of sale under Section 101 of the Act and such power shall arise (and the Trustee Claim and the Secured Obligations shall be deemed due and payable for that purpose) on execution of this Deed but shall only become enforceable in accordance with Clause 8.2 (Enforcement).

10.2 Restrictions

The restrictions contained in Sections 93, 103 and 109(1) of the Act shall not apply to this Deed or to the exercise by the Trustee or any Receiver of its right to consolidate all or any of the Security with any other security in existence at any time or to its power of sale, which powers shall be immediately exercisable by the Trustee or any Receiver without notice to the Issuer at any time after the security created by or pursuant to this Deed has become enforceable.

11 Delegation by the Trustee and Receiver

11.1 Discretion

Any liberty or power which may be exercised, or any determination which may be made, under this Deed by the Trustee or any Receiver may be exercised or made in its absolute and unfettered discretion without any obligation to give reasons.

11.2 Delegation

Each of the Trustee and any Receiver shall have full power to delegate to any person (either generally or specifically) the powers, authorities and discretions conferred on it by this Deed (including any power of attorney) on such terms and conditions as it shall see fit, which

delegation shall not preclude the subsequent exercise of those powers, authorities or any subsequent delegation of any such powers, authorities and discretions.

The Trustee shall be liable for the exercise of due care in the selection and supervision of such Receiver or its or his Delegates. The Trustee shall remain responsible for any negligence or wilful misconduct on the part of the Delegates.

No Receiver shall be bound to supervise, or be any way responsible for any loss incurred by reason of any misconduct or default on the part of, any Delegate.

The Trustee shall exercise due care when choosing the Delegate and, with respect to Delegates other than the Receiver, shall remain responsible for the performance of its obligations in accordance with Clause 2 (*Rights, Obligations and Powers of the Trustee, Binding Effect of Conditions*) of the Trust Agreement.

12 Liability of Trustee, Receiver and Delegate

Notwithstanding anything to the contrary in this Deed, none of the Trustee, any Receiver or Delegate or any of their respective officers, employees, agents or attorneys shall be liable to the Issuer or any other person by reason of:

- (a) taking any action permitted by this Deed; or
- (b) taking possession of or realising all or any part of the Charged Property; or
- (c) any neglect, default or omission in connection with the Charged Property;

except in the case of negligence, fraud or wilful misconduct upon its part or that of its officers, employees, agents or attorneys.

13 Exercise of Powers; Purchasers

13.1 In exercising the powers referred to in this Deed, the Charged Property or any part thereof may be sold, disposed of or otherwise dealt with at such times in such manner for such consideration and generally on such terms and conditions as the Trustee or the Receiver may think fit.

13.2 All moneys received by the Trustee or by any Receiver in the exercise of any powers conferred by this Deed shall be applied, after the discharge of the remuneration and reasonable and properly incurred expenses of the Receiver and all liabilities having priority to the Trustee Claim and the Secured Obligations, in or towards satisfaction of the Trustee Claim and the Secured Obligations and in such order as is in accordance with the terms of the Post-Enforcement Priority of Payments. For the avoidance of doubt, none of Sections 105, 107(2), 109(6) and (8) of the Act (application of moneys received by Receiver) shall apply in relation to the Receiver.

13.3 No purchaser or other person shall be bound or concerned to enquire whether the right of the Trustee or any Receiver to exercise any of the powers conferred by this Deed has arisen or be concerned with notice to the contrary or with the propriety of the exercise or purported exercise of such powers.

13.4 Notwithstanding any other provision of this Deed, neither the Trustee nor any Receiver shall have the right to exercise any power hereunder in a manner inconsistent with the Trust Agreement or any other Transaction Document.

14 Conflicts of Interest

14.1 Interests of Secured Parties

Subject to the other provisions of this Clause 14, 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 Charged Property under this Deed or under any other documents the rights or benefits in which are comprised in the Charged Property (except where expressly provided otherwise).

14.2 Exoneration of Trustee

The Issuer and the Trustee hereby acknowledge that each of the Secured Parties which is a party to the Trust Agreement has acknowledged and agreed under the Trust Agreement that it shall have no claim against the Trustee for acting in accordance with the provisions of Clause 14.1.

14.3 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 Deed 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 provided that such cost is properly incurred). The Trustee shall be liable for the exercise of due care in the selection of such law firm, credit institution, financial advisor or other expert. The Trustee shall be liable for any wilful misconduct or negligence of such persons.

15 Trustee's Rights, Powers and Discretions

15.1 By way of supplement to the Trustee Act 1925 and the Trustee Act 2000, it is expressly declared as follows:

- (a) the Trustee may in relation to this Deed act on the opinion or advice of, or a certificate or any information obtained from, any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant, financial adviser, securities dealer, merchant bank or other expert, whether obtained by the Trustee or any Receiver and whether or not addressed to the Trustee and whether or not the liability of any such adviser in relation to such advice or opinion is limited or accords with normal practice, and shall not be responsible for any loss occasioned by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, facsimile transmission, e-mail or other written format and the Trustee shall not be liable for acting in good faith on any opinion, advice, certificate or information purporting to be so conveyed even if the same shall contain some error or shall not be authentic;
- (b) the Trustee may call for and shall be at liberty to accept a certificate duly signed by any two directors of the Issuer which are authorised to sign on behalf of the Issuer pursuant to a list of authorised signatories 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;

- (c) save as otherwise expressly provided in any of the Security Documents, the Trustee shall as regards all the trusts, powers, authorities and discretions vested in it by or pursuant to this Deed or which are conferred upon the Trustee by operation of law, have absolute and uncontrolled discretion as to the exercise or non-exercise thereof and shall not be responsible for any loss, costs, damages, expenses or inconvenience that may result from the exercise or non-exercise thereof. The Trustee shall not be so bound unless first indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damage and expenses (including reasonable legal costs and expenses) and liabilities which it may properly incur by so doing;
- (d) the Trustee may appoint a custodian and shall be at liberty to place this Deed and all deeds and other documents relating to the Charged Property in any safe deposit, safe or other receptacle selected by the Trustee, in any part of the world (excluding, however, any jurisdiction where any stamp or withholding or other tax is triggered), or with any bank or banking company or company whose business includes undertaking the safe custody of documents, lawyer or firm of lawyers believed by it to be of good repute, in any part of the world (excluding, however, any jurisdiction where any stamp or withholding or other tax would be triggered), and the Trustee shall not be responsible for or be required to insure against any loss incurred in connection with any such deposit, and the Issuer shall pay all sums required to be paid on account of or in respect of any such deposit;
- (e) the Trustee as between itself and the Secured Parties shall have full power to determine all questions and doubts arising in relation to any of the matters in respect of which it is required or entitled to exercise a judgment or form an opinion and every such determination shall be conclusive and shall bind the Trustee and the Secured Parties;
- (f) any agent engaged by the Trustee being a banker, lawyer, broker or other Person engaged in any profession or business shall be entitled to charge and be paid all reasonable and properly incurred professional and other charges for business transacted and acts done by him or his partners or firm on matters arising in connection with this Deed and also his charges in addition to disbursements for all other work and business done and all time spent by him or his partners or firm on matters arising in connection with this Deed including matters which might or should have been attended to in Person by a trustee not being a banker, lawyer, broker or other professional Person;
- (g) the Trustee may determine whether or not any event, matter or thing is, in its opinion, materially prejudicial to the interests of the Secured Parties (or any of them) and if

the Trustee shall certify that any such event, matter or thing is, in its opinion, materially prejudicial, such certificate (save in the case of manifest or proven error) shall be conclusive and binding upon all the Secured Parties;

- (h) any consent given by the Trustee for the purposes of this Deed may be given on such terms and subject to such conditions (if any) as the Trustee thinks fit and, notwithstanding anything to the contrary contained in any of the Security Documents, may be given retrospectively;
- (i) the Trustee shall not be responsible for recitals, statements, warranties or representations of any party (other than those relating to or provided by it) contained in this Deed or any other document entered into in connection therewith and shall assume the accuracy and correctness thereof and shall not be responsible for the execution, legality, effectiveness, adequacy, genuineness, validity or enforceability or admissibility in evidence of any such agreement or other document or any trust or security thereby constituted or evidenced. Notwithstanding the generality of the foregoing, each Secured Party shall be solely responsible for making its own independent appraisal of, and investigation into, the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Trustee shall not at any time have any responsibility for the same and no Secured Party shall rely on the Trustee in respect thereof;
- (j) the Trustee shall be entitled to rely upon a certificate (save in the case of manifest error) of any Secured Party in respect of every matter and circumstance for which a certificate is expressly provided for under this Deed as sufficient evidence thereof, and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss, liability, costs, damages, expenses or inconvenience that may be occasioned by its failing so to do;
- (k) the Trustee shall be protected and shall incur no liability for, or in respect of, any actions or thing done or suffered by it in reliance upon any document reasonably believed by it to be genuine and to have been signed by the proper parties;
- (l) in connection with any proposed modification, waiver, authorisation or determination permitted by the terms of this Deed, the Trustee shall not have regard to the consequences thereof for individual Secured Parties resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to, the jurisdiction of any particular territory;
- (m) the Trustee shall not be liable for any error of judgement made in good faith by any officer, employee or delegate of the Trustee assigned by the Trustee to administer its corporate trust matters unless it shall be proved that the Trustee (or such officer, employee or delegate of the Trustee) was negligent in ascertaining the pertinent facts;
- (n) no provision of this Deed shall require the Trustee to do anything which may be illegal or contrary to applicable law or regulation or 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 of this Deed (including, without limitation, enforcing the Security or forming any opinion or employing any legal, financial or other adviser), if it shall have grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it;

- (o) notwithstanding the generality of this Clause 15.1(o), the Trustee shall not be responsible for the genuineness, validity, effectiveness or suitability of this Deed 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, nor shall it be responsible or liable to any Person because of any invalidity of any provision of such documents or the unenforceability thereof, whether arising from statute, law or decisions of any court 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 or in any way be liable whatsoever (in the absence of negligence, fraud or wilful misconduct) for:
- (i) the nature, status, creditworthiness or solvency of the Issuer, any other Person party to this Deed 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 the Trustee Claim and the Secured Obligations;
 - (ii) the execution, legality, validity, adequacy, admissibility in evidence or enforceability of this Deed or any other document entered into in connection therewith;
 - (iii) the title, ownership, value, sufficiency or existence of this Deed or the Charged Property;
 - (iv) the registration, filing, protection or perfection of any Security or the priority of the Security whether in respect of any initial advance or any subsequent advance or any other sums or liabilities or the failure to effect or procure such registration, filing, protection or perfection of any of the Security;
 - (v) the scope or accuracy of any representations, warranties or statements made by or on behalf of the Issuer or any other Person or entity who has at any time provided this Deed or any document entered into in connection therewith;
 - (vi) the performance or observance by the Issuer or any other Person of any provisions of this Deed or any document entered into in connection therewith or the fulfilment or satisfaction of any conditions contained therein or relating thereto or any waiver or consent which has at any time been granted in relation to any of the foregoing;
 - (vii) the existence, accuracy or sufficiency of any legal or other opinions, searches, reports, certificates, valuations or investigations delivered or obtained or required to be delivered or obtained at any time in connection with this Deed or the transactions contemplated thereby;
 - (viii) the failure to call for delivery of documents of title to or require any transfers, legal mortgages, charges or other further assurances in relation to any of the Charged Property;
 - (ix) any other matter or thing relating to or in any way connected with this Deed or any document entered into in connection therewith whether or not similar to the foregoing;

- (p) the Trustee shall not be liable or responsible for any loss, cost, damages, expenses or inconvenience which may result from anything done or omitted to be done by it in accordance with the provisions of this Deed;
- (q) the Trustee shall not have any responsibility whatsoever to any Secured Party as regards:
 - (i) any deficiency which might arise because the Trustee is subject to tax in respect of the Charged Property or any part thereof or any income therefrom or any proceeds thereof;
 - (ii) the application of moneys realised under any of this Deed;
 - (iii) any shortfall which arises:
 - (I) on the enforcement of the Security; or
 - (II) by reason of any floating charge granted by the Issuer in this Deed not being recognised, valid, binding or enforceable in any jurisdiction; or
 - (iv) by reason of any charge or security assignment granted by the Issuer in this Deed and which is expressed to be a fixed charge or assignment, taking effect as a floating charge or otherwise failing to take effect as may be described or being less advantageous than any alternative form of security;
- (r) the Trustee shall not be liable to the Issuer or any other Person whatsoever for any loss or damage arising from the realisation of the Charged Property or any part thereof;
- (s) the Trustee shall not be under any obligation to insure any of the Charged Property or to require any other Person to maintain any such insurance and shall not be responsible for any loss which may be suffered by any person as a result of the lack of or inadequacy or insufficiency of any such insurance; and
- (t) subject to Clause 11.2 (*Delegation*) in relation to any asset held by it under this Deed, the Trustee may appoint any person to act as its nominee on any terms,

provided, however, that none of the provisions of this Deed shall relieve the Trustee from or indemnify the Trustee against any liabilities, Loss or damage which by virtue of any rule of law would, but for any such provision, attach to it in respect of any negligence, willful misconduct or breach of duty on the part of the Trustee.

16 Release of Security

- 16.1** Upon the Trustee being satisfied that all the Trustee Claim and the Secured Obligations have been unconditionally and irrevocably paid and discharged in full (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), the Trustee (and, if required for an effective release, reconveyance or reassignment, the other Secured Parties) shall, at the request and expense of the Issuer, do all such acts and things and execute all such documents as may be necessary to release the security created pursuant to this Deed and the Trustee shall reconvey and reassign, as appropriate, the Charged Property to the Issuer or to its order (as notified to the Trustee in writing).

- 16.2** If at any time the Issuer is permitted or required to liquidate, sell, assign, transfer or otherwise dispose of, or to cause to be liquidated, sold, assigned, transferred or otherwise disposed of, any Charged Property in accordance with the Transaction Documents, the Trustee shall, upon the written request of the Issuer and at the Issuer's cost, release such assets from the Charged Property to the Issuer.
- 16.3** No payment which may be avoided or adjusted under any provision of Applicable Insolvency Law and no release (in part) or discharge given by the Trustee on the basis of any such payment shall prejudice or affect the right of the Trustee to recover from the Issuer (including the right to recover any monies which it or any of the Secured Parties has been compelled by due process of law to refund under the provisions of Applicable Insolvency Law and any costs payable by it pursuant to or otherwise incurred in connection with such process) or to enforce the remaining Charged Property to the full extent of the Trustee Claim and the Secured Obligations. Notwithstanding the above, it is hereby agreed that if the Trustee considers that any security or payment is capable of being so avoided or adjusted, that security or payment shall not be considered to have been given or paid for the purposes of determining whether all the Trustee Claim and the Secured Obligations have been discharged.

17 Further Assurance

- 17.1** The Issuer shall execute such further documents in favour, or for the benefit, of the Trustee and do all such acts and things as the Trustee shall from time to time require in relation to all or any of the Charged Property to secure the Trustee Claim and the Secured Obligations or to perfect or protect its title to any of the Charged Property or to facilitate their realisation (which shall include, without limitation, making all filings and registrations within the required time periods).
- 17.2** Such documents shall be prepared by or on behalf of the Trustee at the expense of the Issuer and shall be in such form and contain such provisions as the Trustee may require.

18 Power of Attorney

The Issuer, by way of security, irrevocably appoints the Trustee and any Receiver severally to be its attorney in its name and on its behalf:

- (a) to execute and complete all such documents which the Trustee or such Receiver may require for perfecting the title of the Trustee to the Charged Property or for vesting the same in the Trustee, its nominee or any purchaser;
- (b) to execute and complete any document referred to in Clause 17 (*Further Assurance*); and
- (c) generally to execute and complete all documents and to do all acts and things which may be required for the full exercise of any of the powers conferred on the Trustee or a Receiver under this Deed or which may be reasonably deemed expedient by the Trustee or a Receiver in connection with any disposition, realisation or getting in by the Trustee or a Receiver of the Charged Property or any part thereof or in connection with any other exercise of any power under this Deed.

19 Indemnities, Costs and Expenses

- 19.1** The Issuer undertakes with the Trustee to pay on demand all reasonable and properly incurred costs, charges and expenses (including stamp duty, registration fees and other documentary taxes and duties) incurred by or on behalf of the Trustee or any Receiver in relation to the Charged Property on a full indemnity basis.
- 19.2** Neither the Trustee nor any Receiver shall be liable to account as mortgagee in possession in respect of all or any of the Charged Property and shall not be liable for any loss of any nature whatsoever in connection with them.
- 19.3** The Issuer shall indemnify the Trustee (on behalf of itself and the Secured Parties) and any Receiver, attorney, agent or other person appointed by the Trustee under this Deed (for the purposes of this Clause, each an "**Indemnified Party**") in respect of all losses and liabilities (whether in contract, tort or otherwise and whether arising at common law, in equity or by statute) which may be incurred by any of them (or by or against any agent, officer or employee for whose liability act or omission any of them may be answerable) at any time relating to or arising directly or indirectly out of or as a consequence of anything (a) done or omitted in the exercise or purported exercise of the powers contained in this Deed or (b) occasioned by any breach by the Issuer of any of its obligations under this Deed save where such losses and liabilities arise as a result of the negligence, fraud or wilful misconduct of the Person claiming to be entitled to be indemnified.
- 19.4** Subject to the applicable Priority of Payments, all fees, costs and expenses payable under or in connection with this Deed shall be paid together with an amount equal to any value added tax payable by the Trustee.

20 Continuing Security and other Matters

- 20.1** This Deed shall be a continuing security, notwithstanding any settlement of account or other matter whatsoever and shall remain in full force and effect until all the Trustee Claim and the Secured Obligations have been paid or discharged in full.
- 20.2** This Deed is in addition to, and shall not merge with or otherwise prejudice, any other right or remedy or any encumbrance now or hereafter held by or available to the Trustee.
- 20.3** Any release, discharge or settlement between the Issuer and the Trustee shall be conditional upon no security, disposition or payment to the Trustee by the Issuer or any other person being void, set aside or ordered to be refunded pursuant to any enactment or law relating to bankruptcy, liquidation, administration or insolvency or for any other reason whatsoever and if such condition shall not be fulfilled the Trustee shall be entitled to enforce the charge or security assignment hereby created subsequently as if such release, discharge or settlement had not occurred and any such payment had not been made.
- 20.4** The Trustee shall not be obliged to resort to any other means of payment now or hereafter held by or available to it before enforcing this Deed.

21 Miscellaneous

- 21.1** No failure or delay on the part of the Trustee, the Issuer, or any Secured Party to exercise any power, right or remedy shall operate as a waiver thereof nor shall any single or any partial exercise or waiver of any power, right or remedy preclude its further exercise or the exercise of any other power, right or remedy.

- 21.2** The Issuer hereby authorises the Trustee, any Receiver and any Secured Party to exchange among themselves any information concerning the Issuer and its business.
- 21.3** Each of the provisions of this Deed is severable and distinct from the others and if at any time one or more of such provisions is or becomes invalid, illegal or unenforceable the validity, legality and enforceability of the remaining provisions of this Deed shall not in any way be affected or impaired thereby.
- 21.4** Any change in the constitution of the Trustee or its absorption in or amalgamation with any other person or the acquisition of all or part of its undertaking by any other person shall not in any way affect or prejudice its rights under this Deed.
- 21.5** Any liability or power which may be exercised or any determination which may be made under this Deed by the Trustee may be exercised or made in its absolute and unfettered discretion and it shall not be obliged to give reasons therefor.

22 Notices

22.1 Communications in writing

Any notice:

- (a) shall be in the English or German language or accompanied by a translation thereof into English or German certified (by an officer of the person making or delivering the same) as being a true and accurate translation thereof; and
- (b) shall be delivered personally or sent by post pre-paid recorded delivery (and air mail if overseas) or by e-mail to the party due to receive the notice at its address or e-mail address and marked for the attention of the person or persons set out in Schedule 10 (*Notice Details*) of the Incorporated Terms Memorandum or to another address or e-mail address marked for the attention of another person or persons specified by the receiving party by not less than seven (7) calendar days' written notice to the other relevant Transaction Parties received before the notice was despatched, provided that notices regarding the termination of any Transaction Document given by e-mail shall also be confirmed by post.

22.2 Time of receipt

Unless there is evidence that it was received earlier, a notice marked for the attention of the person specified in accordance with Clause 22.1 is deemed given:

- (a) if delivered personally, when left at the relevant address referred to in Schedule 10 (*Notice Details*) of the Incorporated Terms Memorandum;
- (b) if sent by post (including in case of confirmation by post in case of the termination of any Transaction Document), except if sent overseas, two (2) Business Days after posting it;
- (c) if sent overseas, six (6) Business Days after posting it; and
- (d) if sent by e-mail, when it has been transmitted to the recipient at the relevant e-mail address.

22.3 Business day

In Clause 22.2 "**Business Day**" means a day other than a Saturday, Sunday or public holiday in either the country from which the notice is sent or in the country to which the notice is sent.

23 Counterparts

This Deed may be executed in any number of counterparts, manually or by facsimile and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original, all of which taken together shall constitute one and the same instrument.

24 Law and Jurisdiction

24.1 This Deed and all non-contractual obligations arising from or in connection with it are governed by English law.

24.2 For the benefit of the Trustee, the Issuer irrevocably submits to the jurisdiction of the English courts in relation to any matter arising in connection with this Deed, but this Deed may be enforced by the Trustee in any court of competent jurisdiction.

24.3 This Clause 24 shall survive the termination of this Deed.

25 Limited Recourse

25.1 The Trustee agrees with and acknowledges to the Issuer that, notwithstanding any other provision of this Deed or any other Transaction Document, all obligations of the Issuer to the Trustee, including, without limitation, the obligations under this Deed, are limited in recourse as set out below:

- (a) the Trustee agrees that it will have a claim only in respect of the Security and will not have any claim, by operation of law or otherwise, against, or recourse to any of the Issuer's other assets or its equity capital;
- (b) sums payable to the Trustee in respect of the Issuer's obligations to the Trustee shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to the Trustee and (b) the aggregate amounts received, realised or otherwise recovered by or for the account of the Issuer in respect of the Security, whether pursuant to enforcement of the Security or otherwise, net of any sums which are payable by the Issuer in accordance with the applicable Priority of Payments in priority to or *pari passu* with sums payable to the Trustee;
- (c) upon the Trustee giving written notice to the relevant Transaction Parties that the Trustee has determined (in reliance on the certification delivered to it by the Servicer) that there is no reasonable likelihood of there being any further realisations in respect of the Security (whether arising from an enforcement of the Security or otherwise) which would be available pursuant to the applicable Priority of Payments to pay unpaid amounts outstanding under the relevant Transaction Document, the Trustee shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

25.2 Recourse against the Issuer is limited to the proceeds resulting from the realisation of the Security. To the extent that the proceeds resulting from the realisation of the Security prove

ultimately insufficient as determined by the Trustee to satisfy any claims against the Issuer under the Transaction Documents, any shortfall arising shall be extinguished automatically and the failure to make any payment in respect of such shortfall will in no event constitute default by the Issuer. No recourse under, or with respect to, any obligation, covenant or agreement of the Issuer contained in this Deed shall be had against any incorporator, stockholder, affiliate, officer, employee, agent or director of the Issuer as such, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that this Deed is a corporate or limited liability obligation of the Issuer in respect of its Compartment German Auto Leases 5 and no personal liability shall attach to or be incurred by any incorporator, stockholder, affiliate, officer, employee, agent or director of the Issuer as such, or any of them, under or by reason of any of the obligations, covenants or agreements of the Issuer contained in this Deed, or implied therefrom, and that any and all personal liability for breaches by such party of any of such obligations, covenants or agreements, either at law or by statute or constitution, of every such incorporator, stockholder, affiliate, officer, employee, agent or director is hereby expressly waived as a condition of and consideration for the execution of this Deed.

25.3 This Clause 25 shall survive the termination of this Deed.

26 Non Petition

26.1 The Trustee agrees with and acknowledges to the Issuer, that:

- (a) until the date falling one (1) year and one (1) calendar day after the full satisfaction of the Secured Obligations neither the Trustee nor any person on its behalf shall initiate or join any Person in initiating an event which would cause an Insolvency Event occurred to the Issuer provided that the Trustee may join any proceedings or action under any Applicable Insolvency Law that is initiated by any Person other than the Trustee or one of its affiliates; and
- (b) the Trustee shall not be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in any applicable Priority of Payments not being complied with.

26.2 This Clause 26 shall survive the termination of this Deed.

27 Fee, Costs and Expenses of the Trustee

Clause 21 (*Fees, Indemnities and Indirect Taxes*) of the Trust Agreement shall apply to this Deed and shall be incorporated into this Deed as if set out in full herein and as if references to "**this Trust Agreement**" are references to this Deed.

28 Retirement of Trustee

28.1 The Trustee may concurrently retire from its appointment hereunder and under each other Transaction Document to which it is party in accordance with Clause 20 (*Term of this Agreement; Resignation, Replacement and Substitution of the Trustee*) of the Trust Agreement.

28.2 The Issuer shall, at any time, require the Trustee to retire concurrently from its appointment hereunder and under each other Transaction Document to which it is party in accordance with Clause 20 (*Term of this Agreement; Resignation, Replacement and Substitution of the Trustee*) of the Trust Agreement.

**SCHEDULE 1 –
NOTICE TO AND ACKNOWLEDGEMENT OF THE SWAP COUNTERPARTY**

**PART I
FORM OF NOTICE**

To: [Swap Counterparty]

Copy to: BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED
One Canada Square, London E14 5AL, United Kingdom
as Trustee

Dated: [Date]

Dear Sirs

Deed of Security Assignment

We refer to the Deed of Security Assignment (the "**Deed**") dated [date] and made between ourselves and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**").

Unless otherwise defined in this letter, terms and expressions defined in the Incorporated Terms Memorandum (as defined in the Deed) shall bear the same meanings when used in this letter.

We hereby give you notice that pursuant to the Deed, we have assigned absolutely with full title guarantee to the Trustee (for its own account and as Trustee for the Secured Parties) as security (without prejudice to and after giving effect to any contractual netting provision contained in the Swap Agreement) for the payment and discharge of the Trustee Claim and of the Secured Obligations, all of our right, title, interest and benefit from time to time in, under and to the Swap Agreement dated on or about 11 September 2019 and made between ourselves and you (including any schedule, confirmation which supplements, amends, forms part of and is subject to the Swap Agreement (the "**Agreement**") including all rights to receive payment of any amounts which may be or become payable to the Issuer thereunder and all payments received by the Issuer thereunder including all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof.

In connection therewith and by way of security for the Trustee Claim and of the Secured Obligations, we hereby irrevocably and unconditionally instruct and authorise you (notwithstanding any previous instructions whatsoever which we have given you to the contrary):

- 1** to disclose to the Trustee without any reference to or further authority from us and without any enquiry by you as to the justification for such disclosure, such information relating to the Agreement as the Trustee may, at any time and from time to time, request you to disclose to it; and
- 2** at any time after you receive a notice from the Trustee that the security created by or pursuant to the Deed has become enforceable (an "**Enforcement Notice**):
 - 2.1** perform all your obligations under or in connection with the Agreement in favour of the Trustee to the exclusion of ourselves and to allow the Trustee to exercise all or any of our

rights, powers and discretions under or in connection with the Agreement to the exclusion of ourselves;

2.2 to pay all monies payable by you to us under or in connection with the Agreement to (or to the order of) the Trustee for which monies the Trustee may give a good receipt on behalf of ourselves; and

2.3 to allow the Trustee to do such acts, deeds and things as it may consider necessary or proper for or in relation to any of the above mentioned rights, powers and remedies,

provided that, until you receive an Enforcement Notice, we shall remain entitled to exercise all of our rights, powers and discretions under or in connection with the Agreement and you shall perform your obligations under the Agreement in favour of ourselves and shall continue to give notices under the Agreement to us.

Despite the assignment referred to above and notwithstanding the making of any payment by you to the Trustee under or in connection with it, we shall remain liable to perform all our obligations under the Agreement and neither the Trustee nor any Receiver or Delegate shall at any time be under any obligation or liability to you under or in connection with the Agreement. We also hereby further notify you that we may not amend, vary, supplement, replace or novate the terms of the Agreement or exercise any right to terminate the Agreement, without the prior written consent of the Trustee.

The instructions and authorisations which are contained in this letter shall remain in full force and effect until we and the Trustee give you notice in writing revoking them.

This letter (and all non-contractual obligations arising from or in connection with it) shall be governed by and construed in accordance with English law.

Would you please acknowledge receipt of this letter and your acceptance of the instructions and authorisations contained in it by sending an acknowledgment addressed to the Trustee and copied to us in the form attached hereto.

Yours faithfully

For and on behalf of

BAVARIAN SKY S.A., ACTING IN RESPECT OF ITS COMPARTMENT GERMAN AUTO LEASES 5

By: _____

By: _____

Name:

Name:

Title:

Title:

PART II
FORM OF ACKNOWLEDGEMENT

To: BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED
One Canada Square, London E14 5AL, United Kingdom

(the "**Trustee**")

Copy: BAVARIAN SKY S.A., ACTING IN RESPECT OF ITS COMPARTMENT GERMAN AUTO
LEASES 5

Dated: [Date]

Dear Sirs

Deed of Security Assignment

We hereby acknowledge receipt of a notice (the "**Notice**") (a copy of which is attached hereto) dated [date] addressed to us by Bavarian Sky S.A., acting in respect of its Compartment German Auto Leases 5 (the "**Company**") and hereby accept the instructions and authorisations contained therein and undertake to act in accordance and comply with the terms thereof. Terms and expressions defined or used in the Notice shall, unless the context otherwise requires, have the same meanings in this letter.

We hereby agree as follows:

- 1** we will observe and comply with the provisions of the Notice;
- 2** if we receive an Enforcement Notice from the Trustee:
 - 2.1** we will thereafter:
 - (i) perform, observe and comply with all our obligations under or in connection with the Agreement, and allow the Trustee to exercise all or any of the Company's rights, powers and discretions under or in connection with the Agreement, in each case as if the Trustee were named therein instead of the Company;
 - (ii) pay all monies payable by us to the Company under or in connection with the Agreement to (or to the order of) the Trustee for which moneys the Trustee may give a good receipt on behalf of the Company; and
 - 2.2** we will not at any time thereafter recognise the exercise by the Company of any of its rights, powers and discretions under the Agreement unless and until requested to do so by the Trustee;
- 3** if the Company is in breach of any of its obligations, express or implied, under the Agreement or if any event occurs which would permit us to terminate, cancel or surrender the Agreement, we will
 - 3.1** immediately upon becoming aware thereof, give notice to the Trustee of such breach or event; and
 - 3.2** accept as adequate remedy for any such breach performance by or on behalf of the Trustee of such obligations within the applicable grace period set forth in the Agreement;

4 other than as expressly permitted by the Agreement, no rights of counterclaim, rights of set-off or any other equities whatsoever have arisen in our favour against the Company in respect of the Agreement and we will not make any claim or demands or exercise any rights of counterclaim, rights of set-off or any other equities whatsoever against the Company in respect of the Agreement; and

5 we have not, as of the date of this letter, received any notice that any third party has or will have any right or interest in or has made or will be making any claim or demand or taking any action whatsoever in respect of the Agreement.

We undertake that in the event of us becoming aware at any time that any person or entity other than the Trustee has or will have any right or interest whatsoever in, or has made or will be making any claim or demand or taking any action whatsoever in respect of, the Agreement we will forthwith give written notice thereof to the Trustee.

We have made the acknowledgements and confirmations and have given the undertakings set out in this letter in the knowledge that they are required by the Trustee in connection with the security which has been created by the Company in favour of the Trustee under or pursuant to the Deed of Security Assignment.

This letter (and all non-contractual obligations arising from or in connection with it) shall be governed by and construed in accordance with English law.

Yours faithfully

[•]

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature pages to be included]

SCHEDULE 4 – FORM OF ACCESSION AGREEMENT

This Accession Agreement dated [] is supplemental to a trust agreement (the "**Trust Agreement**") [date], as amended or amended and restated from time to time between, *inter alia*, Bavarian Sky S.A., acting in respect of its Compartment German Auto Leases 5 as Issuer and BNY Mellon Corporate Trustee Services Limited as Trustee, and any acceding parties as Secured Parties.

Reference is also made to a memorandum (the "**Incorporated Terms Memorandum**") dated [date], as amended or amended and restated from time to time between, *inter alios*, Bavarian Sky S.A., acting in respect of its Compartment German Auto Leases 5 as Issuer, BNY Mellon Corporate Trustee Services Limited as Trustee and the Secured Parties,

Words and expressions defined in the Trust Agreement shall have the same meaning when used in this Accession Agreement.

[Name of new party, respectively already existing Secured Party which adds another capacity to its role as party] of [address] (the "**Replacement Secured Party**") has

[(a) entered into a [specify new Transaction Document] dated [] and entered into between [name of new party] and [] as [specify capacity of new party]]; and/or

[(b) has acceded to [specify existing or new Transaction Document] dated [] and entered into between [name of new party] and [] as [specify capacity of new party]]; and/or

[(c) has entered to [specify existing or new Transaction Document] dated [] and entered into between [name of new party] and [] replacing [specify name of replaced Secured Party] as [specify capacity of new party]].

[N.B. The following paragraphs need to be adapted appropriately in case that a party who is already a Secured Party adds another capacity to its role as party hereunder]

The Trustee is aware of the terms of the [specify relevant existing or new Transaction Document] and has received a copy of such agreement.

The Replacement Secured Party hereby agrees with each other person who is or who becomes a party to the Trust Agreement that with effect on and from the date of this Accession Agreement it will be bound by the provisions of, and entitled pursuant to, the Trust Agreement as a Replacement Secured Party ranking [] on a *pari passu* basis pursuant to Condition 9 (*Post-Enforcement Priority of Payments*) of the Conditions as if it had been a Secured Party from the date of execution of the Trust Agreement.

Each of the parties to this Accession Agreement acknowledges and agrees that with effect on and from the date of this Accession Agreement that the Replacement Secured Party shall be a party to the Trust Agreement in the capacity of a Secured Party as described above and thereby undertakes the obligations and assumes the rights of such party.

The Replacement Secured Party specifically acknowledges that it is not relying on the Trustee in any way whatsoever to ensure the due execution, delivery, genuineness, validity, legality, enforceability, admissibility in evidence or sufficiency of the Trust Agreement, the Transaction Documents or any other documents.

The Replacement Secured Party herewith authorises and grants power of attorney to the Trustee to make and receive all declarations and statements which are necessary or desirable in connection with the Trust Agreement or any other Transaction Documents.

[The Trustee is hereby irrevocably exempted to the fullest extent possible under applicable law from the restrictions set out in Section 181 of the German Civil Code and any similar provisions under any applicable law of any other country.]

Address for notices of [name of new party] for the purposes of Clause 17 (*Notices*) of the Common Terms and Schedule 10 (*Notice Details*) of the Incorporated Terms Memorandum:

[]

This Accession Agreement is governed by, and shall be construed in accordance with, the laws of the Federal Republic of Germany.

For and on behalf of **BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED** in its capacity as Trustee and for and on behalf of the Issuer and the Secured Parties

OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS

1 Lease Receivables Purchase Agreement

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

Pursuant to the Lease Receivables Purchase Agreement, the Seller represents to the Issuer that on the initial Cut-Off Date, each Purchased Lease Receivable, the Lease Collateral and Leased Vehicle complies with the Eligibility Criteria set out below under the heading "*ELIGIBILITY CRITERIA*".

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

If for any reason title to any Purchased Lease 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 Lease Receivables or the Lease Collateral not being sold or transferred will be borne by the Seller. The Seller will only be liable for the existence of the Purchased Lease Receivables (*Veritätshaftung*) and any claims of the Issuer vis-à-vis the Seller relating thereto shall be secured by security title to the Leased Vehicles.

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

Pursuant to the Lease Receivables Purchase Agreement, the delivery of the Leased Vehicles as well as any subsequently inserted parts and other moveable Lease 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 Lessees to the Issuer.

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

Deemed Collections

If certain events defined in the definition of Deemed Collections (see "*TRANSACTION OVERVIEW — Deemed Collections*") occur with respect to a Purchased Lease Receivable, the Seller will be deemed to have received a Deemed Collection in respect of such Purchased Lease Receivable. The Seller has undertaken to make payment of an amount equal to such Deemed Collection in the amount of the Discounted Outstanding Lease Balance of such Purchased Lease Receivable (including, for the avoidance of doubt, in case only a portion of such Purchased Lease Receivable is affected) to the Issuer. Upon receipt thereof, such Purchased Lease Receivable, the relevant Lease Collateral (unless it is extinguished) and the Leased Vehicle 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 Lease Collateral

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

The Seller will, at its own cost, keep the Lease 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 therein.

Taxes and Increased Costs

All payments to be made by the Seller to the Issuer pursuant to the Lease 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.

Insurance and Leased Vehicles

Any insurance claims in respect of any Leased Vehicle or other Lease Collateral form part of the assets assigned for security purposes 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 Leased Vehicles, as well as claims against the insurer of such third parties which form part of the Lease Collateral, such proceeds will be used to repair such damaged Leased Vehicles. If the relevant damaged Leased Vehicle cannot be repaired, a Pro Rata Lease Instalment

Share of such proceeds will be applied (in respect of the calculated residual value of the relevant Leased Vehicle) for repayment of the relevant Purchased Lease Receivables.

Notification of Assignment

The Lessees and other relevant debtors will be notified by the Seller in its capacity as Servicer in respect of the assignment of the Purchased Lease Receivables and Lease Collateral upon the occurrence of a Lessee Notification Event. Where any Lessee 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 Lease Collateral, the Seller will, upon request by the Issuer upon the occurrence of a Lessee Notification Event, notify such Lessee'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 Lessees within five (5) Business Days of such request following the occurrence of a Lessee Notification Event, the Issuer (and after the occurrence of an Issuer Event of Default, the Trustee, **provided that** the Trustee has obtained actual knowledge of such Issuer Event of Default) will be obliged to notify the Lessees and any other relevant debtors to the extent known to it (in particular, comprehensive insurers (*Kaskoversicherungen*), life insurers and employers) of the assignment of the Purchased Lease Receivables and the Lease 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 Lessees, of the assignment if a Lessee Notification Event has occurred. If the Issuer has to undertake the notification by way of a notarial deed, the notarisation costs will be borne by the Seller.

Upon notification, the Lessees 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 Lease Agreement.

Instalment of new parts or replacement parts in Leased Vehicles

If, after transfer of title to any Leased Vehicle to the Issuer, any new parts or any new replacement parts are installed into such Leased 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 by way of security to the Issuer and the Issuer will not be obliged to make any further payments in respect of such parts.

Realisation of Leased Vehicles

Notwithstanding the transfer of the Leased Vehicles pursuant to the Lease Receivables Purchase Agreement, the Seller, subject to revocation by the Trustee, is entitled and obliged to realise the Leased Vehicles for and on behalf of the Trustee in accordance with the terms and conditions of the Lease Receivables Purchase Agreement, the Trust Agreement and the Servicing Agreement. Title to the Leased Vehicles has been transferred as security to the Issuer exclusively for the purposes of securing any claims of the Issuer vis-à-vis the Seller arising due to the non-existence (*Nicht-Bestand*) of the respective relating Lease Instalments (*Veritätshaftung*), including any damage claim of the Seller against the relevant Lessee as a consequence of the early termination of the relevant Lease Agreement. The Leased Vehicles shall neither collateralise the due payment of any Lease Instalments by the relevant Lessee nor, in the absence of a default of the Seller in respect of the above-mentioned claims, due payment under the Notes. If the security purpose is met and a Leased

Vehicle is realised by the Seller in accordance with its Credit and Collection Policy, the Issuer will not receive the full amount of the enforcement proceeds. The Issuer will only receive the Pro Rata Lease Instalment Share as follows:

- (a) The proceeds shall be divided proportionally between the Issuer, the Seller and the respective financier of the residual value portion relating to the respective Leased Vehicles (as notified by the Seller to the Issuer) at such time. The Issuer is entitled to receive a Pro Rata Lease Instalment Share of the enforcement proceeds from the realisation of the Leased Vehicles in relation to the relevant Purchased Lease Receivable. The Seller or the respective financier of the residual value portion (as notified by the Seller to the Issuer) at any time is entitled to receive a Pro Rata Residual Value Share of the enforcement proceeds from the realisation of the Leased Vehicles.
- (b) The Pro Rata Lease Instalment Share shall be a rate calculated as (i) the present value of the relevant Purchased Lease Receivable outstanding using the APR divided by (ii) the sum of (a) the present value of the relevant Purchased Lease Receivable outstanding using the APR plus (b) the present value of the calculated residual value (*kalkulierter Restwert*) of the relevant Leased Vehicle using the APR. The Pro Rata Residual Value Share shall be a rate calculated as (i) the present value of the calculated residual value (*kalkulierter Restwert*) of the relevant Leased Vehicle using the APR divided by (ii) the sum of (a) the present value of the relevant Purchased Lease Receivable outstanding using the APR plus (b) the present value of the calculated residual value (*kalkulierter Restwert*) of the relevant Leased Vehicle using the APR.

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

Clean-Up Call Option

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

2 Servicing Agreement

Pursuant to the Servicing Agreement between the Servicer, the Calculation Agent and the Issuer, the Servicer has the right and obligation to administer the Purchased Lease Receivables, the Lease Collateral and the Leased Vehicles, collect and, if necessary, enforce the Purchased Lease Receivables and enforce the Lease 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 Lessees under or in relation to the Lease 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 Lessees 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 Lessees in accordance with the Lease Receivables Purchase Agreement. This might include, for the avoidance of doubt, the right to sell Defaulted Lease Receivables in accordance with the Credit and Collection Policy. The Issuer will reimburse BMW Bank GmbH the Pro Rata Lease Instalment Share of any costs resulting from such endeavour or exercise in respect of the enforcement. In addition, the Servicer is hereby authorised to sue any Lessee 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 Lease Receivables, (ii) to furnish the Servicer with all necessary authorisations, consents or confirmations in such form and to an extent as required. For the purposes of (i) and (ii), the Issuer shall release the Servicer from the restrictions set forth in Section 181 of the German Civil Code;
- (e) keep Records in relation to the Purchased Lease 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 Lease 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 Lease Receivables, the Lease Collateral and the Leased Vehicles;
- (h) release on behalf of the Issuer any Lease Collateral in accordance with its Credit and Collection Policy;
- (i) enforce the Lease Collateral upon a Purchased Lease Receivable becoming a Defaulted Lease Receivable 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 Lease Receivables and constitute Collections, pay such Collections to the Issuer into the Issuer Account on the same date as the on-payment of the Collections. For the purposes of the foregoing, the Issuer is entitled to receive the Pro Rata Lease Instalment Share of such enforcement proceeds as described in "*Realisation of Leased Vehicles*" below;
- (j) realise insurance claims against the relevant insurance companies, in accordance with the respective insurance policies relating to the Leased Vehicle pertaining to the Purchased Lease Receivables administered 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 Lessee with the insurance provisions and is not liable for any failure by a Lessee 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. The Servicer will procure that the Calculation Agent will deliver each Monthly Investor Report to Bloomberg in accordance with the Calculation Agency Agreement for publication on its website <https://bloomberg.com>;
- (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 a Lessee Notification to any relevant Lessees upon the occurrence of a Lessee Notification Event, or, if the Servicer fails to deliver such Lessee Notification within five (5) Business Days after the Lessee Notification Event, the Issuer (and after the occurrence of an Issuer Event of Default, the Trustee **provided that** the Trustee has obtained actual knowledge of such Issuer Event of Default) will be obliged to deliver or to instruct a successor Servicer or an agent that is compatible with the Secrecy Rules to deliver on its behalf the Lessee Notification to the relevant Lessees 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 Lease Receivables Purchase Agreement and send the updated encrypted Portfolio Information to the Issuer;
- (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); and
- (p) upon receipt of notice from the Seller that it wishes to exercise the Clean-up Call Option, the Servicer shall provide the Seller with a list of the Purchased Lease Receivables (including the related Leased Vehicles) that will be outstanding on the Clean-up Call Settlement Date

whereas the "**Pro Rata Lease Instalment Share**" shall be the rate, expressed as a percentage, calculated as (i) the present value of the relevant Purchased Lease Receivable outstanding using the APR divided by (ii) the sum of (a) the present value of the relevant Purchased Lease Receivable outstanding using the APR plus (b) the present value of the calculated residual value (*kalkulierter Restwert*) of the relevant Leased Vehicle using the APR.

The Servicer will administer the Purchased Lease 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 leases and related collateral, subject to the provisions of the Servicing Agreement and the Lease Receivables Purchase Agreement. In the administration and servicing of the Purchased Lease 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 Lease Receivable in accordance with the relevant Lease Agreement and the Credit and Collection Policy; for the avoidance of doubt, the Servicer will not modify the cash flow or payment plan of the relevant Lease Agreement.

Use of Third Parties

The Servicer may delegate and sub-contract its duties in connection with the servicing or enforcement of the Purchased Lease Receivables and/or foreclosure on the Lease 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 Lease 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 Lease Receivables (excluding, for the avoidance of doubt, Defaulted Receivables) and Lease 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 Lease 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 Lease 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 Ledger

For so long as BMW Bank remains Servicer, before the occurrence of a Servicer Termination Event and until termination pursuant to Clause 11 (Term; 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 remains, the Servicer shall, within fourteen (14) calendar days (the "**Performance Period**"), notify the Issuer in writing that it will elect to:

- (a) with effect from the date of such notification, transfer any Collections to the Issuer Account within two (2) Business Days upon receipt of such Collections, or
- (b) fund the Commingling Reserve Ledger (not using any Collections) on each Payment Date with the Commingling Reserve Required Amount as of such Payment Date.

For so long as such Commingling Reserve Trigger Event prevails, the Servicer shall have the right to switch between the above options by written notice to the Issuer.

If the Servicer fails to advance (or to adjust, if required) such Commingling Reserve Required Amount as required above within five (5) Business Days from the last date of the Performance Period, a Lessee Notification Event will occur.

During the life of the Transaction and upon the occurrence and continuance of a Servicer Termination Event, any amount credited to the Commingling Reserve Ledger will form part of the Available Distribution Amount and will be used to cover any Servicer Shortfall caused on the part of BMW Bank as Servicer.

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 Issuer will pay to the Seller on the relevant Payment Date such Commingling Reserve Excess Amount outside of the Pre-Enforcement Priority of Payments.

Any remaining amount standing to the credit of the Commingling Reserve Ledger, once the Issuer has determined that no Servicer Shortfall exists and no further Servicer Shortfalls are to be expected and no Commingling Reserve Trigger Event has occurred and is still continuing, will be released to the Seller on the next following Payment Date outside 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 outside any order of priority and will not be part of the Available Distribution Amount.

Termination of Lease Agreements and Enforcement

If a Lessee defaults on a Purchased Lease 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 Lease Receivables Purchase Agreement and the Servicing Agreement in conjunction with the Credit and Collection Policy. If the related Lease 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 related Lease 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 Lease 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, Intertrust (Luxembourg) S.à r.l. has agreed that, upon the occurrence of a Servicer Termination Event, it will act as back-up servicer facilitator (the "**Back-Up Servicer Facilitator**") and 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.

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 Lease Receivables pursuant to any applicable law or regulation. The occurrence of an Insolvency Event in respect of the Servicer will constitute a Lessee Notification Event.

Pursuant to the provisions of the Servicing Agreement, if a Lessee Notification Event occurs, the Servicer will promptly deliver a Lessee Notification to the relevant Lessees. If the Servicer fails to deliver such Lessee Notification within five (5) Business Days after the Lessee Notification Event, the Issuer (and after the occurrence of an Issuer Event of Default, the Trustee **provided that** the Trustee has obtained actual knowledge of such Lessee Notification Event) will be obliged to deliver or to instruct a successor Servicer or an agent

that is compatible with the Secrecy Rules to deliver on its behalf the Lessee Notification to the relevant Lessee 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, 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 "*OUTLINE 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.

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 5,000,000 on or before the Issue Date, of which the Issuer will fund the initial Required Cash Reserve Amount of EUR 5,000,000, which is equal to 0.50 per cent. of the Initial Aggregate Discounted Outstanding Lease Balance, 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 Lease Receivables becoming Defaulted Receivables, but only with respect to interest payments on the Notes unless the Available Distribution Amount, together with the balance credited to the Cash Reserve Ledger, would suffice to reduce the Class A Outstanding Notes Balance to zero as well as on the Legal Final Maturity Date and once the Current Aggregate Discounted Outstanding Lease Balance is reduced to zero, in which case also with respect to principal payments on the Notes. The Subordinated Lender will undertake to grant and keep outstanding the Subordinated Loan and not to sell and /or transfer and/or hedge the Subordinated Loan (whether in full or in part) for the life of the Transaction in order to comply with the Securitisation Regulation.

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 German Auto Leases 5. 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 Lease 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 BaFin or any then applicable Secrecy Rules (including any applicable requirements on data protection under foreign law) and only to the extent necessary for the collection, enforcement or realisation of any Purchased Lease Receivable, Lease Collateral, the Leased Vehicles or other claims and rights under the underlying Lease Agreements or documents relating to the Lease Collateral of Leased Vehicles), 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 Lease Receivables, Lease Collateral or Leased Vehicle or other claims and rights under the underlying Lease Agreement and (B) the prosecution of legal remedies through the Servicer to enforce, realise or preserve the Purchased Lease Receivables or the Lease Collateral or other claims and rights under the underlying Lease Agreements 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 Lessee 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 Lease Receivables and/or the Lease 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 co-operate 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 Lessees to permit timely Collections is available.

5 Bank Account Agreement

Pursuant to the Bank Account Agreement entered into between the Issuer 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 or be charged (as applicable) 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 or debited (as applicable) to the respective account in accordance with the Account Bank's usual procedure for crediting interest to such accounts. Any negative interest charged is subject to a floor as agreed between the Account Bank and the Issuer. The interest earned on the amounts credited to the Issuer Account (other than the Commingling Reserve Ledger) 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 will 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 sixty (60) 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 exposure resulting from

a fixed Annual Percentage Rate under the Purchased Lease Receivables and floating rate interest obligations under the Class A 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 ISDA 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. 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 Class A 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 down-grading, and at its own cost, (i) provide eligible collateral in the form and substance in accordance with the Swap Agreement; (ii) transfer all its rights and obligations to a replacement third party that is an Eligible Swap Counterparty; (iii) procure another person that has the required ratings to irrevocably and unconditionally guarantee the obligations of the Swap Counterparty under the Swap Agreement or (iv) take other remedial action (which may include no action) in accordance with the terms of 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 Swap Agreement. The Counterparty 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, The Bank York Mellon, London 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 will make Monthly Investor Reports publicly available through the Calculation Agent's internet website (which is currently located at <https://gctinvestorreporting.bnymellon.com>) 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 will, 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 will nonetheless perform its duties to the extent possible and is obliged to publish a Monthly Investor Report. In such case, the Calculation Agent will 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 (3) months and the Lessees have been notified of the assignment of the Purchased Lease Receivables, the Calculation Agent will make its calculations on the basis of the amounts paid by the Lessees 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 will, upon instruction of the Trustee, make its calculations on the basis of the amounts paid by the Lessees (after such Lessees have been notified of the assignment of the Purchased Lease Receivables owed by such Lessees) 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 at least thirty (30) calendar 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 at least thirty (30) calendar days' prior written notice, **provided that**, no such notice will be effective to terminate the Calculation Agency Agreement if the termination of the obligations of the Calculation Agent thereunder would cause the rating of the Class A Notes to be downgraded or withdrawn, and provided further that at all times there will 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 will 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*".

EXPECTED MATURITY AND AVERAGE LIFE OF CLASS A NOTES AND ASSUMPTIONS

Assumed Weighted Average Life ("WAL") of the Class A Notes

Weighted average life of the Class A 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 holders of the Class A distributed in reduction of principal of such Class A Note. The weighted average life of the Class A Notes will be influenced by, amongst other things, delinquencies and losses, as well as the rate at which the Purchased Lease Receivables are paid, which may be in the form of scheduled amortisation or prepayments.

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

The table assumes, among other things, that:

- (a) the Portfolio is subject to a constant annual rate of prepayment as set out under "CPR";
- (b) no Purchased Lease Receivables are repurchased by the Seller;
- (c) the Purchased Lease Receivables amortise according to the expected relative amortisation profile;
- (d) the Notes are issued on the Issue Date;
- (e) the Clean-Up Call Option is exercised;
- (f) the Purchased Lease Receivables are performing and no delinquencies nor defaults occur;
- (g) third party expenses are assumed to be 0.05 per cent. *per annum* of the outstanding receivables portfolio;
- (h) the servicing fee is assumed to be 0 per cent.;
- (i) the cumulative cost at issuance of the fixed leg of the swap, the Class A Note margin and Class B Note interest as a percentage of the initial note balance is 0.16 per cent.;
- (j) the Payment Date will always fall on the twentieth (20th) day of a calendar month; and
- (k) the EURIBOR is equal to or higher than -0.70 per cent. until the full amortisation of the Class A Notes.

Estimates of the weighted average lives of the Class A Notes 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.

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

Bavarian Sky S.A., Compartment German Auto Leases 5 - Weighted Average Life								
	CPR Assumption	Base Case (6.0%)	0%	3.0%	6.0%	9.0%	12.0%	15.0%
Class A Note	WAL (in years)	0.91	0.96	0.94	0.91	0.89	0.86	0.84

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

The average life of the Notes 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.

Assumed Amortisation of the Notes

These amortisation scenarios are based on the assumptions listed under "Assumed Weighted Average Lives of the Notes" above and a CPR of 0 per cent and 6 per cent. It should be noted that the actual amortisation of the Notes may differ substantially from the amortisation scenarios indicated below.

Bavarian Sky S.A., Compartment German Auto Leases 5 - Class A Note Amortisation 0% + 6% CPR					
6%			0%		
Period	%	Class A Notes	Period	%	Class A Notes
0	100.0%	900,000,000.00	0	100%	900,000,000.00
1	94.3%	848,610,600.33	1	95%	853,488,293.47
2	88.7%	797,983,086.51	2	90%	807,253,979.49
3	83.1%	748,316,653.85	3	85%	761,506,649.84
4	77.8%	700,031,288.29	4	80%	716,685,469.38
5	72.6%	653,031,090.53	5	75%	672,709,359.69
6	67.4%	607,027,270.93	6	70%	629,296,649.48
7	62.5%	562,163,518.49	7	65%	586,607,654.76
8	57.6%	518,634,279.63	8	61%	544,859,158.58
9	52.9%	476,280,964.16	9	56%	503,902,086.22
10	48.3%	435,138,505.60	10	52%	463,788,697.40
11	43.9%	395,477,409.12	11	47%	424,820,627.69
12	39.7%	357,043,241.47	12	43%	386,747,548.82
13	35.5%	319,877,140.09	13	39%	349,630,117.41
14	31.6%	284,217,645.67	14	35%	313,741,762.96
15	27.8%	249,807,054.71	15	31%	278,825,578.99
16	24.1%	217,009,477.41	16	27%	245,294,456.38
17	20.6%	185,648,307.31	17	24%	212,979,106.10
18	17.3%	155,284,477.93	18	20%	181,419,225.72
19	14.0%	126,198,937.91	19	17%	150,938,242.97
20	11.0%	98,740,558.31	20	14%	121,941,664.07
21	8.1%	72,604,400.82	21	10%	94,114,587.23
22	5.3%	47,846,144.85	22	8%	67,539,640.17
23	2.7%	24,465,975.60	23	5%	42,238,032.70
24	0.0%	0.00	24	2%	17,901,681.24
25	0.0%	0.00	25	0%	0.00
26	0.0%	0.00	26	0%	0.00
27	0.0%	0.00	27	0%	0.00
28	0.0%	0.00	28	0%	0.00
29	0.0%	0.00	29	0%	0.00
30	0.0%	0.00	30	0%	0.00
31	0.0%	0.00	31	0%	0.00
32	0.0%	0.00	32	0%	0.00
33	0.0%	0.00	33	0%	0.00
34	0.0%	0.00	34	0%	0.00
35	0.0%	0.00	35	0%	0.00

ELIGIBILITY CRITERIA

On the Cut-Off Date immediately preceding the Issue Date, the following criteria (the "**Eligibility Criteria**") must have been met by the Lease Receivables to be eligible for acquisition by the Issuer pursuant to the Lease Receivables Purchase Agreement.

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

- (a) The Lease Agreement under which the relevant Lease Receivable arises as well as the Lease Collateral and the legal documents underlying such Lease Collateral are legally valid, binding and enforceable, and the relevant Lease Receivable exists and constitutes legally valid, binding and enforceable obligations of the respective Lessee. In addition, no Lease Agreement 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 Lease Receivables offered for purchase.
- (b) The relevant Lease Receivable is assignable and can be transferred by way of assignment without the consent of the related Lessee.
- (c) The relevant Lease Receivable has a fixed interest rate and is payable by way of monthly instalments (except for the first instalment and the final instalment payable under the relevant Lease Agreement which may differ from the monthly instalments payable for subsequent or previous months).
- (d) The relevant Lease Receivable is denominated and payable in euro.
- (e) The relevant Lease Receivable was originated on or after 1 April 2012 and 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.
- (f) The relevant Lease Receivable is not subject to any right of revocation (*Anfechtungsrecht*), set-off or counterclaim or warranty claims of the Lessee 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).
- (g) The Lessee of the relevant Lease Receivable does not hold deposits (*Einlagen*) with the Seller.
- (h) The Lease Receivables do not comprise any servicing component (other than the so-called SEW Services, i.e. the offer to use a replacement vehicle for up to two (2) days per year in certain circumstances).
- (i) The Lease Agreement under which the relevant Lease Receivable arises has not been terminated and, according to the Seller's records, the Seller has not received a termination notice.
- (j) The Lease Agreement under which the relevant Lease Receivable arises has a maximum remaining term of sixty (60) months.
- (k) At least one (1) due Lease Instalment has been fully paid in respect of the relevant Lease Receivable.
- (l) The Seller is fully entitled to the relevant Lease Receivable, and such Lease Receivable is free of any rights of any third party, and the Seller may freely dispose of such Lease Receivable (including any part thereof, the related Leased Vehicle and the other Lease

Collateral) to which the Seller is fully entitled, free of any rights of any third party and over which the Seller may freely dispose.

- (m) The relevant Lease Receivable may be segregated and identified at any time for purposes of ownership and Lease Collateral in the electronic files of the Seller.
- (n) If the relevant Lease 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 Lease Agreement complies in all material respects with the requirements of such provisions.
- (o) The relevant Lease Receivable is not overdue for more than thirty (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 Lessee or intermediary credit institution because of a return of such direct debit (*Rücklastschrift*) shall not render the relevant Lease Receivable to be an ineligible Lease Receivable ab initio if, but only if, such Lessee has objected (*widersprechen*) to such direct debit within six (6) weeks of such debit), or a Defaulted Lease Receivable or a Lease Receivable disputed by the relevant Lessee whether by reason of any matter concerning the Leased Vehicles or by reason of any other matter or in respect of which a set-off or counterclaim is being claimed by such Lessee. No breach of any obligation under any agreement (except of the obligation to pay) of any party exists with respect to the relevant Lease Receivable.
- (p) The relevant Lease Agreement is subject to, and governed by, the laws of Germany.
- (q) The assignment of the relevant Lease Receivable does not violate any law or agreements (in particular with respect to consumer protection and data protection) to which the Seller is bound.
- (r) The relevant Lease Agreement has been entered into with a Lessee 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.
- (s) According to the Seller's records and to the best of its knowledge, the relevant Lease Receivable is due from a Lessee who
 - (i) has neither been declared insolvent nor had a court grant its creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination or has undergone a debt-restructuring process with regard to its non-performing exposures within three years prior to the date of transfer or assignment of the Purchased Lease Receivables to the Issuer;
 - (ii) was, at the time of origination, where applicable, not on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the Seller; or
 - (iii) has neither a credit assessment nor a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the originator which are not securitised.
- (t) The relevant Lease Receivable is not due from a Lessee who is (i) either an employee or an officer of BMW Bank or of an Affiliate of BMW AG or (ii) an employee or officer of BMW AG.

PURCHASED LEASE RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA

Pursuant to Article 22(2) of the Securitisation Regulation and the European Banking Authority's Final Report on the STS criteria for non-ABCP securitisation dated 12 December 2018 (the "**EBA Guidelines on STS Criteria**") and the terms of an external verification applying a confidence level higher than 95% has been made in respect of the Purchased Lease Receivables prior to the Issue Date by an appropriate and independent party, including verification that the data disclosed in any formal offering document in respect of the Lease Receivables is accurate (the "**External Verification**"), and, in this respect, no significant adverse findings have been found.

The portfolio information presented in this Offering Circular is based on the pool as of 31 August 2019.

The historical information set out in below 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 and the Calculation 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 Lease Receivables.

1 Purchased Lease Receivables characteristics

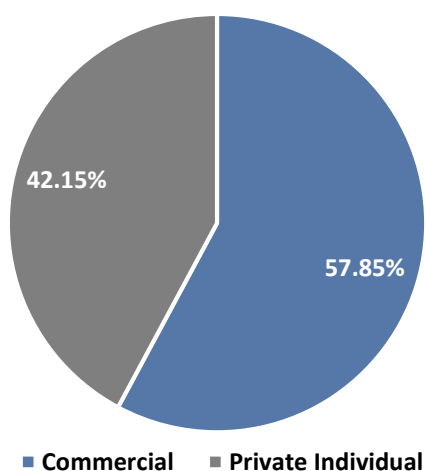
1.1 Portfolio Overview

Portfolio Overview	
Cut-Off Date	31/08/2019
Current Aggregate Lease Balance (€)	1,039,644,439.84
Discounted Outstanding Lease Balance (€)	991,799,990.80
Original Aggregate Lease Balance (€)	1,564,578,154.48
Number of Leases	114,975
Client Type (Private/Commercial)	42.15% / 57.85%
Vehicle Type (New/Used)	98.94% / 1.06%
Discount Rate	4.00%

Portfolio Overview	Min	Max	WA
Seasoning	2	57	8.67
Remaining Term	3	58	27.94
Original Term	6	60	36.61
Discounted Outstanding Lease Balance	49.41	69,053.21	8,626.22

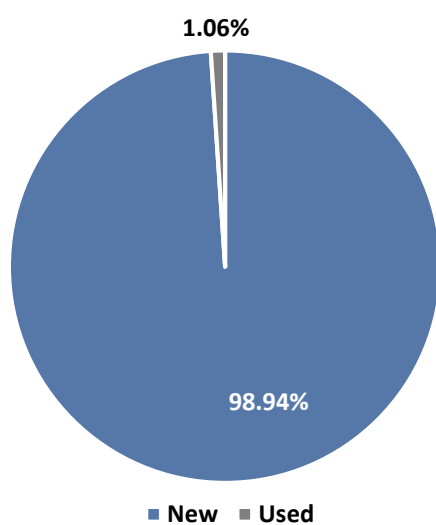
1.2 Distribution by customer type

Distribution by customer type	Discounted outstanding lease balance in EUR	Discounted outstanding lease balance in percent of total	Number of contracts	Number of contracts in percent of total
Commercial	573,789,891.30	57.85%	52,369	45.55%
Private Individual	418,010,099.50	42.15%	62,606	54.45%
Total	991,799,990.80	100.00%	114,975	100.00%



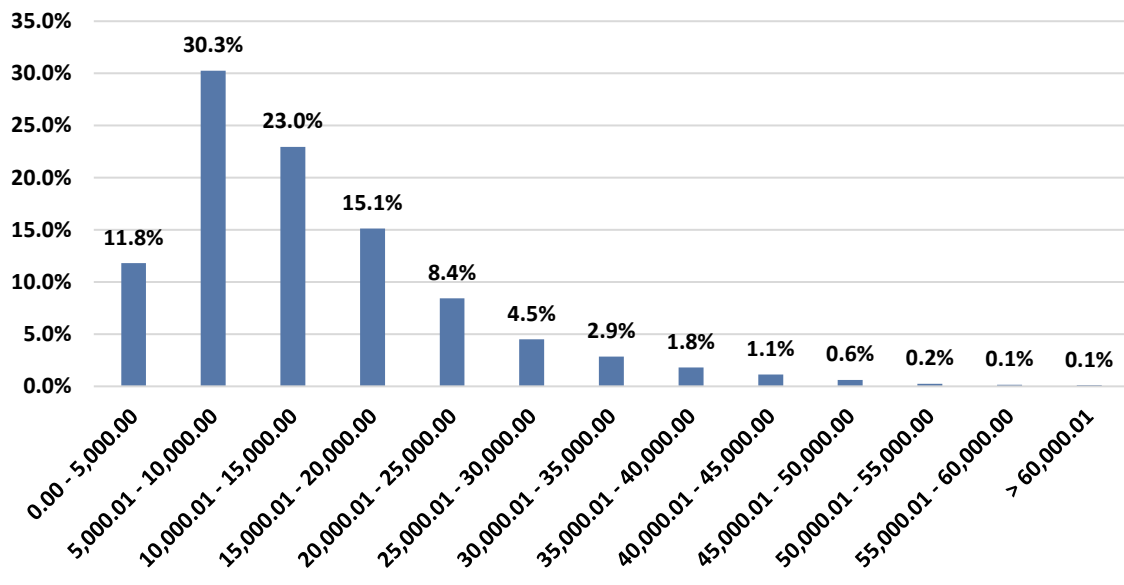
1.3 Distribution by vehicle type

Distribution by vehicle type	Discounted outstanding lease balance in EUR	Discounted outstanding lease balance in percent of total	Number of contracts	Number of contracts in percent of total
New	981,300,414.20	98.94%	113,534	98.75%
Used	10,499,576.60	1.06%	1,441	1.25%
Total	991,799,990.80	100.00%	114,975	100.00%



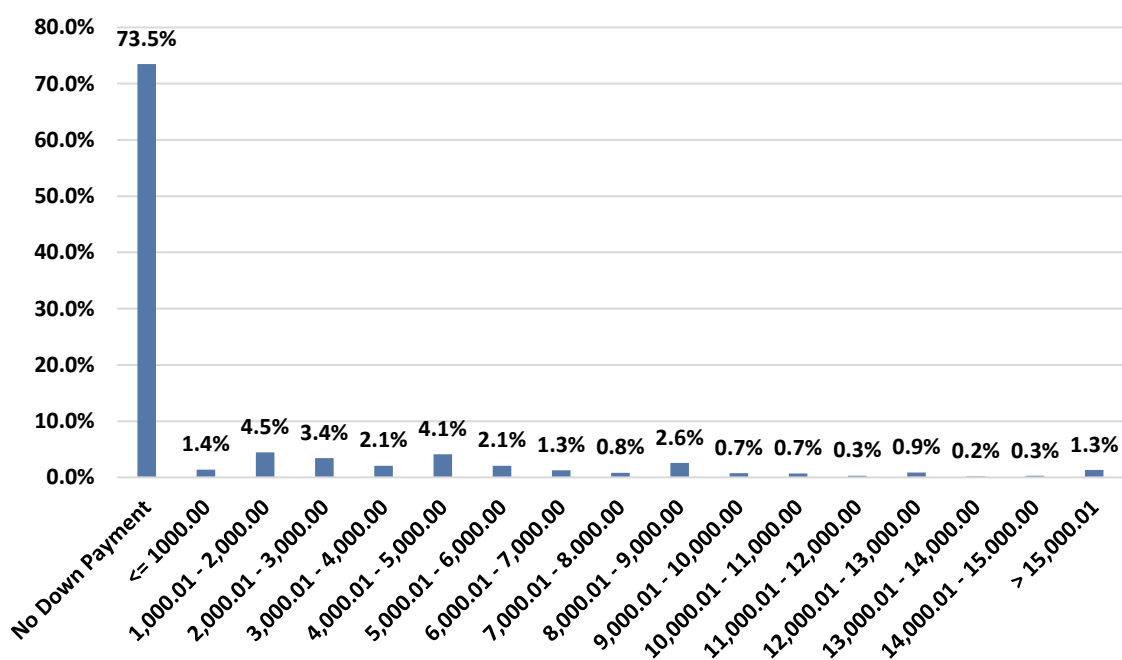
1.4 Distribution by discounted outstanding lease balance

Distribution by discounted outstanding lease balance	Discounted outstanding lease balance in EUR	Discounted outstanding lease balance in percent of total	Number of contracts	Number of contracts in percent of total
0.00 - 5,000.00	117,066,630.40	11.80%	38,636	33.60%
5,000.01 - 10,000.00	300,033,585.66	30.25%	41,669	36.24%
10,000.01 - 15,000.00	227,724,003.50	22.96%	18,674	16.24%
15,000.01 - 20,000.00	149,934,461.94	15.12%	8,728	7.59%
20,000.01 - 25,000.00	83,572,395.20	8.43%	3,769	3.28%
25,000.01 - 30,000.00	44,742,041.04	4.51%	1,648	1.43%
30,000.01 - 35,000.00	28,299,882.94	2.85%	879	0.76%
35,000.01 - 40,000.00	17,955,569.99	1.81%	484	0.42%
40,000.01 - 45,000.00	11,332,182.22	1.14%	269	0.23%
45,000.01 - 50,000.00	6,121,886.54	0.62%	130	0.11%
50,000.01 - 55,000.00	2,306,487.18	0.23%	44	0.04%
55,000.01 - 60,000.00	1,425,688.86	0.14%	25	0.02%
> 60,000.01	1,285,175.33	0.13%	20	0.02%
Total	991,799,990.80	100.00%	114,975	100.00%



1.5 Distribution by down payments

Distribution by down payments	Discounted outstanding lease balance in EUR	Discounted outstanding lease balance in percent of total	Number of contracts	Number of contracts in percent of total
No Down Payment	728,697,033.81	73.47%	72,291	62.88%
<= 1000.00	13,390,098.21	1.35%	2,373	2.06%
1,000.01 - 2,000.00	44,380,659.65	4.47%	7,165	6.23%
2,000.01 - 3,000.00	33,951,209.27	3.42%	5,885	5.12%
3,000.01 - 4,000.00	20,610,866.26	2.08%	3,638	3.16%
4,000.01 - 5,000.00	40,579,369.85	4.09%	6,209	5.40%
5,000.01 - 6,000.00	20,506,162.35	2.07%	3,590	3.12%
6,000.01 - 7,000.00	12,656,380.76	1.28%	2,156	1.88%
7,000.01 - 8,000.00	8,052,897.13	0.81%	1,459	1.27%
8,000.01 - 9,000.00	25,430,859.37	2.56%	3,690	3.21%
9,000.01 - 10,000.00	7,413,629.67	0.75%	1,034	0.90%
10,000.01 - 11,000.00	6,834,826.67	0.69%	1,166	1.01%
11,000.01 - 12,000.00	3,028,344.92	0.31%	542	0.47%
12,000.01 - 13,000.00	8,755,545.42	0.88%	1,250	1.09%
13,000.01 - 14,000.00	2,009,433.85	0.20%	350	0.30%
14,000.01 - 15,000.00	2,660,957.09	0.27%	364	0.32%
> 15,000.01	12,841,716.52	1.29%	1,813	1.58%
Total	991,799,990.80	100.00%	114,975	100.00%

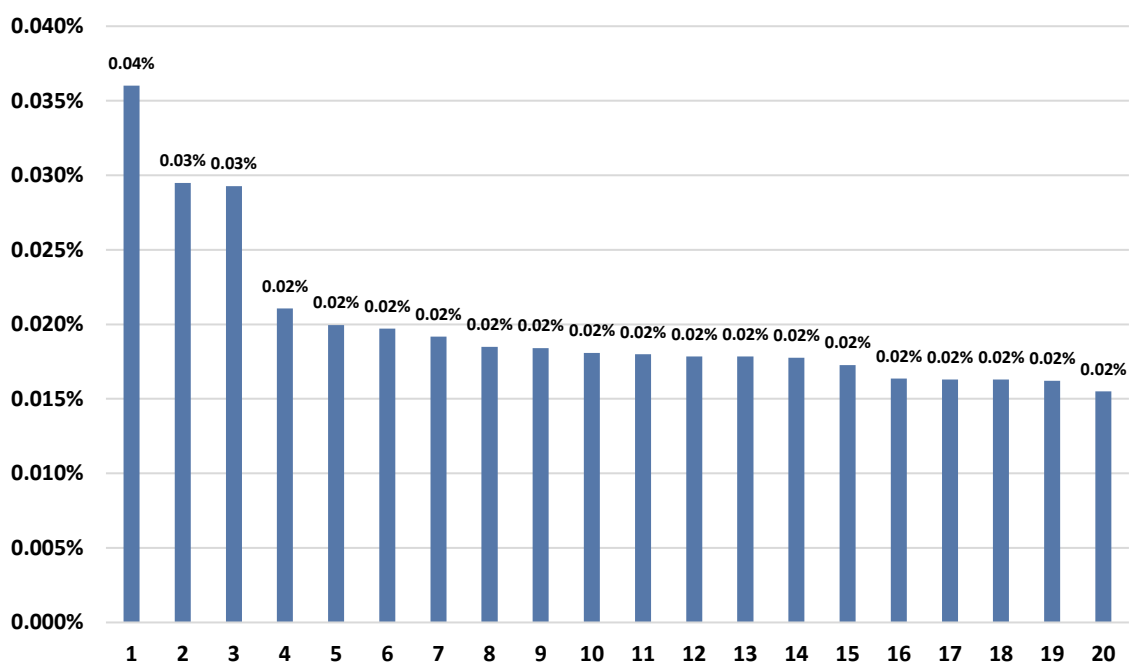


1.6 Concentration top 20 lessees

Distribution by top 20 lessees	Discounted outstanding lease balance in EUR	Discounted outstanding lease balance in percent of total	Number of contracts	Number of contracts in percent of total
1	357,245.12	0.04%	25	0.02%
2	292,502.63	0.03%	25	0.02%
3	290,378.15	0.03%	24	0.02%
4	208,940.89	0.02%	25	0.02%
5	197,942.88	0.02%	13	0.01%
6	195,550.40	0.02%	11	0.01%
7	190,285.59	0.02%	25	0.02%
8	183,423.99	0.02%	12	0.01%
9	182,525.09	0.02%	12	0.01%
10	179,236.32	0.02%	13	0.01%
11	178,444.11	0.02%	19	0.02%
12	176,962.31	0.02%	20	0.02%
13	176,957.45	0.02%	25	0.02%
14	176,201.65	0.02%	6	0.01%
15	171,227.38	0.02%	11	0.01%
16	162,297.64	0.02%	25	0.02%
17	161,661.23	0.02%	25	0.02%
18	161,572.18	0.02%	17	0.01%
19	160,741.38	0.02%	6	0.01%
20	153,815.81	0.02%	10	0.01%
Total	3,957,912.20	0.40%	349	0.30%

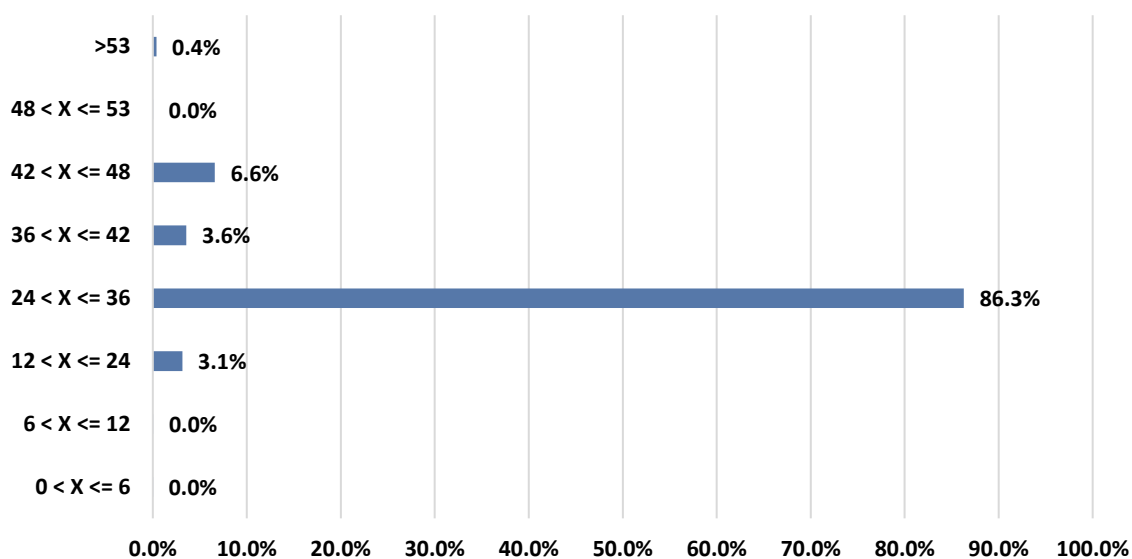
Discounted outstanding lease balance 991,799,990.80

Number of contracts 114,975



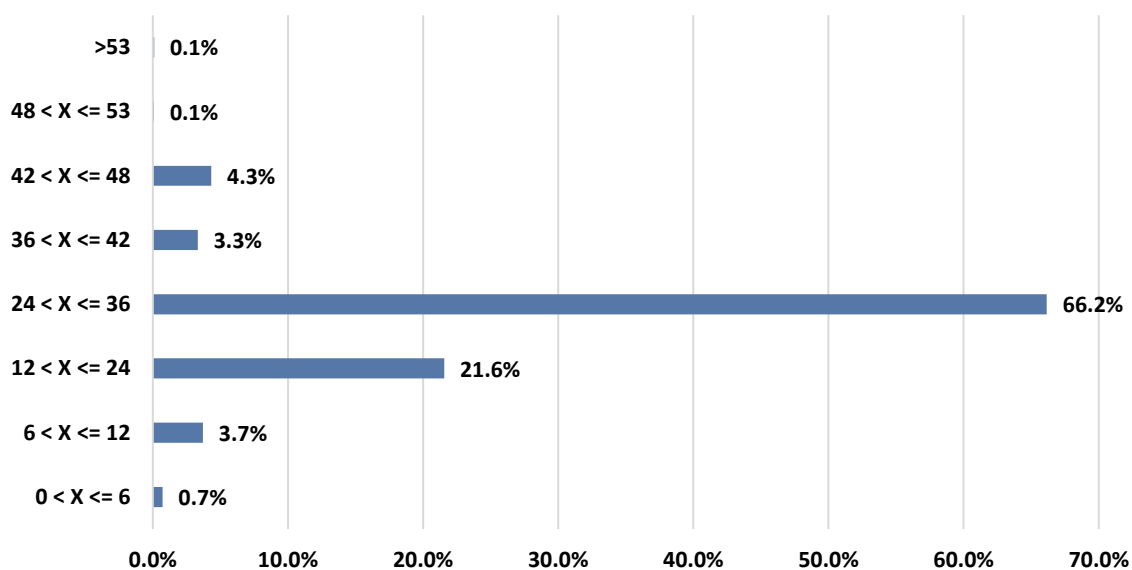
1.7 Distribution by original term (months)

Distribution by original term	Discounted outstanding lease balance in EUR	Discounted outstanding lease balance in percent of total	Number of contracts	Number of contracts in percent of total
0 < X <= 6	6,630.39	0.00%	4	0.00%
6 < X <= 12	332,036.96	0.03%	131	0.11%
12 < X <= 24	31,181,151.15	3.14%	5,846	5.08%
24 < X <= 36	855,753,139.94	86.28%	101,120	87.95%
36 < X <= 42	35,251,437.52	3.55%	3,366	2.93%
42 < X <= 48	65,443,988.63	6.60%	4,216	3.67%
48 < X <= 53	95,897.26	0.01%	11	0.01%
>53	3,735,708.95	0.38%	281	0.24%
Total	991,799,990.80	100.00%	114,975	100.00%



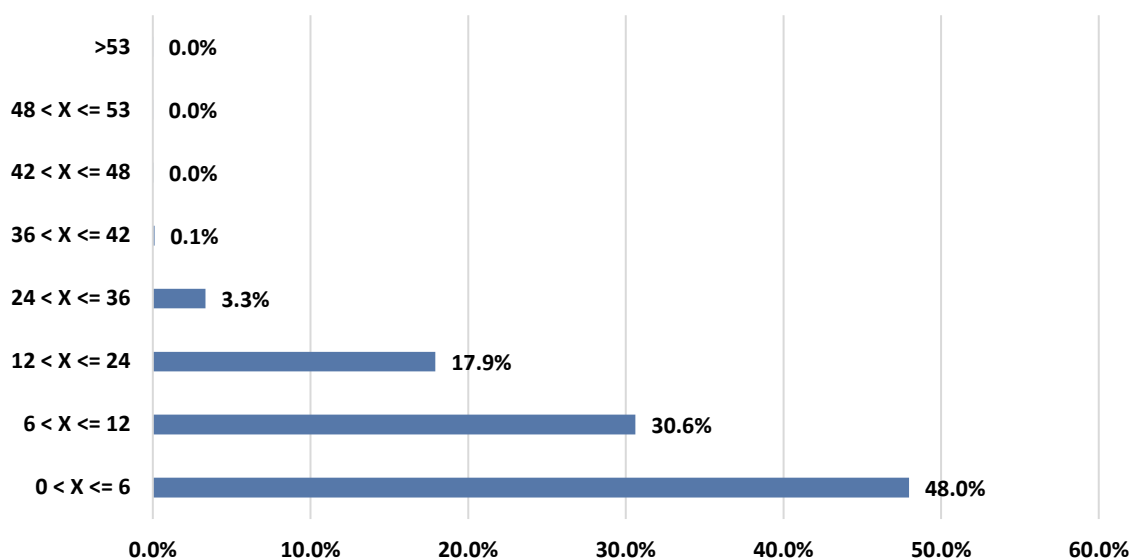
1.8 Distribution by remaining term (months)

Distribution by remaining term	Discounted outstanding lease balance in EUR	Discounted outstanding lease balance in percent of total	Number of contracts	Number of contracts in percent of total
0 < X <= 6	7,236,601.93	0.73%	4,899	4.26%
6 < X <= 12	36,861,554.85	3.72%	9,905	8.61%
12 < X <= 24	213,791,832.44	21.56%	31,533	27.43%
24 < X <= 36	656,156,361.07	66.16%	63,626	55.34%
36 < X <= 42	33,023,329.87	3.33%	2,389	2.08%
42 < X <= 48	42,892,928.36	4.32%	2,523	2.19%
48 < X <= 53	882,168.28	0.09%	50	0.04%
>53	955,214.00	0.10%	50	0.04%
Total	991,799,990.80	100.00%	114,975	100.00%



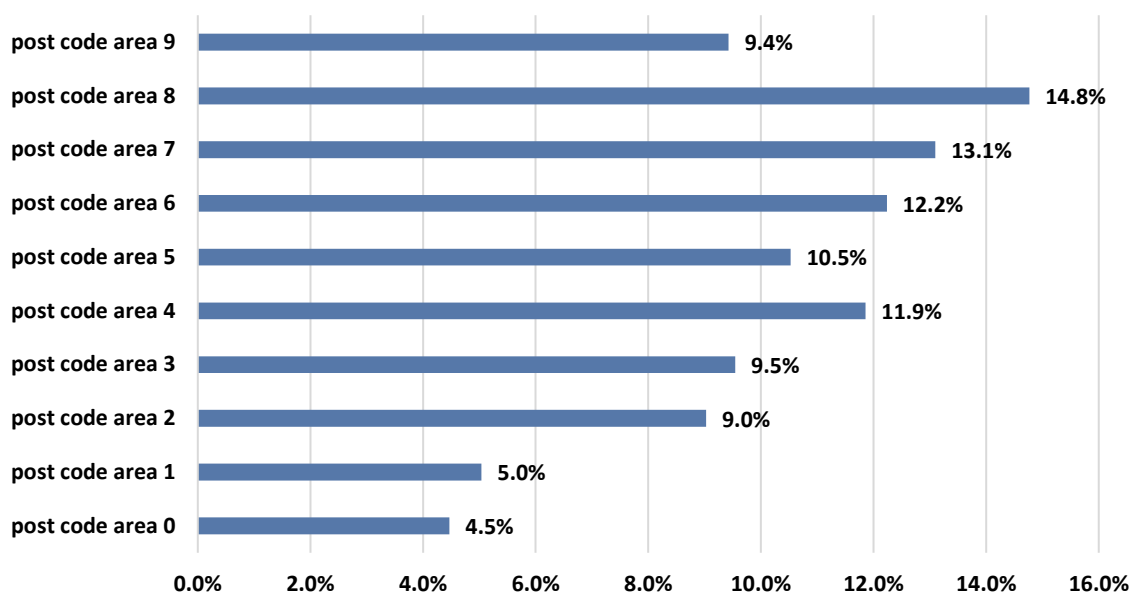
1.9 Distribution by seasoning (months)

Distribution by seasoning	Discounted outstanding lease balance in EUR	Discounted outstanding lease balance in percent of total	Number of contracts	Number of contracts in percent of total
0 < X <= 6	475,728,903.58	47.97%	41,070	35.72%
6 < X <= 12	303,658,497.45	30.62%	34,847	30.31%
12 < X <= 24	177,761,257.42	17.92%	27,268	23.72%
24 < X <= 36	33,169,828.64	3.34%	11,344	9.87%
36 < X <= 42	1,059,413.09	0.11%	310	0.27%
42 < X <= 48	318,378.35	0.03%	104	0.09%
48 < X <= 53	95,237.43	0.01%	25	0.02%
>53	8,474.84	0.00%	7	0.01%
Total	991,799,990.80	100.00%	114,975	100.00%



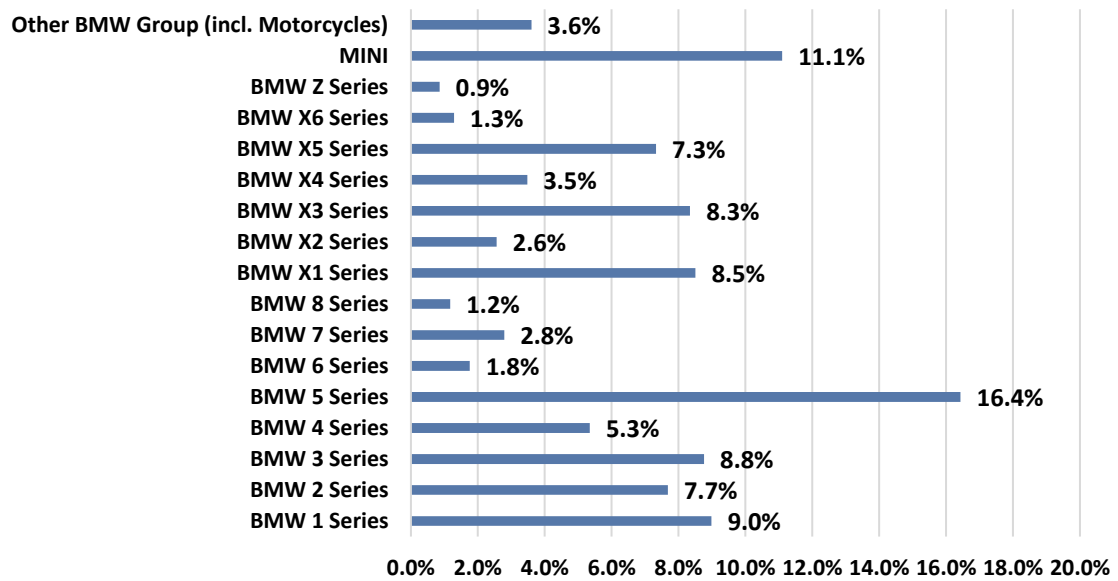
1.10 Geographic distribution

Geographic distribution	Discounted outstanding lease balance in EUR	Discounted outstanding lease balance in percent of total	Number of contracts	Number of contracts in percent of total
post code area 0	44,335,274.36	4.47%	4,707	4.09%
post code area 1	49,975,662.61	5.04%	5,452	4.74%
post code area 2	89,521,945.29	9.03%	10,207	8.88%
post code area 3	94,665,728.11	9.54%	11,024	9.59%
post code area 4	117,609,292.26	11.86%	13,547	11.78%
post code area 5	104,429,678.28	10.53%	12,072	10.50%
post code area 6	121,372,250.95	12.24%	14,604	12.70%
post code area 7	129,907,283.26	13.10%	15,875	13.81%
post code area 8	146,475,987.85	14.77%	17,031	14.81%
post code area 9	93,506,887.83	9.43%	10,456	9.09%
Total	991,799,990.80	100.00%	114,975	100.00%



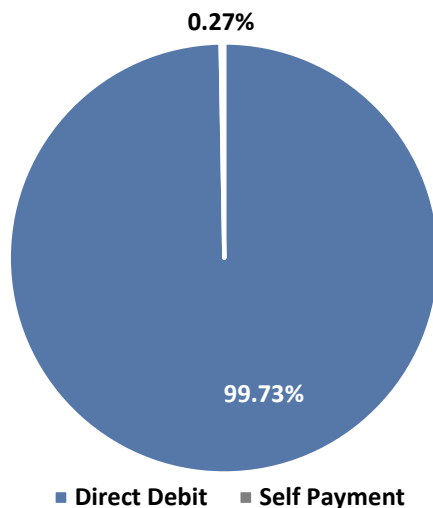
1.11 Distribution by vehicle class

Distribution by vehicle class	Discounted outstanding lease balance in EUR	Discounted outstanding lease balance in percent of total	Number of contracts	Number of contracts in percent of total
BMW 1 Series	89,088,434.17	8.98%	18,553	16.14%
BMW 2 Series	76,206,831.82	7.68%	11,130	9.68%
BMW 3 Series	86,918,514.74	8.76%	10,207	8.88%
BMW 4 Series	53,043,986.62	5.35%	4,999	4.35%
BMW 5 Series	162,953,764.74	16.43%	13,243	11.52%
BMW 6 Series	17,463,000.27	1.76%	1,135	0.99%
BMW 7 Series	27,646,280.26	2.79%	1,535	1.34%
BMW 8 Series	11,681,083.46	1.18%	316	0.27%
BMW X1 Series	84,368,824.00	8.51%	11,689	10.17%
BMW X2 Series	25,443,967.88	2.57%	2,892	2.52%
BMW X3 Series	82,779,065.92	8.35%	6,682	5.81%
BMW X4 Series	34,481,410.46	3.48%	2,577	2.24%
BMW X5 Series	72,645,353.06	7.32%	3,812	3.32%
BMW X6 Series	12,782,327.04	1.29%	861	0.75%
BMW Z Series	8,534,183.76	0.86%	587	0.51%
MINI	110,051,408.55	11.10%	20,909	18.19%
Other BMW Group (incl. Motorcycles)	35,711,554.05	3.60%	3,848	3.35%
Total	991,799,990.80	100.00%	114,975	100.00%



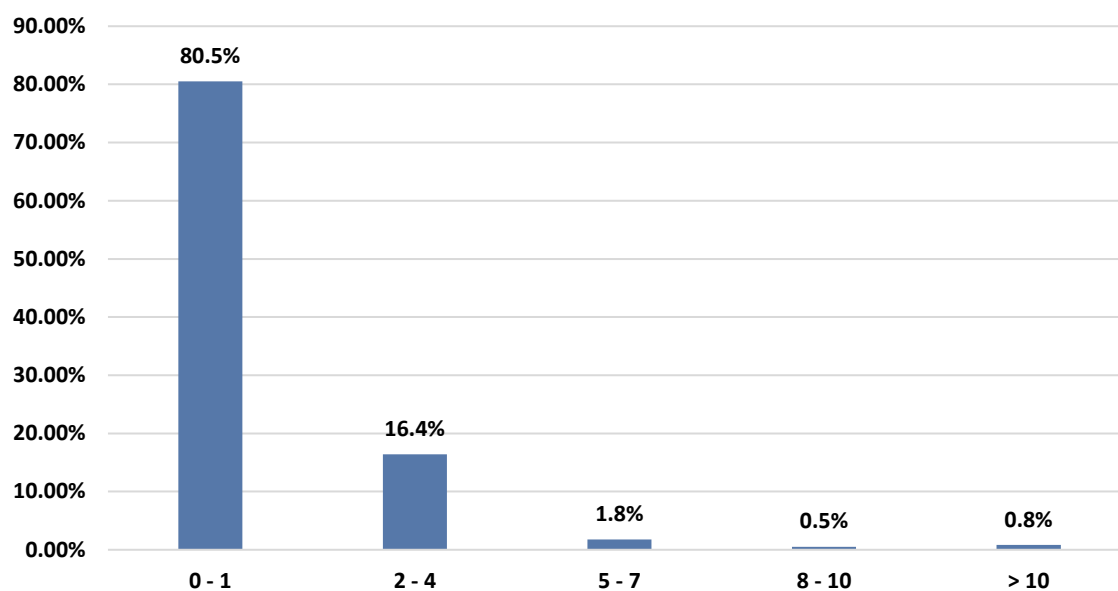
1.12 Distribution by payment type

Distribution by payment type	Discounted outstanding lease balance in EUR	Discounted outstanding lease balance in percent of total	Number of contracts	Number of contracts in percent of total
Direct Debit	989,084,742.48	99.73%	114,656	99.72%
Self Payment	2,715,248.32	0.27%	319	0.28%
Total	991,799,990.80	100.00%	114,975	100.00%



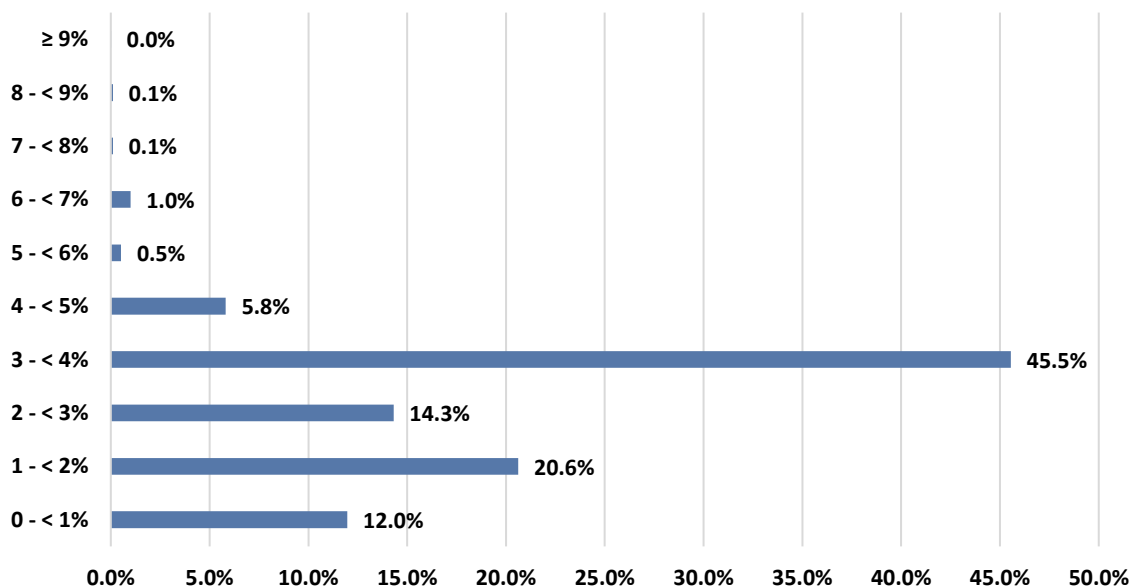
1.13 Distribution by contracts per customer

Distribution by contracts per customer	Discounted outstanding lease balance in EUR	Discounted outstanding lease balance in percent of total	Number of contracts	Number of contracts in percent of total
0 - 1	798,607,507.17	80.52%	96,382	83.83%
2 - 4	162,457,434.81	16.38%	15,229	13.25%
5 - 7	17,600,832.36	1.77%	1,697	1.48%
8 - 10	4,918,197.60	0.50%	583	0.51%
> 10	8,216,018.86	0.83%	1,084	0.94%
Total	991,799,990.80	100.00%	114,975	100.00%



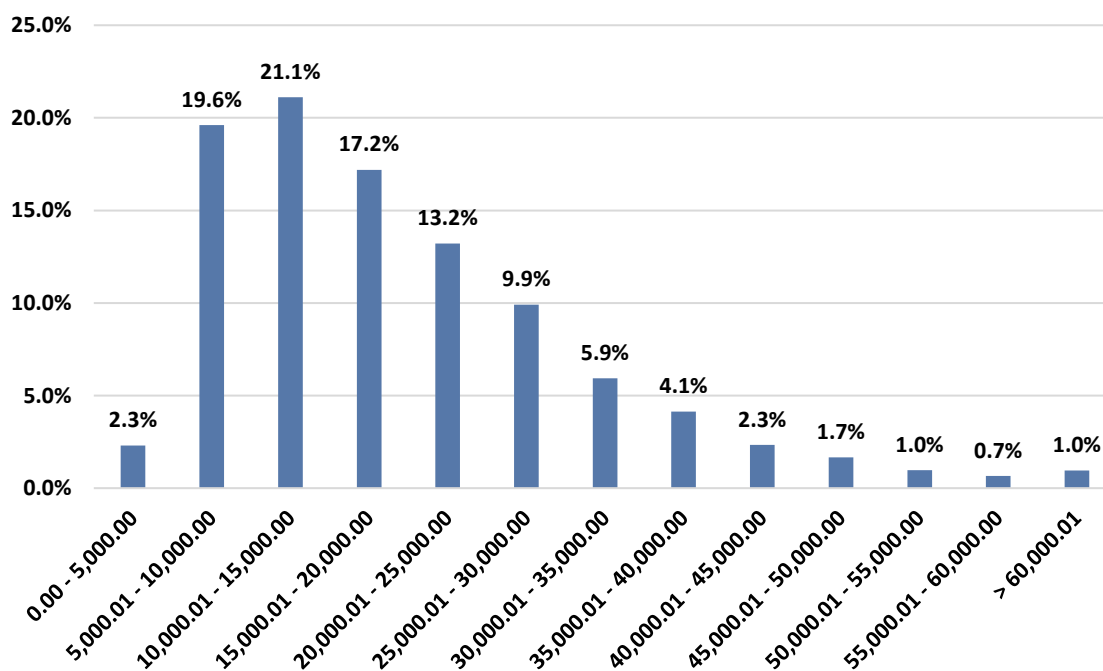
1.14 Distribution by interest rates (APR) (in per cent.)

Distribution by interest rate	Discounted outstanding lease balance in EUR	Discounted outstanding lease balance in percent of total	Number of contracts	Number of contracts in percent of total
0 - < 1%	118,677,029.08	11.97%	11,180	9.72%
1 - < 2%	204,482,040.71	20.62%	17,234	14.99%
2 - < 3%	141,970,726.76	14.31%	15,966	13.89%
3 - < 4%	451,759,095.14	45.55%	57,727	50.21%
4 - < 5%	57,686,798.89	5.82%	10,910	9.49%
5 - < 6%	5,153,996.38	0.52%	658	0.57%
6 - < 7%	9,890,057.51	1.00%	1,069	0.93%
7 - < 8%	1,017,176.45	0.10%	105	0.09%
8 - < 9%	1,114,023.35	0.11%	116	0.10%
≥ 9%	49,046.53	0.00%	10	0.01%
Total	991,799,990.80	100.00%	114,975	100.00%



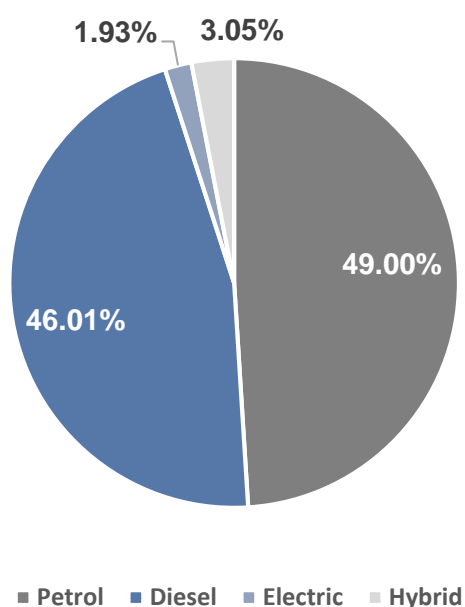
1.15 Distribution by original lease balance

Distribution by original lease balance	Original lease balance in EUR	Original lease balance in percent of total	Number of contracts	Number of contracts in percent of total
0.00 - 5,000.00	36,058,072.02	2.30%	10,125	8.81%
5,000.01 - 10,000.00	306,777,619.76	19.61%	40,577	35.29%
10,000.01 - 15,000.00	330,338,466.84	21.11%	26,985	23.47%
15,000.01 - 20,000.00	268,921,280.76	17.19%	15,574	13.55%
20,000.01 - 25,000.00	206,765,167.38	13.22%	9,281	8.07%
25,000.01 - 30,000.00	154,999,780.66	9.91%	5,699	4.96%
30,000.01 - 35,000.00	92,834,426.92	5.93%	2,886	2.51%
35,000.01 - 40,000.00	64,789,592.61	4.14%	1,743	1.52%
40,000.01 - 45,000.00	36,564,672.68	2.34%	865	0.75%
45,000.01 - 50,000.00	25,971,020.43	1.66%	549	0.48%
50,000.01 - 55,000.00	15,279,536.94	0.98%	292	0.25%
55,000.01 - 60,000.00	10,346,768.10	0.66%	181	0.16%
> 60,000.01	14,931,749.38	0.95%	218	0.19%
Total	1,564,578,154.48	100.00%	114,975	100.00%



1.16 Distribution by engine type

Distribution by engine type	Discounted outstanding lease balance in EUR	Discounted outstanding lease balance in percent of total	Number of contracts	Number of contracts in percent of total
Petrol	486,015,424.32	49.00%	64,159	55.80%
Diesel	456,365,974.59	46.01%	44,287	38.52%
Electric	19,130,889.54	1.93%	2,603	2.26%
Hybrid	30,287,702.35	3.05%	3,926	3.41%
Total	991,799,990.80	100.00%	114,975	100.00%



1.17 Rundown Schedule

This amortisation scenario of the pool as of 31 August 2019 is based on a CPR (constant rate of prepayment) of 0 per cent., delinquencies of 0 per cent., losses of 0 per cent.

The amortisation of the Purchased Lease 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	Discounted outstanding lease balance in EUR	Pool Factor in %	Period	Discounted outstanding lease balance in EUR	Pool Factor in %
0	991,799,990.80	100.00%	36	10,368,641.70	1.05%
1	948,411,620.94	95.63%	37	8,674,014.35	0.87%
2	905,167,398.51	91.27%	38	7,147,498.44	0.72%
3	862,270,808.52	86.94%	39	5,753,846.85	0.58%
4	820,144,771.51	82.69%	40	4,536,144.02	0.46%
5	778,728,914.08	78.52%	41	3,450,257.85	0.35%
6	737,775,092.41	74.39%	42	2,457,196.46	0.25%
7	697,382,574.10	70.31%	43	1,584,610.45	0.16%
8	657,815,146.04	66.33%	44	908,592.23	0.09%
9	618,872,168.78	62.40%	45	434,369.94	0.04%
10	580,711,469.38	58.55%	46	230,514.40	0.02%
11	543,536,809.83	54.80%	47	194,430.41	0.02%
12	507,127,245.02	51.13%	48	160,912.61	0.02%
13	471,587,635.64	47.55%	49	129,692.50	0.01%
14	437,143,103.58	44.08%	50	102,111.69	0.01%
15	403,560,383.67	40.69%	51	77,425.12	0.01%
16	371,263,093.37	37.43%	52	56,272.15	0.01%
17	340,055,475.79	34.29%	53	38,645.87	0.00%
18	309,538,036.80	31.21%	54	24,009.86	0.00%
19	279,993,780.79	28.23%	55	13,718.22	0.00%
20	251,832,574.83	25.39%	56	6,326.62	0.00%
21	224,740,208.99	22.66%	57	1,593.77	0.00%
22	198,826,817.87	20.05%	58	0.00	0.00%
23	174,094,945.54	17.55%	59	0.00	0.00%
24	150,249,050.41	15.15%	60	0.00	0.00%
25	127,693,934.10	12.87%			
26	107,041,341.30	10.79%			
27	88,039,555.96	8.88%			
28	71,484,726.53	7.21%			
29	56,843,871.56	5.73%			
30	43,658,670.63	4.40%			
31	32,323,841.72	3.26%			
32	23,856,703.76	2.41%			
33	17,654,703.75	1.78%			
34	14,146,814.71	1.43%			
35	12,198,127.95	1.23%			

2 Historical performance data

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

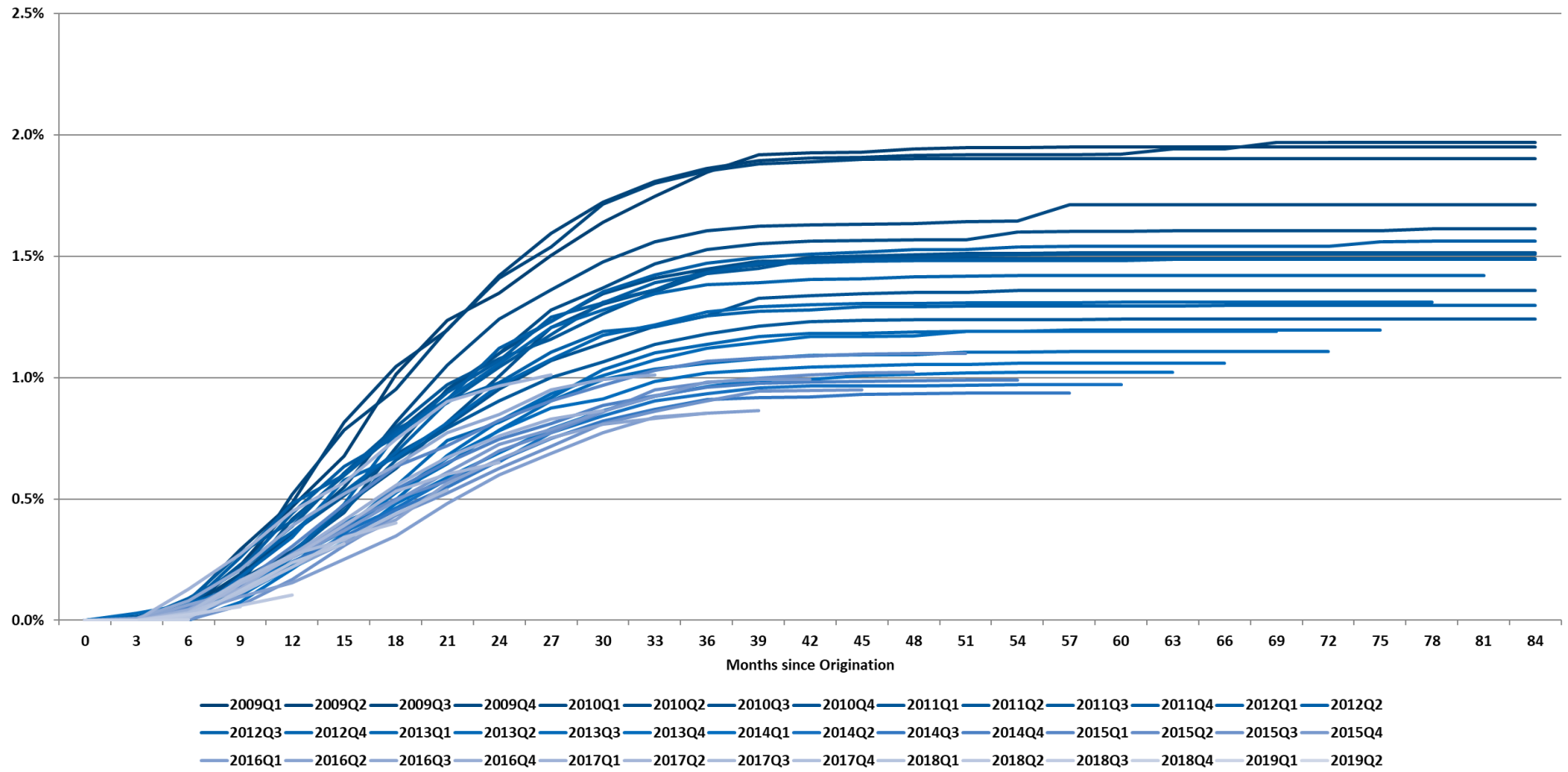
2.1 Gross loss (total portfolio)

For the purpose of the following table, for a generation of lease 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 instalments = 4, unless contract is terminated earlier (e.g. for commercial lessees);
- (b) number of overdue instalments between termination and net loss (default);
- (c) present value of instalments between time of contract's final invoice and expiration of such contract; and
- (d) gross loss = ((a) + (b)) * monthly instalment in EUR + (c).

Quarter	Months 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	72	75	78	81	84
2009Q1	0.0%	0.0%	0.0%	0.2%	0.5%	0.7%	1.0%	1.2%	1.3%	1.5%	1.6%	1.7%	1.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
2009Q2	0.0%	0.0%	0.1%	0.3%	0.5%	0.8%	1.0%	1.2%	1.4%	1.6%	1.7%	1.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
2009Q3	0.0%	0.0%	0.1%	0.2%	0.5%	0.8%	1.0%	1.2%	1.4%	1.5%	1.7%	1.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
2009Q4	0.0%	0.0%	0.0%	0.2%	0.4%	0.5%	0.8%	1.1%	1.2%	1.4%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
2010Q1	0.0%	0.0%	0.0%	0.2%	0.3%	0.4%	0.7%	1.0%	1.1%	1.3%	1.4%	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
2010Q2	0.0%	0.0%	0.0%	0.2%	0.4%	0.6%	0.8%	0.9%	1.1%	1.2%	1.3%	1.4%	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
2010Q3	0.0%	0.0%	0.1%	0.2%	0.3%	0.5%	0.6%	0.8%	1.0%	1.2%	1.3%	1.4%	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
2010Q4	0.0%	0.0%	0.1%	0.2%	0.4%	0.5%	0.7%	0.8%	1.0%	1.1%	1.1%	1.2%	1.3%	1.3%	1.3%	1.3%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
2011Q1	0.0%	0.0%	0.1%	0.2%	0.4%	0.6%	0.8%	1.0%	1.1%	1.2%	1.3%	1.4%	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
2011Q2	0.0%	0.0%	0.0%	0.1%	0.3%	0.5%	0.7%	0.8%	0.9%	1.0%	1.1%	1.1%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
2011Q3	0.0%	0.0%	0.1%	0.3%	0.4%	0.6%	0.8%	0.9%	1.0%	1.2%	1.3%	1.4%	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
2011Q4	0.0%	0.0%	0.1%	0.2%	0.4%	0.6%	0.8%	0.9%	1.1%	1.3%	1.3%	1.4%	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
2012Q1	0.0%	0.0%	0.1%	0.3%	0.5%	0.6%	0.8%	0.9%	1.1%	1.2%	1.4%	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%
2012Q2	0.0%	0.0%	0.1%	0.2%	0.4%	0.5%	0.7%	0.9%	1.0%	1.1%	1.2%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%

Cumulative Gross Loss - Total



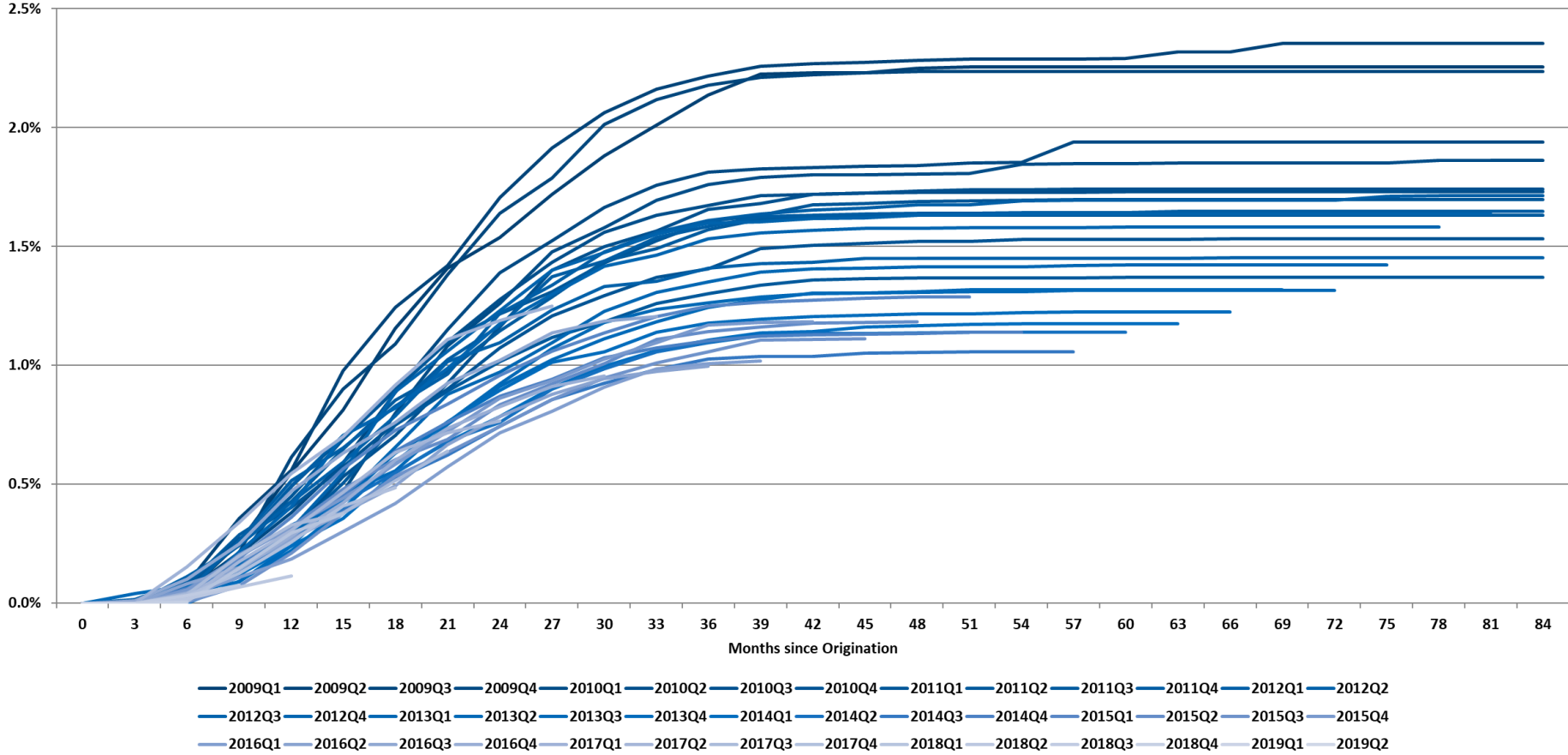
2.2 Gross loss (commercial Lessees)

For the purpose of the following table, for a generation of lease 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 instalments = 4, unless contract is terminated earlier (e.g. for commercial lessees);
- (a) number of overdue instalments between termination and net loss (default);
- (b) present value of instalments between time of contract's final invoice and expiration of such contract; and
- (c) gross loss = ((a) + (b)) * monthly instalment in EUR + (c).

Quarter	Months 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	72	75	78	81	84
2009Q1	0.0%	0.0%	0.0%	0.3%	0.6%	0.8%	1.2%	1.4%	1.5%	1.7%	1.9%	2.0%	2.1%	2.2%	2.2%	2.2%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
2009Q2	0.0%	0.0%	0.1%	0.4%	0.6%	1.0%	1.2%	1.4%	1.7%	1.9%	2.1%	2.2%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
2009Q3	0.0%	0.0%	0.1%	0.2%	0.6%	0.9%	1.1%	1.4%	1.6%	1.8%	2.0%	2.1%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
2009Q4	0.0%	0.0%	0.0%	0.2%	0.4%	0.6%	0.9%	1.1%	1.4%	1.5%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
2010Q1	0.0%	0.0%	0.0%	0.2%	0.3%	0.5%	0.8%	1.1%	1.3%	1.5%	1.6%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
2010Q2	0.0%	0.0%	0.0%	0.2%	0.5%	0.7%	0.9%	1.1%	1.3%	1.4%	1.6%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
2010Q3	0.0%	0.0%	0.1%	0.2%	0.3%	0.5%	0.7%	0.9%	1.2%	1.4%	1.5%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
2010Q4	0.0%	0.0%	0.1%	0.3%	0.4%	0.6%	0.8%	0.9%	1.1%	1.2%	1.3%	1.4%	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
2011Q1	0.0%	0.0%	0.1%	0.2%	0.4%	0.7%	0.9%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
2011Q2	0.0%	0.0%	0.1%	0.1%	0.3%	0.5%	0.7%	0.9%	1.0%	1.1%	1.2%	1.3%	1.3%	1.3%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
2011Q3	0.0%	0.0%	0.1%	0.3%	0.4%	0.6%	0.9%	1.0%	1.1%	1.3%	1.4%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
2011Q4	0.0%	0.0%	0.1%	0.2%	0.5%	0.7%	0.8%	1.0%	1.2%	1.4%	1.4%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
2012Q1	0.0%	0.0%	0.0%	0.3%	0.5%	0.7%	0.8%	1.0%	1.2%	1.3%	1.5%	1.6%	1.6%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
2012Q2	0.0%	0.0%	0.1%	0.2%	0.4%	0.6%	0.8%	1.0%	1.1%	1.2%	1.3%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
2012Q3	0.0%	0.0%	0.0%	0.1%	0.3%	0.5%	0.9%	1.1%	1.2%	1.4%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
2012Q4	0.0%	0.0%	0.0%	0.2%	0.4%	0.7%	0.8%	1.0%	1.2%	1.3%	1.4%	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
2013Q1	0.0%	0.0%	0.0%	0.1%	0.3%	0.4%	0.7%	0.9%	1.0%	1.1%	1.2%	1.3%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
2013Q2	0.0%	0.0%	0.1%	0.2%	0.3%	0.4%	0.6%	0.8%	0.9%	1.1%	1.2%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
2013Q3	0.0%	0.0%	0.0%	0.1%	0.2%	0.5%	0.6%	0.8%	0.9%	1.0%	1.1%	1.2%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%

Cumulative Gross Loss - Commercial



2.3 Gross loss (private Lessees)

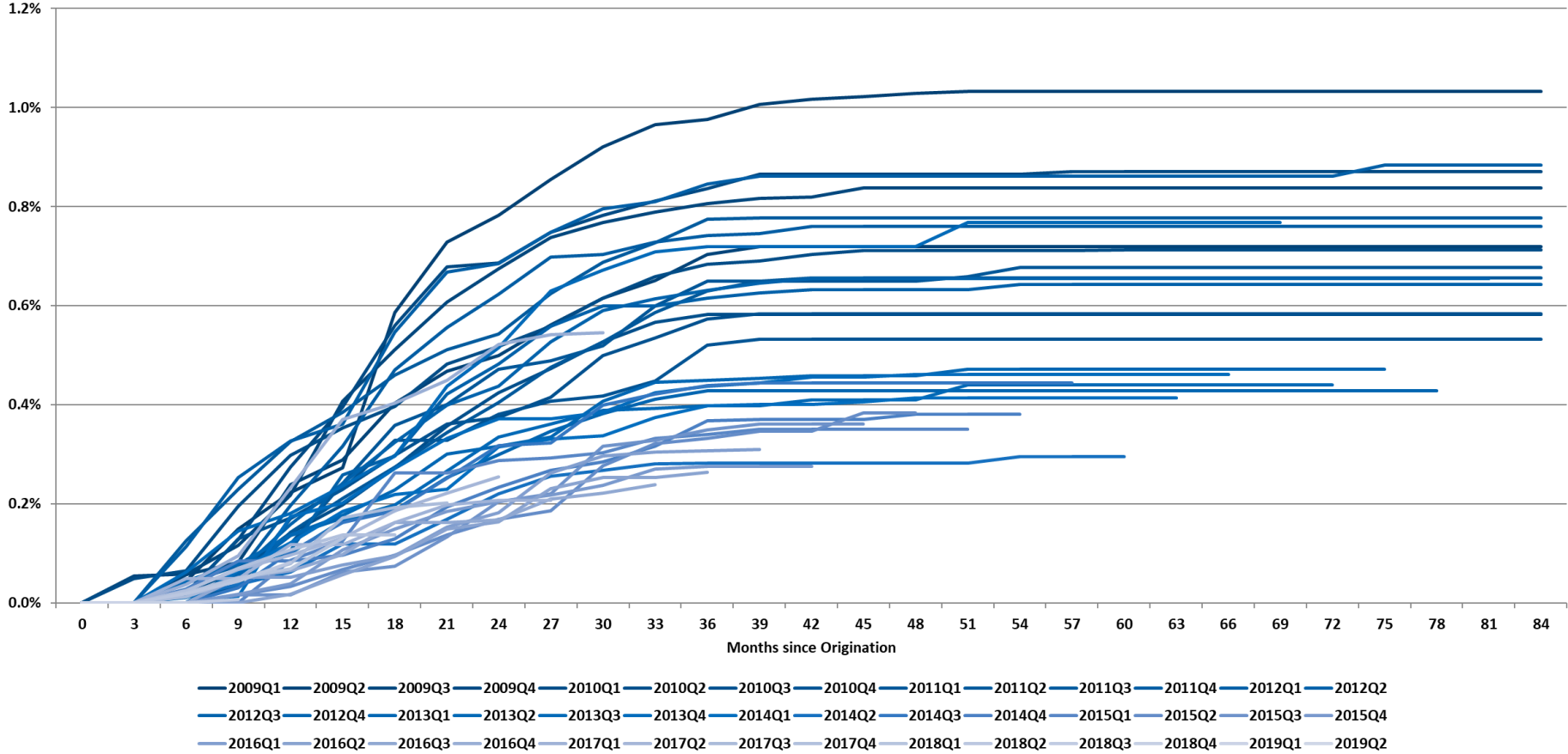
For the purpose of the following table, for a generation of lease receivables (being all receivables originated in the same quarter), the cumulative gross losses in respect of a month are calculated on single contract data based on the following assumptions:

- (a) number of overdue instalments = 4, unless contract is terminated earlier (e.g. for commercial lessees);
- (b) number of overdue instalments between termination and net loss (default);
- (c) present value of instalments between time of contract's final invoice and expiration of such contract; and
- (d) gross loss = ((a) + (b)) * monthly instalment in EUR + (c).

Quarter	Months 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	72	75	78	81	84
2009Q1	0.0%	0.0%	0.0%	0.1%	0.2%	0.3%	0.6%	0.7%	0.8%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
2009Q2	0.0%	0.0%	0.1%	0.1%	0.2%	0.3%	0.4%	0.5%	0.5%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
2009Q3	0.0%	0.1%	0.1%	0.1%	0.2%	0.4%	0.5%	0.6%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
2009Q4	0.0%	0.0%	0.0%	0.1%	0.3%	0.4%	0.6%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
2010Q1	0.0%	0.0%	0.1%	0.2%	0.3%	0.4%	0.4%	0.5%	0.5%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
2010Q2	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.3%	0.4%	0.4%	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
2010Q3	0.0%	0.0%	0.0%	0.1%	0.2%	0.2%	0.3%	0.4%	0.4%	0.4%	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
2010Q4	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
2011Q1	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.4%	0.4%	0.5%	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
2011Q2	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.3%	0.3%	0.4%	0.5%	0.5%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
2011Q3	0.0%	0.0%	0.1%	0.2%	0.3%	0.4%	0.5%	0.5%	0.5%	0.6%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
2011Q4	0.0%	0.0%	0.0%	0.1%	0.2%	0.3%	0.5%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
2012Q1	0.0%	0.0%	0.1%	0.3%	0.3%	0.4%	0.5%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
2012Q2	0.0%	0.0%	0.0%	0.1%	0.1%	0.3%	0.3%	0.4%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
2012Q3	0.0%	0.0%	0.0%	0.1%	0.2%	0.2%	0.3%	0.4%	0.4%	0.5%	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
2012Q4	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
2013Q1	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
2013Q2	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
2013Q3	0.0%	0.0%	0.1%	0.1%	0.2%	0.2%	0.3%	0.4%	0.5%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%

	Months 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	72	75	78	81	84	
2013Q4	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%							
2014Q1	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%								
2014Q2	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%									
2014Q3	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.2%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%										
2014Q4	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%											
2015Q1	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%												
2015Q2	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%													
2015Q3	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%														
2015Q4	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%															
2016Q1	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%																
2016Q2	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.3%																	
2016Q3	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%																		
2016Q4	0.0%	0.0%	0.0%	0.1%	0.2%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%																			
2017Q1	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%																				
2017Q2	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%																					
2017Q3	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.2%	0.2%																						
2017Q4	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%																							
2018Q1	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%																								
2018Q2	0.0%	0.0%	0.0%	0.0%	0.1%																									
2018Q3	0.0%	0.0%	0.0%	0.0%																										
2018Q4	0.0%	0.0%	0.0%																											
2019Q1	0.0%	0.0%																												
2019Q2	0.0%																													

Cumulative Gross Loss - Private



2.4 Delinquencies

At a given month, the delinquency ratio is calculated as the ratio of:

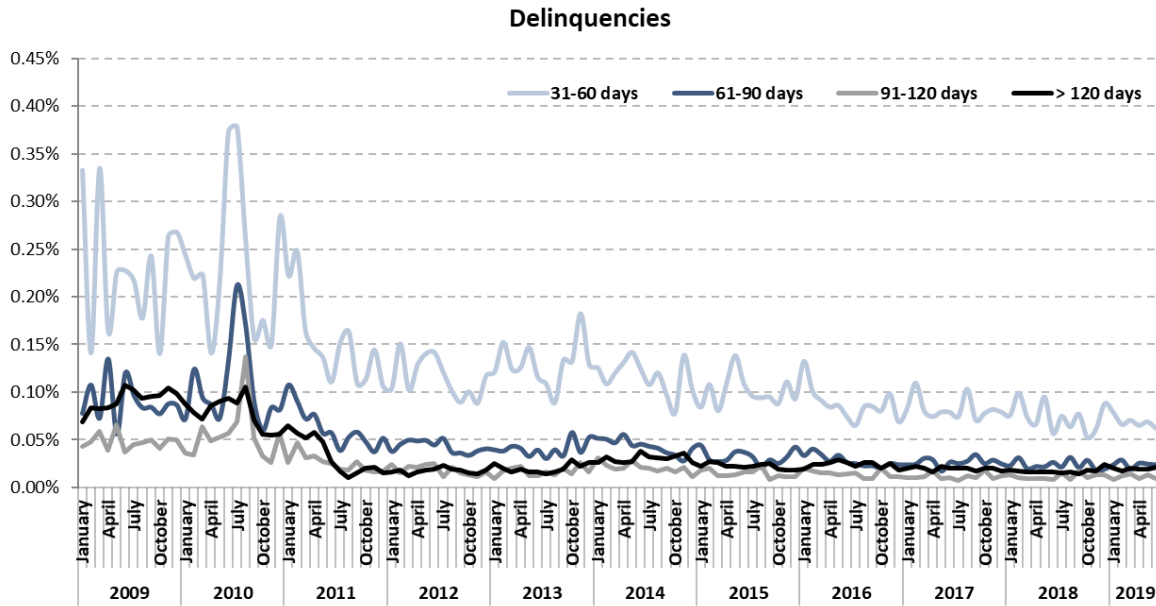
- (a) the delinquent Lease Receivables (all overdue and future due instalments and the residual value); and
- (b) the total aggregate lease balance (instalments and residual value).

		Delinquencies			
		31-60 days	61-90 days	91-120 days	> 120 days
2009	January	0.33%	0.08%	0.04%	0.07%
	February	0.14%	0.11%	0.05%	0.08%
	March	0.33%	0.07%	0.06%	0.08%
	April	0.16%	0.13%	0.04%	0.08%
	May	0.23%	0.06%	0.07%	0.09%
	June	0.23%	0.12%	0.04%	0.11%
	July	0.22%	0.10%	0.05%	0.10%
	August	0.18%	0.08%	0.05%	0.09%
	September	0.24%	0.08%	0.05%	0.09%
	October	0.14%	0.08%	0.04%	0.10%
	November	0.26%	0.09%	0.05%	0.10%
	December	0.27%	0.09%	0.05%	0.10%
2010	January	0.24%	0.07%	0.04%	0.09%
	February	0.22%	0.12%	0.03%	0.08%
	March	0.22%	0.09%	0.06%	0.07%
	April	0.14%	0.09%	0.05%	0.09%
	May	0.22%	0.07%	0.05%	0.09%
	June	0.37%	0.13%	0.06%	0.09%
	July	0.38%	0.21%	0.07%	0.09%
	August	0.26%	0.17%	0.14%	0.10%
	September	0.16%	0.09%	0.05%	0.07%
	October	0.18%	0.06%	0.03%	0.06%
	November	0.15%	0.08%	0.03%	0.06%
	December	0.28%	0.08%	0.06%	0.06%
2011	January	0.22%	0.11%	0.03%	0.07%
	February	0.25%	0.09%	0.05%	0.06%
	March	0.16%	0.07%	0.03%	0.05%
	April	0.15%	0.08%	0.03%	0.06%
	May	0.14%	0.06%	0.03%	0.05%
	June	0.11%	0.06%	0.02%	0.03%
	July	0.15%	0.04%	0.02%	0.02%
	August	0.16%	0.05%	0.02%	0.01%
	September	0.11%	0.06%	0.03%	0.02%
	October	0.11%	0.05%	0.02%	0.02%
	November	0.14%	0.04%	0.02%	0.02%
	December	0.11%	0.05%	0.02%	0.01%

		Delinquencies			
		31-60 days	61-90 days	91-120 days	> 120 days
2012	January	0.10%	0.04%	0.02%	0.02%
	February	0.15%	0.04%	0.01%	0.02%
	March	0.10%	0.05%	0.02%	0.01%
	April	0.13%	0.05%	0.02%	0.02%
	May	0.14%	0.05%	0.02%	0.02%
	June	0.14%	0.04%	0.03%	0.02%
	July	0.12%	0.05%	0.01%	0.02%
	August	0.10%	0.04%	0.02%	0.02%
	September	0.09%	0.04%	0.01%	0.02%
	October	0.10%	0.03%	0.01%	0.02%
	November	0.09%	0.04%	0.01%	0.01%
	December	0.12%	0.04%	0.02%	0.02%
2013	January	0.12%	0.04%	0.01%	0.03%
	February	0.15%	0.04%	0.02%	0.02%
	March	0.12%	0.04%	0.02%	0.02%
	April	0.13%	0.04%	0.02%	0.02%
	May	0.15%	0.03%	0.01%	0.02%
	June	0.12%	0.04%	0.01%	0.02%
	July	0.11%	0.03%	0.02%	0.01%
	August	0.09%	0.04%	0.01%	0.02%
	September	0.13%	0.03%	0.02%	0.02%
	October	0.13%	0.06%	0.01%	0.03%
	November	0.18%	0.04%	0.03%	0.02%
	December	0.13%	0.05%	0.02%	0.03%
2014	January	0.13%	0.05%	0.03%	0.03%
	February	0.11%	0.05%	0.02%	0.03%
	March	0.12%	0.05%	0.02%	0.03%
	April	0.13%	0.06%	0.02%	0.03%
	May	0.14%	0.04%	0.03%	0.03%
	June	0.12%	0.05%	0.02%	0.04%
	July	0.11%	0.04%	0.02%	0.03%
	August	0.12%	0.04%	0.02%	0.03%
	September	0.10%	0.04%	0.02%	0.03%
	October	0.08%	0.03%	0.02%	0.03%
	November	0.14%	0.03%	0.02%	0.04%
	December	0.10%	0.04%	0.01%	0.03%

		Delinquencies			
		31-60 days	61-90 days	91-120 days	> 120 days
2015	January	0.08%	0.04%	0.02%	0.02%
	February	0.11%	0.03%	0.02%	0.03%
	March	0.08%	0.03%	0.01%	0.03%
	April	0.11%	0.03%	0.01%	0.02%
	May	0.14%	0.04%	0.01%	0.02%
	June	0.11%	0.04%	0.02%	0.02%
	July	0.10%	0.03%	0.02%	0.02%
	August	0.09%	0.02%	0.02%	0.02%
	September	0.09%	0.03%	0.01%	0.03%
	October	0.09%	0.02%	0.01%	0.02%
	November	0.11%	0.03%	0.01%	0.02%
	December	0.09%	0.04%	0.01%	0.02%
2016	January	0.13%	0.03%	0.02%	0.02%
	February	0.10%	0.04%	0.02%	0.02%
	March	0.09%	0.03%	0.01%	0.02%
	April	0.08%	0.03%	0.02%	0.03%
	May	0.09%	0.03%	0.01%	0.03%
	June	0.07%	0.03%	0.01%	0.03%
	July	0.07%	0.02%	0.02%	0.02%
	August	0.08%	0.02%	0.01%	0.03%
	September	0.08%	0.02%	0.01%	0.03%
	October	0.08%	0.02%	0.02%	0.02%
	November	0.10%	0.02%	0.01%	0.03%
	December	0.07%	0.02%	0.01%	0.02%
2017	January	0.08%	0.02%	0.01%	0.02%
	February	0.11%	0.02%	0.01%	0.02%
	March	0.08%	0.03%	0.01%	0.02%
	April	0.07%	0.03%	0.02%	0.02%
	May	0.08%	0.02%	0.01%	0.02%
	June	0.08%	0.03%	0.01%	0.02%
	July	0.07%	0.02%	0.01%	0.02%
	August	0.10%	0.03%	0.01%	0.02%
	September	0.07%	0.03%	0.01%	0.02%
	October	0.08%	0.02%	0.02%	0.02%
	November	0.08%	0.03%	0.01%	0.02%
	December	0.08%	0.02%	0.01%	0.02%

		Delinquencies			
		31-60 days	61-90 days	91-120 days	> 120 days
2018	January	0.08%	0.02%	0.01%	0.02%
	February	0.10%	0.03%	0.01%	0.02%
	March	0.07%	0.02%	0.01%	0.02%
	April	0.07%	0.02%	0.01%	0.02%
	May	0.09%	0.02%	0.01%	0.02%
	June	0.06%	0.03%	0.01%	0.02%
	July	0.07%	0.02%	0.02%	0.02%
	August	0.06%	0.03%	0.01%	0.02%
	September	0.08%	0.02%	0.02%	0.01%
	October	0.05%	0.03%	0.01%	0.02%
	November	0.06%	0.02%	0.01%	0.02%
	December	0.09%	0.02%	0.01%	0.02%
2019	January	0.08%	0.02%	0.01%	0.02%
	February	0.07%	0.03%	0.01%	0.02%
	March	0.07%	0.02%	0.01%	0.02%
	April	0.07%	0.03%	0.01%	0.02%
	May	0.07%	0.02%	0.01%	0.02%
	June	0.06%	0.02%	0.01%	0.02%
	July				
	August				
	September				
	October				
	November				
	December				



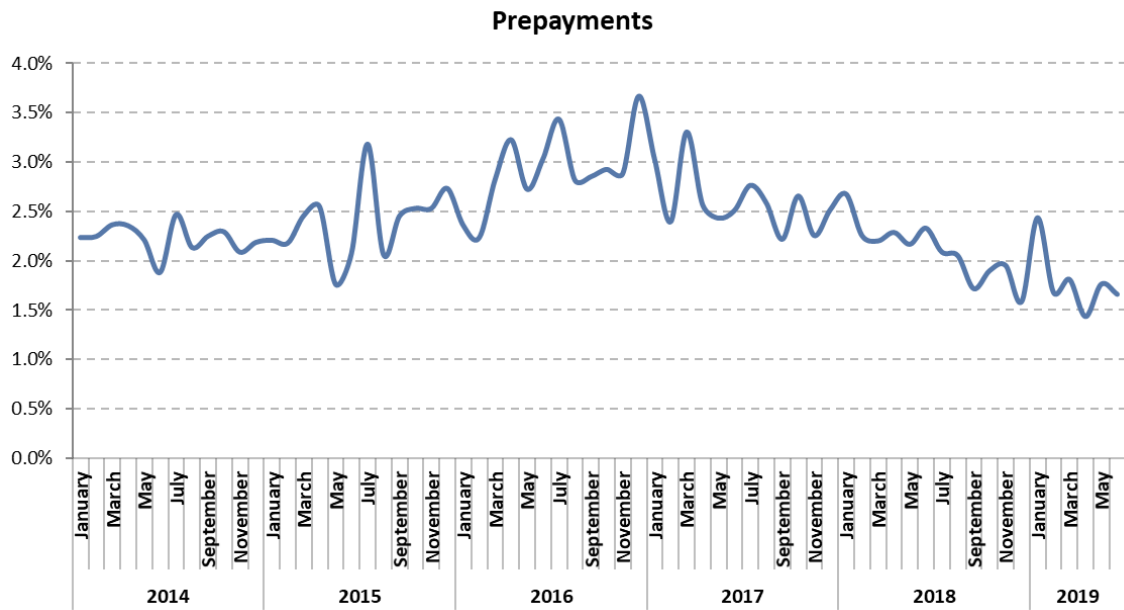
2.5 Annualised prepayments

At a given month, the annualised prepayment rate is calculated by multiplying the monthly prepayment rate by 12. The monthly prepayment rate is calculated as the ratio of:

- (a) the aggregate lease balance of all Lease Receivables (instalments and the residual value) prepaid during the respective month (i.e. damage, theft, conversion, continuance, amicably); and
- (b) the total aggregate lease balance (instalments and the residual value).

Prepayments		
	Annualised Prepayments	
2014	January	2.2%
	February	2.2%
	March	2.4%
	April	2.4%
	May	2.2%
	June	1.9%
	July	2.5%
	August	2.1%
	September	2.3%
	October	2.3%
	November	2.1%
	December	2.2%
2015	January	2.2%
	February	2.2%
	March	2.5%
	April	2.5%
	May	1.8%
	June	2.1%
	July	3.2%
	August	2.1%
	September	2.5%
	October	2.5%
	November	2.5%
	December	2.7%
2016	January	2.4%
	February	2.2%
	March	2.8%
	April	3.2%
	May	2.7%
	June	3.0%
	July	3.4%
	August	2.8%
	September	2.9%
	October	2.9%
	November	2.9%
	December	3.7%

Prepayments		
	Annualised Prepayments	
2017	January	3.0%
	February	2.4%
	March	3.3%
	April	2.6%
	May	2.4%
	June	2.5%
	July	2.8%
	August	2.6%
	September	2.2%
	October	2.7%
	November	2.3%
	December	2.5%
2018	January	2.7%
	February	2.3%
	March	2.2%
	April	2.3%
	May	2.2%
	June	2.3%
	July	2.1%
	August	2.1%
	September	1.7%
	October	1.9%
	November	2.0%
	December	1.6%
2019	January	2.4%
	February	1.7%
	March	1.8%
	April	1.4%
	May	1.8%
	June	1.7%
	July	
	August	
	September	
	October	
	November	
	December	



2.6 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— Limited resources of the Issuer*".

CREDIT AND COLLECTION POLICY

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

The normal business processes of BMW Bank relevant for the Loan and Lease Agreements currently include the following:

Description of Rating System & Risk Management

All credit applications in the leasing 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 its accuracy in assessing of the customer's financial strength and its 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 optimised statistical models and algorithms, which differ by customer type. The outcome is a rating figure reflecting the applicant's credit worthiness.

Based on the rating, a probability of default is assigned to the potential obligor, which along with an expected recovery rate given default (depending on the vehicle type leased) determines the expected loss. Both probabilities of default and recovery rates are derived based on historical default data at BMW Bank GmbH.

Rating and expected loss constitute the basis for the credit decision (i.e. responsible and competent authorities as well as approval / rejection of the application) and for the collateral required from the obligor. The expected value of the leased vehicle at maturity as part of the contract terms is determined based upon 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 in a timely manner.

Several methods are used to measure and manage the risks of the existing leasing portfolio of BMW Bank GmbH. For example, a Value at Risk quantifying the maximum potential loss of the portfolio at a specific probability over a certain time period is calculated on a regular basis. It is monitored using a limit system, which reflects the risk bearing 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 management board of BMW Bank is involved in the entire risk management process and bases its decisions upon the risk relevant information provided.

The whole rating and risk management system was assessed and approved by the German banking supervision in 2006 for the purpose of determining regulatory capital by means of internal ratings according to the regulatory capital framework published by the Basel Committee on Banking Supervision in 2006.

Termination of Lease Contracts

Generally the Lessee of a commercial or private lease contract is bound to the application for four weeks. The lease contract is concluded, if the lessor confirms in writing the application or delivering the vehicles at this time.

In addition to the termination above, the Lessees of non-commercial lease contracts have a cancellation right. The private Lessees are entitled to exercise the cancellation right within two weeks

after receipt of a written notice informing him of such cancellation right by sending a letter, fax or e-mail message to BMW Bank without giving any reasons (right of withdrawal –*Widerrufsrecht*).

Each party of a lease contract can terminate the contract regardless of any notice period, in particular the lessor, but not limited to:

- if the other party is unable to pay or is engaged in debt composition proceedings; when its cheques are not covered or its bills of exchange not honoured;
- if the other party made untrue statements in connection with the Lease Agreement or failed to state relevant facts and the lessor cannot, therefore, be reasonably expected to continue to honour the contract; and
- if the other party does not stop committing serious breaches of the contract in spite of written requests to this effect or if it fails to remedy immediately any effects of such breaches of contract;
- in particular the Lessee, but not limited to:
- if the vehicle has been stolen or has been destroyed and the cost of repairing exceeds 60 per cent of the replacement cost of the vehicle. The termination is possible within three weeks to the end of a contract month; and
- if the Lessee dies. In these cases the heirs are entitled to terminate the contract to the end of a contract month.

Collections/recovery

The first payment is due when the Leased Vehicle is licensed and registered on the Lessee's name; all subsequent payments are due on the first of the month in advance for the month. The number of payments corresponds to the leasing period in months.

The leasing application includes a clause authorising BMW Bank to debit the payments as they become due, directly on the Lessee's bank account. In 2018, approximately 99 per cent. of the Lessees 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 monthly instalments are generally billed value dated first working day of each month. BMW Bank transmits the required information via BMW Bank GmbH (account holder for BMW Bank) to Deutsche Bundesbank, which in turn communicates/clears with the Lessee's banks. BMW Bank receives the total amount of the instalments paid by direct debit on the first working day of the current month on its bank accounts. If the direct debit is rejected for the reason, that the Lessee's account does not have enough money, a second direct debit is started automatically after a few days.

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 (ten days in case of standing orders/bank remittances) and payment reminders 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.

As soon as BMW Bank categorises a payment overdue (no matter which payment method applies) a first reminder is sent out. If the Lessee does still not pay, a second reminder letter is generally sent out after another two weeks. The entire dunning process is supported by outbound telephone campaigns and dunning SMS to customers handled through BMW Bank and its service providers.

Further reminders will be sent out every two weeks to the customer (advising that collection agencies/lawyers will be mandated and corresponding cost will be debited to customers account in case of further non-payment) until conditions are met which enable BMW Bank to terminate lease contracts. The following conditions have to be met:

- Customer type – commercial Lessees:
two leasing instalments are overdue.
- Customer type – private individuals:
two instalments or more representing in the aggregate at least ten per cent of the total value of the lease contract (five per cent. when the term of the lease contract exceeds three years) are overdue (consumer protection law requirements).

In both cases BMW Bank sends a letter by registered mail threatening to terminate the contract prior to the termination itself setting a final two-week (commercial) or three-week (private) deadline for payment. If BMW Bank does not receive the respective payments the contract will be terminated. If the customer fully pays the amount owed, negotiations regarding the continuation of the lease contract will take place.

If the Lessee does not voluntarily return the vehicle, BMW Bank mandates repossession agencies for further collection and recovery activities. The leading companies in this area operate with a high level of reliability and trust with a view of protecting BMW Bank's interests.

In case of a successful repossession or if the Lessee returns the cars voluntarily BMW Bank's service provider DEKRA (beginning of January 2019, TÜV Süd) issues an expert opinion regarding the current status and dealer purchase price (*Händler-Einkaufspreis*) of the car.

In both cases (voluntarily/not voluntarily return) the Lessee has the right to name a commercial purchaser within 21 days to make a binding offer (at a higher price than the dealer purchase price (*Händler-Einkaufspreis*)) for the car. It is BMW Bank's decision to accept this customer/offer. Should BMW Bank decide not to sell the cars to the purchaser proposed by the customer even though the offer was at a higher price than the dealer purchase price (*Händler-Einkaufspreis*), the extra earnings over the dealer purchase price (*Händler-Einkaufspreis*) have to be credited to the customer's account.

BMW Bank handles the closing statements for contracts which have been handled by repossession or collection agencies and also in cases where the Lessee has returned the car voluntarily without prior involvement of collection or repossession agencies. In case a lawyer has been involved it is the mandated lawyer who is responsible for the closing statement.

Remaining balances have to be paid by customers within two weeks. If the customer fails to settle the closing balance either a lawyer will be mandated (unless already done) to apply for a court order to pay (*Mahnbescheid*) or the contract will be assigned to a debt collector. Further collection actions could result in a court proceeding and a possible enforcement order handled by BMW Group approved lawyers who are also responsible for long term supervision. For the assigned debts, all further actions will be taken by the collector in his own name.

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 2a, rue Nicolas Bové, L-1253 Luxembourg (telephone: +352 26 4491). 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. The legal entity identifier (LEI) of Bavarian Sky S.A. is 529900CITCOV0AQI3K03.

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 Securitisation 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** such agreement 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 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 German Auto Leases 5. The assets of Compartment German Auto Leases 5 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 German Auto Leases 5 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 Compartment A, Compartment B, Compartment German Auto Loans 1, Compartment German Auto Loans 2, Compartment German Auto Loans 3, Compartment German Auto Loans 4, Compartment German Auto Loans 5, Compartment German Auto Loans 6, Compartment German Auto Loans 7, Compartment German Auto Loans 8, Compartment German Auto Leases 1, Compartment German Auto Leases 2, Compartment German Auto Leases 3 and Compartment German Auto Leases 4 other than entering into certain transactions prior to the Issue Date with respect to the securitisation transaction contemplated herein.

In respect of Compartment German Auto Leases 5, the Issuer's principal activities acting in respect of such Compartment 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 German Auto Leases 5, the principal activities of Bavarian Sky S.A. are the operation as a multi-issuance securitisation vehicle 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
Valérie Schleimer	6, rue Eugène Ruppert, L-2453 Luxembourg	Expert Accounting Services

Ihssane Mediari	6, rue Eugène Ruppert, L-2453 Luxembourg	Manager Accounting Services
Salvatore Rosato	6, rue Eugène Ruppert, L-2453 Luxembourg	Director Capital Markets

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, acting in respect of its Compartment German Auto Leases 5, 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 German Auto Leases 5 and the transactions contemplated in the Offering Circular.

9 Holding Structure

Stichting Andesien	3,100 shares
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.
39, avenue John F. Kennedy
L-1855 Luxembourg

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 26 April 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 26 April 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, from 1 January 2013 to 31 December 2013, from 1 January 2014 to 31 December 2014, from 1 January 2015 to 31 December 2015 and from 1 January 2016 to 31 December 2016. 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, as at 31 December 2010, as at 31 December 2011, as at 31 December 2012, as at 31 December 2013, as at 31 December 2014, as at 31 December 2015 and as at 31 December 2016, 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, from 1 January 2013 to 31 December 2013, from 1 January 2014 to 31 December 2014, from 1 January 2015 to 31 December 2015, from 1 January 2016 to 31 December 2016, from 1 January 2017 to 31 December 2017 and from 1 January 2018 to 31 December 2018.

The audited financial statements for the business years 2017 and 2018 are set out in "*FINANCIAL STATEMENTS OF THE ISSUER FOR THE FINANCIAL YEAR 2017*" and "*FINANCIAL STATEMENTS OF THE ISSUER FOR THE FINANCIAL YEAR 2018*". Copies of the full financial statements for the business years 2017 and 2018 are available as set out in "*GENERAL INFORMATION — Availability of Documents*".

14 Articles of Incorporation

BAVARIAN SKY S.A.

Société anonyme

TITLE I.- DENOMINATION, REGISTERED OFFICE, OBJECT, DURATION

Article 1.-

There is hereby established a "société anonyme" under the name of "Bavarian Sky S.A."

Article 2.-

The registered office of the company is established in Luxembourg-City.

If extraordinary political or economic events occur or are imminent, which might interfere with the normal activity at the registered office, or with easy communication between this office and abroad, the registered office may be declared to have been transferred abroad provisionally with exception to the Federal Republic of Germany until the complete cessation of these abnormal circumstances.

Such decision, however, shall have no effect on the nationality of the company. Such declaration of the transfer of the registered office shall be made and brought to the attention of third parties by the organ of the company which is best suited for this purpose under such circumstances.

Article 3.-

The company is established for an unlimited period of time.

Article 4.-

The company shall have as its business purpose the securitisation, within the meaning of the Luxembourg law of March 22, 2004 on securitisations, (hereafter the "**Securitisation Law**"), which shall apply to the company, of receivables (the "**Permitted Assets**"). The company may enter into any agreement and perform any action necessary or useful for the purposes of securitising Permitted Assets, provided it is consistent with the Securitisation Law.

Article 5.-

The Board of Directors of the company may, in accordance with the terms of the Securitisation Law, and in particular its article 5, create one or more compartments within the company. Each compartment shall, unless otherwise provided for in the resolution of the Board of Directors creating such compartment, correspond to a distinct part of the assets and liabilities in respect of the corresponding funding. The resolution of the Board of

Directors creating one or more compartments within the company, as well as any subsequent amendments thereto, shall be binding as of the date of such resolutions against any third party.

As between creditors, each compartment of the company shall be treated as a separate entity. Rights of creditors of the company that (i) have been designated as relating to a compartment, on the creation of a compartment or (ii) have arisen in connection with the creation, the operation or the liquidation of a compartment are strictly limited to the assets of that compartment which shall be exclusively available to satisfy such creditors, except if otherwise provided for in the resolution of the Board of Directors which created the relevant compartment. Creditors of the company whose rights are not related to a specific compartment of the company shall have no rights to the assets of any such compartment.

Unless otherwise provided for in the resolution of the Board of Directors of the company creating such compartment, no resolution of the Board of Directors of the company may amend the resolution creating such compartment or to directly affect the rights of the creditors whose rights relate to such compartment without the prior approval of the creditors whose rights relate to such compartment. Any decision of the Board of Directors taken in breach of this provision shall be void.

Without prejudice to what is stated in the precedent paragraph, each compartment of the company may be separately liquidated without such liquidation resulting in the liquidation of another compartment of the company or of the company itself.

TITLE II.- CAPITAL, SHARES

Article 6.-

The subscribed share capital at incorporation shall be thirty-one thousand Euro (EUR 31,000.-) divided into three thousand one hundred (3,100) shares of ten Euro (EUR 10.-) each.

The shares may be represented, at the owner's option, by certificates representing single shares or certificates representing two or more shares.

The shares may be in registered or bearer form at the option of the shareholder(s).

The company may, to the extent and under the terms permitted by law, purchase its own shares.

The corporate capital may be increased or reduced in compliance with the legal requirements.

TITLE III.- MANAGEMENT

Article 7.-

The company is managed by a Board of Directors comprising at least three members.

The directors, whether shareholder(s) or not, who are appointed for a period not exceeding six years by the sole shareholder or by the general meeting of shareholders, as the case may be, which may at any time remove them.

The number of directors, their term and their remuneration are fixed by the sole shareholder or by the general meeting of the shareholders, as the case may be.

The office of a director shall be vacated if:

He resigns his office by notice to the company, or

He ceases by virtue of any provision of the law or he becomes prohibited or disqualified by law from being a director,

He becomes bankrupt or makes any arrangement or composition with his creditors generally, or

He is removed from office by resolution of the shareholder(s).

Article 8.-

The Board of Directors shall elect from among its members a chairman.

The Board of Directors convenes upon call by the chairman, as often as the interest of the company so requires. It must be convened each time two directors so request.

Directors may participate in a meeting of the Board of Directors 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 will be as valid and effective 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.

Article 9.-

The Board of Directors is vested with the powers to perform all acts of administration and disposition in compliance with the corporate objects (Article 4) of the company.

Article 10.-

The company will be bound in any circumstances by the joint signatures of two members of the Board of Directors unless special decisions have been reached concerning the authorized signature in case of delegation of powers or proxies given by the Board of Directors pursuant to Article 11 of the present articles of incorporation.

Article 11.-

The Board of Directors may delegate its powers to conduct the daily management of the company to one or more directors, who will be called managing directors.

It may also commit the management of all the affairs of the company or of a special branch to one or more directors, and give special powers for determined matters to one or more proxyholders, selected from its own members or not, whether shareholder(s) or not.

Article 12.-

Any litigation involving the company, either as plaintiff or as defendant, will be handled in the name of the company by the Board of Directors, represented by its chairman or by the director delegated for this purpose.

TITLE IV.- SUPERVISION

Article 13.-

The financial statements of the company are controlled by an external auditor appointed by the Board of Directors which will fix his remuneration and the term of his contract with the company.

The external auditor shall fulfil all duties prescribed by Luxembourg law.

TITLE V. - GENERAL MEETING

Article 14.-

As long as there is only a sole shareholder of the company, such sole shareholder will exercise the powers of the general meetings of shareholders.

The annual meeting will be held in Luxembourg at the place specified in the convening notices on May at 10.00 a.m. and for the first time in the year 2008.

If such day is a legal holiday, the general meeting will be held on the next following business day.

TITLE VI.- ACCOUNTING YEAR, ALLOCATION OF PROFITS

Article 15.-

The accounting year of the company shall begin on the 1st of January and shall terminate on the 31st of December of each year, with the exception of the first accounting year, which shall begin on the date of the formation of the company and shall terminate on the 31st of December 2007.

Article 16.-

Each year on the 31st of December, the accounts are closed and the Board of Directors prepares an inventory including an indication of the value of the company's assets and liabilities. Each shareholder may inspect the above inventory and balance sheet at the company's registered office.

On separate accounts (in addition of the accounts held by the company in accordance with Luxembourg law and applicable accounting practice), the company shall determine at the end of each financial year a result for each compartment.

From the annual net profits of the company, five per cent (5 %) shall be allocated to the legal reserve. This allocation shall cease to be mandatory as soon and as long as such reserve amounts to ten per cent (10%) of the subscribed capital of the company, as stated in Article 6 hereof or as increased or reduced from time to time as provided in Article 6 hereof.

The balance is at the disposal of the general meeting.

TITLE VII.- DISSOLUTION, LIQUIDATION

Article 17.-

The company may be dissolved by a resolution of the general meeting of shareholders. If the company is dissolved, the liquidation will be carried out by one or more liquidators, physical or legal persons, appointed by the sole shareholder or the general meeting of shareholders, as the case may be, which will specify their powers and fix their remuneration.

TITLE VIII.- GENERAL PROVISIONS

Article 18.-

All matters not governed by these articles of incorporation are to be construed in accordance with (i) the law of August 10, 1915 on commercial companies and the amendments thereto and with (ii) the Securitisation Law.

15 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 2a, rue Nicolas Bové, L-1253 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 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 Leases 5 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 German Auto Leases 5), 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 Business

The global economy grew by 3.7 % in 2018, similar to the previous year. Despite political uncertainties, all regions saw economic growth, albeit with varying degrees of strength.

The upward trend of the previous years on international automotive markets failed to continue in 2018, with registration figures for passenger cars and light commercial vehicles falling worldwide by 2.2 % to 85.8 million vehicles. New registration figures fell for the first time in years in China (23.1 million units; – 6.3 %) and were flat in both the USA (17.3 million units; + 0.3 %) and Japan (5.1 million units; + 0.7 %).

Overall, European automobile markets finished at the previous year's level (15.6 million units; 0.0 %). A look at individual markets, however, shows a mixed picture for registrations. While Spain (1.3 million units; + 7.0 %) and France (2.2 million units; + 3.0 %) again saw year-on-year growth, new registrations were down in Italy (1.9 million units; – 3.3 %) and Germany (3.4 million units; – 0.2 %). The automobile market in the UK continues to suffer from uncertainties related to the progress of Brexit, with registrations down by 6.8 % to 2.4 million units.

In some European countries, in particular Germany and to some extent in Southern Europe, diesel engines were the subject of political debate in 2018. In Germany, the first driving bans were imposed on older diesel vehicles. Although markets for pre-owned cars in the premium segment reacted across the board with price decreases for diesels, only a small number of the affected vehicles remain in the BMW Group's portfolio. By contrast, prices for petrol vehicles in the premium segment remained stable. In the UK, the market for pre-owned premium vehicles was slightly down on previous years. North American markets developed positively. So far, markets in Asia have been largely unaffected by discussions about types of engine.

Motorcycle markets in the 250 cc plus class generally performed well during 2018. The number of new registrations worldwide increased 3.1 % year-on-year. European markets in particular developed well, growing at an overall rate of 7.4 %. Germany registered growth of 8.6 %. Increases in new registrations were also recorded in Italy (+ 6.3 %) and Spain (+ 16.3 %). The French motorcycle market was 6.0 % up on the previous year. The US market continued to perform weakly and contracted by 4.5 %.

The BMW Group delivered 2,490,664 BMW, MINI and Rolls-Royce brand vehicles worldwide in 2018, thereby setting a new record for the eighth year in succession (2017: 2,463,526 units; + 1.1 %), comprising 2,125,026 BMW (2017: 2,088,283 units; + 1.8 %), 361,531 MINI (2017: 371,881 units; – 2.8 %) and 4,107 Rolls-Royce (2017: 3,362 units; + 22.2 %) brand vehicles. In 2018, deliveries of motorcycles reached a new record level of 165,566 units (2017: 164,153 units; + 0.9 %).

In Europe, the BMW Group's sales performance was dampened by various factors, including the diesel debate in some countries. Nevertheless, with deliveries of 1,098,523 units of its three brands, the BMW Group came very close to the previous year's high level (2017: 1,101,760 units; – 0.3 %). Deliveries in Germany increased by 4.9 % to 310,441 units (2017: 295,805 units). In the UK, volumes fell slightly year-on-year to 238,308 units (2017: 241,674 units; – 1.4 %), not least due to the ongoing uncertainty about the outcome of the Brexit negotiations.

As in the previous year, the Financial Services segment continued to perform very well within a highly competitive market environment and therefore remained firmly on growth course. In balance sheet terms, business volume grew by 6.8 % to stand at € 133,210 million (2017: € 124,719 million).

The contract portfolio under management at 31 December 2018 comprised 5,708,032 contracts and therefore grew solidly by 6.1 % year-on-year (2017: 5,380,785 contracts).

Credit financing and leasing business with retail customers remain key elements in the success of the Financial Services segment. During the period under report, 1,908,640 new credit financing and leasing contracts were concluded with customers, slightly up (+ 4.4 %) on the previous year (2017: 1,828,604 contracts). A slight increase in new contracts was recorded for both credit financing (+ 4.3 %) and leasing business (+ 4.5 %). Overall, leasing accounted for 33.1 % and credit financing for 66.9 % of new business.

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 Lilienthalallee 26, 80939 Munich, Germany (formerly Heidemannstraße 164, 80939 Munich, Germany). Its registered share capital of EUR 12,300,000 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 2018, BMW Bank had 740 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 the 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;
- intermediation of 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 617 individual dealer outlets 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.

BMW Bank as Seller and Servicer has, since the start of the relevant business activities and, therefore, for substantially more than 5 years as at the date of this Offering Circular, gained experience in the field of the origination and servicing of lease and loan receivables vis-à-vis consumer as well as corporate customers such as the Purchased Lease Receivables.

Internal Audit

The internal audit function of BMW Bank is partly outsourced 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 until 31 December 2018. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

PWC PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Friedrich-Ebert-Anlage 35-37, 60327 Frankfurt am Main, audits the annual financial statements of BMW Bank after 31 December 2018. PWC PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

THE SWAP COUNTERPARTY

For the purposes of the Transaction, the Issuer has appointed Skandinaviska Enskilda Banken AB (publ) as Swap Counterparty.

Skandinaviska Enskilda Banken AB (publ) ("**SEB**"), Kungsträdgårdsgatan 8, SE-106 40 Stockholm, Sweden, is a leading Nordic financial services group. As a relationship bank, Skandinaviska Enskilda Banken AB (publ) offers financial advice and a wide range of financial services to corporate customers, financial institutions and private individuals in Sweden and the Baltic countries. In Norway, Denmark, Finland, Germany and the UK, SEB's operations focus on delivering a full-service offering to corporate and institutional clients and building long-term customer relationships. The international nature of Skandinaviska Enskilda Banken AB (publ)'s business is reflected in its presence in some 20 countries worldwide.

On 31 December 2018, the Group's total assets amounted to Swedish Krona 2,568 billion while its assets under management totalled Swedish Krona 1,699 billion. The Group has around 15,000 employees.

The information in the foregoing paragraphs regarding the Swap Counterparty under the heading "*THE SWAP COUNTERPARTY*" has been provided by Skandinaviska Enskilda Banken AB (publ). Skandinaviska Enskilda Banken AB (publ) is solely responsible for the accuracy of the preceding two paragraphs and the Issuer has accurately reproduced such information but assumes no further responsibility therefor. Skandinaviska Enskilda Banken AB (publ) in its capacity as Swap Counterparty, and its affiliates have not been involved in the preparation of, and do not accept responsibility for, this Offering Circular.

THE TRUSTEE

The Trustee is **BNY Mellon Corporate Trustee Services 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, *inter alia*, 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 Lease Receivables, the Lease Collateral and the Leased Vehicles remains vested in the Servicer or the Seller, as relevant. 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 TRUST AGREEMENT*".

BNY Mellon Corporate Trustee Services Limited (registered number 2631386) will be appointed pursuant to the Trust Agreement and the Deed of Security Assignment as the Trustee for the Noteholders.

The Trustee was formerly known as J.P. Morgan Corporate Trustee Services Limited. On 2 October 2006, the Trustee changed its name to BNY Corporate Trustee Services Limited and, subsequently, on 1 March 2011, the Trustee changed its name to BNY Mellon Corporate Trustee Services Limited.

The Trustee administers a substantial and diverse portfolio of corporate trusteeships for both domestic and foreign companies and institutions.

The Trustee is a wholly owned subsidiary of BNY International Financing Corporation, a corporation registered in the United States of America. BNY International Financing Corporation legally and beneficially owns 100% of the issued share capital of the Trustee and all of the voting rights attaching to such shares. BNY International Financing Corporation itself is a wholly owned subsidiary of The Bank of New York Mellon, which legally and beneficially owns 100% of the issued share capital of BNY International Financing Corporation and all of the voting rights attaching to such shares. The Bank of New York Mellon is incorporated in the United States of America. The Bank of New York Mellon is owned by The Bank of New York Mellon Corporation which legally and beneficially owns 100% of the issued share capital of The Bank of New York Mellon and all of the voting rights attaching to such shares. The Bank of New York Mellon Corporation is incorporated in the United States of America. Consequently, the Trustee is ultimately and beneficially owned by The Bank of New York Mellon Corporation.

The Trustee's registered office and principal place of business is at One Canada Square, London E14 5AL.

The information in the foregoing paragraphs regarding the Trustee under the heading "*THE TRUSTEE*" has been provided by BNY Mellon Corporate Trustee Services Limited, and the Issuer has accurately reproduced such information but assumes no further responsibility therefor.

THE CALCULATION AGENT, THE PAYING AGENT AND THE INTEREST DETERMINATION AGENT

The Calculation Agent, the Paying Agent and the Interest Determination Agent is The Bank of New York Mellon, London Branch.

The Bank of New York Mellon (formerly The Bank of New York)

The Bank of New York Mellon, a wholly owned subsidiary of The Bank of New York Mellon Corporation, is incorporated, with limited liability by Charter, under the Laws of the State of New York by special act of the New York State Legislature, Chapter 616 of the Laws of 1871, with its Head Office situate at 225 Liberty Street, New York, NY 10286, USA and having a branch registered in England & Wales with FC No 005522 and BR No 000818 with its principal office in the United Kingdom situated at One Canada Square, London E145AL.

The Bank of New York Mellon's corporate trust business services \$12 trillion in outstanding debt from 55 locations around the world. It services all major debt categories, including corporate and municipal debt, mortgage-backed and asset-backed securities, collateralised debt obligations, derivative securities and international debt offerings. The Bank of New York Mellon's corporate trust and agency services are delivered through The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A.

The Bank of New York Mellon Corporation is a global financial services company focused on helping clients manage and service their financial assets, operating in 35 countries and serving more than 100 markets. The company is a leading provider of financial services for institutions, corporations and high-net-worth individuals, providing superior asset management and wealth management, asset servicing, issuer services, clearing services and treasury services through a worldwide client-focused team. It has more than \$26 trillion in assets under custody and administration and more than \$1.4 trillion in assets under management.

Additional information is available at bnymellon.com.

The information in the foregoing paragraphs regarding the Calculation Agent, the Paying Agent and the Interest Determination Agent under the heading "*THE CALCULATION AGENT, THE PAYING AGENT AND THE INTEREST DETERMINATION AGENT*" has been provided by The Bank of New York Mellon, London Branch, and the Issuer has accurately reproduced such information but assumes no further responsibility therefor.

THE ACCOUNT BANK AND THE DATA TRUSTEE

The Account Bank and the Data Trustee is The Bank of New York Mellon, Frankfurt Branch, Messeturm, Friedrich-Ebert-Anlage 49, 60327 Frankfurt am Main, Germany.

The Bank of New York Mellon (formerly The Bank of New York)

The Bank of New York Mellon, a wholly owned subsidiary of The Bank of New York Mellon Corporation, is incorporated, with limited liability by Charter, under the Laws of the State of New York by special act of the New York State Legislature, Chapter 616 of the Laws of 1871, with its Head Office situate at 225 Liberty Street, New York, NY 10286, USA and having a branch registered in Frankfurt am Main with (*Amtsgericht Frankfurt am Main*) HRB 12731 with its office in Germany situated at Friedrich-Ebert-Anlage 49, 60327 Frankfurt am Main.

The Bank of New York Mellon's corporate trust business services USD 12 trillion in outstanding debt from 55 locations around the world. It services all major debt categories, including corporate and municipal debt, mortgage-backed and asset-backed securities, collateralised debt obligations, derivative securities and international debt offerings. The Bank of New York Mellon's corporate trust and agency services are delivered through The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A.

The Bank of New York Mellon Corporation is a global financial services company focused on helping clients manage and service their financial assets, operating in 35 countries and serving more than 100 markets. The company is a leading provider of financial services for institutions, corporations and high-net-worth individuals, providing superior asset management and wealth management, asset servicing, issuer services, clearing services and treasury services through a worldwide client-focused team. It has more than USD 26 trillion in assets under custody and administration and more than USD 1.4 trillion in assets under management.

Additional information is available at bnymellon.com.

The information in the foregoing paragraphs regarding the Account Bank and the Data Trustee under the heading "*THE ACCOUNT BANK AND THE DATA TRUSTEE*" has been provided by The Bank of New York Mellon, Frankfurt Branch, and the Issuer has accurately reproduced such information but assumes no further responsibility therefor.

THE CORPORATE ADMINISTRATOR

For the purposes of the Transaction, Intertrust (Luxembourg) S.à r.l. (previously ELIAN Fiduciary Services (Luxembourg) S.à r.l. and Structured Finance Management (Luxembourg) S.A.), having its registered office at 6, rue Eugène Ruppert, L-2453 Luxembourg will act as Corporate Administrator of the Issuer.

Intertrust (Luxembourg) S.à r.l. 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. Intertrust (Luxembourg) S.à r.l. is indirectly and ultimately 100 per cent. owned by Intertrust N.V. listed on Euronext Amsterdam.

Board

Douwe Terpstra	Manager
Virginie Dohogne	Manager
Henk Pieter Van Asselt	Manager
Stephanie Dawn Miller	Manager
Lee Godfrey	Manager

Administration

Jeremiah O'Donoghue	Director Operations Capital Markets
Salvatore Rosato	Director Capital Markets
Povilas Valencius	Business Unit Manager Accounting
Paolo Perin	Manager Legal & Corporate Services
Valérie Schleimer	Expert Accounting Services
Andrea Bartelloni	Relationship Manager Legal & Corporate Services

Intertrust (Luxembourg) S.à r.l. has a business licence as professional of the financial sector including domiciliation agents (*Domiciliataires de Sociétés*) and is supervised by the CSSF.

The information in the foregoing paragraphs regarding the Corporate Administrator under the heading "*THE CORPORATE ADMINISTRATOR*" has been provided by Intertrust (Luxembourg) S.à r.l., and the Issuer has accurately reproduced such information but assumes no further 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 —German taxation*".

Income Taxation

Tax Residents

Payments of interest on the Notes held as business assets (business income) 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 per cent. thereon) or corporate income tax at a tax rate of 15 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon) and church tax, if applicable. 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 per cent. plus solidarity surcharge at a rate of 5.5 per cent. thereon. The tax basis of such income will be the relevant gross income.

Capital gains and/or capital losses from the disposition or redemption of the Notes should be determined by the difference between the redemption amount (or the proceeds from the disposition) and the issue price (or the purchase price) whereby the issuance or acquisition of Notes above par may result in capital losses and therefore in negative savings income in

terms of Section 20 para 2 sentence 1 no 7 of the German Income Tax Act (*Einkommensteuergesetz*).

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 and registered partners 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 per cent. corporate income tax rate if the Note is held by a corporation, in each case plus solidarity surcharge at a rate of 5.5 per cent. 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.

In case of a business investor the issuance or acquisition of Notes above par should result in a separate active accounting item (*aktiver Rechnungsabgrenzungsposten*) for the agio which has to be spread/resolved over the term/holding period of the Notes.

The tax will be levied by way of withholding at a rate of 25 per cent. (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 per cent. rate (plus solidarity surcharge) on a lump-sum basis of 30 per cent. 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 per cent.;

the non-deductibility of income-related expenses for Private Investment Income is also applicable under the income tax assessment. 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 withheld will entitle the Noteholder to a refund, based on an assessment to tax.

For Disbursing Agents, an electronic information system as regards church withholding tax applies with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the Noteholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). In case of a blocking notice the Noteholder is obliged to include the Private Investment Income for church tax purposes in its tax return.

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 (*Schenkungssteuer*) 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*) which does not qualify as an independent agent in terms of the Germany/Luxembourg double taxation treaty for its business in Germany or if the business profits are characterised as another category of income that constitutes German-source income. 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 because the management of the Issuer's day-to-day business should be carried out by the Corporate Administrator in accordance with the Corporate Administration Agreement at the place of the Issuer's incorporation outside Germany, or as having appointed a permanent representative, in Germany.

Such assessment can however not be made with scientific accuracy and involves a judgment with which reasonable people may disagree. There is hence no assurance that the Issuer does not maintain a taxable presence in Germany. It can therefore not be excluded that the German tax authorities may treat the Issuer as having its place of management or as maintaining a permanent establishment or having a permanent representative in Germany because of the servicing activities rendered by the Servicer, in particular, where in the view of the German tax authorities either (i) certain discretion and authority of the Servicer in respect of the Lease Receivables would create substance in Germany or (ii) the Servicer is regarded to be doing business for the Issuer on a permanent basis at the Issuer's directions.

Provided that the Issuer has a taxable presence in Germany, because it maintains its effective place of management or a permanent establishment or a permanent representative in Germany, it will be subject to corporate income tax and trade tax (in case of a permanent representative a liability to trade tax may be subject to further requirements). In this case any tax leakage at the level of the Issuer would likely be significant, in particular if the tax deductibility of the interest expenses under Notes is restricted under the German earnings-stripping rule (*Zinsschranke*) or if interest expenses under the Notes will be subject to an add-back to the tax base for trade tax purposes (*gewerbesteuerrechtliche Hinzurechnung von Schuldzinsen*). In this respect, please also see the considerations in "*RISK FACTORS — German taxation*"

3 Luxembourg Taxation

Pursuant to the law of 23 December 2005, as amended, interest paid to an individual resident in Luxembourg may under certain circumstances be subject to a 20 per cent. withholding tax, which is a final flat tax for Luxembourg resident individuals acting in the context of the management of their private wealth. Luxembourg resident individuals receiving the interest as business income must include the interest income in their taxable basis, in which case the 20 per cent. Luxembourg withholding tax will be credited against their final income tax liability.

This withholding tax also applies on accrued interest received upon disposal, redemption or repurchase of the Notes.

Luxembourg resident individuals, acting in the management of their private wealth, can opt to self-declare and pay a 20 per cent. tax on interest payments made by paying agents located in a Member State of the EU other than Luxembourg or a Member State of the European Economic Area other than a Member State of the EU.

Responsibility for the withholding of tax in application of the above-mentioned law of 23 December 2005, as amended, is assumed by the Luxembourg paying agent within the meaning of this law, except for the above-mentioned case of self-declaration.

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; (in which case, if the holder of the Notes is a Luxembourg resident individual, it may also be subject to the above-mentioned law of 23 December 2005, as amended) 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 and is not a Noteholder governed by (a) the amended law of 13 February 2007 on specialised investment funds, (b) the amended law of 17 December 2010 on undertakings for collective investment, (c) the amended law of 22 March 2004 on securitisation, (d) the amended law of 15 June 2004 on the investment company in risk capital, (e) the amended law of 11 May 2007 on family estate management companies, (f) the amended law of 23 July 2016 on reserved alternative funds or (g) the provisions of any other relevant law or administrative order

- that may, from time to time, be enacted by the relevant Luxembourg authorities and which exempts the resident company from net wealth tax; or
- (ii) the Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg;
- (d) Notwithstanding the provisions under sub-paragraph (c) above, entities mentioned under sub-paragraphs (c)(i)(c) and (c)(i)(d) above and incorporated as a public limited liability company (*société anonyme*), a private limited liability company (*société à responsabilité limitée*), a corporate partnership limited by shares (*société en commandite par actions*) or a cooperative company set up as a public limited liability company (*société coopérative organisée sous forme de société anonyme*) should however be subject to the minimum annual net wealth tax charge. In this respect, a flat annual minimum net wealth tax of EUR 4,815 would be due assuming the Luxembourg company's assets, transferable securities and cash deposits represent (i) at least 90 per cent. of its total balance sheet and (ii) a minimum amount of EUR 350,000 (the "**Asset Test**"). Alternatively, should the Asset Test not be met, a progressive annual minimum net wealth tax ranging from EUR 535 to EUR 32,100 depending on the Luxembourg company's total gross assets would be due.
- (e) 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 deceased holder is, or is deemed to be, resident of Luxembourg for inheritance tax purposes at the time of death; or
 - (ii) the gift is registered in Luxembourg;
- (f) It is not compulsory that the notes be filed, recorded or enrolled with any court or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty (other than court fees and contributions for the registration with the Chamber of Commerce) be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Notes in accordance therewith. If any documents in respect of the Notes are nevertheless voluntarily submitted for registration in Luxembourg or appended to a document that requires mandatory registration, they will be subject to a fixed registration duty of EUR 12;
- (g) 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. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from value added tax does not apply with respect to such services; and
- (h) 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 Common Reporting Standard

The Organisation for Economic Co-operation and Development has developed a new global standard for the annual automatic exchange of financial information between tax authorities (the "CRS").

The CRS has been implemented into Luxembourg domestic law via the law dated 18 December 2015 concerning the automatic exchange of information on financial accounts and tax matters and implementing the EU Directive 2014/107/EU.

The regulation may impose obligations on the Issuer and its shareholder / Noteholders, if the Issuer is actually regarded as a reporting Financial Institution under the CRS, so that the latter could be required to conduct due diligence and obtain (among other things) confirmation of the tax residency (through the issuance of self-certifications forms by the shareholder / Noteholders), tax identification number and CRS classification of the shareholder / Noteholders in order to fulfil its own legal obligations from 1 January 2016.

Investors should contact their own tax advisers regarding the application of CRS to their particular circumstances.

5 Potential European Financial Transaction Tax

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for a common Financial Transaction Tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between Participating Member States. It may, therefore, be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. The FTT proposal is currently at a standstill at the level of the European Council. According to the ECOFIN Report to the European Council on tax issues dated 27 June 2018, further work at the Council and its preparatory bodies is still required, before a final agreement on the proposed FTT can be reached.

6 Foreign Account Tax Compliance Act Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification,

reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Luxembourg) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change.

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, under proposed U.S. Treasury Regulations, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes that are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer).

Potential investors should consult their own tax advisers regarding how these rules may apply to any investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts to a holder of Notes as a result of the withholding.

FATCA is particularly complex and its application is uncertain at this time. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

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.

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.

European Economic Area

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For these purposes:

- (a) the expression 'retail investor' means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or the relevant implementing national laws; or
 - (ii) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression 'offer' includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

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 in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") and regulations thereunder.

- (2) Each Manager has (i) acknowledged that 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 in certain transactions exempt from the registration requirements of the Securities Act; (ii) represented and agreed that it has not offered or sold or delivered any Notes, and will not offer, sell or deliver any Notes, (x) as part of its distribution at any time or (y) otherwise before forty (40) calendar days after the later of the commencement of the offering and the Issue Date, except in accordance with Rule 903 under Regulation S under the Securities Act; and accordingly, (iii) further represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Note, and they have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act, and (iv) also agreed that, at or prior to confirmation of any 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 distribution compliance 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 later of the commencement of the offering and the Issue Date, 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.

In addition, before forty (40) calendar days after commencement of the offering, an offer or sale of Notes within the United States by a dealer or other person that is not participating in the offering may violate the registration requirements of the Securities Act.

- (3) Notes will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) (or successor rules in substantially the same form) (the "**TEFRA D Rules**").

Further, each Manager has represented and agreed that:

- (a) except to the extent permitted under the TEFRA D Rules, (i) it has not offered or sold, and during the 40-day restricted period will not offer or sell, directly

or indirectly, Notes 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 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 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 is 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 for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. section 1.163-5(c)(2)(i)(D)(6) (or successor rules in substantially the same form) of the TEFRA D Rules;
- (d) with respect to each affiliate that acquires from it Notes 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) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (a), (b) and (c) above; and
- (e) it will obtain for the benefit of the Issuer the representations and agreements contained in sub-clauses (a), (b), (c) and (d) above from any person other than its affiliate with whom it enters into a written contract, as defined in U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(4) (or substantially identical successor provisions) for the offer and sale during the restricted period of Notes.

Terms used in this Clause (3) have the meanings given to them by the 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 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 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 any Notes in, from or otherwise involving the United Kingdom.

As used herein, "**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland.

France

Each Manager has represented and agreed, and each further Manager appointed under the Programme will be required to represent and agree, that, it has only made and will only make an offer of Notes to the public in France in the period beginning on the date of notification to the *Autorité des marchés financiers* ("**AMF**") of the approval of the Prospectus relating to those Notes by the competent authority of a member state of the European Economic Area, other than the AMF, all in accordance with the Prospectus Regulation, and ending at the latest on the date which is 12 months after the date of the approval of the Prospectus.

Luxembourg

The Notes are not offered to the public in or from Luxembourg and each Manager has represented and agreed that it will not offer the Notes or cause the offering of the Notes or contribute to the offering of the Notes to the public in or from Luxembourg, unless all the relevant legal and regulatory requirements concerning a public offer in or from Luxembourg have been complied with. In particular, this offer has not been and may not be announced to the public and offering material may not be made available to the public.

USE OF PROCEEDS

The aggregate net proceeds from the issue of the Notes will amount to EUR 991,800,000. The net proceeds are equal to the gross proceeds and will be used by the Issuer to finance the aggregate Purchase Price for the acquisition of certain Lease Receivables from the Seller on the Issue Date. If the net proceeds from the issuance of the Notes on the Issue Date exceed the aggregate Purchase Price, such difference shall be credited to the Cash Reserve Ledger of the Issuer Account. 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 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 (segment for professional investors) 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 991,800,000 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 19 August 2019.

3 Legal

Neither Bavarian Sky S.A. is, or has been since its incorporation, engaged in any governmental, legal 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. is aware, no such governmental, litigation or arbitration proceedings are pending or threatened.

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

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 2018).

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 (segment for professional investors) of the Luxembourg Stock Exchange. The Issuer will assume the obligations assigned to a listing agent 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 (segment for professional investors) 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 assume the obligations assigned to a listing agent. The total estimated listing expenses are approximately EUR 7.950,00.

8 Availability of Documents

Prior to the listing of the Notes on the Luxembourg Stock Exchange, the constitutional documents of the Issuer will be available for inspection at the registered office of the Issuer 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 following documents may also be inspected during customary business hours at the specified offices of the Paying Agent and of the Issuer:

- (a) 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;
- (b) the future annual financial statements of Bavarian Sky S.A. (interim financial statements will not be prepared);
- (c) the Monthly Investor Reports;
- (d) the Trust Agreement;
- (e) all notices given to the Noteholders pursuant to the Conditions; and
- (f) 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 the most senior Notes remain outstanding (including so long as any of the Notes are listed on the official list of the Luxembourg Stock Exchange, and admitted to trading on the regulated market (segment for professional investors) 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://gctinvestorreporting.bnymellon.com>). See "*OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS — Calculation Agency Agreement*".

The investor report will include detailed summary statistics and information regarding the performance of the portfolio of the Purchased Lease Receivables and contain a glossary of the terms used in the investor report. The first investor report issued by the Issuer will 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 in accordance with the requirements of the Securitisation Regulation.

10 ICSDs

The Notes have been accepted for clearance through Euroclear Bank S.A./N.V. and Clearstream Banking S.A.

Euroclear Bank S.A./N.V.
1 Boulevard du Roi Albert II
1210 Brussels
Belgium

Clearstream Banking S.A.
42 Avenue John F. Kennedy
L-1855 Luxembourg

11 Clearing Codes

Class A Notes

ISIN: XS2009039863
Common Code: 200903986
WKN: A2R3EC

Class B Notes

ISIN: XS2009040283
Common Code: 200904028
WKN: A2R3ED

MASTER DEFINITIONS SCHEDULE

The following is the text of the Master Definitions Schedule. The text will be attached as part of Appendix A (*Incorporated Terms Memorandum – Schedule 1*) 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.

"2006 ISDA Definitions"	means the definitions and provisions published by the International Swaps and Derivatives Association, Inc.
"Account Bank"	means The Bank of New York Mellon, Frankfurt 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.
"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, <i>inter alia</i> , the Paying Agent, the Interest Determination Agent, the Issuer, the Seller and the Servicer dated as of the Signing Date.
"Aggregate Outstanding Notes Balance"	means, as of any date, the aggregate amount of the Class A Outstanding Notes Balance and the Class B Outstanding Notes Balance, in each case, as of such date.
"Aggregate Purchase Price"	means EUR 991,799,990.80.
"Alternative Base Rate"	has the meaning assigned thereto in Clause 22 (i) of the Trust Agreement.
"Applicable Insolvency Law"	means any applicable bankruptcy, insolvency or other similar law affecting creditor's rights now or hereafter in effect in any jurisdiction.
"APR" or "Annual Percentage Rate"	means the effective annual percentage rate expressed as a percentage.
"Arranger"	means BMW Bank GmbH.
"Articles of Incorporation"	means the <i>statuts</i> of Bavarian Sky S.A. under Luxembourg law, as published on 26 April 2017 in the Luxembourg Official Journal.

"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 and the Counterparty Downgrade Collateral Account on the Payment Date immediately following such Cut-Off Date provided that, for the avoidance of doubt, except to the extent set out under item (vii) below, any balance credited to the Counterparty Downgrade Collateral Account will not form part of the Available Distribution Amount, 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 amount standing to the credit of the Cash Reserve Ledger as of such Cut-Off Date, to 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, (b) the Available Distribution Amount suffices to reduce the Class A Outstanding Notes Balance to zero or (c) the Current Aggregate Discounted Outstanding Lease Balance is reduced to zero, in each case, in accordance with the Pre-Enforcement Priority of Payments;
- (ii) any Collections received by or, in the case of Deemed Collections, payable 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 Lease 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 (other than the amount allocated to the Commingling Reserve Ledger) during such Monthly Period;
- (vi) the amount standing to the credit of the Commingling Reserve Ledger upon 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;

- (vii) any balance credited to the Counterparty Downgrade Collateral Account, however, only to the extent that the proceeds from any swap collateral posted on the Counterparty Downgrade Collateral Account are applied pursuant to the terms of the Swap Agreement to reduce the amount that would otherwise be payable by the Swap Counterparty upon early termination of the Swap Agreement and any amount received by the Issuer in respect of Replacement Swap Premium to the extent that such amount exceeds the amount required to be applied directly to pay a termination payment due and payable by the Issuer to the Swap Counterparty upon termination of the Swap Agreement; and
- (viii) any other amounts (other than covered by item (i) through (vii) above (if any)) paid to the Issuer by any other party to any Transaction Document up to (and including) the Payment Date immediately following such Cut-Off Date, unless otherwise specified, which according to such Transaction Document is to be allocated to 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 and any balance credited to the Cash Reserve Ledger and any balance credited to the Commingling Reserve Ledger upon the occurrence and continuance of a Servicer Termination Event as of the relevant Cut-Off Date, to the extent necessary to cover any Servicer Shortfall caused on the part of BMW Bank as Servicer; and including, without limitation, any balance credited to the Counterparty Downgrade Collateral Account to the extent that the proceeds from any swap collateral posted on the Counterparty Downgrade Collateral Account have been applied pursuant to the terms of the Swap Agreement to reduce the amount that would otherwise be payable by the Swap Counterparty upon early termination of the Swap Agreement and any amount received by the Issuer in respect of Replacement Swap Premium to the extent that such amount exceeds

the amount required to be applied directly to pay a termination payment due and payable by the Issuer to the Swap Counterparty upon termination of the Swap Agreement, but excluding, for the avoidance of doubt, any amount credited to the Counterparty Downgrade Collateral Account which will be returned directly to the Swap Counterparty, including, without limitation, any Replacement Swap Premium (only to the extent that it is applied directly to pay a termination payment due and payable by the Issuer to the Swap Counterparty) and excluding, for the avoidance of doubt, the Pro Rata Residual Value Share.

"Back-Up Servicer Facilitator"	means Intertrust (Luxembourg) S.à r.l.
"BaFin"	means the German Federal Financial Supervisory Authority (<i>Bundesanstalt für Finanzdienstleistungsaufsicht</i>).
"Bank Account Agreement"	means a bank account agreement between, <i>inter alia</i> , the Issuer and the Account Bank relating to the Issuer Account and the Counterparty Downgrade Collateral Account and dated as of the Signing Date.
"Benchmark Regulation"	means Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, as amended, and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.
"BMW AG"	means Bayerische Motoren Werke Aktiengesellschaft.
"BMW Bank"	means BMW Bank GmbH.
"BMW Group"	means BMW AG together with its consolidated subsidiaries.
"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 (TARGET 2) operates.
"Calculation Agency Agreement"	means the calculation agency agreement between, <i>inter alios</i> , the Issuer and the Calculation Agent dated as of the Signing Date.
"Calculation Agent"	means The Bank of New York Mellon, London 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 Notice"	means the written notice issued by the Calculation Agent to the Issuer and the Servicer after conducting the Calculation Check.
"Calculation Check"	has the meaning assigned thereto in Clause 5.1 of the Calculation Agency Agreement.
"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 German Auto Leases 5 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 Transferred 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 (<i>Grant of Security and Declaration of Trust</i>) of the Deed of Security Assignment.
"Class Outstanding Notes Balance"	means either of the Class A Outstanding Notes Balance or the Class B Outstanding Notes Balance, as applicable.
"Class A Noteholder"	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 900,000,000, consisting of 9,000 individual Notes, each in the nominal amount of EUR 100,000 and ranking senior to the Class B Notes and the Subordinated Loan.
"Class A Outstanding Notes Balance"	means, as of any date, the sum of the Outstanding Note Balances of all Class A Notes as of such date and if such date is a Payment Date, taking into account the principal redemption on such Payment Date.
"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 91,800,000, consisting of 918 individual Notes, each in the nominal amount of EUR 100,000 and ranking junior to the Class A Notes and senior to the Subordinated Loan.

"Class B Outstanding Notes Balance"	means, as of any date, the sum of the Outstanding Note Balances of all Class B Notes as of such date and if such date is a Payment Date, taking into account the principal redemption on such Payment Date.
"Class"	means any of the Class A Notes and the Class B Notes.
"Clean-Up Call Conditions"	means: <ul style="list-style-type: none"> (a) the proceeds distributable as a result of the repurchase of all outstanding Purchased Lease Receivables (together with any Lease Collateral and the relevant Leased Vehicles) (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 plus (y) accrued but unpaid interest thereon plus (z) all claims of any creditors of the Issuer in respect of Compartment German Auto Leases 5 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 ten (10) calendar days prior to the contemplated Clean-Up Call Settlement Date; and (c) the repurchase price to be paid by the Seller shall be equal to the then current value (<i>aktueller Wert</i>) of all Purchased Lease Receivables plus any interest accrued until and outstanding on the Clean-Up Call Settlement Date.
"Clean-Up Call Notice"	means a notice substantially in the form as set out in <u>Schedule 5 (Form of Clean-Up Call Notice)</u> to the Lease Receivables Purchase Agreement.
"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 a Payment Date as specified by the Seller upon the Clean-Up Call Conditions being satisfied and provided that the Seller exercises the Clean-Up Call Option with at least ten (10) calendar days prior to the such specified Payment Date in accordance with the form of Clean-Up Call Notice.
"Clearstream Luxembourg"	means the Clearstream clearance system for internationally traded securities operated by Clearstream Banking S.A. at 42 Avenue John F. Kennedy, L-1855 Luxembourg and any successor thereto.

"Collection Mandate"	means the authority to collect (<i>Einziehungsermächtigung</i>) the Purchased Lease Receivables and any amounts or proceeds from the related Lease Collateral and the Leased Vehicles.
"Collections"	<p>means, with respect to any Purchased Lease 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 Lease Receivable and related Lease Collateral including, without limitation:</p> <ul style="list-style-type: none"> (a) all collections of the Lease Instalments that have been paid by the Lessees; (b) the Deemed Collections, if any, paid in respect of such Purchased Lease Receivable; (c) the Pro Rata Lease Instalment Share of any proceeds of any Lease Collateral, including, without limitation, all proceeds received by means of realisation of any related security which for the avoidance of doubt excludes the Pro Rata Residual Value Share of such recovery proceeds; and (d) any proceeds from the sale of Defaulted Lease Receivables received by the Servicer on behalf of the Issuer from any third party; <p>in each case which is irrevocable and final (provided that any direct debit (<i>Lastschriftinzug</i>) shall constitute a Collection irrespective of any subsequent valid return thereof (<i>Lastschriftrückbelastung</i>)), and any Deemed Collections of such Purchased Lease Receivable less any amount previously received but required to be repaid on account of a valid return of a direct debit (<i>Lastschriftrückbelastung</i>), provided that, for the avoidance of doubt, any Collection which is less than the amount then outstanding and due from the relevant Lessee shall be applied in accordance with Sections 366 et seq. and 506, 497 (3) of the German Civil Code.</p>
"Co-Managers"	means ING Bank N.V. and Skandinaviska Enskilda Banken AB (publ).
"Commingling Reserve Excess Amount"	means, as of any Cut-off Date, an amount equal to the amount credited to the Commingling Reserve Ledger which exceeds the Commingling Reserve Required Amount.
"Commingling Reserve Ledger"	means a ledger to the Issuer Account held by the Issuer with the Account Bank for the Commingling Reserve

Required Amount in respect of Compartment German Auto Leases 5 and for the purposes of the Transaction.

"Commingling Reserve Reduction Amount"

means on any Payment Date following (i) the occurrence and continuation of a Commingling Reserve Trigger Event and (ii) for as long as the Servicer has selected the option set-out in Clause 13.1(ii) of the Servicing Agreement, the product of

- (a) the Discounted Outstanding Lease Balance on the Cut-Off Date immediately preceding the relevant Payment Date; and
- (b) the difference, if positive, of (i) over (ii) where:
 - (i) is the result of (A) Discounted Outstanding Lease Balance on the Cut-Off Date immediately preceding the relevant Payment Date minus the Class A Outstanding Notes Balance on such Payment Date plus the cash reserve amount standing to the credit of the Cash Reserve Ledger on such Payment Date, divided by (B) the Discounted Outstanding Lease Balance on the Cut-Off Date immediately preceding the relevant Payment Date; and
 - (ii) is 9.76%,

provided that if (i) is lower than (ii), the Commingling Reserve Reduction Amount shall be zero.

"Commingling Reserve Required Amount"

means (i) if no Commingling Reserve Trigger Event prevails or if and for as long as the Servicer has selected the option set out in Clause 13.1(i) of the Servicing Agreement, zero, and (ii) upon the occurrence and the continuance of a Commingling Reserve Trigger Event and if and for as long as the Servicer has selected the option set out in Clause 13.1(ii) of the Servicing Agreement, an amount equal to the sum of the Collections expected to be received during the Monthly Period in which such Payment Date falls and the immediately following Monthly Period, reduced by the Commingling Reserve Reduction Amount provided that such sum shall at all times be a positive amount or otherwise zero,

provided that, after the occurrence of a Servicer Termination Event, such amount shall equal zero on the date on which the Issuer has determined that no Servicer Shortfall exists and no further Servicer Shortfalls are to be expected.

"Commingling Reserve Trigger Event"

means if, at any time for as long as the Seller remains the Servicer:

- (a) (A) Fitch deems the credit worthiness of BMW AG (i) in respect of the short-term unsecured, unguaranteed and unsubordinated debt obligations, to be lower than F2 (or its replacement) and (ii) in respect of the long-term unsecured, unguaranteed and unsubordinated debt obligations, to be lower than BBB (or its replacement), or (B) the short-term unsecured, unguaranteed and unsubordinated debt obligations of BMW AG are assigned a rating of lower than P-2 (or its replacement) by Moody's and (ii) the long-term unsecured, unsubordinated and unguaranteed debt obligations of BMW AG are assigned a rating of lower than Baa1 (or its replacement) by Moody's; or
- (b) BMW AG ceases to own, directly or indirectly, 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 Lessees have redirected their payments directly to the Issuer Account and (B) a substitute Servicer has been appointed.

Upon the occurrence of a Commingling Reserve Trigger Event and for so long as such event remains, the Servicer shall, within fourteen (14) calendar days (the "**Performance Period**"), notify the Issuer in writing that it will elect to:

- (c) with effect from the date of such notification, transfer any Collections to the Issuer Account within two (2) Business Days upon receipt of such Collections, or
- (d) fund the Commingling Reserve Ledger (not using any Collections) on each Payment Date with the Commingling Reserve Required Amount as of such Payment Date.

For so long as such Commingling Reserve Trigger Event prevails, the Servicer shall have the right to switch between the above options by written notice to the Issuer.

"Common Safekeeper for the Class A Notes"

means the entity appointed by the ICSDs to provide safekeeping for the Class A Notes in NGN form.

"Common Safekeeper for the Class B Notes"	means the entity appointed by the ICSDs to provide safekeeping for the Class B Notes in NGN form.
"Common Safekeeper"	means any of the Common Safekeeper for the Class A Notes and the Common Safekeeper for the Class B Notes.
"Common Terms"	means the provisions set out in <u>Schedule 2</u> (<i>Common Terms</i>) of this Incorporated Terms Memorandum.
"Compartment German Auto Leases 5"	means the Compartment of the Issuer designated for the purposes of the Transaction and named ' <i>Compartment German Auto Leases 5</i> '.
"Compartment"	means a compartment of the Issuer within the meaning of the Luxembourg Securitisation Law.
"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 Bavarian Sky S.A.) 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 Intertrust (Luxembourg) S.à.r.l., 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 <u>Schedule 11</u> (<i>Account Details</i>) to the Incorporated Terms Memorandum and opened for the posting of collateral by the Swap Counterparty under the Swap Agreement and receiving any Replacement Swap Premium.
"Credit and Collection Policy"	means the body of binding working instructions (<i>Richtlinien and Arbeitsanweisungen</i>) 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.
"CRR"	means 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 amended from time to time).

"CSSF"	means the <i>Commission de Surveillance du Secteur Financier of Luxembourg</i> .
"CSP"	means the entity appointed by the ICSDs to provide asset servicing for the Notes in NGN form.
"Current Aggregate Discounted Outstanding Lease Balance"	means each Cut-Off Date, the sum of the Discounted Outstanding Lease Balances of all Purchased Lease Receivables as at such date.
"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 Cut-Off Date immediately preceding the Issue Date is 31 August 2019.
"Data Trust Agreement"	means a data trust agreement between the Seller, the Servicer, the Data Trustee and the Issuer dated as of the Signing Date.
"Data Trustee"	means The Bank of New York Mellon, Frankfurt Branch 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 calendar days in such period divided by 360.
"Deed of Security Assignment"	means a deed of security assignment between, <i>inter alios</i> , the Issuer and the Trustee dated as of the Signing Date.
"Deemed Collection"	means, in respect of any Purchased Lease Receivable, an amount to be paid if, and equal to, the Discounted Outstanding Lease Balance of such Purchased Lease Receivable (including, for the avoidance of doubt, in case only a portion of the Purchased Lease Receivable is affected) outstanding on the Cut-Off Date falling in the Monthly Period during which one of the following events occurs: <ul style="list-style-type: none"> (a) such Purchased Lease Receivable proves to be in material breach of any of the Eligibility Criteria as at the first Cut-Off Date, unless such non-compliance is fully remedied by the Seller to the satisfaction of the Trustee; (b) such Purchased Lease Receivable remains unpaid solely as a result of a material 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); (c) such Purchased Lease Receivable is affected due to any material modification or amendment to the

relevant Lease Agreement or early termination of the relevant Lease Agreement agreed upon by the parties thereto other than in accordance with the Credit and Collection Policy;

- (d) any material reduction of the Discounted Outstanding Lease Balance of such Purchased Lease Receivable or any other amount owed by a Lessee due to (x) any set-off against the Seller due to a counterclaim of the Lessee or any set-off or equivalent action against the relevant Lessee by the Seller or (y) any discount or other credit in favour of the Lessee, in each case as at the date of such reduction for such Purchased Lease Receivable,

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

Any such Deemed Collection shall be at an amount equal to the Discounted Outstanding Lease Balance(s) of the affected Purchased Lease Receivable(s) (the Deemed Collections will be collected by the Servicer from the Seller, if the Servicer and the Seller are not the same person).

"Defaulted Lease Receivable"

means, as of any date, any Purchased Lease Receivable which (i) has been sold to a debt collection agency, (ii) is terminated and the Leased Vehicle is repossessed in accordance with the Credit and Collection Policy or (iii) has been written off in the system of the Seller.

"Discount Rate"

means 4.0%.

"Discounted Outstanding Lease Balance"

means on each Cut-Off Date, in respect of a Purchased Lease Receivable, the outstanding balance of such Purchased Lease Receivable discounted by the Discount Rate as at such date.

"EBA Guidelines on STS Criteria"

means the Final Report on the STS criteria for non-ABCP securitisation dated 12 December 2018 of the European Banking Authority.

"Eligibility Criteria"

means the eligibility criteria set out in Appendix 1 to Schedule 3 Part 3 (Receivables Representations and Warranties of the Seller) of this Incorporated Terms Memorandum and being relevant on the Cut-Off Date immediately preceding the Issue Date.

"Eligible Counterparty"

means any entity with

- (i) a short-term deposit rating of at least F1 (or its replacement) by Fitch (or, if it does not have a

short-term deposit rating assigned by Fitch, a short-term credit rating of at least F1 (or its replacement) by Fitch) or a long-term deposit rating of at least A (or its replacement) by Fitch (or, if it does not have a long-term deposit rating assigned by Fitch, a long-term unsecured, unsubordinated and unguaranteed debt obligations rating at least A (or its replacement) by Fitch;

- (ii) a long-term issuer credit rating of at least A2 (or its replacement) by Moody's and a short-term issuer credit rating of P-1 (or its replacement) by Moody's, unless such entity does not have a long-term issuer credit rating assigned by Moody's, in which case such entity must be a financial institution with a short-term issuer credit rating of at least P-1 (or its replacement) by Moody's; and
- (iii) another rating provided that such entity will have taken measures that would lead to the then current rating of the Class A 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 Fitch or Moody's within sixty (60) 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) a short-term, deposit rating of at least F1 (or its replacement) by Fitch (or, if it does not have a short-term deposit rating assigned by Fitch, a short-term credit rating of at least F1 (or its replacement) by Fitch) or a long-term deposit rating of at least A (or its replacement) by Fitch (or, if it does not have a long-term deposit rating assigned by Fitch, a long-term unsecured, unsubordinated and unguaranteed debt obligations rating at least A (or its replacement) by Fitch) and (y) a long-term issuer credit rating of at least A2 (or its replacement) by Moody's and a short-term issuer credit rating of P-1 (or its replacement) by Moody's, unless such entity does not have a long-term issuer credit rating assigned by Moody's, in which case such entity must be a financial institution with a short-term issuer credit rating of at least P-1 (or its replacement) by Moody's 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 Class A Notes rated by it, or (iii) take any other action in order to maintain the rating of the Class A Notes or to restore the rating of the Class A Notes.

"Eligible Lease Receivable"	means any Lease Receivable which satisfies the Eligibility Criteria on the Cut-Off Date immediately preceding the Issue Date.
"Eligible Swap Counterparty"	<p>means any entity with</p> <p>(a) (A) a short-term, unsecured and unsubordinated debt obligations rating of at least F3 (or its replacement) by Fitch or a derivative counterparty rating (or, if it does not have a derivative counterparty rating, a long-term, unsecured and unsubordinated debt obligations rating) of at least BBB- (or its replacement) by Fitch provided that collateral will be posted by such entity in accordance with the respective requirements under the Swap Agreement, or otherwise (B) a short-term, unsecured and unsubordinated debt obligations rating of at least F1 (or its replacement) by Fitch or a derivative counterparty rating (or, if it does not have a derivative counterparty rating, a long-term, unsecured and unsubordinated debt obligations rating) of at least A (or its replacement) by Fitch; and</p> <p>(b) a counterparty risk assessment (or, if it does not have a counterparty risk assessment from Moody's, a long-term unsecured, unguaranteed and unsubordinated debt obligations rating) from Moody's of at least Baa1 (or its replacement); or</p> <p>(c) another rating provided that such entity will have taken measures that would lead to the then current rating of the Class A Notes not being downgraded or withdrawn.</p>
"Enforcement Event"	means the event that (i) (in the sole judgment of the Trustee) an Issuer Event of Default has occurred; (ii) in case of any security interests granted in the form of a German law pledge (<i>Pfandrecht</i>) that the Secured Obligations have become due and payable in whole or in part (<i>Pfandreife</i>); and (iii) 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.
"EU Insolvency Regulation"	means Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on

insolvency proceedings which applies to insolvency proceedings opened after 26 June 2017, as amended.

"EU Treaties"

means the Treaty on the Functioning of the European Union (signed in Rome on 25 March 1957) and the Treaty on European Union (signed in Maastricht on 7 February 1992), as amended from time to time, including 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).

"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 EU Treaties.

**"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 page EURIBOR 01 of the Reuters screen (or such other page as may replace such page on that service for the purpose of displaying the euro interbank offered rate administered by the Banking Federation of the European Union (or any other person which takes over the administration of such rate)) 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 page EURIBOR 01 of the Reuters screen is not available or if no such quotation appears thereon, in each case as at such time, the Interest Determination Agent shall either specify another page or service displaying the relevant rate or use the Reference Bank Rate (expressed as a percentage rate per annum) as determined by it in consultation with the Issuer for one-month deposits (with respect to the first Interest Period, for one (1) month deposit in euro at approximately 11:00 a.m. (Brussels time) on the relevant Interest Determination Date, where the **"Reference Bank Rate"** means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Interest Determination Agent at its request by the Reference Banks selected by it in consultation with the Issuer as the rate at which such Reference Bank could borrow funds in the European interbank market in euro and for such Interest Period were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in euro and for such Interest Period.

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:

- (i) for any reason other than as described under (ii) below, EURIBOR for such Interest Period shall be EURIBOR as determined on the previous Interest Determination Date.
- (ii) due to a public announcement of the permanent or indefinite discontinuation of EURIBOR that applies to the Class A Notes at that time (the date of such public announcement being the "**Relevant Time**"), the Issuer (acting on the advice of the Servicer) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Base Rate in accordance with Clause 22 (*Base Rate Modification*) of the Trust Agreement.

"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.
"European Economic Area" or "EEA"	means then economic area established by the Agreement on the European Economic Area (signed in Brussels on 17 March 1993) and comprising the European Union, Iceland, the Principality of Liechtenstein and the Kingdom of Norway.
"European Union" or "EU"	means the union of European states initially established by Treaty on European Union (signed on Maastricht on 7 February 1992).
"Euro-zone"	means the region comprising member states of the European Union that have adopted the single currency, the euro, in accordance with the EU Treaties.
"Excess Collateral Compensation Obligation"	means, in case the credit support balance was greater than zero upon the close-out under the Swap Agreement, the obligation (if any) of the Issuer under the Swap Agreement to pay to the Swap Counterparty, in accordance with the terms of the Swap, the final netted amount following the close-out.
"Excess Spread"	means, with respect to any Payment Date, the amount equal to the difference between the amount of collections, which are interest income calculated using the Discount Rate during the Monthly Period immediately preceding a Payment Date and the sum of the amounts required to be paid under items (a) to (f) of the Pre-Enforcement Priority of Payments and item (a) to (e) of the Post-Enforcement Priority of Payments, respectively, on such Payment Date and providing the first loss protection to the Notes.
"Exchange Date"	has the meaning assigned thereto 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.
"Fitch"	means Fitch Ratings Limited or its affiliate and its successors.
"Form of Accession Agreement"	means a form of accession agreement as set out in Schedule 4 to the Trust Agreement.
"Foundation"	means the Stichting Andesien, a Dutch foundation (<i>stichting</i>) established under the laws of The Netherlands whose statutory seat is in Amsterdam and whose registered office is at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands.
"FSMA"	means the United Kingdom Financial Services and Markets Act 2000.
"German Civil Code"	means the civil code (<i>Bürgerliches Gesetzbuch - BGB</i>) of Germany, as amended or restated from time to time.
"German Insolvency Code"	means the insolvency code (<i>Insolvenzordnung – InsO</i>) of Germany, as amended or restated from time to time.
"German Transaction Documents"	means the Notes, the Trust Agreement, the Agency Agreement, the Bank Account Agreement, the Calculation Agency Agreement, the Lease 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 BaFin.
"ICSD"	means either of Clearstream Banking S.A. or Euroclear Bank S.A./N.V., and "ICSDs" means Clearstream Banking S.A. and Euroclear Bank S.A./N.V. collectively.

"IDD"	means Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution, as amended.
"Incorporated Terms Memorandum"	means this memorandum so named, dated on or about the Issue Date and signed for the purpose of identification by each of the Transaction Parties.
"Initial Aggregate Discounted Outstanding Lease Balance"	means the sum of the Discounted Outstanding Lease Balances of all Purchased Lease Receivables on the first Cut-Off Date.
"Insolvency Event"	<p>means, with respect to Bavarian Sky S.A. (where the context requires, in respect of its Compartment German Auto Leases 5) or any Transaction Party, as the case may be, each of the following events:</p> <ul style="list-style-type: none"> (a) if such person is incorporated, domiciled or resident in Luxembourg or has its "centre of main interests" in Luxembourg, as such term is used by the EU Insolvency Regulation, such person is subject to a winding-up, administration or dissolution, administration or reorganisation, composition, compromise, assignment or arrangement or similar laws affecting the rights of creditors generally which includes without limitation when such person <ul style="list-style-type: none"> (i) enters into a voluntary arrangement with its creditors (<i>concordat préventif de la faillite</i>) pursuant to the law of 14 April 1886 on arrangements to prevent insolvency, as amended; (ii) is granted a moratorium or reprieve from payment (<i>sursis de paiement</i>) within the meaning of Articles 593 et seq. of the Luxembourg Commercial Code (<i>Code de Commerce</i>); (iii) is subject to controlled management (<i>gestion contrôlée</i>) within the meaning of the grand ducal regulation 24 May 1935 on controlled management; (iv) is itself or any of its assets the subject of any Insolvency Proceedings commenced pursuant to Articles 437 et seq. of the Luxembourg Commercial Code (<i>Code de Commerce</i>) or any other Insolvency Proceedings pursuant to the EU Insolvency Regulation, unless the application for such proceedings is

- dismissed within thirty (30) calendar days from and excluding the day it is filed (unless dismissed on the ground that the costs of the Insolvency Proceedings were likely to exceed the assets of such person (*clôture pour insuffisance d'actifs*));
- (v) takes any corporate action or is the subject of any legal proceedings commenced against it for its dissolution or (voluntary or judicial) liquidation in accordance with the laws of Luxembourg;
 - (vi) is in a situation of illiquidity (*cessation de paiements*), and without access to credit (*credit ébranlé*) within the meaning of Article 437 of the Luxembourg Commercial Code (*Code de Commerce*);
 - (vii) has entered into general settlement arrangement with creditors; or
 - (viii) where such person is a bank or another entity licensed under the Luxembourg Banking Act to conduct management of third party assets, any action under Articles 120 et seq. of the Luxembourg Law of 18 December 2018 on the resolution, reorganisation and winding up measures of credit institutions and certain investment firms have been taken with respect to such person; or
- (b) if such person is incorporated, domiciled or resident in Germany or has its "centre of main interests" in Germany, as such term is used by the EU Insolvency Regulation, such person
- (i) enters into a voluntary arrangement with its creditors or is declared bankrupt;
 - (ii) is itself or any of its assets the subject of any insolvency proceedings commenced pursuant to Section 13 of the German Insolvency Code (*Insolvenzordnung*), unless the application for such proceedings is dismissed within thirty (30) calendar days from and excluding the day it is filed (unless dismissed on the ground that the costs of the insolvency proceedings were likely to exceed the

- assets of such person (*Abweisung mangels Masse*));
- (iii) takes any corporate action or is the subject of any legal proceedings commenced against it for its dissolution or liquidation in accordance with the laws of Germany;
 - (iv) is in a situation of illiquidity (*Zahlungsunfähigkeit*), over-indebtedness (*Überschuldung*) or presumably unable to pay its debts as they fall due within the meaning of Section 18 of the German Insolvency Code (*drohende Zahlungsunfähigkeit*); or
 - (v) where such person is a credit institution, any action under Sections 45 through 48u of the German Banking Act (*Kreditwesengesetz*) or any measures under the German Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*) have been taken or any other restructuring or reorganisation proceedings within the meaning of the German Bank Reorganisation Act (*Kreditinstitute-Reorganisationsgesetz*) have been commenced with respect to such person or such person is subject to the rules of the Regulation (EU) No 806/2014 of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010; or
- (c) if such person is not insolvent according to (a) or (b) above, such person:
- (i) is dissolved or has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
 - (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;

- (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
 - (iv) institutes or has instituted against it proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition instituted against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty (30) calendar days of the institution or presentation thereof;
 - (v) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
 - (vi) has a creditor take possession of all or substantially all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such creditor maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) calendar days thereafter;
 - (vii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified under paragraphs (i) to (vi) above (inclusive); or
 - (viii) takes any formal action in indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or
- (d) such person is itself or any of its assets are otherwise subject to any Insolvency Proceeding.

"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 (<i>faillite</i>), insolvency, its voluntary or judicial liquidation, reprieve from payment (<i>sursis de paiement</i>), controlled management (<i>gestion contrôlée</i>), fraudulent conveyance, general settlement with creditors (<i>concordat préventif de faillite</i>), reorganisation or similar proceedings affecting the rights of creditors generally.
"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 The Bank of New York Mellon, London 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 (2 nd) 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 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.
"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 resulting from a correction of any miscalculation of

	interest payable on a Note related to the last Interest Period immediately prior to the Payment Date.
"Investor Reporting Date"	means the second (2nd) 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 23 September 2019.
"Issuer Account"	means an account held with the Account Bank in respect of the Compartment German Auto Leases 5.
"Issuer Event of Default"	means in respect of the Notes any of the following events: <ul style="list-style-type: none"> (a) 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) calendar 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 or any other Transaction Document (other than the Subordinated Loan Agreement); or (d) an Insolvency Event has occurred with respect to the Issuer.
"Issuer Representations and Warranties"	means representations and warranties as set out for the Issuer in <u>Schedule 7</u> (<i>Issuer Representations and Warranties</i>).
"Issuer"	means Bavarian Sky S.A., an unregulated securitisation undertaking within the meaning of the Luxembourg

	<p>Securitisation Law, incorporated under the form of a public limited liability company (<i>société anonyme</i>), with registered office at 2a, rue Nicolas Bové, L-1253 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 German Auto Leases 5.</p>
"Issuer-ICSDs Agreement"	<p>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.</p>
"Joint Bookrunners"	<p>means DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, and Société Générale S.A.</p>
"Joint Lead Managers"	<p>means DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, and Société Générale S.A.</p>
"Lease Agreement Identifier"	<p>means the lease agreement identification number as allocated to the relevant Purchased Lease Receivable by the Servicer in the portfolio management system.</p>
"Lease Agreement Termination Event"	<p>means the termination of the Lease Agreement including, without limitation:</p> <ul style="list-style-type: none"> (a) termination due to contractual lapse of agreement (<i>Ablauf der regulären, ursprünglich vereinbarten Leasingdauer</i>); or (b) rescission of the Lease Agreement by the Lessee (<i>Rücktritt des Leasingnehmers</i>); or (c) termination for good cause (<i>Kündigung aus wichtigem Grund</i>).
"Lease Agreement"	<p>means each contractual framework, based on the standard business terms (<i>Allgemeine Geschäftsbedingungen</i>) or otherwise, which governs the Seller's relationship with the respective Lessee(s) with regard to the Lease Receivables.</p>
"Lease Collateral"	<p>means (i) the Pro Rata Lease Instalment Share of any claims of the Seller to damages and excess mileage in accordance with its Credit and Collection Policy, and (ii) any other security interests related to the Purchased Lease Receivables under the Lease Agreements.</p>
"Lease Instalment"	<p>means any lease instalment due and payable by the Lessee in the future, but excluding (i) any portion relating to VAT, relating to residual values or relating to the provision of services, under a Lease Agreement as well as (ii) any Lease Collateral.</p>

"Lease Receivable"	means any obligation to pay Lease Instalments which a Lessee owes to the Seller in accordance with the Lease Agreement, together with any and all present and future ancillary rights under the relevant Lease Agreement(s), in particular rights to determine legal relationships (<i>Gestaltungsrechte</i>), including termination rights (<i>Kündigungsrechte</i>), and the right to give directions (<i>Weisungsrechte</i>) but excluding any portion relating to VAT, relating to residual values or relating to the provision of services.
"Lease Receivables Purchase Agreement"	means the lease receivables purchase agreement between the Seller and the Issuer dated as of the Signing Date.
"Leased Vehicle"	means any passenger car, light commercial vehicle or motorcycles leased to a customer under a Lease Agreement.
"Legal Final Maturity Date"	means the Payment Date falling in September 2026.
"Lessee Identifier"	means the lessee identification number allocated to the relevant Lessee by the Servicer.
"Lessee Notification Event"	means a Servicer Termination Event.
"Lessee Notification"	means in respect of a Purchased Lease Receivable a notice substantially in the form as set out in Schedule 3 of the Lease Receivables Purchase Agreement sent to the relevant Lessees in accordance with the provisions of the Lease Receivables Purchase Agreement.
"Lessee"	means, in respect of a Lease Receivable, a Person (including consumers and businesses) to whom the Seller has leased one or more vehicles on the terms of the relevant Lease Agreement(s).
"Loss"	means, in respect of any Person, any loss, liability, damages, 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 Securitisation Law"	means the Luxembourg law on securitisation of 22 March 2004, as amended.
"Luxembourg Stock Exchange"	means <i>société de la bourse de Luxembourg</i> .
"Luxembourg"	means the Grand Duchy of Luxembourg.

"Managers"	means Société Générale S.A. (legal entity identifier (LEI): O2RNE8IBXP4R0TD8PU41), DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (legal entity identifier (LEI): 529900HNOAA1KXQJUQ27) ING Bank N.V. (legal entity identifier (LEI): 3TK20IVIUJ8J3ZU0QE75) and Skandinaviska Enskilda Banken AB (publ) (legal entity identifier (LEI): F3JS33DEI6XQ4ZBPTN86), collectively.
"Master Definitions Schedule"	means <u>Schedule 1</u> (<i>Master Definitions Schedule</i>) of this 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.
"MiFID II"	means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended.
"Monthly Investor Report"	means the report which contains key information the investor needs to analyse the development of the Purchased Lease 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 and more than one report the " Monthly Investor Reports ".
"Monthly Period"	means, with respect to the first Monthly Period, the period commencing on (but excluding) the Cut-Off Date immediately preceding the Issue Date and ending on (and including) 30 September 2019 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 and includes any successors thereto.
"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.
"Note Principal Amount"	means the initial note principal amount of any Note of EUR 100,000.

"Noteholders"	means collectively the Class A Noteholders and the Class B Noteholders and each holder of a Note, a "Noteholder" .
"Notes"	means collectively the Class A Notes and the Class B Notes.
"Offering Circular"	means the offering circular 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 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 German Auto Leases 5 and for the purposes of the Transaction.
"Outstanding Lease Receivables"	means a Purchased Lease Receivable that is neither a Defaulted Lease Receivable, nor a Purchased Lease Receivable being fully repaid.
"Outstanding Note Balance"	means, as of any date in respect of any Note 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.
"Paying Agent"	means The Bank of New York Mellon, London 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) 21 October 2019 and thereafter the twentieth (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 unless such date would thereby fall into the next calendar month, in which case the Payment Date shall be the immediately preceding 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.
"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.
"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 Lease 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 (<i>Post-Enforcement Priority of Payments</i>) of the Conditions.
"Pre-Enforcement Priority of Payments"	means the priority of payments set out in Condition 7.6 (<i>Pre-Enforcement Priority of Payments</i>) 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.
"Priority of Payments"	means either the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments (as applicable).
"Pro Rata Lease Instalment Share"	means the rate, expressed as a percentage, calculated as (i) the present value of the relevant Purchased Lease Receivable outstanding using the APR divided by (ii) the sum of (a) the present value of the relevant Purchased Lease Receivable outstanding using the APR plus (b) the present value of the calculated residual value (<i>kalkulierter Restwert</i>) of the relevant Leased Vehicle using the APR.
"Pro Rata Residual Value Share"	means the rate, expressed as a percentage, calculated as (i) the present value of the calculated residual value (<i>kalkulierter Restwert</i>) of the relevant Leased Vehicle using the APR divided by (ii) the sum of (a) the present value of the relevant Purchased Lease Receivable outstanding using the APR plus (b) the present value of the calculated residual value (<i>kalkulierter Restwert</i>) of the relevant Leased Vehicle using the APR.
"Prospectus Regulation"	means Regulation (EU) 2017/1129, as amended or superseded from time to time.
"Prospectus"	means the prospectus prepared by the Issuer for the purposes of admission to trading of the Notes and filed with, and approved by, the Competent Authority pursuant to the Prospectus Regulation on 23 September 2019 (which term shall include those documents incorporated in it by reference from time to time as provided in it) as from

time to time amended, supplemented or replaced (but not including any information or documents replaced or superseded by any information so subsequently included or incorporated.

"Purchase Price"	means with respect to any Purchased Lease Receivable, an amount equal to its Discounted Outstanding Lease Balance.
"Purchased Lease Receivable"	means any Lease Receivable which is sold and assigned or purported to be assigned to the Issuer in accordance with the Lease Receivables Purchase Agreement.
"Rating Agencies"	means Fitch and Moody's and each a "Rating Agency" .
"Records"	means with respect to any Purchased Lease Receivable, Lease Collateral, Leased Vehicle and the related Lessees which owes such Purchased Lease 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 Lease Receivable by the Servicer after the date such Purchased Lease Receivable became a Defaulted Lease Receivable (provided that such Defaulted Lease Receivable has not been totally written off) including, for the avoidance of doubt, Lease Instalments, damages, reminder fees, past due interest and any other payment, by or for the account of the relevant Lessee minus all out-of-pocket expenses paid to third parties and incurred by the Servicer in connection with the collection of Defaulted Lease Receivables or the enforcement of the Lease Collateral.
"Reference Banks"	means four major banks in the Euro-zone inter-bank market selected by the Paying Agent from time to time.
"Release Condition"	means the earlier of (i) the full and final fulfilment of the obligations secured pursuant to Clause 4.5 of the Lease Receivables Purchase Agreement; (ii) the full and final payment of the relevant Purchased Lease Receivables or (iii) the termination of the relevant Lease Agreement.
"Replacement Swap Premium"	shall mean an amount received by the Issuer from a replacement interest rate swap provider upon entry by the Issuer into an agreement with such replacement interest rate swap provider to replace a transaction entered into under the Swap Agreement;

"Reporting Date"	means the seventh (7th) Business Day prior to the respective Payment Date.
"Required Cash Reserve Amount"	means as of any date, an amount equal to either (i) EUR 5,000,000, which is equal to 0.50 per cent. of the Initial Aggregate Discounted Outstanding Lease Balance; or (ii) zero upon the occurrence of either (a) the Legal Final Maturity Date, (b) the Available Distribution Amount as of such date being sufficient to reduce the Class A Outstanding Notes Balance to zero or (c) the Current Aggregate Discounted Outstanding Lease Balance being equal to zero, whichever occurs earlier.
"Secrecy Rules"	means, collectively, the rules of German banking secrecy (<i>Bankgeheimnis</i>), the provisions of the German Federal Data Protection Act (<i>Bundesdatenschutzgesetz</i>), Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016, as amended, and the German Data Protection Amendment and Implementation Act (<i>Datenschutzanpassungs- und Umsetzungsgesetz</i>) as such rules are binding the relevant Transaction Party to the German Transaction Documents with respect to the Purchased Lease Receivables, the Leased Vehicles and the Lease 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(i) and (ii) 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 Calculation Agent, the Account Bank, the Data Trustee, the Corporate Administrator, the Back-Up Servicer Facilitator and any successor, assignee, transferee or replacement thereof.
"Securities Act"	means the U.S. Securities Act of 1933 as amended from time to time.
"Securitisation Regulation"	means Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 on laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012.
"Security Documents"	means the Trust Agreement and the Deed of Security Assignment.

"Security"	means the security interests created pursuant to Clause 8 (<i>Creation of Security</i> , i.e., Clause 8.1 (<i>Transfer for security purposes of Transferred Assets</i>) and Clause 8.2 (<i>Pledges</i>)) 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.
"Seller Representations and Warranties"	means representations and warranties as set out for the Seller in <u>Schedule 3</u> (<i>Seller Representations and Warranties</i>).
"Seller"	means BMW Bank.
"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 and in respect of which no previous drawing has been made from the Commingling Reserve Ledger.
"Servicer Termination Event"	means any of the following: <ul style="list-style-type: none"> (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 Lease 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 Lease 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.
"Servicer"	means BMW Bank, unless the engagement of BMW Bank as servicer of the Issuer in respect of Compartment German Auto Leases 5 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.

"Servicing Agreement"	means a servicing agreement between, <i>inter alia</i> , the Servicer and the Issuer 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: $(1\% \times \text{the Current Aggregate Discounted Outstanding Lease Balance of the Purchased Lease Receivables at the beginning of the respective Monthly Period}) \div 12$.
"Signing Date"	means 19 September 2019.
"Subordinated Lender"	means BMW Bank or any successor thereof.
"Subordinated Loan Agreement"	means a subordinated loan agreement entered into, <i>inter alios</i> , by the Issuer (in respect of Compartment German Auto Leases 5) and the Subordinated Lender 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.
"Subordinated Loan"	means the EUR 5,000,000, which is equal to 0.50 per cent. of the Initial Aggregate Discounted Outstanding Lease Balance, loan received (or to be received at the latest on the Issue Date) by the Issuer under the Subordinated Loan Agreement.
"Subscription Agreement"	means a subscription agreement between, <i>inter alia</i> , the Issuer in respect of Compartment German Auto Leases 5, the Seller and the Managers 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, <i>inter alia</i> , 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.

"SVI"	STS Verification International GmbH.
"Swap Agreement"	means a swap agreement dated and executed prior to the Issue Date between, <i>inter alios</i> , the Issuer and the Swap Counterparty pursuant to the 1992 ISDA Master Agreement and a rating agency compliant Schedule (including the related Credit Support Annex) and Confirmation (such confirmation executed on or about 12 September 2019 with trade date 11 September 2019 and effective date 23 September 2019).
"Swap Counterparty"	means Skandinaviska Enskilda Banken AB (publ) or its successor or any transferee appointed in accordance with the Swap Agreement.
"Swap Fixed Interest Rate"	means -0.6223% 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 Class A 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: <ul style="list-style-type: none">(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, as of any date, an amount equal to the Class A Outstanding Notes Balance on the immediately preceding Payment Date.

"Swap Outgoing Cashflow"	<p>means on any Payment Date, the product of:</p> <ul style="list-style-type: none"> (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 calendar days with twelve thirty-day months, <p>payable by the Issuer to the Swap Counterparty under the Swap Agreement.</p>
"Swap Replacement Expense Obligation"	<p>means any amount payable by the Issuer to any Person that constitute costs and expenses of the Issuer in respect of any replacement of the Swap Agreement.</p>
"Swap Termination Date"	<p>means the earlier of (i) the Legal Final Maturity Date, (ii) the Clean-up Call Settlement Date and (iii) the date on which the Notes are otherwise redeemed in full in accordance with the Conditions.</p>
"Taxes"	<p>means any stamp duty, sales, exercise, registration and other tax (including value added tax, income tax (other than the income tax payable by the Issuer or its shareholder at its place of incorporation or at its registered office) due and payable by the Issuer and reasonably evidenced in connection with the execution, filing or recording of the Transaction Documents or the purchase, transfer or retransfer of Lease Receivables or their financing under or pursuant to the Transaction Documents or the other documents to be delivered under or relating to the Transaction Documents or in any way connected with any transaction contemplated by the Lease Receivables Purchase Agreement or the Servicing Agreement.</p>
"Temporary Global Note"	<p>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.</p>
"Transaction Documents"	<p>means the German Transaction Documents, Deed of Security Assignment and the Swap Agreement collectively, including any amendment agreement, termination agreement or replacement agreement relating to any such agreement.</p>
"Transaction Party"	<p>means any Person who is a party to a Transaction Document and "Transaction Parties" means some or all of them.</p>
"Transaction"	<p>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 German Auto Leases 5 on the Issue Date.</p>

"Transferred Assets"	has the meaning assigned to it in Clause 8.1 of the Trust Agreement.
"Trust Agreement"	means a trust agreement entered into by, <i>inter alios</i> , the Issuer in respect of the Transaction and the Trustee.
"Trust Property"	has the meaning assigned thereto in Clause 7.1 (<i>Appointment as Trustee</i>) of the Trust Agreement.
"Trustee Claim"	has the meaning assigned thereto in Clause 6.1 (<i>Parallel Debt – Trustee joint and several creditor</i>) of the Trust Agreement.
"Trustee"	means BNY Mellon Corporate Trustee Services Limited, any successor thereof or any other Person appointed as replacement trustee from time to time in accordance with the Trust Agreement.
"TSI"	means True Sale International GmbH.
"U.S." or "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).
"UK" or "United Kingdom"	means the United Kingdom of Great Britain and Northern Ireland.
"USD"	means the lawful currency of the United States.
"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.

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**FINANCIAL STATEMENTS OF THE ISSUER
FOR THE FINANCIAL YEAR 2017**

BAVARIAN SKY S.A.

**Annual Accounts
for the year ended
December 31, 2017
(with the report of the Réviseur
d'entreprises agréé thereon)**

2a, rue Nicolas Bové
L-1253 Luxembourg
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Bavarian Sky S.A.
DIRECTOR'S REPORT
For the year ended December 31, 2017

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, 2017.

1. Activities and development of the business

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 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 A was created on September 15, 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. As at December 31, 2017, the total amount of outstanding notes is EUR 4.9 billion (2016: EUR 4.4 billion). An additional subordinated loan with 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 Bank GmbH was increased by EUR 560,000,000 against the purchase of additional expectancy rights. In September 2014, loans have been repaid for a total amount of EUR 2,732,257,995 and have been replaced by other loans amounted to EUR 1,000,000,000. Total amount of outstanding loans as at December 31, 2017 is EUR 1,399,999,892.

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 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 2 (G2) was created on June 2, 2014, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 1,000,000,000 and maturing in 2021. The notes have been issued in 2014 and the compartment became active in the same financial year. During 2017, the transaction terminated and the notes were fully redeemed.

Compartment German Auto loans 3 (G3) was created on May 13, 2015, 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 2022. The notes have been issued in 2014 and the compartment became active in the same financial year. As at December 31, 2017, the outstanding amount of notes was EUR 137,413,458.

Bavarian Sky S.A.

DIRECTOR'S REPORT

For the year ended December 31, 2017

1. Activities and development of the business (continued)

Compartment German Auto leases 4 (Ge4) was created on October 16, 2015, 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 2022. The notes have been issued in 2015 and the compartment became active in the same financial year. As at December 31, 2017, the outstanding amount of notes was EUR 75,438,240.

Compartment German Auto loans 4 (G4) was created on May 17, 2016, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 1,075,300,000 and maturing in 2023. The notes have been issued in 2016 and the compartment became active in the same financial year. As at December 31, 2017, the outstanding amount of notes was EUR 455,254,219.

Compartment German Auto loans 5 (G5) was created on September 12, 2016, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 1,070,000,000 and maturing in 2023. The notes have been issued in 2016 and the compartment became active in the same financial year. As at December 31, 2017, the outstanding amount of notes was EUR 626,695,032.

Compartment German Auto loans 6 (G6) was created on May 12, 2017, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 1,075,300,000 and maturing in 2024. The notes have been issued in 2017 and the compartment became active in the same financial year. As at December 31, 2017, the outstanding amount of notes was EUR 865,859,835.

Compartment German Auto loans 7 (G7) was created on October 9, 2017, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 1,075,300,000 and maturing in 2024. The notes have been issued in 2017 and the compartment became active in the same financial year. As at December 31, 2017, the outstanding amount of notes was EUR 1,019,317,986.

The portfolio of assets has been purchased from one counterpart. This dependence on a sole counterpart represents the principle risk to the Company. The Company is receiving monthly reports from BMW Bank GmbH for compartments German Auto loans 2, German Auto loans 3, German Auto Leases 4, German Auto loans 4, German Auto loans 5, German Auto loans 6, German Auto loans 7 and Compartment B and from Commerzbank Munich for compartment A.

The continuance of the existing programme is foreseen without any significant change in the future for the remaining compartments except for events disclosed in the "Subsequent events" section.

Bavarian Sky S.A.
DIRECTOR'S REPORT
For the year ended December 31, 2017

1. Activities and development of the business (continued)

Movements in number of active compartments:

	December 31, 2017 EUR	December 31, 2016 EUR
Opening	7	5
Number of compartment created	2	2
Number of compartment redeemed/cancelled	1	0
Closing	8	7

Financial highlights:

	December 31, 2017 EUR	December 31, 2016 EUR
Total Assets	6,581,323,191	6,132,898,248
Notes Issued	4,880,203,184	4,441,612,197
Net Profit/(Loss) for the financial year	NIL	NIL

Acquisition of own shares

During the year ended December 31, 2017, 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, 2017.

Branches of the Company

The Company does not have any branches.

2. Principal risks and uncertainties

The Company's business purpose is the securitisation, within the meaning of the Luxembourg law of March 22, 2004 on securitisations which shall apply to the Company, of receivables (the 'Permitted Assets').

The Company shall not actively source Permitted Assets but shall only securitise those Permitted Assets that are proposed to it by one or several originators.

The Company has exposure to the following risks from its use of financial instruments and does not have any externally imposed capital requirements, other than the minimum capital requirements of the Commercial Law in Luxembourg.

Bavarian Sky S.A.
DIRECTOR'S REPORT
For the year ended December 31, 2017

2. Principal risks and uncertainties (continued)

i - Credit risk

Credit risk is the risk of the financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's principal financial assets are other loans, debtors and Cash at bank and in hand. The risk factors, backing each compartment issued, are defined in the prospectus and or subscription agreement of that compartment. The Non-convertible loans issued by the Company for each compartment are limited recourse to the assets of that compartment. The continuity of the Company does not depend on the quality of the collaterals backing the Compartment. The risk of default on these assets is borne by the holders of the debt securities of the relevant Compartment.

ii - Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations arising from its financial liabilities as they fall due. The Company's obligation to the noteholder of a particular compartment is limited to the net proceeds upon realisation of the assets of that compartment. Should the net proceeds be insufficient to make all payments due in respect of a particular compartment other financial assets held by the Company will not be available for payment and the deficit is instead borne by the noteholder as per the prospectus and or subscription agreement of that compartment.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The expediency and proceed amounts from realising the collateral of each compartment are subject to market conditions. All substantial risks and rewards associated with the financial assets, liabilities and derivatives are ultimately borne by the noteholders.

iii - Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The noteholders are exposed to the market risk of financial assets classified as "Other loans". Market risk embodies the potential for both gains and losses and includes price risk, currency risk and interest rate risk.

a - Price risk

Price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Directors do not consider price risk to be a significant risk to the Company as the assets of the Company being lease receivables are not trading or liquid securities and hence the Company is not exposed to fluctuations in market price

Bavarian Sky S.A.

DIRECTOR'S REPORT

For the year ended December 31, 2017

2. Principal risks and uncertainties (continued)

b - Currency risk

The Company is exposed to currency risk on investments and borrowings that are not denominated in Euro. The Company limits its exposure to currency risk by operating bank accounts in other currencies than its functional currency for receipt and payments in other currencies than its functional currencies. The Company is not exposed to movements in exchange rates as all the investments made and obligations raised by the Company are in Euro (EUR), its functional currency.

c - Interest rate risk

Interest rate risk is the risk that the Company does not receive adequate interest from its assets to secure interest payments on the Non-convertible loans. The Company is not exposed to interest rate risk since it entered into swap agreements in order to hedge interest payments on the Non-convertible loans. Whereas in case of Compartment A, the Company has entered into interest rate settlement agreement in order to hedge its payments for amounts owed to credit Institutions and Non-convertible loans

3. Directors and their interests

The Directors who held office on December 31, 2017 did not hold any shares in the Company or in any group company at that date, or during the financial year. There were no contracts of any significance in relation to the business of the Company in which the Directors had any interest, at any time during the year.

4. Corporate Governance Statement

Introduction

The Company is subject to and complies with the Commercial Law of Luxembourg, the Securitization Law, the Law of Transparency and the Listing Rules of the Luxembourg Stock Exchange. The Company does not apply additional requirements in addition to those required by the above.

The Company has no employees. Corporate and domiciliation services are provided by Intertrust, a regulated service provider, which is supervised by the CSSF.

Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

Financial Reporting Process

The Board of Directors (the "Board") is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Corporate Service Provider, Intertrust,

Bavarian Sky S.A.
DIRECTOR'S REPORT
For the year ended December 31, 2017

4. Corporate Governance Statement (continued)

to maintain the accounting records of the Company independently of the Arranger and the Custodian.

For services provided by the Corporate Service Provider, the four eyes principle is established. The Corporate Service Provider is contractually obliged to maintain proper books and records as required by the service agreement. To that end the Corporate Service Provider performs reconciliations of its records to those of the Arranger and the Custodian. The Corporate Service Provider is also contractually obliged to prepare for review and approval by the Board the Annual Accounts providing a true and fair view of the financial situation of the Company. The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the external auditor's performance, qualifications and independence. The Corporate Service Provider has operating responsibility for internal control in relation to the financial reporting process.

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:

- 1 The management structure with delegated authority levels, segregation of duties, functional reporting lines and accountability;
- 2 Authorisation processes for all capital expenditure, other purchases and expenses are subject to appropriate authorisation procedures;
- 3 Formal reporting to the Board of Directors on specific areas of financial and operational risk.

Bavarian Sky S.A.

DIRECTOR'S REPORT

For the year ended December 31, 2017

4. Corporate Governance Statement (continued)

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.

Rules governing the appointment and replacement of Board Members

The Company is managed by a Board of Directors comprising of at least three members. The Directors are appointed by the General Meeting of Shareholders for a period not exceeding six years and are re-eligible. They may be removed at any time by a resolution of the general meeting of shareholders or by the Sole Shareholder. A Director will remain in function until his successor has been appointed. In case a Director is elected without mention of the term of his mandate, he is deemed to be elected for six years from the date of his election. In the event of vacancy of a member of the Board of Directors because of death, retirement, or otherwise, the remaining Directors thus appointed may meet and elect, by majority vote, a Director to fill such vacancy until the next general meeting of shareholders which will be asked to ratify such election.

Amendment of Articles of associations

Follows the legal requirements in Luxembourg.

General powers of the Board of Directors

The Board of Directors is vested with the broadest powers to perform all acts of administration and disposition in the Company's interests. All powers not expressly reserved by law to the general meeting of shareholders fall within the competence of the Board of Directors. The Board of Directors is authorised to transfer, assign and dispose of the assets of the Company in accordance with the Securitisation Law and in such manner as the Board of Directors deems appropriate as well as, for the avoidance of doubt, in accordance with the terms and conditions of the securities issued by the Company in the context of the securitisation of the relevant assets.

It is not foreseen to buy back any issued shares.

Bavarian Sky S.A.
DIRECTOR'S REPORT
For the year ended December 31, 2017

4. Corporate Governance Statement (continued)

Voting rights

Each issued share holds one vote in a meeting of shareholders. No special voting rights exist.

The Company is managed by Board of Directors composed of three members, represented by:

- Lara Nasato, Director until November 9, 2017
- Olivier Lansac, Director until August 31, 2017
- Laurent Bélik, Director until February 28, 2017
- Valérie Schleimer, Director since December 15, 2014
- Salvatore Rosato, Director since September 01, 2017
- Eric-Jan van de Laar, Director since November 10, 2017

The current Board of Directors were appointed on the general meeting of shareholders of the Company after resignation of the prior Board of Directors.

5. Shares and shareholders

The fully-paid subscribed capital amounts to EUR 31,000 which is divided into 3,100 ordinary shares in registered form with a nominal value of EUR 10 each. Stichting Bertdan and Stichting Cannelle each hold 1,550 shares of the Company.

The shares may be represented, at the owner's option, by certificates representing single shares or certificates representing two or more shares.

6. Subsequent events

On February 12, 2018 and June 1, 2018, the Board has approved and authorised the clean-up call option of Compartment 4 and 3, respectively. Compartment 4 has been liquidated on June 29, 2018.

Compartment German Auto loans 8 has been created during May 2018 for the purpose of securitising a portfolio of lease receivables.

On June 25, 2018, the Ordinary general meeting of the shareholders of the Company resolved to transfer the registered office of the Company from 6, rue Eugène Ruppert, L-2453 Luxembourg 2a, rue Nicolas Bové, L-1253 Luxembourg effective on June 15, 2018.

No other events occurred subsequent to December 31, 2017, that would have a material impact on these annual accounts.

Bavarian Sky S.A.
DIRECTOR'S REPORT
For the year ended December 31, 2017

7. Audit Committee

The Company has not established an Audit Committee. The role of the Audit Committee is directly undertaken by the Board of Directors of the Company, which is deemed appropriate given the defined business activities of the Company.

The sole business of the Company relates to the issuing of asset-backed securities. The Company also enters into certain derivatives to hedge out interest rate and currency risk exposures arising between asset and liability mismatches.

Under the Art.52 5 c) of the Law of 23 July 2016 on Audit Profession as amended, such a Company may avail itself of an exemption from the requirement to establish an audit committee.

Given the limited recourse nature of the securities issued by the Company and the independency of all the Directors, the Board of Directors has concluded that there is currently no need for the Company to have a separate audit committee in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process. Accordingly, the Board of Directors resolved to apply according to Art. 52 5 c) of the Law of 23 July 2016 on Audit Profession the exemption from the requirements to set up an audit committee, as it acts as issuer of asset-backed securities as defined in point (5) of Article 2 of Commission Regulation (EC) No 809/2004 and to have the entire Board assuming the functions of an audit committee, which is deemed appropriate given the defined business activities of the Company.

8. Statement of Director's responsibilities

To the best of our knowledge, and in accordance with the applicable reporting principles, the Annual Accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Director's report and the Corporate Governance Declaration include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.


Eric-Jan van de Laar
Director


Salvatore Rosato
Director



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To the Shareholder of
Bavarian Sky S.A.
2a, rue Nicolas Bové
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of Bavarian Sky S.A. (the "Company"), which comprise the balance sheet as at 31 December 2017, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 December 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the annual accounts » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Completeness, existence and accuracy of Company's Financial Assets (Other loans)

a) Why the matter was considered to be one of most significance in our audit of the annual accounts for the year ended 31 December 2017

As at 31 December 2017, Other loans amount to EUR 6,496 million, representing collectively 99% of total assets of the Company.

Financial Assets classified as Other Loans are composed of portfolio of lease receivables which are measured at acquisition cost less any provision for value adjustments and write-offs.

The Company acquired its portfolio of lease receivables from BMW Bank GmbH ("BMW") and the same counterparty also act as a servicer of the acquired lease receivables with the purpose of collecting principal and interests.

The collection of principals and interests is reported by the servicer to the Company through a monthly investor report. The servicer also reports additional purchases of lease receivables and defaults, if any, in the monthly investor report.

Due to the significance of Other Loans' balance and the fact that servicing of lease receivables is outsourced by the Company, we consider completeness, existence and accuracy of Company's Financial Assets (Other loans) as a key audit matter.

We refer to the accounting policies in Note 2 "Significant accounting policies" and Note 3 "Financial Assets" to the annual accounts.

b) How the matter was addressed in our audit

As the Company acquired lease receivables from BMW, who also acts as servicers of lease receivables, we involved KPMG Germany to assist us in our audit of the Company:

Our procedures over completeness, existence and accuracy of Company's Financial Assets (Other loans) included but were not limited to:

- We obtained understanding of credit underwriting and loan origination process by making inquiries to the management of BMW being the seller of the lease receivables and reviewing the related process documents of BMW;
- We performed tests of design and operating effectiveness of relevant controls over interest calculation, principal and interest collection, and the generation of the monthly investor report;
- We performed a reconciliation of monthly purchases, collections and write-offs as reported in the monthly investor report with an amount recorded in the general ledger of the Company and investigated any difference;
- We obtained confirmations from BMW for outstanding balances of lease receivables and investigated any difference;
- We reviewed the work performed by KPMG Germany in respect of completeness, existence and accuracy of lease receivables and challenged them where deemed necessary.



Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the management report and the Corporate Governance Statement but does not include the annual accounts and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation 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.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the Board of Directors on 18 April 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 11 years.

The management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.



We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002(4) on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, 23 July 2018

KPMG Luxembourg,
Société coopérative
Cabinet de révision agréé

A handwritten signature in black ink, appearing to read 'F. Rouault', written over a horizontal line.

F. Rouault
Partner

Annual Accounts Helpdesk :

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 Email : centraebilans@statec.etat.lu

RCSL Nr. : B127982

Matricule : 2007 2213 352

eCDF entry date :

BALANCE SHEET

Financial year from ⁰¹ 01/01/2017 to ⁰² 31/12/2017 (in ⁰³ EUR)

Bavarian Sky S.A.
 2a, rue Nicolas Bové
 L-1253 Luxembourg

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid	1101	101	102
I. Subscribed capital not called	1103	103	104
II. Subscribed capital called but unpaid	1105	105	106
B. Formation expenses	1107	107	108
C. Fixed assets	1109	6.495.656.871,00	5.997.932.754,00
I. Intangible assets	1111	111	112
1. Costs of development	1113	113	114
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115	115	116
a) acquired for valuable consideration and need not be shown under C.I.3	1117	117	118
b) created by the undertaking itself	1119	119	120
3. Goodwill, to the extent that it was acquired for valuable consideration	1121	121	122
4. Payments on account and intangible assets under development	1123	123	124
II. Tangible assets	1125	125	126
1. Land and buildings	1127	127	128
2. Plant and machinery	1129	129	130

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B127982

Matricule: 2007 2213 352

	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131	131	132
4. Payments on account and tangible assets in the course of construction	1133	133	138
III. Financial assets	1135	6.495.656.871,00	5.997.932.754,00
1. Shares in affiliated undertakings	1137	137	138
2. Loans to affiliated undertakings	1139	139	140
3. Participating interests	1141	141	142
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143	143	144
5. Investments held as fixed assets	1145	145	146
6. Other loans	1147	6.495.656.871,00	5.997.932.754,00
D. Current assets	1151	85.655.516,00	134.965.494,00
I. Stocks	1153	153	154
1. Raw materials and consumables	1155	155	156
2. Work in progress	1157	157	158
3. Finished goods and goods for resale	1159	159	160
4. Payments on account	1161	161	162
II. Debtors	1163	36.809.285,00	4.558.706,00
1. Trade debtors	1165	165	166
a) becoming due and payable within one year	1167	167	168
b) becoming due and payable after more than one year	1169	169	170
2. Amounts owed by affiliated undertakings	1171	32.332.064,00	172
a) becoming due and payable within one year	1173	32.332.064,00	174
b) becoming due and payable after more than one year	1175	175	176
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177	177	178
a) becoming due and payable within one year	1179	179	180
b) becoming due and payable after more than one year	1181	181	182
4. Other debtors	1183	4.477.221,00	4.558.706,00
a) becoming due and payable within one year	1185	4.477.221,00	4.558.706,00
b) becoming due and payable after more than one year	1187	187	188

RCSL Nr.: B127982

Matricule: 2007 2213 352

	Reference(s)	Current year	Previous year
III. Investments	1189	189	190
1. Shares in affiliated undertakings	1191	191	192
2. Own shares	1209	209	210
3. Other investments	1195	195	196
IV. Cash at bank and in hand	1197	197	198
	5	48.846.231,00	130.406.788,00
E. Prepayments	1189	199	200
	2.7	10.804,00	0,00
TOTAL (ASSETS)		201	202
		6.581.323.191,00	6.132.898.248,00

RCSL No.: B127982

Matricule: 2007 2213 352

CAPITAL, RESERVES AND LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves			
I. Subscribed capital	1301 _____ 6	301 _____ 31.000,00	302 _____ 31.000,00
II. Share premium account	1303 _____	303 _____ 31.000,00	304 _____ 31.000,00
III. Revaluation reserve	1305 _____	305 _____	306 _____
IV. Reserves	1307 _____	307 _____	308 _____
1. Legal reserve	1309 _____	309 _____	310 _____
2. Reserve for own shares	1311 _____	311 _____	312 _____
3. Reserves provided for by the articles of association	1313 _____	313 _____	314 _____
4. Other reserves, including the fair value reserve	1315 _____	315 _____	316 _____
a) other available reserves	1319 _____	319 _____	320 _____
b) other non available reserves	1321 _____	321 _____	322 _____
V. Profit or loss brought forward	1323 _____	323 _____	324 _____
VI. Profit or loss for the financial year	1325 _____	325 _____	326 _____
VII. Interim dividends			
VIII. Capital investment subsidies			
B. Provisions			
1. Provisions for pensions and similar obligations	1331 _____	331 _____	332 _____
2. Provisions for taxation	1333 _____	333 _____	334 _____
3. Other provisions	1335 _____	335 _____	336 _____
C. Creditors			
1. Debenture loans	1435 _____	435 _____ 6.581.292.191,00	436 _____ 6.132.867.248,00
a) Convertible loans	1437 _____	437 _____ 4.880.203.184,00	438 _____ 4.441.612.197,00
i) becoming due and payable within one year	1439 _____	439 _____	440 _____
ii) becoming due and payable after more than one year	1441 _____	441 _____	442 _____
b) Non convertible loans	1443 _____	443 _____	444 _____
i) becoming due and payable within one year	1445 _____	445 _____ 4.880.203.184,00	446 _____ 4.441.612.197,00
ii) becoming due and payable after more than one year	1447 _____ 7	447 _____ 224.499,00	448 _____ 251.451,00
ii) becoming due and payable after more than one year	1449 _____ 7	449 _____ 4.879.978.685,00	450 _____ 4.441.360.746,00
2. Amounts owed to credit institutions	1455 _____	355 _____ 1.400.110.028,00	356 _____ 1.400.140.414,00
a) becoming due and payable within one year	1357 _____ B	357 _____ 1.400.110.028,00	358 _____ 1.400.140.414,00
b) becoming due and payable after more than one year	1359 _____	359 _____	360 _____

The notes in the annex form an integral part of the annual accounts.

RCSL Nr.: B127982

Matricule : 2007 2213 352

	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are shown separately as deductions from stocks	1361	361	361
a) becoming due and payable within one year	1361	361	361
b) becoming due and payable after more than one year	1361	361	361
4. Trade creditors	1367	367	368
a) becoming due and payable within one year	1369	369	370
b) becoming due and payable after more than one year	1371	371	372
5. Bills of exchange payable	1373	373	374
a) becoming due and payable within one year	1375	375	376
b) becoming due and payable after more than one year	1377	377	378
6. Amounts owed to affiliated undertakings	1379	379	380
a) becoming due and payable within one year	1381	381	382
b) becoming due and payable after more than one year	1383	383	384
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	385	386
a) becoming due and payable within one year	1387	387	388
b) becoming due and payable after more than one year	1389	389	390
8. Other creditors	1451	451	452
a) Tax authorities	1393	393	394
b) Social security authorities	1395	395	396
c) Other creditors	1397	397	398
i) becoming due and payable within one year	1399	399	400
ii) becoming due and payable after more than one year	1401	401	402
D. Deferred income	1403	403	404
TOTAL (CAPITAL, RESERVES AND LIABILITIES)	405	406	406

The notes in the annex form an integral part of the annual accounts

Annual Accounts Helpdesk :

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 Email : centralebilans@statec.etat.lu

RCSL Nr. : B127982

Matricule : 2007 2213 352

eCDF entry date :

PROFIT AND LOSS ACCOUNTFinancial year from ⁰¹ 01/01/2017 to ⁰² 31/12/2017 (in ⁰³ EUR)

Bavarian Sky S.A.
 2a, rue Nicolas Bové
 L-1253 Luxembourg

PROFIT AND LOSS ACCOUNT

	Reference(s)	Current year	Previous year
1. Net turnover	1701 _____	701 _____	702 _____
2. Variation in stocks of finished goods and in work in progress	1703 _____	703 _____	704 _____
3. Work performed by the undertaking for its own purposes and capitalised	1705 _____	705 _____	705 _____
4. Other operating income	1713 _____	713 _____	714 _____
5. Raw materials and consumables and other external expenses	1671 _____	671 <u>-848.967,00</u>	672 <u>-826.014,00</u>
a) Raw materials and consumables	1601 _____	601 _____	602 _____
b) Other external expenses	1603 _____ 13	603 <u>-848.967,00</u>	604 <u>-826.014,00</u>
6. Staff costs	1605 _____	605 _____	606 _____
a) Wages and salaries	1607 _____	607 _____	608 _____
b) Social security costs	1609 _____	609 _____	610 _____
i) relating to pensions	1653 _____	653 _____	654 _____
ii) other social security costs	1655 _____	655 _____	656 _____
c) Other staff costs	1613 _____	613 _____	614 _____
7. Value adjustments	1657 _____	657 _____	658 _____
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 _____	659 _____	660 _____
b) in respect of current assets	1661 _____	661 _____	662 _____
8. Other operating expenses	1621 _____	621 _____	622 _____

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B127982

Matricule : 2007 2213 352

	Reference(s)	Current year	Previous year
9. Income from participating interests	1715	715	716
a) derived from affiliated undertakings	1717	717	718
b) other income from participating interests	1719	719	720
10. Income from other investments and loans forming part of the fixed assets	1721	721	722
a) derived from affiliated undertakings	1723	723	724
b) other income not included under a)	1725	725	726
	74	151.062.508,00	238.360.423,00
	74	151.062.508,00	238.360.423,00
11. Other interest receivable and similar income	1727	727	728
a) derived from affiliated undertakings	1729	729	730
b) other interest and similar income	1731	731	732
	15	19.445.791,00	16.554.786,00
	15	8.547.022,00	10.427.651,00
	15	10.898.769,00	6.127.135,00
12. Share of profit or loss of undertakings accounted for under the equity method	1663	663	664
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	665	666
	3	-5.898.885,00	-3.574.717,00
14. Interest payable and similar expenses	1627	627	628
a) concerning affiliated undertakings	1629	629	630
b) other interest and similar expenses	1631	631	632
	16	-163.755.632,00	-250.509.333,00
	16	-139.912.160,00	-227.933.669,00
	16	-23.843.472,00	-22.575.664,00
15. Tax on profit or loss	1635	635	636
16. Profit or loss after taxation	1667	667	668
		4.815,00	5.145,00
17. Other taxes not shown under items 1 to 16	1637	637	638
	11	-4.815,00	-5.145,00
18. Profit or loss for the financial year	1669	669	670
		0,00	0,00

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017

1 General

Bavarian Sky S.A. (the “Company”) is a Luxembourg limited liability company (“Société Anonyme”) incorporated on April 26, 2007 for an undetermined duration, 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 was established at 287-289 route d’Arlon, L-1150, Luxembourg. On January 18, 2017, the Ordinary general meeting of the shareholders of the Company resolved to transfer the registered office of the Company to 6, rue Eugène Ruppert, L-2453 Luxembourg. On June 25, 2018 and effective on 15 June 2018, the Company transfer its registered office to 2a, rue Nicolas Bové, L-1253 Luxembourg.

The Company is included in the consolidated accounts of BMW AG, Munich which draws up the consolidated accounts of the smallest and largest body of undertakings of which the Company forms part as a subsidiary undertaking. The registered office of BMW AG, Munich is located at Heidemannstraße 164, 80939 München, Germany and the consolidated accounts are available at the same address.

The Company does not have Branches.

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 (Comp. A) was created on September 15, 2008 for the purpose of securitising a portfolio of Expectancy Rights.

Compartment B (Comp. B) was created on May 25, 2010 for the purpose of securitising a portfolio of lease receivables.

Compartment German Auto loans 2 (Comp. G2) was created on June 2, 2014 for the purpose of securitising a portfolio of lease receivables. During 2017, the transaction terminated and the notes were fully redeemed.

Compartment German Auto loans 3 (Comp. Ge4) was created on May 13, 2015 for the purpose of securitising a portfolio of lease receivables.

Compartment German Auto leases 4 (Comp. Ge4) was created on October 16, 2015 for the purpose of securitising a portfolio of lease receivables.

Compartment German Auto loans 4 (Comp. G4) was created on May 17, 2016 for the purpose of securitising a portfolio of lease receivables.

Compartment German Auto loans 5 (Comp. G5) was created on September 12, 2016 for the purpose of securitising a portfolio of lease receivables.

Compartment German Auto loans 6 (Comp. G6) was created on May 12, 2017 for the purpose of securitising a portfolio of lease receivables.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

1 General (continued)

Compartment German Auto loans 7 (Comp. G7) was created on October 19, 2017 for the purpose of securitising a portfolio of lease receivables.

As at December 31, 2017, eight compartments were active.

The accounting year begins on January 1 and ends on December 31 each year.

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 Luxembourg legal and regulatory requirements under the historical cost convention and the going concern principle.

Accounting policies and valuation rules are, besides the one laid down by the Law of December 19, 2002, as amended, determined and applied by the Board of Directors.

The provision of the law of 18 December 2015 on the annual accounts and the consolidated accounts and the grand-ducal regulation of 18 December 2015 on the layout of balance sheet and profit and loss accounts, amending the law of 19 December 2002 have been transposed in these annual accounts. Where necessary, certain prior year figures have been reclassified to conform with the current financial year’s presentation for comparative purposes.

The balance for the financial year ended December 31, 2016 related to “amount owed to credit institutions” for an amount of EUR 1,399,999,606 has been reclassified from “becoming due and due and payable after more than one year” to “becoming due and payable within one year” to ensure consistency and comparability with the balances for the financial year ended December 31, 2017.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and its results fairly.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

2 Significant Accounting Policies (continued)

The books and records are maintained in euros ("EUR") and the annual accounts have been prepared in accordance with the valuation rules and accounting policies described below.

2.2 Financial assets

Financial assets classified as Other loans are composed of portfolio of lease receivables and expectancy rights acquired from BMW Bank 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.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account and the net unrealised exchange gains are not recognised.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(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 and presented in the caption "Other interest and similar income" and "Other interest and similar financial charges", respectively.

The fair values of swaps at year end, determining the price that would be received to sell the related asset or paid to transfer the related liability, are obtained from Swap counterparty and reviewed and approved by the Board of Directors. The fair values of swaps are disclosed in Note 18 to the Annual Accounts.

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.

2.7 Prepayments

This asset item represents amounts that have been paid but the related service or benefit has not yet been received. This amount will be recognised as expense, when the related service or benefit is received by the Company in the subsequent financial year(s).

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

2 Significant Accounting Policies (continued)

2.8 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to the amount or the date on which these will arise.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to the amount or the date on which these will arise.

At the balance sheet date, a provision shall represent the best estimate of the expenses likely to be incurred or, in the case of a liability, of the amount required to meet that liability.

Current tax provisions

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years are recorded under the caption "Other creditors". Advance payments are shown in assets of the balance sheet under the "Other debtors" item.

2.9 Creditors

Creditors are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is recorded in the profit and loss account.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

3 Financial assets

Financial assets classified as other loans are composed of portfolio of lease receivables and expectancy rights acquired from the BMW Bank GmbH as originator and seller of these receivables and expectancy rights. 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, 2017 is as follows:

In EUR	Comp. A	Comp. B	Comp. G2	Comp. G3	Comp. Ge4	Comp. G4	Comp. G5	Comp. G6	Comp. G7	31/12/2017 Combined	31/12/2016 Combined
Opening balance	2,499,999,297	600,433,392	181,021,967	446,162,179	392,795,152	854,278,826	1,023,241,941		-	5,997,932,754	5,094,931,869
Purchases/adjustments during the year	1,842,100,913	566,249,502	-	-	-	-	-	1,075,299,989	1,075,299,885	4,558,950,289	8,016,706,295
Receivables collected during the Year	(1,862,866,398)	(519,914,067)	(180,631,856)	(266,965,551)	(285,955,275)	(354,149,815)	(361,876,869)	(191,829,854)	(50,706,452)	(4,074,896,137)	(7,231,270,311)
Write-off	-	(1,174,087)	(390,111)	(1,293,882)	(707,561)	(1,887,864)	(1,332,458)	(309,927)	(142)	(7,096,032)	(4,185,225)
Value re-adjustment during the year											
Discount	20,765,997									20,765,997	121,753,125
Ending balance	2,499,999,809	645,594,740	-	177,902,746	106,132,316	498,241,147	660,032,614	883,160,208	1,024,593,291	6,495,656,871	5,997,932,754

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

3 Financial assets (continued)

During 2017, EUR 7,096,032 (2016: EUR 4,185,225) of defaulted receivables were written-off, EUR 1,197,147 (2016: EUR 610,508) was subsequently recovered on defaulted amounts, resulting in a total net defaulted amounts in respect of financial fixed assets of EUR 5,898,885 (2016: EUR 3,574,717).

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 (2016: option was not exercised).

4 Other debtors

Other debtors are composed of:

In EUR	Comp. A	Comp. B	Comp. G3	Comp. Ge4	Comp. G4	Comp. G5	Comp. G6	Comp. G7	31/12/2017 Combined	31/12/2016 Combined
Accrued interest on portfolio of lease receivables	-	803,782	190,390	115,234	493,695	618,504	784,468	902,483	3,908,556	3,978,291
Accrued interest on interest rate swaps	193,313	45,500	65,807	1,671	42,235	67,295	65,806	78,039	559,666	579,584
Miscellaneous receivables	8,999	-	-	-	-	-	-	-	8,999	831
	202,312	849,282	256,197	116,905	535,930	685,799	850,274	980,522	4,477,221	4,558,706

The interest receivable collected by the servicing agent was collected for the year ended December 31, 2017 and due to the Company on the next interest payment dates in January 2018.

5 Cash at bank and cash in hand

The cash at bank as at December 31, 2017 are comprised as follows:

In EUR	Comp.B	Comp.G3	Comp.Ge4	Comp.G4	Comp.G5	Comp.G6	Comp.G7	31/12/2017 Combined	31/12/2016 Combined
Cash at bank	6,000,021	8,000,000	8,006,044	10,700,000	5,380,040	11	115	38,086,231	92,906,788
Deposit and cash reserve account	-	-	-	-	-	5,380,000	5,380,000	10,760,000	37,500,000
	6,000,021	8,000,000	8,006,044	10,700,000	5,380,040	5,380,011	5,380,115	48,846,231	130,406,788

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, 2017
(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 10.00 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, 2017.

7 Debenture loans – Non convertible loans

The notes issued as at December 31, 2017 comprise the following:

In EUR	References	31/12/2017	31/12/2016
Compartment A	7.1	1,099,999,915	1,099,999,691
Compartment B	7.2	600,000,000	600,000,000
Compartment G2	7.3	-	103,920,833
Compartment G3	7.4	137,413,458	415,994,723
Compartment Ge4	7.5	75,438,240	370,584,381
Compartment G4	7.6	455,254,219	833,686,548
Compartment G5	7.7	626,695,032	1,017,174,570
Compartment G6	7.8	865,859,835	-
Compartment G7	7.9	1,019,317,986	-
Notes issued - becoming due and payable after more than one year		4,879,978,685	4,441,360,746
Accrued interest - becoming due and payable within one year		224,499	251,451
		4,880,203,184	4,441,612,197

7.1 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. In 2014, the Company entered into a new Note Purchase Agreement amounted to EUR 300,000,000 for funding Expectancy Rights.

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Notes to the Annual Accounts
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(continued)

7 Debenture loans – Non convertible loans (continued)

As of December 31, 2017, there were EUR 1,099,999,915 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 (2016: EUR 1,099,999,691).

7.2 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, 2017 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Interest rate	2017	2016
Class A	Euribor 1M + 1.5%	600,000,000	600,000,000
		<u>600,000,000</u>	<u>600,000,000</u>

7.3 Compartment German Auto Loans 2

In 2014, Compartment German Auto Loans 2 issued Class A and Class B notes backed by a portfolio of auto lease receivables maturing in August 2021.

During the year, the total outstanding amount of EUR 50,120,833 Class A Notes and EUR 53,800,800 Class B Notes were redeemed.

In EUR		Notes issued	Notes issued
Notes	Interest rate	2017	2016
Class A	Euribor 1M + 0.28%	-	50,120,833
Class B	Euribor 1M + 0.68%	-	53,800,000
		<u>-</u>	<u>103,920,833</u>

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

7 Debenture loans - Non convertible loans (continued)

7.4 Compartment German Auto Loans 3

In 2015, Compartment German Auto Loans 3 issued Class A and Class B notes backed by a portfolio of auto lease receivables maturing in August 2022.

As at December 31, 2017 a total amount of EUR 278,581,265 Class A Notes were redeemed thus reducing the balance from EUR 359,994,723 to EUR 81,413,458.

The notes outstanding for Compartment German Auto Loans 3 as at December 31, 2017 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Interest rate	2017	2016
Class A	Euribor 1M + 0.23%	81,413,458	359,994,723
Class B	1.00%	56,000,000	56,000,000
		<u>137,413,458</u>	<u>415,994,723</u>

7.5 Compartment German Auto Leases 4

In 2015, Compartment German Auto Leases 4 issued Class A and Class B notes backed by a portfolio of auto lease receivables maturing in December 2022.

As at December 31, 2017 a total amount of EUR 295,146,141 Class A Notes were redeemed thus reducing the balance from EUR 316,184,381 to EUR 21,038,240.

The notes outstanding for Compartment German Auto Leases 4 as at December 31, 2017 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Interest rate	2017	2016
Class A	Euribor 1M + 0.38%	21,038,240	316,184,381
Class B	1.00%	54,400,000	54,400,000
		<u>75,438,240</u>	<u>370,584,381</u>

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Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

7 Debenture loans - Non convertible loans (continued)

7.6 Compartment German Auto Loans 4

In 2016, Compartment German Auto Loans 4 issued Class A and Class B notes backed by a portfolio of auto lease receivables maturing in October 2023.

As at December 31, 2017 a total amount of EUR 378,432,329 Class A Notes were redeemed thus reducing the balance from EUR 763,686,548 to EUR 385,254,219.

The notes outstanding for Compartment German Auto Leases 4 as at December 31, 2017 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Interest rate	2017	2016
Class A	Euribor 1M + 0.33%	385,254,219	763,686,548
Class B	1.00%	70,000,000	70,000,000
		<u>455,254,219</u>	<u>833,686,548</u>

7.7 Compartment German Auto Loans 5

In 2016, Compartment German Auto Loans 5 issued Class A and Class B notes backed by a portfolio of auto lease receivables maturing in October 2023.

As at December 31, 2017 a total amount of EUR 385,179,538 Class A Notes were redeemed thus reducing the balance from EUR 941,874,570 to EUR 551,395,032.

The notes outstanding for Compartment German Auto Loans 5 as at December 31, 2017 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Interest rate	2017	2016
Class A	Euribor 1M + 0.40%	551,395,032	941,874,570
Class B	1.00%	75,300,000	75,300,000
		<u>626,695,032</u>	<u>1,017,174,570</u>

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

7 Debenture loans - Non convertible loans (continued)

7.8 Compartment German Auto Loans 6

In 2017, Compartment German Auto Loans 6 issued Class A (EUR 1,000,000,000) and Class B (EUR 75,300,000) notes backed by a portfolio of auto lease receivables maturing in May 2024.

As at December 31, 2017 a total amount of EUR 209,440,165 Class A Notes were redeemed thus reducing the initial balance from EUR 1,000,000,000 to EUR 790,559,835.

The notes outstanding for Compartment German Auto Loans 6 as at December 31, 2017 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Interest rate	2017	2016
Class A	Euribor 1M + 0.40%	790,559,835	-
Class B	1.00%	75,300,000	-
		<u>865,859,835</u>	<u>-</u>

7.9 Compartment German Auto Loans 7

In 2017, Compartment German Auto Loans 7 issued Class A (EUR 1,000,000,000) and Class B (EUR 75,300,000) notes backed by a portfolio of auto lease receivables maturing in October 2024.

As at December 31, 2017 a total amount of EUR 55,982,014 Class A Notes were redeemed thus reducing the balance from EUR 1,000,000,000 to EUR 944,017,986.

The notes outstanding for Compartment German Auto Loans 7 as at December 31, 2017 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Interest rate	2017	2016
Class A	Euribor 1M + 0.40%	944,017,986	-
Class B	1.00%	75,300,000	-
		<u>1,019,317,986</u>	<u>-</u>

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

8 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. Some of the loans have been repaid and been replaced by new loans in September 2014.

The amounts owed to credit institutions as at December 31, 2017 and 2016 comprise the following:

In EUR	2017	2016
Interest rate		
Euribor 1M+55bp	399,999,969	399,999,888
Euribor 1M+57bp	249,999,981	249,999,929
Euribor 1M+90bp	399,999,969	399,999,888
Euribor 1M+65bp	349,999,973	349,999,901
Amounts owed to credit institutions	1,399,999,892	1,399,999,606
Accrued Interest	110,136	140,808
Total - Becoming due and payable within one year	1,400,110,028	1,400,140,414

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

9 Trade creditors becoming due and payable within one year

This caption includes amounts payable for audit fees and other expenses for the year ended December 31, 2017.

10 Amounts owed to affiliated undertakings

In EUR	References	31/12/2017	31/12/2016
becoming due and payable within one year			
Amounts due to seller of lease receivables	10.1	172,264,441	142,015,252
Accrued Interest – Interest rate Swap	10.5	577,595	1,027,776
		172,842,036	143,043,028
becoming due and payable after more than one year			
Dilution reserve	10.2	0	37,500,000
Commingling reserve	10.3	39,500,000	39,500,000
Subordinated debts	10.5	42,839,837	70,550,462
Credit enhancement OC	10.4	45,161,290	0
		127,501,127	147,550,462
		300,343,163	290,593,490

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Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

10 Amounts owed to affiliated undertakings (continued)

10.1 Amounts due to seller of lease receivables

As at December 31, 2017, amounts due to the seller of lease receivables are as follows:

In EUR	Comp. B	Comp. G2	Comp. G3	Comp. Ge4	Comp. G4	Comp. G5	Comp. G6	Comp. G7	31/12/2017 Combined	31/12/2016 Combined
Opening balance	9,614,247	50,864,764	30,505,275	22,542,457	21,416,138	7,072,371	-	-	142,015,252	60,522,000
Amounts paid during year	(68,101,867)	(52,726,187)	-	-	-	-	-	-	(120,828,054)	(24,190,886)
Accruals/adjustments/reversals made during year	26,155,556	1,861,423	9,932,602	8,077,514	21,865,319	26,782,983	17,982,568	6,087,214	118,745,179	105,684,138
Distribution amount	-	-	-	-	-	-	-	-	-	-
	(32,332,064)	-	40,437,877	30,619,971	43,281,457	33,855,354	17,982,568	6,087,214	139,932,377	142,015,252
Amount due from the seller of lease receivable*	(32,332,064)	-	-	-	-	-	-	-	(32,332,064)	9,614,247
Amount due to the seller of lease receivable**	-	-	40,437,877	30,619,971	43,281,457	33,855,354	17,982,568	6,087,214	172,264,441	132,401,005

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

10 Amounts owed to affiliated undertakings (continued)

*Due to excess amount paid to the Seller in respect of Compartment B, the net balance resulted as receivable which is presented as Amount owed by affiliated undertakings in these annual accounts (2016:Nil)

**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.

10.2 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 dilution reserve has been repaid as at December 31, 2017 (2016: EUR 37,500,000).

10.3 Commingling reserve

Compartment 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 B	31/12/2017 Combined	31/12/2016 Combined
Opening balance	39,500,000	39,500,000	39,500,000
Amounts drawn	-	-	-
Adjustments / Repayments	-	-	-
	39,500,000	39,500,000	39,500,000

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

10 Amounts owed to affiliated undertakings (continued)

10.4 Credit enhancement

Compartment B entered into a Credit enhancement with BMW Bank GmbH which was used to purchase additional auto lease receivables.

In EUR	Compartment B	31/12/2017 Combined	31/12/2016 Combined
Opening balance		-	-
Amounts drawn	45,161,290	45,161,290	-
Adjustments / Repayments	-	-	-
	<u>45,161,290</u>	<u>45,161,290</u>	-

10.5 Subordinated debts

Subordinated debts, which correspond to non-convertible loans owed to affiliated undertakings as at December 31, 2017 comprise the following:

In EUR	Comp. G2	Comp. G3	Comp. Ge4	Comp. G4	Comp. G5	Comp. G6	Comp. G7	31/12/2017 Combined	31/12/2016 Combined
Opening balance	38,470,625	8,000,000	8,000,000	10,699,877	5,379,960	-	-	70,550,462	54,470,625
Amounts drawn	-	-	-	-	-	5,380,000	5,380,000	10,760,000	16,079,837
Repayments	(38,470,625)	-	-	-	-	-	-	(38,470,625)	-
Ending balance	<u>-</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>10,699,877</u>	<u>5,379,960</u>	<u>5,380,000</u>	<u>5,380,000</u>	<u>42,839,837</u>	<u>70,550,462</u>

Compartment German Auto Loans 2 entered into a subordinated loan agreement with BMW Bank GmbH in August 2014. Interest margin of 100 bps above 1 month Euribor is applied on the outstanding balance. The loan was settled in full during the year.

Compartment German Auto Loans 3 entered into a subordinated loan agreement with BMW Bank GmbH in August 2015. Interest margin of 125 bps above 1 month Euribor is applied on the outstanding balance.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
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10 Amounts owed to affiliated undertakings (continued)

Compartment German Auto Leases 4 entered into a subordinated loan agreement with BMW Bank GmbH in December 2015. Interest margin of 125 bps above 1 month Euribor is applied on the outstanding balance.

Compartment German Auto Loans 4 entered into a subordinated loan agreement with BMW Bank GmbH in May 2016. Interest margin of 125 bps above 1 month Euribor is applied on the outstanding balance.

Compartment German Auto Loans 5 entered into a subordinated loan agreement with BMW Bank GmbH in October 2016. Interest margin of 125 bps above 1 month Euribor is applied on the outstanding balance.

Compartment German Auto Loans 6 entered into a subordinated loan agreement with BMW Bank GmbH in May 2017. Interest margin of 125 bps above 1 month Euribor is applied on the outstanding balance.

Compartment German Auto Loans 7 entered into a subordinated loan agreement with BMW Bank GmbH in October 2017. Interest margin of 125 bps above 1 month Euribor is applied on the outstanding balance.

11 Income Tax

The Company is subject to all taxes applicable to commercial companies in Luxembourg incorporated under the securitisation law of March 22, 2004.

12 Other creditors becoming due and payable within one year

As at December 31, 2017, other creditors becoming due and payable within one year comprise the following:

								31/12/2017	31/12/2016
In EUR	Comp. B	Comp. G3	Comp. Ge4	Comp. G4	Comp. G5	Comp. G6	Comp. G7	Combined	Combined
Accrued interest - interest rate swaps	67,833	92,086	2,378	43,555	62,338	92,086	106,726	467,003	354,201

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Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

13 Other external expenses

For the year ended December 31, 2017, other external expenses comprise the following:

In EUR										2017	2016
	Comp. A	Comp. B	Comp. G2	Comp. G3	Comp. G4	Comp. G4	Comp. G5	Comp. G6	Comp. G7	Combined	Combined
Legal fees	1,409	-	-	-	-	-	-	77	-	1,486	2,340
Audit fees	13,468	13,468	-	13,468	13,468	13,468	13,468	26,248	12,870	119,926	101,564
Monitoring fees	320,411	-	-	-	-	-	-	-	-	320,411	368,000
Domiciliation fees	14,094	14,124	449	14,123	16,210	14,675	16,848	34	-	90,557	113,397
Administration fees	5,000	5,850	6,200	21,310	20,800	22,200	24,820	16,923	2,776	125,879	140,350
Rating fees	-	-	8,959	18,240	49,910	36,960	42,660	6,840	-	163,569	91,639
Other fees	-	5,565	-	1,925	1,925	1,823	-	7,950	7,950	27,139	8,724
	354,381	39,007	15,608	69,066	102,313	89,126	97,796	58,073	23,596	848,967	826,014

Fees accrued by the Company and payable to KPMG Luxembourg, Société Coopérative are presented as follows:

In EUR	2017	2016
Audit fees (including VAT)	119,926	94,279

Bavarian Sky S.A.
Notes to the Annual Accounts
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14 Income from other investments and loans forming part of the fixed assets

Income from financial fixed assets of EUR 151,062,508 (2016: EUR 238,360,423) includes mainly interest income on financial fixed assets recorded for the year ended December 31, 2017 of EUR 130,296,511 (2016: EUR 116,607,298) and discount realised on the collected receivables of EUR 20,765,997 (2016: EUR 121,753,125).

15 Other interest receivable and similar income

For the year ended December 31, 2017, other interest receivable and similar income comprise the following:

In EUR									2017	2016
	Comp.A	Comp.B	Comp.G3	Comp.Ge4	Comp.G4	Comp.G5	Comp.G6	Comp.G7	Combined	Combined
Derived from affiliated undertakings										
Interest income	8,547,022	-	-	-	-	-	-	-	8,547,022	10,427,651
- interest rate swap										
Other interest and similar income										
Interest income	-	2,569,755	100,665	515,695	2,284,699	3,292,711	1,583,039	552,205	10,898,769	6,127,135
- interest rate swap										
	8,547,022	2,569,755	100,665	515,695	2,284,699	3,292,711	1,583,039	552,205	19,445,791	16,554,786

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Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

16 Interest payable and similar expenses

For the year ended December 31, 2017, interest payable and similar expenses were comprised as follows:

In EUR										2017	2016
	Comp. A	Comp. B	Comp. G2	Comp. G3	Comp. Ge4	Comp.G4	Comp.G5	Comp. G6	Comp. G7	Combined	Combined
Concerning affiliated undertakings											
Interest expense - borrowings	-	-	95,363	71,309	71,213	95,257	47,891	29,105	9,718	419,856	485,614
Interest expenses - interest rate swaps	20,765,996	-	-	-	-	-	-	-	-	20,765,996	121,753,125
Amount due to seller of lease receivable	-	26,155,556	1,842,554	9,932,601	8,077,513	21,865,319	26,782,983	17,982,568	6,087,214	118,726,308	105,694,930
	20,765,996	26,155,556	1,937,917	10,003,910	8,148,726	21,960,576	26,830,874	18,011,673	6,096,932	139,912,160	227,933,669
Other interest and similar expenses											
Interest expense - notes issued	4,378,444	-	56,775	567,774	564,578	709,717	975,165	616,175	212,751	8,081,379	8,127,818
Interest expense - interest rate swaps	-	2,393,050	121,485	837,548	657,983	1,824,992	3,025,934	2,081,707	748,362	11,691,061	9,449,014
Interest expense - borrowings/cash	3,813,509	151,390	-	29,689	-	39,709	18,890	12,882	4,963	4,071,032	4,998,832
	8,191,953	2,544,440	178,260	1,435,011	1,222,561	2,574,418	4,019,989	2,710,764	966,076	23,843,472	22,575,664
Total	28,957,949	28,699,996	2,116,177	11,438,921	9,371,287	24,534,994	30,850,863	20,722,437	7,063,008	163,755,632	250,509,333

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
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17 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.

18 Off-balance sheet activities

18.1 Compartment A

On September 15, 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.

18.2 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 (refer to note 7.2).

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 as at December 31, 2017	Termination date	Interest rate receivable	Interest rate payable
EUR 600,000,000	May 21, 2021	EURIBOR 1 month	-0.273% p.a.

As at December 31, 2017, the fair valuation of the IRS is EUR 801,769.33.

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
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(continued)

18 Off-balance sheet activities (continued)

18.3 Compartment German Auto Loans 2

The Compartment German Auto Loans 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 German Auto Loans 2 notes (refer to note 7.3). All the notes have been redeemed in full and the Compartment has been closed during the year.

18.4 Compartment German Auto Loans 3

The Compartment German Auto Loans 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 German Auto Loans 3 notes (refer to note 7.4).

The Class A notes were redeemed during 2017 for a total amount of EUR 278,581,265.

The details of this contract are summarised as follows:

Notional amount as at December 31, 2017	Termination date	Interest rate receivable	Interest rate payable
EUR 81,413,458	August 20, 2022	EURIBOR 1 month	-0.06% p.a.

As at December 31, 2017, the fair valuation of the IRS is EUR 54,559.01

Compartment German Auto Loans 3 entered into an "interest rate settlement agreement" on August 19, 2015 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.

18.5 Compartment German Auto Leases 4

The Compartment German Auto Leases 4 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 Leases 4 notes (refer to note 7.5).

The Class A notes were redeemed during 2017 for a total amount of EUR 295,146,141.

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Notes to the Annual Accounts
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(continued)

18 Off-balance sheet activities (continued)

The details of this contract are summarised as follows:

Notional amount as at December 31, 2017	Termination date	Interest rate receivable	Interest rate payable
EUR 21,038,240	December, 2022	EURIBOR 1 month	-0.286% p.a.

As at December 31, 2017, the fair valuation of the IRS is EUR (1,725.13).

Compartment German Auto Leases 4 entered into an “interest rate settlement agreement” on November 26, 2015 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.

18.6 Compartment German Auto Loans 4

The Compartment German Auto Loans 4 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 4 notes (refer to note 7.6).

The Class A notes were redeemed during 2017 for a total amount of EUR 378,432,329.

The details of this contract are summarised as follows:

Notional amount as at December 31, 2017	Termination date	Interest rate receivable	Interest rate payable
EUR 385,254,219	October 20, 2023	EURIBOR 1 month	-0.37% p.a.

As at December 31, 2017, the fair valuation of the IRS is EUR 46,309.84

Compartment German Auto Loans 4 entered into an “interest rate settlement agreement” on May 18, 2016 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
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18 Off-balance sheet activities (continued)

18.7 Compartment German Auto Loans 5

The Compartment German Auto Loans 5 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 5 notes (refer to note 7.7).

The Class A notes were redeemed during 2017 for a total amount of EUR 390,479,538.

The details of this contract are summarised as follows:

Notional amount as at December 31, 2017	Termination date	Interest rate receivable	Interest rate payable
EUR 551,395,031.71	October 20, 2023	EURIBOR 1 month	-0.4119% p.a.

As at December 31, 2017, the fair valuation of the IRS is EUR 978,312.78.

Compartment German Auto Loans 5 entered into an “interest rate settlement agreement” on October 13, 2016 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.

18.8 Compartment German Auto Loans 6

The Compartment German Auto Loans 6 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 6 notes (refer to note 7.8).

The Class A notes were redeemed during 2017 for a total amount of EUR 209,440,165.

The details of this contract are summarised as follows:

Notional amount as at December 31, 2017	Termination date	Interest rate receivable	Interest rate payable
EUR 790,559,835	May 20, 2024	EURIBOR 1 month	-0.290% p.a.

As at December 31, 2017, the fair valuation of the IRS is EUR 810,308.30.

Compartment German Auto Loans 6 entered into an “interest rate settlement agreement” on May 18, 2017 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, 2017
(continued)

18 Off-balance sheet activities (continued)

18.9 Compartment German Auto Loans 7

The Compartment German Auto Loans 7 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 7 notes (refer to note 7.9).

The Class A notes were redeemed during 2017 for a total amount of EUR 55,982,014.

The details of this contract are summarised as follows:

Notional amount as at December 31, 2017	Termination date	Interest rate receivable	Interest rate payable
EUR 944,017,986	October 20, 2024	EURIBOR 1 month	-0.29% p.a.

As at December 31, 2017, the fair valuation of the IRS is EUR 432,153.66.

Compartment German Auto Loans 7 entered into an “interest rate settlement agreement” on October 11, 2017 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 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.

Refer to note 7 and note 10 for amount payable to BMW Bank GmbH and BMW Finance N.V. as at December 31, 2017 and December 31, 2016.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

20 Compartmental Balance sheet and Profit and loss account

Summary of compartmental assets and liabilities for the year ended December 31, 2017:

2017 (in EUR)	Comp. A	Comp. B	Comp. G3	Comp. Ge4	Comp. G4	Comp. G5	Comp. G6	Comp. G7	Combined
ASSETS									
Financial assets - Other Loans	2,499,999,809	645,594,740	177,902,746	106,132,316	498,241,147	660,032,614	883,160,208	1,024,593,291	6,495,656,871
Current assets - Other receivables	202,312	33,181,346	256,197	116,905	535,930	685,799	850,274	980,522	36,809,285
Current assets - Cash at bank and in hand	-	6,000,021	8,000,000	8,006,044	10,700,000	5,380,040	5,380,011	5,380,115	48,846,231
Prepayments	-	-	-	-	-	-	-	10,804	10,804
	2,500,202,121	684,776,107	186,158,943	114,255,265	509,477,077	666,098,453	889,390,493	1,030,964,732	6,581,323,191
LIABILITIES									
Capital and reserves	-	31,000	-	-	-	-	-	-	31,000
Creditors									
Debtore loans - Non convertible loans	1,100,079,222	600,000,000	137,430,569	75,454,938	455,275,609	626,723,108	865,890,077	1,019,349,661	4,880,203,184
Amounts owed to credit institutions	1,400,110,028	-	-	-	-	-	-	-	1,400,110,028
Trade creditors	12,870	15,134	16,337	23,670	17,237	13,670	15,307	31,413	145,638
Amounts owed to affiliated undertakings	-	84,661,290	48,617,201	38,767,694	54,135,716	39,292,657	23,391,673	11,476,932	300,343,163
Other creditors									
Tax and social security debts	-	850	2,750	6,585	4,960	6,680	1,350	-	23,175
Other creditors	-	67,833	92,086	2,378	43,555	62,338	92,086	106,727	467,003
	2,500,202,120	684,776,107	186,158,943	114,255,265	509,477,077	666,098,453	889,390,493	1,030,964,733	6,581,323,191

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

20 Compartmental Balance sheet and Profit and loss account (continued)

Summary of compartmental assets and liabilities for the year ended December 31, 2017:

2017 (in EUR)	Comp. A	Comp. B	Comp. G2	Comp. G3	Comp. Ge4	Comp. G4	Comp. G5	Comp. G6	Comp. G7	Combined
Other external expenses	(354,382)	(39,007)	(15,608)	(69,066)	(102,313)	(89,126)	(97,796)	(58,073)	(23,596)	(848,967)
Income from other investments and loans forming part of the fixed assets	20,765,997	27,143,509	2,343,866	12,439,158	9,445,644	24,005,251	28,888,042	19,496,499	6,534,542	151,062,508
Other interest receivable and similar income	8,547,022	2,569,755	-	100,665	515,695	2,284,699	3,292,711	1,583,039	552,205	19,445,791
Value adjustments in respect of financial assets and of investments held as current assets	-	(973,574)	(211,775)	(1,031,148)	(487,051)	(1,665,142)	(1,231,408)	(298,646)	(141)	(5,898,885)
Interest payable and similar expenses	(28,957,949)	(28,699,996)	(2,116,177)	(11,438,921)	(9,371,287)	(24,534,994)	(30,850,863)	(20,722,437)	(7,063,008)	(163,755,632)
Profit or loss after taxation	688	688	306	688	688	688	687	382	-	4,815
Other taxes	(688)	(688)	(306)	(688)	(688)	(688)	(687)	(382)	-	(4,815)
Profit or loss for the financial year	-	-	-	-	-	-	-	-	-	-

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

20 Compartmental Balance sheet and Profit and loss account (continued)

Summary of compartmental assets and liabilities for the year ended December 31, 2016:

2016 (in EUR)	Comp. A	Comp. B	Comp. G2	Comp. G3	Comp. G4	Comp. G4	Comp. G5	Combined
ASSETS								
Financial assets - Other Loans	2,499,999,297	600,433,392	181,021,967	446,162,179	392,795,152	854,278,826	1,023,241,941	5,997,932,754
Current assets - Other receivables	301,373	842,875	228,312	526,356	481,901	1,012,324	1,165,565	4,558,706
Current assets - Cash at bank and in hand	37,500,000	48,000,079	12,820,625	8,000,000	8,006,044	10,700,000	5,380,040	130,406,788
	2,537,800,670	649,276,346	194,070,904	454,688,535	401,283,097	865,991,150	1,029,787,546	6,132,898,248
LIABILITIES								
Capital and reserves	-	31,000	-	-	-	-	-	31,000
Creditors								
Debtore loans – Non convertible loans	1,100,147,386	600,011,741	103,925,895	416,011,835	370,601,770	833,707,937	1,017,205,633	4,441,612,197
Amounts owed to credit institutions	1,400,140,414	-	-	-	-	-	-	1,400,140,414
Trade creditors	12,870	49,458	13,669	16,426	23,670	20,656	13,070	149,820
Amounts owed to affiliated undertakings	37,500,000	49,114,247	90,110,064	38,613,290	30,618,967	32,175,139	12,461,783	290,593,490
Other creditors								
Tax and social security debts	-	1,700	6,000	6,065	2,750	612	-	17,127
Other creditors	-	68,200	15,276	40,919	35,940	86,806	107,060	354,201
	2,537,800,670	649,276,346	194,070,904	454,688,535	401,283,097	865,991,150	1,029,787,546	6,132,898,248

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued)

20 Compartmental Balance sheet and Profit and loss account (continued)

Summary of compartmental income and charges for the year ended December 31, 2016:

2016 (in EUR)	Comp. A	Comp. B	Comp. G2	Comp. G3	Comp. Ge4	Comp.G4	Comp. G5	Combined
Other external expenses	(415,513)	(52,713)	(116,400)	(102,856)	(76,652)	(35,310)	(26,570)	(826,014)
Income from other investments and loans forming part of the fixed assets	121,753,125	26,519,027	14,186,768	23,143,849	23,234,045	22,265,302	7,258,307	238,360,423
Other interest receivable and similar income	10,427,651	1,324,000	-	345,782	1,649,348	2,023,307	784,698	16,554,786
Value adjustments in respect of financial assets and of investments held as current assets	-	(831,012)	(980,375)	(972,201)	(516,047)	(274,980)	(102)	(3,574,717)
Interest payable and similar expenses	(131,764,016)	(26,958,055)	(13,088,746)	(22,413,872)	(24,289,992)	(23,978,319)	(8,016,333)	(250,509,333)
Profit or loss after taxation	1,247	1,247	1,247	702	702	-	-	5,145
Other taxes	(1,247)	(1,247)	(1,247)	(702)	(702)	-	-	(5,145)
Profit or loss for the financial year	-	-	-	-	-	-	-	-

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2017
(continued and end)

21 Subsequent events

On February 12, 2018 and June 1, 2018, the Board has approved and authorised the clean-up call option of Compartment 4 and 3, respectively. Compartment 4 has been liquidated on June 29, 2018.

Compartment German Auto loans 8 has been created during May 2018 for the purpose of securitising a portfolio of lease receivables.

On June 25, 2018, the Ordinary general meeting of the shareholders of the Company resolved to transfer the registered office of the Company from 6, rue Eugène Ruppert, L-2453 Luxembourg 2a, rue Nicolas Bové, L-1253 Luxembourg effective on June 15, 2018.

No other events occurred subsequent to December 31, 2017, that would have a material impact on these annual accounts.

22 Advances, loans and emoluments granted to members of the administrative, managerial and supervisory bodies

There are no advances, loans or emoluments granted to the members of the management and supervisory bodies during the financial year (2016: None).

**FINANCIAL STATEMENTS OF THE ISSUER
FOR THE FINANCIAL YEAR 2018**

BAVARIAN SKY S.A.
Société Anonyme

Annual Accounts
for the year ended
December 31, 2018
(with the report of the Réviseur
d'entreprises agréé thereon)

2a, rue Nicolas Bové
L-1253 Luxembourg
R.C.S. Luxembourg B127 982

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Bavarian Sky S.A.
DIRECTORS' REPORT
For the year ended December 31, 2018

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, 2018.

1. Activities and development of the business

The Company was incorporated on April 26, 2007, under Luxembourg Law with the application of the Luxembourg securitisation law of March 22, 2004.

On June 25, 2018, the Ordinary general meeting of the shareholders of the Company resolved to transfer the registered office of the Company from 6, rue Eugène Ruppert, L-2453 Luxembourg to 2a, rue Nicolas Bové, L-1253 Luxembourg effective on June 15, 2018.

The Company has been established for the purpose of securitising a portfolio of lease receivables and expectancy rights originated by 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 A was created on September 15, 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 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 Bank GmbH was increased by EUR 560,000,000 against the purchase of additional expectancy rights. In September 2014, loans have been repaid for a total amount of EUR 2,732,257,995 and have been replaced by other loans amounted to EUR 1,000,000,000. Total amount of outstanding non-convertible loans as at December 31, 2018 is EUR 1,099,999,695.

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 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. In 2018, an increase of the notes was done by issuing an additional nominal amount of EUR 400,000,000 against an investment in the auto lease receivable portfolio thus resulting in a total amount of EUR 1,000,000,000.

Compartment German Auto loans 3 (G3) was created on May 13, 2015, 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 2022. The notes have been issued in 2014 and the compartment became active in the same financial year. During 2018, the transaction terminated and the notes were fully redeemed.

Bavarian Sky S.A.
DIRECTORS' REPORT
For the year ended December 31, 2018

1. Activities and development of the business (continued)

Compartment German Auto leases 4 (Ge4) was created on October 16, 2015, 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 2022. The notes have been issued in 2015 and the compartment became active in the same financial year. During 2018, the transaction terminated and the notes were fully redeemed.

Compartment German Auto loans 4 (G4) was created on May 17, 2016, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 1,075,300,000 and maturing in 2023. The notes have been issued in 2016 and the compartment became active in the same financial year. As at December 31, 2018, the outstanding amount of notes was EUR 96,952,220.

Compartment German Auto loans 5 (G5) was created on September 12, 2016, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 1,070,000,000 and maturing in 2023. The notes have been issued in 2016 and the compartment became active in the same financial year. As at December 31, 2018, the outstanding amount of notes was EUR 303,351,697.

Compartment German Auto loans 6 (G6) was created on May 12, 2017, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 1,075,300,000 and maturing in 2024. The notes have been issued in 2017 and the compartment became active in the same financial year. As at December 31, 2018, the outstanding amount of notes was EUR 529,447,011.

Compartment German Auto loans 7 (G7) was created on October 9, 2017, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 1,075,300,000 and maturing in 2024. The notes have been issued in 2017 and the compartment became active in the same financial year. As at December 31, 2018, the outstanding amount of notes was EUR 655,452,595.

Compartment German Auto loans 8 (G8) was created on May 14, 2018, for the purpose of securitising a portfolio of lease receivables resulting from the proceeds of the note issuance of a total amount of EUR 1,075,300,000 and maturing in 2025. The notes have been issued in 2018 and the compartment became active in the same financial year. As at December 31, 2018, the outstanding amount of notes was EUR 869,974,198.

The portfolio of assets has been purchased from one counterpart. This dependence on a sole counterpart represents the principle risk to the Company. The Company is receiving monthly reports from BMW Bank GmbH for compartments German Auto loans 3, German Auto Leases 4, German Auto loans 4, German Auto loans 5, German Auto loans 6, German Auto loans 7, German Auto loans 8 and Compartment B and from Commerzbank Munich for compartment A.

The continuance of the existing programme is foreseen without any significant change in the future for the remaining compartments except for events disclosed in the "Subsequent events" section.

Bavarian Sky S.A.
DIRECTORS' REPORT
For the year ended December 31, 2018

1. Activities and development of the business (continued)

Movements in number of active compartments:

	December 31, 2018 EUR	December 31, 2017 EUR
Opening	8	7
Number of compartment created	1	2
Number of compartment redeemed/cancelled	2	1
Closing	7	8

Financial highlights:

	December 31, 2018 EUR	December 31, 2017 EUR
Total Assets	6,294,191,552	6,581,323,191
Notes Issued	4,555,447,985	4,880,203,184
Net Profit/(Loss) for the financial year	NIL	NIL

Acquisition of own shares

During the year ended December 31, 2018, 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, 2018.

Branches of the Company

The Company does not have any branches.

2. Principal risks and uncertainties

The Company's business purpose is the securitisation, within the meaning of the Luxembourg law of March 22, 2004 on securitisations which shall apply to the Company, of receivables (the 'Permitted Assets').

The Company shall not actively source Permitted Assets but shall only securitise those Permitted Assets that are proposed to it by one or several originators.

The Company has exposure to the following risks from its use of financial instruments and does not have any externally imposed capital requirements, other than the minimum capital requirements of the Commercial Law in Luxembourg.

Bavarian Sky S.A.
DIRECTORS' REPORT
For the year ended December 31, 2018

2. Principal risks and uncertainties (continued)

i - Credit risk

Credit risk is the risk of the financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's principal financial assets are other loans, debtors and Cash at bank and in hand. The risk factors, backing each compartment issued, are defined in the prospectus and or subscription agreement of that compartment. The Non-convertible loans issued by the Company for each compartment are limited recourse to the assets of that compartment. The continuity of the Company does not depend on the quality of the collaterals backing the Compartment. The risk of default on these assets is borne by the holders of the debt securities of the relevant Compartment.

ii - Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations arising from its financial liabilities as they fall due. The Company's obligation to the noteholder of a particular compartment is limited to the net proceeds upon realisation of the assets of that compartment. Should the net proceeds be insufficient to make all payments due in respect of a particular compartment other financial assets held by the Company will not be available for payment and the deficit is instead borne by the noteholder as per the prospectus and or subscription agreement of that compartment.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The expediency and proceed amounts from realising the collateral of each compartment are subject to market conditions. All substantial risks and rewards associated with the financial assets, liabilities and derivatives are ultimately borne by the noteholders.

iii - Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The noteholders are exposed to the market risk of financial assets classified as "Other loans". Market risk embodies the potential for both gains and losses and includes price risk, currency risk and interest rate risk.

a - Price risk

Price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Directors do not consider price risk to be a significant risk to the Company as the assets of the Company being lease receivables are not trading or liquid securities and hence the Company is not exposed to fluctuations in market price

Bavarian Sky S.A.
DIRECTORS' REPORT
For the year ended December 31, 2018

2. Principal risks and uncertainties (continued)

b - Currency risk

The Company is exposed to currency risk on investments and borrowings that are not denominated in Euro. The Company limits its exposure to currency risk by operating bank accounts in other currencies than its functional currency for receipt and payments in other currencies than its functional currencies. The Company is not exposed to movements in exchange rates as all the investments made and obligations raised by the Company are in Euro (EUR), its functional currency.

c - Interest rate risk

Interest rate risk is the risk that the Company does not receive adequate interest from its assets to secure interest payments on the Non-convertible loans. The Company is not exposed to interest rate risk since it entered into swap agreements in order to hedge interest payments on the Non-convertible loans. Whereas in case of Compartment A, the Company has entered into interest rate settlement agreement in order to hedge its payments for amounts owed to credit Institutions and Non-convertible loans

3. Directors and their interests

The Directors who held office on December 31, 2018 did not hold any shares in the Company or in any group company at that date, or during the financial year. There were no contracts of any significance in relation to the business of the Company in which the Directors had any interest, at any time during the year.

4. Corporate Governance Statement

Introduction

The Company is subject to and complies with the Commercial Law of Luxembourg, the Securitization Law, the Law of Transparency and the Listing Rules of the Luxembourg Stock Exchange. The Company does not apply additional requirements in addition to those required by the above.

The Company has no employees. Corporate and domiciliation services are provided by Intertrust, a regulated service provider, which is supervised by the CSSF.

Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

Financial Reporting Process

The Board of Directors (the "Board") is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Bavarian Sky S.A.
DIRECTORS' REPORT
For the year ended December 31, 2018

4. Corporate Governance Statement (continued)

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Corporate Service Provider, Intertrust, to maintain the accounting records of the Company independently of the Arranger and the Custodian.

For services provided by the Corporate Service Provider, the four eyes principle is established. The Corporate Service Provider is contractually obliged to maintain proper books and records as required by the service agreement. To that end the Corporate Service Provider performs reconciliations of its records to those of the Arranger and the Custodian. The Corporate Service Provider is also contractually obliged to prepare for review and approval by the Board the Annual Accounts providing a true and fair view of the financial situation of the Company. The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the external auditor's performance, qualifications and independence. The Corporate Service Provider has operating responsibility for internal control in relation to the financial reporting process.

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:

- 1 The management structure with delegated authority levels, segregation of duties, functional reporting lines and accountability;
- 2 Authorisation processes for all capital expenditure, other purchases and expenses are subject to appropriate authorisation procedures;
- 3 Formal reporting to the Board of Directors on specific areas of financial and operational risk.

Bavarian Sky S.A.

DIRECTORS' REPORT

For the year ended December 31, 2018

4. Corporate Governance Statement (continued)

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.

Rules governing the appointment and replacement of Board Members

The Company is managed by a Board of Directors comprising of at least three members. The Directors are appointed by the General Meeting of Shareholders for a period not exceeding six years and are re-eligible. They may be removed at any time by a resolution of the general meeting of shareholders or by the Sole Shareholder. A Director will remain in function until his successor has been appointed. In case a Director is elected without mention of the term of his mandate, he is deemed to be elected for six years from the date of his election. In the event of vacancy of a member of the Board of Directors because of death, retirement, or otherwise, the remaining Directors thus appointed may meet and elect, by majority vote, a Director to fill such vacancy until the next general meeting of shareholders which will be asked to ratify such election.

Amendment of Articles of associations

Follows the legal requirements in Luxembourg.

General powers of the Board of Directors

The Board of Directors is vested with the broadest powers to perform all acts of administration and disposition in the Company's interests. All powers not expressly reserved by law to the general meeting of shareholders fall within the competence of the Board of Directors. The Board of Directors is authorised to transfer, assign and dispose of the assets of the Company in accordance with the Securitisation Law and in such manner as the Board of Directors deems appropriate as well as, for the avoidance of doubt, in accordance with the terms and conditions of the securities issued by the Company in the context of the securitisation of the relevant assets.

It is not foreseen to buy back any issued shares.

Bavarian Sky S.A.
DIRECTORS' REPORT
For the year ended December 31, 2018

4. Corporate Governance Statement (continued)

Voting rights

Each issued share holds one vote in a meeting of shareholders. No special voting rights exist.

The Company is managed by Board of Directors composed of three members, represented by:

- Eric-Jan van de Laar, Director until July 25, 2018
- Mélanie Florsch, Director since July 25, 2018 until November 8, 2018
- Valérie Schleimer, Director since December 15, 2014
- Salvatore Rosato, Director since September 1, 2017
- Ihssane Mediari, Director since November 8, 2018

The current Board of Directors were appointed on the general meeting of shareholders of the Company after resignation of the prior Board of Directors.

5. Shares and shareholders

The fully-paid subscribed capital amounts to EUR 31,000 which is divided into 3,100 ordinary shares in registered form with a nominal value of EUR 10 each. Stichting Bertdan and Stichting Cannelle each hold 1,550 shares of the Company.

The shares may be represented, at the owner's option, by certificates representing single shares or certificates representing two or more shares.

6. Subsequent events

On March 13, 2019 the Board has approved and authorised the clean-up call option of Compartment German Auto loans 4. Compartment German Auto loans 4 has been liquidated on April 5, 2019.

Compartment German Auto leases 5 will be created during 2019 for the purpose of securitising a portfolio of lease receivables.

No other events occurred subsequent to December 31, 2018, that would have a material impact on these annual accounts.

Bavarian Sky S.A. **DIRECTOR'S REPORT**

For the year ended December 31, 2018

7. Audit Committee

The Company has not established an Audit Committee. The role of the Audit Committee is directly undertaken by the Board of Directors of the Company, which is deemed appropriate given the defined business activities of the Company.

The sole business of the Company relates to the issuing of asset-backed securities. The Company also enters into certain derivatives to hedge out interest rate and currency risk exposures arising between asset and liability mismatches.

Under the Art.52 5 c) of the Law of 23 July 2016 on Audit Profession as amended, such a Company may avail itself of an exemption from the requirement to establish an audit committee.

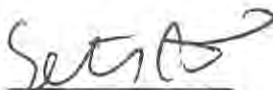
Given the limited recourse nature of the securities issued by the Company and the independency of all the Directors, the Board of Directors has concluded that there is currently no need for the Company to have a separate audit committee in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process. Accordingly, the Board of Directors resolved to apply according to Art. 52 5 c) of the Law of 23 July 2016 on Audit Profession the exemption from the requirements to set up an audit committee, as it acts as issuer of asset-backed securities as defined in point (5) of Article 2 of Commission Regulation (EC) No 809/2004 and to have the entire Board assuming the functions of an audit committee, which is deemed appropriate given the defined business activities of the Company.

8. Statement of Director's responsibilities

To the best of our knowledge, and in accordance with the applicable reporting principles, the Annual Accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Director's report and the Corporate Governance Declaration include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.



Valérie Schleimer
Director



Salvatore Rosato
Director



Ihssane Mediari
Director



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To the Shareholder of
Bavarian Sky S.A.
2a, rue Nicolas Bové
L-1253 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of Bavarian Sky S.A. (the "Company"), which comprise the balance sheet as at 31 December 2018, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 December 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the annual accounts » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Completeness, existence and accuracy of Company's Financial Assets (Other loans)

a) Why the matter was considered to be one of most significance in our audit of the annual accounts for the year ended 31 December 2018

As at 31 December 2018, Other loans amount to EUR 6,216 million, representing collectively 99% of total assets of the Company.

Financial Assets classified as Other Loans are composed of portfolio of lease receivables which are measured at acquisition cost less any provision for value adjustments and write-offs.

The Company acquired its portfolio of lease receivables from BMW Bank GmbH ("BMW") and the same counterparty also act as a servicer of the acquired lease receivables with the purpose of collecting principal and interests.

The collection of principals and interests is reported by the servicer to the Company through a monthly investor report. The servicer also reports additional purchases of lease receivables and defaults, if any, in the monthly investor report.

Due to the significance of Other Loans' balance and the fact that servicing of lease receivables is outsourced by the Company, we consider completeness, existence and accuracy of Company's Financial Assets (Other loans) as a key audit matter.

We refer to the accounting policies in Note 2 "Significant accounting policies" and Note 3 "Financial Assets" to the annual accounts

b) How the matter was addressed in our audit

As the Company acquired lease receivables from BMW, who also acts as servicers of lease receivables, we involved KPMG Germany to assist us in our audit of the Company:

Our procedures over completeness, existence and accuracy of Company's Financial Assets (Other loans) included but were not limited to:

- We obtained understanding of credit underwriting and loan origination process by making inquiries to the management of BMW being the seller of the lease receivables and reviewing the related process documents of BMW;
- We performed tests of design and operating effectiveness of relevant controls over interest calculation, principal and interest collection, and the generation of the monthly investor report;
- We performed a reconciliation of monthly purchases, collections and write-offs as reported in the monthly investor report with an amount recorded in the general ledger of the Company and investigated any difference;
- We obtained confirmations from BMW for outstanding balances of lease receivables and investigated any difference;
- We reviewed the work performed by KPMG Germany in respect of completeness, existence and accuracy of lease receivables and challenged them where deemed necessary



Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the management report and the Corporate Governance Statement but does not include the annual accounts and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation 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.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the Board of Directors on 01 April 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 12 years.

The management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.



Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, 24 July 2019

KPMG Luxembourg,
Société coopérative
Cabinet de révision agréé

A handwritten signature in black ink, appearing to be 'M. Weber', written over the printed name.

M. Weber

Annual Accounts Helpdesk :

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 Email : centralebilans@statec.etat.lu

RCSL Nr. : B127982

Matricule : 2007 2213 352

eCDF entry date :

BALANCE SHEET

Financial year from ⁰¹ 01/01/2018 to ⁰² 31/12/2018 (in ⁰³ EUR)

Bavarian Sky S.A.
 2a, rue Nicolas Bové
 L-1253 Luxembourg

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	100 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
B. Formation expenses	1107 _____	107 _____	108 _____
C. Fixed assets	1109 _____	109 6.215.912.230,00	110 6.495.656.871,00
I. Intangible assets	1111 _____	111 _____	112 _____
1. Costs of development	1113 _____	113 _____	114 _____
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115 _____	115 _____	116 _____
a) acquired for valuable consideration and need not be shown under C.I.3	1117 _____	117 _____	118 _____
b) created by the undertaking itself	1119 _____	119 _____	120 _____
3. Goodwill, to the extent that it was acquired for valuable consideration	1121 _____	121 _____	122 _____
4. Payments on account and intangible assets under development	1123 _____	123 _____	124 _____
II. Tangible assets	1125 _____	125 _____	126 _____
1. Land and buildings	1127 _____	127 _____	128 _____
2. Plant and machinery	1129 _____	129 _____	130 _____

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B127982

Matricule : 2007 2213 352

	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131	131	132
4. Payments on account and tangible assets in the course of construction	1133	133	134
III. Financial assets	1135 2, 2, 3	135 6.215.912.230,00	136 6.495.656.871,00
1. Shares in affiliated undertakings	1137	137	138
2. Loans to affiliated undertakings	1139	139	140
3. Participating interests	1141	141	142
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143	143	144
5. Investments held as fixed assets	1145	145	146
6. Other loans	1147	147 6.215.912.230,00	148 6.495.656.871,00
D. Current assets	1151	151 78.261.272,00	152 85.655.516,00
I. Stocks	1153	153	154
1. Raw materials and consumables	1155	155	156
2. Work in progress	1157	157	158
3. Finished goods and goods for resale	1159	159	160
4. Payments on account	1161	161	162
II. Debtors	1163	163 36.037.021,00	164 36.809.285,00
1. Trade debtors	1165	165	166
a) becoming due and payable within one year	1167	167	168
b) becoming due and payable after more than one year	1169	169	170
2. Amounts owed by affiliated undertakings	1171	171 31.804.840,00	172 32.332.064,00
a) becoming due and payable within one year	1173 10,1	173 31.804.840,00	174 32.332.064,00
b) becoming due and payable after more than one year	1175	175	176
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177	177	178
a) becoming due and payable within one year	1179	179	180
b) becoming due and payable after more than one year	1181	181	182
4. Other debtors	1183	183 4.232.181,00	184 4.477.221,00
a) becoming due and payable within one year	1185 4	185 4.232.181,00	186 4.477.221,00
b) becoming due and payable after more than one year	1187	187	188




The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B127982

Matricule : 2007 2213 352

CAPITAL, RESERVES AND LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves	1301 <u>6</u>	301 <u>31.000,00</u>	302 <u>31.000,00</u>
I. Subscribed capital	1303	303 <u>31.000,00</u>	304 <u>31.000,00</u>
II. Share premium account	1305	305	308
III. Revaluation reserve	1307	307	300
IV. Reserves	1309	309	310
1. Legal reserve	1311	311	313
2. Reserve for own shares	1313	313	314
3. Reserves provided for by the articles of association	1315	315	316
4. Other reserves, including the fair value reserve	1429	429	430
a) other available reserves	1431	431	432
b) other non available reserves	1433	433	
V. Profit or loss brought forward	1319	319	320
VI. Profit or loss for the financial year	1321	321 <u>0,00</u>	322 <u>0,00</u>
VII. Interim dividends	1323	323	324
VIII. Capital investment subsidies	1325	325	326
B. Provisions	1331	331	332
1. Provisions for pensions and similar obligations	1333	333	334
2. Provisions for taxation	1335	335	336
3. Other provisions	1337	337	338
C. Creditors	1435	435 <u>6.294.160.552,00</u>	436 <u>6.581.292.191,00</u>
1. Debenture loans	1437	437 <u>4.555.447.985,00</u>	438 <u>4.880.203.184,00</u>
a) Convertible loans	1439	439	440
i) becoming due and payable within one year	1441	441	442
ii) becoming due and payable after more than one year	1443	443	444
b) Non convertible loans	1445	445 <u>4.555.447.985,00</u>	446 <u>4.880.203.184,00</u>
i) becoming due and payable within one year	1447 <u>7</u>	447 <u>270.569,00</u>	448 <u>224.499,00</u>
ii) becoming due and payable after more than one year	1449 <u>7</u>	449 <u>4.555.177.416,00</u>	450 <u>4.879.978.685,00</u>
2. Amounts owed to credit institutions	1455	355 <u>1.400.103.978,00</u>	354 <u>1.400.110.028,00</u>
a) becoming due and payable within one year	1357 <u>8</u>	357 <u>1.400.103.978,00</u>	358 <u>1.400.110.028,00</u>
b) becoming due and payable after more than one year	1359	359	360

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B127982

Matricule : 2007 2213 352

	Reference(s)		Current year		Previous year	
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	1361		361		362	
a) becoming due and payable within one year	1363		363		364	
b) becoming due and payable after more than one year	1365		365		366	
4. Trade creditors	1367		367	90.090,00	368	145.638,00
a) becoming due and payable within one year	1369	9	369	90.090,00	370	145.638,00
b) becoming due and payable after more than one year	1371		371		372	
5. Bills of exchange payable	1373		373		374	
a) becoming due and payable within one year	1375		375		376	
b) becoming due and payable after more than one year	1377		377		378	
6. Amounts owed to affiliated undertakings	1379		379	338.156.944,00	380	300.343.163,00
a) becoming due and payable within one year	1381	10	381	187.168.379,00	382	172.842.036,00
b) becoming due and payable after more than one year	1383	10	383	150.988.565,00	384	127.501.127,00
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385		385		386	
a) becoming due and payable within one year	1387		387		388	
b) becoming due and payable after more than one year	1389		389		390	
8. Other creditors	1451		451	361.555,00	452	490.178,00
a) Tax authorities	1393	11	393	13.839,00	394	23.175,00
b) Social security authorities	1395		395		396	
c) Other creditors	1397		397	347.716,00	398	467.003,00
i) becoming due and payable within one year	1399	12	399	347.716,00	400	467.003,00
ii) becoming due and payable after more than one year	1401		401		402	
D. Deferred income	1403		403		404	
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	6.294.191.552,00	406	6.581.323.191,00

The notes in the annex form an integral part of the annual accounts

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 Email : centralebilans@statec.etat.lu

RCSL Nr.: B127982

Matricule: 2007 2213 352

eCDF entry date:

PROFIT AND LOSS ACCOUNTFinancial year from ⁰¹ 01/01/2018 to ⁰² 31/12/2018 /in ⁰³ EUR /

Bavarian Sky S.A.
 2a, rue Nicolas Bové
 L-1253 Luxembourg

PROFIT AND LOSS ACCOUNT

	Reference(s)	Current year	Previous year
1. Net turnover	1701 _____	701 _____	702 _____
2. Variation in stocks of finished goods and in work in progress	1703 _____	703 _____	704 _____
3. Work performed by the undertaking for its own purposes and capitalised	1705 _____	705 _____	706 _____
4. Other operating income	1713 _____	713 _____	714 _____
5. Raw materials and consumables and other external expenses	1671 _____	671 _____	672 _____
a) Raw materials and consumables	1601 _____	601 _____	603 _____
b) Other external expenses	1603 _____ 13	603 _____ -633.652,00	604 _____ -848.967,00
6. Staff costs	1605 _____	605 _____	606 _____
a) Wages and salaries	1607 _____	607 _____	608 _____
b) Social security costs	1609 _____	609 _____	610 _____
i) relating to pensions	1653 _____	653 _____	654 _____
ii) other social security costs	1655 _____	655 _____	656 _____
c) Other staff costs	1613 _____	613 _____	614 _____
7. Value adjustments	1657 _____	657 _____	658 _____
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 _____	659 _____	660 _____
b) in respect of current assets	1661 _____	661 _____	662 _____
8. Other operating expenses	1621 _____	621 _____	622 _____

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B127982

Matricule : 2007 2213 352

	Reference(s)	Current year	Previous year
9. Income from participating interests	1715	715	716
a) derived from affiliated undertakings	1711	711	718
b) other income from participating interests	1719	719	720
10. Income from other investments and loans forming part of the fixed assets	1721	721 <u>166.221.073,00</u>	722 <u>151.062.508,00</u>
a) derived from affiliated undertakings	1723	723	724
b) other income not included under a)	1725 <u>14</u>	725 <u>166.221.073,00</u>	726 <u>151.062.508,00</u>
11. Other interest receivable and similar income	1727	727 <u>15.374.330,00</u>	728 <u>19.445.791,00</u>
a) derived from affiliated undertakings	1729 <u>15</u>	729 <u>5.860.659,00</u>	730 <u>8.547.022,00</u>
b) other interest and similar income	1731 <u>15</u>	731 <u>9.513.671,00</u>	732 <u>10.898.769,00</u>
12. Share of profit or loss of undertakings accounted for under the equity method	1663	663	664
13. Value adjustments in respect of financial assets and of investments held as current assets	1665 <u>3</u>	665 <u>-7.162.029,00</u>	666 <u>-5.898.885,00</u>
14. Interest payable and similar expenses	1627	627 <u>-173.795.576,00</u>	628 <u>-163.755.632,00</u>
a) concerning affiliated undertakings	1629 <u>16</u>	629 <u>-150.837.330,00</u>	630 <u>-139.912.160,00</u>
b) other interest and similar expenses	1631 <u>16</u>	631 <u>-22.958.246,00</u>	632 <u>-23.843.472,00</u>
15. Tax on profit or loss	1635	635	636
16. Profit or loss after taxation	1667	667 <u>4.146,00</u>	668 <u>4.815,00</u>
17. Other taxes not shown under items 1 to 16	1637 <u>11</u>	637 <u>-4.146,00</u>	638 <u>-4.815,00</u>
18. Profit or loss for the financial year	1669	669 <u>0,00</u>	670 <u>0,00</u>

The notes in the annex form an integral part of the annual accounts

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

1 General

Bavarian Sky S.A. (the "Company") is a Luxembourg limited liability company ("Société Anonyme") incorporated on April 26, 2007 for an undetermined duration, 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 was established at 287-289 route d'Arlon, L-1150, Luxembourg. On January 18, 2017, the Ordinary general meeting of the shareholders of the Company resolved to transfer the registered office of the Company to 6, rue Eugène Ruppert, L-2453 Luxembourg. On June 25, 2018 and effective on 15 June 2018, the Company transfer its registered office to 2a, rue Nicolas Bové, L-1253 Luxembourg.

The Company is included in the consolidated accounts of BMW AG, Munich which draws up the consolidated accounts of the smallest and largest body of undertakings of which the Company forms part as a subsidiary undertaking. The registered office of BMW AG, Munich is located at Heidemannstraße 164, 80939 München, Germany and the consolidated accounts are available at the same address.

The Company does not have Branches.

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 (Comp. A) was created on September 15, 2008 for the purpose of securitising a portfolio of Expectancy Rights.

Compartment B (Comp. B) was created on May 25, 2010 for the purpose of securitising a portfolio of lease receivables.

Compartment German Auto loans 3 (Comp. G3) was created on May 13, 2015 for the purpose of securitising a portfolio of lease receivables. During 2018, the transaction terminated and the notes were fully redeemed.

Compartment German Auto leases 4 (Comp. Ge4) was created on October 16, 2015 for the purpose of securitising a portfolio of lease receivables. During 2018, the transaction terminated and the notes were fully redeemed.

Compartment German Auto loans 4 (Comp. G4) was created on May 17, 2016 for the purpose of securitising a portfolio of lease receivables.

Compartment German Auto loans 5 (Comp. G5) was created on September 12, 2016 for the purpose of securitising a portfolio of lease receivables.

Compartment German Auto loans 6 (Comp. G6) was created on May 12, 2017 for the purpose of securitising a portfolio of lease receivables.

Compartment German Auto loans 7 (Comp. G7) was created on October 19, 2017 for the purpose of securitising a portfolio of lease receivables.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

1 General (continued)

Compartment German Auto loans 8 (Comp. G8) was created on May 8, 2018 for the purpose of securitising a portfolio of lease receivables.

As at December 31, 2018, seven compartments were active.

The accounting year begins on January 1 and ends on December 31 each year.

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 Luxembourg legal and regulatory requirements under the historical cost convention and the going concern principle.

Accounting policies and valuation rules are, besides the one laid down by the Law of December 19, 2002, as amended, determined and applied by the Board of Directors.

The provision of the law of December 18, 2015 on the annual accounts and the consolidated accounts and the grand-ducal regulation of December 18, 2015 on the layout of balance sheet and profit and loss accounts, amending the law of December 19, 2002 have been transposed in these annual accounts. Where necessary, certain prior year figures have been reclassified to conform with the current financial year's presentation for comparative purposes.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and its results fairly.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

2 Significant Accounting Policies (continued)

The books and records are maintained in euros (“EUR”) and the annual accounts have been prepared in accordance with the valuation rules and accounting policies described below.

2.2 Financial assets

Financial assets classified as Other loans are composed of portfolio of lease receivables and expectancy rights acquired from BMW Bank 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.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account and the net unrealised exchange gains are not recognised.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(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 the 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 and presented in the caption "Other interest and similar income" and "Other interest and similar financial charges", respectively.

The fair values of swaps at year end, determining the price that would be received to sell the related asset or paid to transfer the related liability, are obtained from Swap counterparty and reviewed and approved by the Board of Directors. The fair values of swaps are disclosed in Note 19 to the Annual Accounts.

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.

2.7 Prepayments

This asset item represents amounts that have been paid but the related service or benefit has not yet been received. This amount will be recognised as expense, when the related service or benefit is received by the Company in the subsequent financial year(s).

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

2 Significant Accounting Policies (continued)

2.8 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to the amount or the date on which these will arise.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to the amount or the date on which these will arise.

At the balance sheet date, a provision shall represent the best estimate of the expenses likely to be incurred or, in the case of a liability, of the amount required to meet that liability.

Current tax provisions

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years are recorded under the caption "Other creditors". Advance payments are shown in assets of the balance sheet under the "Other debtors" item.

2.9 Creditors

Creditors are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is recorded in the profit and loss account.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

3 Financial assets

Financial assets classified as other loans are composed of portfolio of lease receivables and expectancy rights acquired from the BMW Bank GmbH as originator and seller of these receivables and expectancy rights. 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, 2018 is as follows:

In EUR	Comp. A	Comp. B	Comp. G3	Comp. Ge4	Comp. G4	Comp. G5	Comp. G6	Comp. G7	Comp. G8	31/12/2018 Combined	31/12/2017 Combined
Opening balance	2,499,999,809	645,594,740	177,902,746	106,132,316	498,241,147	660,032,614	883,160,208	1,024,593,291	-	6,495,656,871	5,997,932,754
Purchases/adjustments during the year	1,891,162,301	1,016,724,047	-	-	-	-	-	-	1,075,299,911	3,983,186,259	4,558,950,289
Receivables collected during the Year	(1,925,514,779)	(585,195,274)	(177,391,733)	(105,946,521)	(346,350,660)	(306,388,583)	(314,460,345)	(338,306,378)	(188,093,487)	(4,287,647,760)	(4,074,896,137)
Write-off	-	(1,421,265)	(511,013)	(185,795)	(1,797,487)	(1,984,140)	(1,947,687)	(1,353,388)	(434,341)	(9,635,116)	(7,096,032)
Value re-adjustment during the year	-	-	-	-	-	-	-	-	-	-	-
Discount	34,351,976	-	-	-	-	-	-	-	-	34,351,976	20,765,997
Ending balance	2,499,999,307	1,075,702,248	-	-	150,093,000	351,659,891	566,752,176	684,933,525	886,771,083	6,215,912,230	6,495,656,871

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

3 Financial assets (continued)

During 2018, EUR 9,635,116 (2017: EUR 7,096,032) of defaulted receivables were written-off, EUR 2,473,089 (2017: EUR 1,197,147) was subsequently recovered on defaulted amounts, resulting in a total net defaulted amounts in respect of financial fixed assets of EUR 7,162,029 (2017: EUR 5,898,885).

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 (2017: option was not exercised).

4 Other debtors

Other debtors are composed of:

In EUR	Comp. A	Comp. B	Comp. G4	Comp. G5	Comp. G6	Comp. G7	Comp. G8	31/12/2018 Combined	31/12/2017 Combined
Accrued interest on portfolio of lease receivables	-	1,398,773	157,497	330,097	502,035	603,723	799,629	3,791,754	3,908,556
Accrued interest on interest rate swaps	183,297	51,111	2,770	26,093	36,584	44,962	54,744	399,561	559,666
Miscellaneous receivables	40,866	-	-	-	-	-	-	40,866	8,999
	<u>224,163</u>	<u>1,449,884</u>	<u>160,267</u>	<u>356,190</u>	<u>538,619</u>	<u>648,685</u>	<u>854,373</u>	<u>4,232,181</u>	<u>4,477,221</u>

The interest receivable collected by the servicing agent was collected for the year ended December 31, 2018 and due to the Company on the next interest payment dates in January 2019.

5 Cash at bank and in hand

The cash at bank as at December 31, 2018 are comprised as follows:

In EUR	Comp.B	Comp.G4	Comp.G5	Comp.G6	Comp.G7	Comp.G8	31/12/2018 Combined	31/12/2017 Combined
Cash at bank	10,000,040	10,700,045	5,380,040	4,011	115	89	26,084,340	38,086,231
Deposit and cash reserve account	-	-	-	5,380,000	5,380,000	5,379,911	16,139,911	10,760,000
	<u>10,000,040</u>	<u>10,700,045</u>	<u>5,380,040</u>	<u>5,384,011</u>	<u>5,380,115</u>	<u>5,380,000</u>	<u>42,224,251</u>	<u>48,846,231</u>

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(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 10.00 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, 2018.

7 Debenture loans – Non convertible loans

The notes issued as at December 31, 2018 comprise the following:

In EUR	References	31/12/2018	31/12/2017
Compartment A	7.1	1,099,999,695	1,099,999,915
Compartment B	7.2	1,000,000,000	600,000,000
Compartment G3	7.3	-	137,413,458
Compartment Ge4	7.4	-	75,438,240
Compartment G4	7.5	96,952,220	455,254,219
Compartment G5	7.6	303,351,697	626,695,032
Compartment G6	7.7	529,447,011	865,859,835
Compartment G7	7.8	655,452,595	1,019,317,986
Compartment G8	7.9	869,974,198	-
Notes issued - becoming due and payable after more than one year		4,555,177,416	4,879,978,685
Accrued interest - becoming due and payable within one year		270,569	224,499
		4,555,447,985	4,880,203,184

7.1 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. In 2014, the Company entered into a new Note Purchase Agreement amounting to EUR 300,000,000 for funding Expectancy Rights.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

7 Debenture loans – Non convertible loans (continued)

As of December 31, 2018, there were EUR 1,099,999,695 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 (2017: EUR 1,099,999,915).

7.2 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.

In November 2018 additional notes with a principal amount of EUR 400,000,000 were issued against the increase in the portfolio of auto lease receivables.

The notes outstanding for Compartment B as at December 31, 2018 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Interest rate	2018	2017
Class A	Euribor 1M + 1.5%	1,000,000,000	600,000,000
		<u>1,000,000,000</u>	<u>600,000,000</u>

7.3 Compartment German Auto Loans 3

In 2015, Compartment German Auto Loans 3 issued Class A and Class B notes backed by a portfolio of auto lease receivables maturing in August 2022.

During the year, the total outstanding amount of EUR 81,413,458 Class A Notes and EUR 56,000,000 Class B Notes were redeemed.

In EUR		Notes issued	Notes issued
Notes	Interest rate	2018	2017
Class A	Euribor 1M + 0.23%	-	81,413,458
Class B	1.00%	-	56,000,000
		<u>-</u>	<u>137,413,458</u>

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

7 Debenture loans – Non convertible loans (continued)

7.4 Compartment German Auto Leases 4

In 2015, Compartment German Auto Leases 4 issued Class A and Class B notes backed by a portfolio of auto lease receivables maturing in December 2022.

During the year, the total outstanding amount of EUR 21,038,240 Class A Notes and EUR 54,400,000 Class B Notes were redeemed.

In EUR		Notes issued	Notes issued
Notes	Interest rate	2018	2017
Class A	Euribor 1M + 0.38%	-	21,038,240
Class B	1.00%	-	54,400,000
		<u>-</u>	<u>75,438,240</u>

7.5 Compartment German Auto Loans 4

In 2016, Compartment German Auto Loans 4 issued Class A and Class B notes backed by a portfolio of auto lease receivables maturing in October 2023.

As at December 31, 2018 a total amount of EUR 358,301,999 Class A Notes were redeemed thus reducing the balance from EUR 385,254,219 to EUR 26,952,220.

The notes outstanding for Compartment German Auto Leases 4 as at December 31, 2018 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Interest rate	2018	2017
Class A	Euribor 1M + 0.33%	26,952,220	385,254,219
Class B	1.00%	70,000,000	70,000,000
		<u>96,952,220</u>	<u>455,254,219</u>

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

7 Debenture loans - Non convertible loans (continued)

7.6 Compartment German Auto Loans 5

In 2016, Compartment German Auto Loans 5 issued Class A and Class B notes backed by a portfolio of auto lease receivables maturing in October 2023.

As at December 31, 2018 a total amount of EUR 323,343,335 Class A Notes were redeemed thus reducing the balance from EUR 551,395,032 to EUR 228,051,697.

The notes outstanding for Compartment German Auto Loans 5 as at December 31, 2018 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Interest rate	2018	2017
Class A	Euribor 1M + 0.40%	228,051,697	551,395,032
Class B	1.00%	75,300,000	75,300,000
		<u>303,351,697</u>	<u>626,695,032</u>

7.7 Compartment German Auto Loans 6

In 2017, Compartment German Auto Loans 6 issued Class A (EUR 1,000,000,000) and Class B (EUR 75,300,000) notes backed by a portfolio of auto lease receivables maturing in May 2024.

As at December 31, 2018 a total amount of EUR 336,412,824 Class A Notes were redeemed thus reducing the initial balance from EUR 790,559,835 to EUR 454,147,011.

The notes outstanding for Compartment German Auto Loans 6 as at December 31, 2018 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Interest rate	2018	2017
Class A	Euribor 1M + 0.40%	454,147,011	790,559,835
Class B	1.00%	75,300,000	75,300,000
		<u>529,447,011</u>	<u>865,859,835</u>

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

7 Debenture loans - Non convertible loans (continued)

7.8 Compartment German Auto Loans 7

In 2017, Compartment German Auto Loans 7 issued Class A (EUR 1,000,000,000) and Class B (EUR 75,300,000) notes backed by a portfolio of auto lease receivables maturing in October 2024.

As at December 31, 2018 a total amount of EUR 363,865,391 Class A Notes were redeemed thus reducing the balance from EUR 944,017,986 to EUR 580,152,595.

The notes outstanding for Compartment German Auto Loans 7 as at December 31, 2018 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Interest rate	2018	2017
Class A	Euribor 1M + 0.40%	580,152,595	944,017,986
Class B	1.00%	75,300,000	75,300,000
		<u>655,452,595</u>	<u>1,019,317,986</u>

7.9 Compartment German Auto Loans 8

In 2018, Compartment German Auto Loans 8 issued Class A (EUR 1,000,000,000) and Class B (EUR 75,300,000) notes backed by a portfolio of auto lease receivables maturing in June 2025.

As at December 31, 2018 a total amount of EUR 205,325,802 Class A Notes were redeemed thus reducing the balance from EUR 1,000,000,000 to EUR 794,674,198.

The notes outstanding for Compartment German Auto Loans 7 as at December 31, 2018 comprise the following:

In EUR		Notes issued	Notes issued
Notes	Interest rate	2018	2017
Class A	Euribor 1M + 0.40%	794,674,198	-
Class B	1.00%	75,300,000	-
		<u>869,974,198</u>	<u>-</u>

Bavarian Sky S.A.

Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

8 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 extended for additional one year periods thereafter, unless terminated by either the Company or the lender in accordance with the terms of the agreement. Some of the loans have been repaid and been replaced by new loans in September 2014.

The amounts owed to credit institutions as at December 31, 2018 and 2017 comprise the following:

In EUR	2018	2017
Interest rate		
Euribor 1M+60bp	399,999,889	399,999,969
Euribor 1M+57bp	249,999,931	249,999,981
Euribor 1M+59bp	399,999,889	399,999,969
Euribor 1M+59bp	349,999,903	349,999,973
Amounts owed to credit institutions	1,399,999,612	1,399,999,892
Accrued Interest	104,366	110,136
Total - Becoming due and payable within one year	1,400,103,978	1,400,110,028

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

9 Trade creditors becoming due and payable within one year

This caption includes amounts payable for audit fees and other expenses for the year ended December 31, 2018.

10 Amounts owed to affiliated undertakings

In EUR	References	31/12/2018	31/12/2017
becoming due and payable within one year			
Amounts due to seller of lease receivables	10.1	186,648,278	172,264,441
Accrued Interest – Interest rate Swap		520,101	577,595
		<u>187,168,379</u>	<u>172,842,036</u>
becoming due and payable after more than one year			
Commingling reserve	10.2	43,500,000	39,500,000
Credit enhancement OC	10.3	75,268,817	45,161,290
Subordinated debts	10.4	32,219,748	42,839,837
		<u>150,988,565</u>	<u>127,501,127</u>
		<u>338,156,944</u>	<u>300,343,163</u>

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

10 Amounts owed to affiliated undertakings (continued)

10.1 Amounts due to seller of lease receivables

As at December 31, 2018, amounts due to the seller of lease receivables are as follows:

In EUR	Comp. B	Comp. G3	Comp. Ge4	Comp. G4	Comp. G5	Comp. G6	Comp. G7	Comp. G8	31/12/2018 Combined	31/12/2017 Combined
Opening balance	(32,332,064)	40,437,877	30,619,971	43,281,457	33,855,354	17,982,568	6,087,214	-	139,932,377	142,015,252
Amounts paid during year	(28,014,265)	(42,180,284)	(31,061,289)	-	-	-	-	-	(101,255,838)	(120,828,054)
Accruals/ adjustments/reversals made during year	28,541,489	1,742,407	441,318	9,727,718	14,633,320	19,698,407	23,888,053	17,494,187	116,166,899	118,745,179
Distribution amount	-	-	-	-	-	-	-	-	-	-
	(31,804,840)	-	-	53,009,175	48,488,674	37,680,975	29,975,267	17,494,187	154,843,438	139,932,377
Amount due from the seller of lease receivable*	(31,804,840)	-	-	-	-	-	-	-	(31,804,840)	(32,332,064)
Amount due to the seller of lease receivable**	-	-	-	53,009,175	48,488,674	37,680,975	29,975,267	17,494,187	186,648,278	172,264,441

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

10 Amounts owed to affiliated undertakings (continued)

*Due to excess amount paid to the Seller in respect of Compartment B, the net balance resulted as receivable which is presented as Amount owed by affiliated undertakings in these annual accounts (2017: EUR 32,332,064)

**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.

10.2 Commingling reserve

Compartment 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 B	31/12/2018 Combined	31/12/2017 Combined
Opening balance	39,500,000	39,500,000	39,500,000
Amounts drawn	4,000,000	4,000,000	-
Adjustments / Repayments	-	-	-
	43,500,000	43,500,000	39,500,000

10.3 Credit enhancement

Compartment B entered into a Credit enhancement with BMW Bank GmbH which was used to purchase additional auto lease receivables.

In EUR	Compartment B	31/12/2018 Combined	31/12/2017 Combined
Opening balance	45,161,290	45,161,290	45,161,290
Amounts drawn	30,107,527	30,107,527	-
Adjustments / Repayments	-	-	-
	75,268,817	75,268,817	45,161,290

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Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

10 Amounts owed to affiliated undertakings (continued)

10.4 Subordinated debts

Subordinated debts, which correspond to non-convertible loans owed to affiliated undertakings as at December 31, 2018 comprise the following:

								31/12/2018	31/12/2017
In EUR	Comp. G3	Comp. Ge4	Comp. G4	Comp. G5	Comp. G6	Comp. G7	Comp. G8	Combined	Combined
Opening balance	8,000,000	8,000,000	10,699,877	5,379,960	5,380,000	5,380,000	-	42,839,837	70,550,462
Amounts drawn	-	-	-	-	-	-	5,379,911	5,379,911	10,760,000
Repayments	(8,000,000)	(8,000,000)	-	-	-	-	-	(16,000,000)	(38,470,625)
Ending balance	-	-	10,699,877	5,379,960	5,380,000	5,380,000	5,379,911	32,219,748	42,839,837

Compartment German Auto Loans 3 entered into a subordinated loan agreement with BMW Bank GmbH in August 2015. Interest margin of 125 bps above 1 month Euribor is applied on the outstanding balance. The loan was settled in full during the year.

Compartment German Auto Leases 4 entered into a subordinated loan agreement with BMW Bank GmbH in December 2015. Interest margin of 125 bps above 1 month Euribor is applied on the outstanding balance. The loan was settled in full during the year.

Compartment German Auto Loans 4 entered into a subordinated loan agreement with BMW Bank GmbH in May 2016. Interest margin of 125 bps above 1 month Euribor is applied on the outstanding balance.

Compartment German Auto Loans 5 entered into a subordinated loan agreement with BMW Bank GmbH in October 2016. Interest margin of 125 bps above 1 month Euribor is applied on the outstanding balance.

Compartment German Auto Loans 6 entered into a subordinated loan agreement with BMW Bank GmbH in May 2017. Interest margin of 125 bps above 1 month Euribor is applied on the outstanding balance.

Compartment German Auto Loans 7 entered into a subordinated loan agreement with BMW Bank GmbH in October 2017. Interest margin of 125 bps above 1 month Euribor is applied on the outstanding balance.

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Notes to the Annual Accounts
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(continued)

10 Amounts owed to affiliated undertakings (continued)

Compartment German Auto Loans 8 entered into a subordinated loan agreement with BMW Bank GmbH in May 2018. Interest margin of 125 bps above 1 month Euribor is applied on the outstanding balance.

11 Income Tax

The Company is subject to all taxes applicable to commercial companies in Luxembourg incorporated under the securitisation law of March 22, 2004.

12 Other creditors becoming due and payable within one year

As at December 31, 2018, other creditors becoming due and payable within one year comprise the following:

							31/12/2018	31/12/2017
In EUR	Comp. B	Comp. G4	Comp. G5	Comp. G6	Comp. G7	Comp. G8	Combined	Combined
Accrued interest - interest rate swaps	112,750	3,039	25,713	51,205	65,411	89,598	347,716	467,003

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Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

13 Other external expenses

For the year ended December 31, 2018, other external expenses comprise the following:

In EUR										2018	2017
	Comp. A	Comp. B	Comp. G3	Comp. Ge4	Comp. Ge4	Comp.G5	Comp.G6	Comp. G7	Comp. G8	Combined	Combined
Legal fees	-	-	-	1,000	-	-	-	-	-	1,000	1,486
Audit fees	14,662	14,662	-	-	14,662	14,662	14,752	14,662	27,532	115,594	119,926
Monitoring fees	130,000	-	-	-	-	-	-	-	-	130,000	320,411
Domiciliation fees	18,581	15,345	9,191	6,116	31,911	17,490	17,898	15,921	2,137	134,590	90,557
Administration fees	5,000	5,000	333	14,000	21,400	20,000	13,373	12,627	7,534	99,267	125,879
Rating fees	-	-	-	17,324	10,000	37,480	39,000	31,500	6,000	141,304	163,569
Other fees	335	325	871	410	234	234	234	234	9,020	11,897	27,139
	168,578	35,332	10,395	38,850	78,207	89,866	85,257	74,944	52,223	633,652	848,967

Fees accrued by the Company and payable to KPMG Luxembourg, Société Coopérative are presented as follows:

In EUR	2018	2017
Audit fees (including VAT)	115,594	119,926

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Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

14 Income from other investments and loans forming part of the fixed assets

Income from financial fixed assets of EUR 166,221,073 (2017: EUR 151,062,508) includes mainly interest income on financial fixed assets recorded for the year ended December 2018 of EUR 131,869,096 (2017: EUR 130,296,511) and discount realised on the collected receivables of EUR 34,351,977 (2017: EUR 20,765,997).

15 Other interest receivable and similar income

For the year ended December 31, 2018, other interest receivable and similar income comprise the following:

In EUR										2018	2017
	Comp.A	Comp.B	Comp.G3	Comp.Ge4	Comp.G4	Comp.G5	Comp.G6	Comp.G7	Comp.G8	Combined	Combined
Derived from affiliated undertakings											
Interest income - interest rate swap	5,860,659	-	-	-	-	-	-	-	-	5,860,659	8,547,022
Other interest and similar income											
Interest income - interest rate swap	-	1,660,444	26,459	4,322	887,946	1,594,880	1,808,497	2,127,076	1,404,047	9,513,671	10,898,769
	5,860,659	1,660,444	26,459	4,322	887,946	1,594,880	1,808,497	2,127,076	1,404,047	15,374,330	19,445,791

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

16 Interest payable and similar expenses

For the year ended December 31, 2018, interest payable and similar expenses were comprised as follows:

										2018	2017
In EUR	Comp. A	Comp. B	Comp. G3	Comp. Ge4	Comp. G4	Comp. G5	Comp. G6	Comp. G7	Comp. G8	Combined	Combined
Concerning affiliated undertakings											
Interest expense - borrowings	-	-	33,440	15,462	95,399	48,011	48,011	48,011	30,121	318,455	419,856
Interest expenses - interest rate swaps	34,351,976	-	-	-	-	-	-	-	-	34,351,976	20,765,996
Amount due to seller of lease receivable	-	28,541,489	1,742,407	441,318	9,727,718	14,633,320	19,698,407	23,888,053	17,494,187	116,166,899	118,726,308
	34,351,976	28,541,489	1,775,847	456,780	9,823,117	14,681,331	19,746,418	23,936,064	17,524,308	150,837,330	139,912,160
Other interest and similar expenses											
Interest expense - notes issued	2,343,894	400,824	250,630	110,768	709,729	881,965	954,129	997,200	653,317	7,302,456	8,081,379
Interest expense - interest rate swaps	-	2,418,383	55,287	5,979	897,436	1,453,764	2,336,394	2,863,130	2,140,980	12,171,353	11,691,061
Interest expense - borrowings/cash	3,347,520	25,475	13,432	-	36,098	9,146	18,884	19,562	14,320	3,484,437	4,071,032
	5,691,414	2,844,682	319,349	116,747	1,643,263	2,344,875	3,309,407	3,879,892	2,808,617	22,958,246	23,843,472
Total	40,043,390	31,386,171	2,095,196	573,527	11,466,380	17,026,206	23,055,825	27,815,956	20,332,925	173,795,576	163,755,632

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

17 Employees

The Company did not employ any personnel during the year (2017: nil). No compensation has been paid, nor is due to be paid, to the Directors of the Company

18 Advances, loans and emoluments granted to members of the administrative, managerial and supervisory bodies

There are no advances, loans or emoluments granted to the members of the management and supervisory bodies during the financial year (2017: None).

19 Off-balance sheet activities

19.1 Compartment A

On September 15, 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 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 (refer to note 7.2).

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.

In November 2018 additional notes with a principal amount of EUR 400,000,000 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 600,000,000 to EUR 1,000,000,000.

The details of this contract are summarised as follows:

Notional amount as at December 31, 2018	Termination date	Interest rate receivable	Interest rate payable
EUR 1,000,000,000	June 20, 2027	EURIBOR 1 month	-0.184% p.a.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

19 Off-balance sheet activities (continued)

19.2 Compartment B

As at December 31, 2018, the fair valuation of the IRS is EUR (1,978,327.69).

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.

19.3 Compartment German Auto Loans 3

The Compartment German Auto Loans 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 German Auto Loans 3 notes (refer to note 7.3). All the notes have been redeemed in full and the Compartment has been closed during the year.

19.4 Compartment German Auto Leases 4

The Compartment German Auto Leases 4 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 Leases 4 notes (refer to note 7.4).

All the notes have been redeemed in full and the Compartment has been closed during the year.

19.5 Compartment German Auto Loans 4

The Compartment German Auto Loans 4 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 4 notes (refer to note 7.5).

The Class A notes were redeemed during 2018 for a total amount of EUR 358,301,999.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

19 Off-balance sheet activities (continued)

19.5 Compartment German Auto Loans 4

The details of this contract are summarised as follows:

Notional amount as at December 31, 2018	Termination date	Interest rate receivable	Interest rate payable
EUR 26,952,220	October 20, 2023	EURIBOR 1 month	-0.37% p.a.

As at December 31, 2018, the fair valuation of the IRS is EUR 9.59.

Compartment German Auto Loans 4 entered into an “interest rate settlement agreement” on May 18, 2016 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.

19.6 Compartment German Auto Loans 5

The Compartment German Auto Loans 5 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 5 notes (refer to note 7.6).

The Class A notes were redeemed during 2018 for a total amount of EUR 323,343,335.

The details of this contract are summarised as follows:

Notional amount as at December 31, 2018	Termination date	Interest rate receivable	Interest rate payable
EUR 228,051,697	October 20, 2023	EURIBOR 1 month	-0.4119% p.a.

As at December 31, 2018, the fair valuation of the IRS is EUR 39,728.49.

Compartment German Auto Loans 5 entered into an “interest rate settlement agreement” on October 13, 2016 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, 2018
(continued)

19 Off-balance sheet activities (continued)

19.7 Compartment German Auto Loans 6

The Compartment German Auto Loans 6 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 6 notes (refer to note 7.7).

The Class A notes were redeemed during 2018 for a total amount of EUR 336,412,824.

The details of this contract are summarised as follows:

Notional amount as at December 31, 2018	Termination date	Interest rate receivable	Interest rate payable
EUR 454,147,011	May 20, 2024	EURIBOR 1 month	-0.290% p.a.

As at December 31, 2018, the fair valuation of the IRS is EUR (231,622.96).

Compartment German Auto Loans 6 entered into an “interest rate settlement agreement” on May 18, 2017 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.

19.8 Compartment German Auto Loans 7

The Compartment German Auto Loans 7 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 7 notes (refer to note 7.8).

The Class A notes were redeemed during 2018 for a total amount of EUR 363,865,391.

The details of this contract are summarised as follows:

Notional amount as at December 31, 2018	Termination date	Interest rate receivable	Interest rate payable
EUR 580,152,595	October 20, 2024	EURIBOR 1 month	-0.29% p.a.

As at December 31, 2018, the fair valuation of the IRS is EUR (346,649.45).

Compartment German Auto Loans 7 entered into an “interest rate settlement agreement” on October 11, 2017 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, 2018
(continued)

19 Off-balance sheet activities (continued)

19.9 Compartment German Auto Loans 8

The Compartment German Auto Loans 8 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 8 notes (refer to note 7.9).

The Class A notes were redeemed during 2018 for a total amount of EUR 205,325,802.

The details of this contract are summarised as follows:

Notional amount as at December 31, 2018	Termination date	Interest rate receivable	Interest rate payable
EUR 794,674,198	June 20, 2025	EURIBOR 1 month	-0.249% p.a.

As at December 31, 2018, the fair valuation of the IRS is EUR (483,074.08).

Compartment German Auto Loans 8 entered into an “interest rate settlement agreement” on May 16, 2018 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.

Refer to note 7 and note 10 for amount payable to BMW Bank GmbH and BMW Finance N.V. as at December 31, 2018 and December 31, 2017.

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

21 Compartmental Balance sheet and Profit and loss account

Summary of compartmental assets and liabilities for the year ended December 31, 2018:

2018 (in EUR)	Comp. A	Comp. B	Comp. G4	Comp. G5	Comp. G6	Comp. G7	Comp. G8	Combined
ASSETS								
Financial assets - Other Loans	2,499,999,307	1,075,702,248	150,093,000	351,659,891	566,752,176	684,933,525	886,771,083	6,215,912,230
Current assets - Other receivables	224,163	33,254,725	160,267	356,190	538,619	648,684	854,373	36,037,021
Current assets - Cash at bank and in hand	-	10,000,040	10,700,045	5,380,040	5,384,011	5,380,115	5,380,000	42,224,251
Prepayments	-	-	-	-	3,027	10,057	4,966	18,050
	2,500,223,470	1,118,957,013	160,953,312	357,396,121	572,677,833	690,972,381	893,011,422	6,294,191,552
LIABILITIES								
Capital and reserves	-	31,000	-	-	-	-	-	31,000
Creditors								
Debtore loans – Non convertible loans	1,100,106,622	1,000,030,726	96,973,610	303,376,871	529,474,317	655,481,104	870,004,735	4,555,447,985
Amounts owed to credit institutions	1,400,103,978	-	-	-	-	-	-	1,400,103,978
Trade creditors	12,870	12,870	12,870	12,870	12,870	12,870	12,870	90,090
Amounts owed to affiliated undertakings	-	118,768,817	63,958,833	53,973,988	43,138,091	35,412,996	22,904,219	338,156,944
Other creditors								
Tax and social security debts	-	850	4,960	6,679	1,350	-	-	13,839
Other creditors	-	112,750	3,039	25,713	51,205	65,411	89,598	347,716
	2,500,223,470	1,118,957,013	160,953,312	357,396,121	572,677,833	690,972,381	893,011,422	6,294,191,552

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

21 Compartmental Balance sheet and Profit and loss account (continued)

Summary of compartmental assets and liabilities for the year ended December 31, 2018:

2018 (in EUR)	Comp. A	Comp. B	Comp. G3	Comp. Ge4	Comp. G4	Comp.G5	Comp.G6	Comp. G7	Comp. G8	Combined
Other external expenses	(168,578)	(35,332)	(10,395)	(38,850)	(78,207)	(89,866)	(85,257)	(74,944)	(52,223)	(633,652)
Income from other investments and loans forming part of the fixed assets	34,351,977	30,882,957	2,352,298	764,448	11,929,251	16,852,401	22,981,390	26,877,352	19,228,999	166,221,073
Other interest receivable and similar income	5,860,659	1,660,444	26,459	4,322	887,946	1,594,880	1,808,497	2,127,076	1,404,047	15,374,330
Value adjustments in respect of financial assets and of investments held as current assets		(1,121,232)	(273,166)	(156,243)	(1,271,945)	(1,330,544)	(1,648,139)	(1,112,861)	(247,899)	(7,162,029)
Interest payable and similar expenses	(40,043,390)	(31,386,171)	(2,095,196)	(573,527)	(11,466,380)	(17,026,206)	(23,055,825)	(27,815,956)	(20,332,925)	(173,795,576)
Profit or loss after taxation	666	666	-	150	666	666	666	666	-	4,146
Other taxes	(666)	(666)	-	(150)	(666)	(666)	(666)	(666)	-	(4,146)
Profit or loss for the financial year	-	-	-	-	-	-	-	-	-	-

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

21 Compartmental Balance sheet and Profit and loss account (continued)

Summary of compartmental assets and liabilities for the year ended December 31, 2017:

2017 (in EUR)	Comp. A	Comp. B	Comp. G3	Comp. Ge4	Comp. G4	Comp. G5	Comp. G6	Comp. G7	Combined
ASSETS									
Financial assets - Other Loans	2,499,999,809	645,594,740	177,902,746	106,132,316	498,241,147	660,032,614	883,160,208	1,024,593,291	6,495,656,871
Current assets - Other receivables	202,312	33,181,346	256,197	116,905	535,930	685,799	850,274	980,522	36,809,285
Current assets - Cash at bank and in hand	-	6,000,021	8,000,000	8,006,044	10,700,000	5,380,040	5,380,011	5,380,115	48,846,231
Prepayments	-	-	-	-	-	-	-	10,804	10,804
	2,500,202,121	684,776,107	186,158,943	114,255,265	509,477,077	666,098,453	889,390,493	1,030,964,732	6,581,323,191
LIABILITIES									
Capital and reserves	-	31,000	-	-	-	-	-	-	31,000
Creditors									
Debtenture loans – Non convertible loans	1,100,079,222	600,000,000	137,430,569	75,454,938	455,275,609	626,723,108	865,890,077	1,019,349,661	4,880,203,184
Amounts owed to credit institutions	1,400,110,028	-	-	-	-	-	-	-	1,400,110,028
Trade creditors	12,870	15,134	16,337	23,670	17,237	13,670	15,307	31,413	145,638
Amounts owed to affiliated undertakings	-	84,661,290	48,617,201	38,767,694	54,135,716	39,292,657	23,391,673	11,476,932	300,343,163
Other creditors									
Tax and social security debts	-	850	2,750	6,585	4,960	6,680	1,350	-	23,175
Other creditors	-	67,833	92,086	2,378	43,555	62,338	92,086	106,727	467,003
	2,500,202,120	684,776,107	186,158,943	114,255,265	509,477,077	666,098,453	889,390,493	1,030,964,733	6,581,323,191

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued)

21 Compartmental Balance sheet and Profit and loss account (continued)

Summary of compartmental income and charges for the year ended December 31, 2017:

2017 (in EUR)	Comp. A	Comp. B	Comp. G2	Comp. G3	Comp. Ge4	Comp.G4	Comp.G5	Comp. G6	Comp. G7	Combined
Other external expenses	(354,382)	(39,007)	(15,608)	(69,066)	(102,313)	(89,126)	(97,796)	(58,073)	(23,596)	(848,967)
Income from other investments and loans forming part of the fixed assets	20,765,997	27,143,509	2,343,866	12,439,158	9,445,644	24,005,251	28,888,042	19,496,499	6,534,542	151,062,508
Other interest receivable and similar income	8,547,022	2,569,755	-	100,665	515,695	2,284,699	3,292,711	1,583,039	552,205	19,445,791
Value adjustments in respect of financial assets and of investments held as current assets	-	(973,574)	(211,775)	(1,031,148)	(487,051)	(1,665,142)	(1,231,408)	(298,646)	(141)	(5,898,885)
Interest payable and similar expenses	(28,957,949)	(28,699,996)	(2,116,177)	(11,438,921)	(9,371,287)	(24,534,994)	(30,850,863)	(20,722,437)	(7,063,008)	(163,755,632)
Profit or loss after taxation	688	688	306	688	688	688	687	382	-	4,815
Other taxes	(688)	(688)	(306)	(688)	(688)	(688)	(687)	(382)	-	(4,815)
Profit or loss for the financial year	-	-	-	-	-	-	-	-	-	-

Bavarian Sky S.A.
Notes to the Annual Accounts
For the year ended December 31, 2018
(continued and end)

22 Subsequent events

On March 13, 2019 the Board has approved and authorised the clean-up call option of Compartment German Auto loans 4. Compartment German Auto loans 4 has been liquidated on April 5, 2019.

No other events occurred subsequent to December 31, 2018, that would have a material impact on these annual accounts.

THE ISSUER

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