Daimler Canada Finance Inc.

Annual Report 2020

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Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Daimler Canada Finance Inc. (the Company) provide a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Company's Management Report provides 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.

Farmington Hills, MI (USA), April 26, 2021

MRamasami

Christoph Rieker

Ramasami Muthaiyah
President & Chief Executive Officer

Christoph Rieker
Chief Financial Officer

Management Report

General

Daimler Canada Finance Inc. (“DCFI” or the “Company”) is a wholly-owned subsidiary of Daimler AG (“DAG” or “Daimler”). DCFI accesses Canadian and foreign capital markets to raise funds, which it lends to other DAG subsidiaries in Canada through a consolidated funding and cash management system. As such, it has relationships with other subsidiaries of DAG. DAG has issued full and unconditional guarantees for DCFI’s obligations incurred under its outstanding notes and bonds and commercial paper programs.

The nature of the Daimler operations in Canada includes the distribution of passenger cars purchased from DAG under the brand name Mercedes-Benz, and the sale of trucks and other commercial vehicles under the brand names Freightliner, Western Star and Thomas Built Buses. Daimler also has financial services operations that principally provide automotive financing to its dealers and their customers, including retail and lease financing for cars and trucks, dealer inventory and other financing needs.

This annual report contains forward looking statements that reflect our current views about future events. Words such as “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “can”, “could”, “plan,” “project,” “should” and similar expressions are being used to identify forward looking statements. These statements are subject to many risks and uncertainties, including:

- an adverse development of global economic conditions, in particular a decline of demand and investment activity in Canada.
- a deterioration of our funding possibilities on the credit and financial markets, which could result in an increase in borrowing costs or limit our funding flexibility.
- changes in currency exchange rates and interest rates.
- changes in laws, regulations and government policies that may affect the Company or any of its sister companies.
- the business outlook of the Company’s sister companies in Canada, which may affect the funding requirements of such sister companies in the automotive and financial services businesses.

The following discussion should be read in conjunction with the Company’s financial statements as of and for the years ended December 31, 2020 and 2019, which were prepared using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Note 3 to the financial statements provides a summary of the Company’s significant accounting policies.

Earnings

Interest income

Interest income was $179,638 in 2020 compared to $209,312 in 2019. The 14.2% decrease is mainly caused by lower interest rates.

Interest expense

Interest expense was $168,412 in 2020 compared to $194,448 in 2019. The 13.4% decrease is mainly caused by lower interest rates and lower external financing liabilities.

Administrative and other expense

Administrative and other expense decreased to $4,297 in 2020 from $4,341 in 2019 mainly due to decreases in professional fees and labor related costs.

(all amounts in thousands of Canadian dollars)

Other financial income and (expense), net

Other financial expense, net was $(247) in 2020, compared to other financial income, net of $289 in 2019, due to foreign exchange losses.

Profit before income taxes

Profit before income taxes decreased to $6,682 in 2020 compared to $10,812 in 2019, due to the fact that interest income decreased more than interest expense. The payment of an interest rebate of $16,700 in 2020 to Mercedes-Benz Financial Services Canada Corporation (MBFS Canada) compared to receipt of funds of $7,700 in 2019 from MBFS Canada to match external funding cost attributed to lower profit before taxes.

Income tax expense

The Company recorded an income tax expense of $1,771 in 2020 compared with $2,886 in 2019. The change in tax expense from 2020 to 2019 is comparable to the change in earnings respectively.

Other comprehensive income

Other comprehensive income was comprised of unrealized gains and losses from cash flow hedges. The Company recorded net losses after taxes of $(5,322) in 2020, compared to net losses after taxes of $(1,143) in 2019.

Financial position

Total assets were $6,917,260 at December 31, 2020 compared to $7,785,816 at December 31, 2019, a decrease of $868,556 or 11.2%. This change is mainly due to decreases in receivables from related parties. Total liabilities also decreased to $6,537,676 at December 31, 2020 from $7,405,821 at December 31, 2019, a decrease of 11.7%. This change is primarily due to the fact that commercial paper was reduced to zero and lower notes and bonds outstanding partially offset by higher payables to related parties. Total equity decreased to $379,584 at December 31, 2020 from $379,995 at December 31, 2019 because of net income of $4,911 in 2020, offset by $(5,322) other comprehensive loss from cash flow hedges.

Liquidity and capital resources

In the ordinary course of business, the Company issues notes and bonds and commercial paper in Canada and Europe. The Company also enters, as necessary, into intercompany loans with other DAG subsidiaries to optimize funding from a global Daimler perspective.

The funds raised in 2020 and prior years were used to support the lease and sales financing business and the capital expenditure requirements of the industrial business of the Daimler subsidiaries in Canada. Lease and sales financing activities are typically financed with a high proportion of debt.

Cash flows were the following in 2020 and in 2019:

	2020	2019
Net cash provided by/(used for) operating activities	1,641,067	(450,708)
Net cash provided by/(used for) investing activities	-	-
Net cash provided by/(used for) financing activities	(1,613,682)	1,528

Net cash inflows from operating activities were $1,641,067 in 2020 compared to net cash outflows of $(450,708) in 2019 mainly due to a net decrease in operating receivables and operating payables from related parties.

Net cash outflows from financing activities were $(1,613,682) for 2020 compared to net cash inflows of $1,528 for 2019, mainly due to fewer issuances compared to maturities of notes and bonds and commercial paper.

Risk report

Many factors could directly and indirectly, through the close affiliation with DCFI's sister companies, affect the Company's business, financial condition, cash flows and results of operations. The principal risks are described below.

Economic risks

The Canadian economy, as well as most global economies continue to suffer delays to their economic recoveries due to a second wave of COVID-19. This public health crisis has slowed down economic growth, which will likely remain uneven until wide-ranging immunity is achieved. While slower economic growth is expected in early 2021, the introduction of COVID-19 vaccinations has improved the outlook for growth in the medium term.

The strength of the economic recovery continues to be highly dependent on the timeline for rolling out vaccines and on the path of the virus and its new variants. As long as economic activity remains below pre-pandemic levels, adverse effects on the Daimler businesses in Canada remain a possibility, and as a result, on the future financial position of the company.

Economic growth will center on measures required to contain the spread of the virus and the enthusiasm of consumers to spend during a time of uncertainty.

Industry risks

Overcapacity and intense price competition in the automotive industry could force the Daimler companies in Canada, which are financed by DCFI, to reduce distribution capacity or increase sales incentives, each of which would be costly and would indirectly affect the financial position of the Company.

In addition, the financial services that Daimler offers in connection with the sale of vehicles involve several risks. These include the potential inability to recover the investments in leased vehicles or to collect the sales financing receivables if the resale prices of the vehicles securing these receivables fall short of the carrying value, which may lead to additional funding requirements through DCFI.

Financial risks

The Daimler business in Canada, and in particular the operations of the Company, are exposed to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The Company holds a variety of interest rate sensitive assets and liabilities to manage the liquidity and cash needs of the Daimler operations. Changes in foreign currency exchange rates and interest rates may have substantial adverse effects on the Company's operating results and cash flows. Adverse effects may arise from downgrades of the long-term debt ratings of the Company's parent company, DAG, and the ability of the Company to issue debt in the Canadian and European markets. Lower demand for the Company's debt instruments could increase the borrowing costs or otherwise limit DCFI's ability to fund the Daimler operations in Canada.

Note 15 to the Company's financial statements describes the risk management strategies employed by the Company to address such risks.

If any of these risks and uncertainties materialize, or if the assumptions underlying any of our forward-looking statements prove incorrect, then our actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements. Any forward looking statement speaks only as of the date on which it is made.

Corporate Governance

Corporate bodies

As of December 31, 2020, the Company had eight officers and a board of directors which is comprised of three members. The officers are responsible for managing the day to day operations of the Company while the board of directors advises and monitors the officers.

Compliance

As part of the Daimler organization, the Company has applied all compliance principles the Daimler AG Board of Management has set including an Integrity Code. This Integrity Code is a set of guidelines for behavior defining a binding framework for the actions of all employees worldwide. Among other things, the guidelines define correct behavior in international business and in any cases of conflicts of interest, questions of equal treatment, proscription of corruption, the role of internal control systems and the duty to comply with applicable law as well as other internal and external regulations.

Risk management and internal control

The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the Company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner (see note 15 to the accompanying financial statements).

The officers of the Company are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as issued by the IASB and includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Accounting principles

The financial statements of the Company are prepared in accordance with IFRS as issued by the IASB.

Outlook

We assume that the global economy will grow strongly in 2021 following the deep recession of 2020; this applies both to the industrialized countries and to the emerging markets. However, especially in the northern hemisphere, containment of the covid-19 pandemic is likely to affect the first few months of the year. Along with the expected spread of effective vaccines through the population, the situation should improve from the second quarter onwards and the upturn should gain momentum. Over the course of the year, the global economy should be able to return to its pre-crisis level of the fourth quarter of 2019. Global trade should also increase again significantly after the deep slump in 2020.

Management expects the Company's operational results to be stable in 2021. This expectation is based on a continuation of the Company's business model.

KPMG LLP
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Detroit, MI 48226

Independent Auditors' Report

The Board of Directors
Daimler Canada Finance Inc.:

We have audited the accompanying financial statements of Daimler Canada Finance Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daimler Canada Finance Inc., as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

Detroit, Michigan
April 26, 2021

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the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

(all amounts in thousands of Canadian dollars)

Statement of Comprehensive Income

		Year ended December 31,	
	Note	**2020**	**2019**
Interest income			
Interest income – related parties		177,322	199,113
Interest income – third parties		2,316	10,199
Total interest income		**179,638**	**209,312**
Interest expense			
Interest expense – third parties		(137,238)	(173,717)
Interest expense – related parties		(31,174)	(20,731)
Total interest expense		**(168,412)**	**(194,448)**
Net interest income		**11,226**	**14,864**
Administrative and other expense	16	(4,297)	(4,341)
Other financial income and (expense), net	4	(247)	289
Profit before income taxes		**6,682**	**10,812**
Income tax expense	5	(1,771)	(2,886)
Net profit		**4,911**	**7,926**
Other comprehensive income			
Items that are or may be reclassified to profit/(loss)			
Cash flow hedge reserve – effective portion of changes in fair value[1]		(9,033)	(238)
Cash flow hedge reserve – reclassification to profit or loss[1]		2,526	(3,021)
Cost of hedging reserve – changes in fair value[1]		417	1,271
Cost of hedging reserve – reclassification to profit or loss[1]		768	845
Other comprehensive (loss), net of taxes		**(5,322)**	**(1,143)**
Total comprehensive income/(loss)		**(411)**	**6,783**

[1] Net of taxes.

The accompanying notes on pages 13 to 40 are an integral part of the financial statements.

(all amounts in thousands of Canadian dollars)

Statement of Financial Position

		Year ended December 31,	
	Note	**2020**	**2019**
Assets			
Receivables from related parties	6	3,075,000	3,960,000
Other financial assets	7	81,370	18,516
Deferred tax assets	5	4,210	2,292
Total non-current assets		**3,160,580**	**3,980,808**
Receivables from related parties	6	3,479,388	3,570,919
Cash and cash equivalents	3	257,875	230,490
Other financial assets	7	17,863	3,599
Tax Receivables		1,554	-
Total current assets		**3,756,680**	**3,805,008**
Total assets		**6,917,260**	**7,785,816**
Equity and liabilities			
Share capital	8	-	-
Capital reserves		394,137	394,137
Accumulated deficit		(2,872)	(7,783)
Cash flow hedge reserve		(11,625)	(5,118)
Cost of hedging reserve		(56)	(1,241)
Total equity	8	**379,584**	**379,995**
Notes and bonds payable	9	3,811,905	3,480,549
Other financial liabilities	12	2,000	28,920
Total non-current liabilities		**3,813,905**	**3,509,469**
Provisions and other liabilities		8	10
Payables to related parties	11	1,416,075	746,618
Notes and bonds payable	9	1,259,777	2,491,425
Commercial paper	10	-	586,374
Other financial liabilities	12	47,911	70,499
Tax liabilities		-	1,426
Total current liabilities		**2,723,771**	**3,896,352**
Total liabilities		**6,537,676**	**7,405,821**
Total equity and liabilities		**6,917,260**	**7,785,816**

The accompanying notes on pages 13 to 40 are an integral part of the financial statements.

(all amounts in thousands of Canadian dollars)

Statement of Changes in Equity

	Share capital	Capital reserves	Accumulated deficit	Cash flow Hedge reserve	Cost of hedging reserve	Total equity
Balance at January 1, 2019	**-**	**394,137**	**(15,709)**	**(1,859)**	**(3,357)**	**373,212**
Net profit	-	-	7,926	-	-	7,926
Other comprehensive income/(loss) before taxes	-	-	-	(4,424)	2,879	(1,545)
Deferred taxes on other comprehensive income/(loss)	-	-	-	1,165	(763)	402
Total comprehensive income/(loss)	**-**	**-**	**7,926**	**(3,259)**	**2,116**	**6,783**
Balance December 31, 2019	**-**	**394,137**	**(7,783)**	**(5,118)**	**(1,241)**	**379,995**
Balance at January 1, 2020	**-**	**394,137**	**(7,783)**	**(5,118)**	**(1,241)**	**379,995**
Net profit	-	-	4,911	-	-	4,911
Other comprehensive income/(loss) before taxes	-	-	-	(8,853)	1,613	(7,240)
Deferred taxes on other comprehensive income/(loss)	-	-	-	2,346	(428)	1,918
Total comprehensive income/(loss)	**-**	**-**	**4,911**	**(6,507)**	**1,185**	**(411)**
Balance at December 31, 2020	**-**	**394,137**	**(2,872)**	**(11,625)**	**(56)**	**379,584**

The accompanying notes on pages 13 to 40 are an integral part of the financial statements.

(all amounts in thousands of Canadian dollars)

Statement of Cash Flows

		Year ended December 31,	
	Note	**2020**	**2019**
Net profit		4,911	7,926
Adjustments for			
Foreign exchange (gains)/losses		(8,222)	(4,461)
Non-cash interest (income)/expense		8,552	2,693
Changes in			
Tax receivables		(1,554)	336
Other assets, tax liabilities, provisions and accrued interest		(8,608)	(1,271)
Receivables from and payables to related parties	6, 11	1,645,988	(455,931)
Cash provided by/(used for) operating activities		**1,641,067**	**(450,708)**
Acquisition of marketable debt securities		-	-
Proceeds from sales of marketable debt securities		-	-
Cash provided by/(used for) investing activities		**-**	**-**
Issuances of notes and bonds payable[1]	9	1,486,382	1,316,934
Issuances of commercial paper[2]	10	19,896	228,117
Repayment of notes and bonds payable[1]	9	(2,514,483)	(1,493,829)
Repayment of commercial paper	10	(605,477)	(49,694)
Repayment of loans and borrowings		-	-
Cash provided by/(used for) financing activities		**(1,613,682)**	**1,528**
Net increase/(decrease) in cash and cash equivalents		**27,385**	**(449,180)**
Cash and cash equivalents at the beginning of the period	3	**230,490**	**679,670**
Cash and cash equivalents at the end of the period	3	**257,875**	**230,490**
Supplemental information:[3,4]			
Interest paid		(163,856)	(193,251)
Interest received		204,217	202,541
Income taxes paid		(4,750)	(1,123)

[1] Cash provided by financing activities include cash flows from hedging the currency risks of financial liabilities.
[2] Cash flows from commercial paper with initial time to maturity less than 3 months are netted.
[3] All cash flows from interest and taxes are included in cash provided by/(used for) by operating activities.
[4] The Company does not have any cash flows from dividends.

The accompanying notes on pages 13 to 40 are an integral part of the financial statements.

Notes to the Financial Statements

1. Reporting Entity

Daimler Canada Finance Inc. ("DCFI" or the "Company") is a stock corporation organized under the laws of Quebec, Canada. The Company is a wholly-owned subsidiary of Daimler AG ("DAG"). Its registered office is located at 1 Place Ville Marie – 37th Floor, H3B 3P4, Montreal, Quebec, Canada.

DCFI accesses Canadian and foreign capital markets to raise funds, which it lends to DAG subsidiaries in Canada through a consolidated funding and cash management system. In the event of non-payment by DCFI, DAG irrevocably and unconditionally guarantees the debt holders the payment of the amounts corresponding to the principal of and interest on the respective notes and bonds and commercial paper as they become due. DCFI has one reportable segment.

The Company's ultimate parent DAG produces consolidated financial statements that are available for public use.

On April 26, 2021, the Board of Directors of DCFI authorized the financial statements for issuance.

2. Basis of preparation

(a) Applied IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) IFRSs issued and not initially adopted in the reporting period.

In August 2020 the IASB published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). The amendments address issues related to the application of the reform and its effects on financial reporting for lease contracts, hedges and other financial instruments caused by replacing existing interest-rate benchmarks with alternative benchmark rates.

The Company has debt and derivative instruments that are linked to Euribor and Stibor. The calculation methodology change of Euribor was finalized in Q4 2019 and the Belgian Financial Services and Markets Authority granted authorization with respect to Euribor under the European Union Benchmarks Regulation. This allows participants to continue to use Euribor beyond 2021 for both existing and new contracts. As for Stibor, the Swedish Financial Benchmark Facility has finalized a review of the current methodology as part of its plans to adapt the calculation and administration of Stibor to meet the requirements for authorization with regards to the interest rate reform. As such, the Company expects Euribor and Stibor to exist as benchmark rates. The Company does not anticipate changing the hedge risks to different benchmarks. For these reasons, the Group does not consider its fair value and cash flow hedges of the above benchmark rates to be directly affected by interest rate benchmark reform at December 31, 2020. Application is mandatory for reporting periods beginning on or after January 1, 2021. The company did not early adopt the amendments, and does not expect the amendments to have a significant impact on the Company's financial statements.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on DCFI's profitability, liquidity and capital resources and financial position.

The following amended standards and interpretations are not expected to have a significant impact on DCFI's financial statements:

- IFRS16 Covid-19-Related Rent Concessions.
- IFRS17 Insurance Contracts.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value.
- recognized financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships are adjusted for changes in fair value attributable to the risk being hedged.

(d) Functional and presentation currency

These financial statements are presented in Canadian dollars ("$"), which is the Company's functional currency. The Company reports financial information in thousands of Canadian dollars, except where indicated otherwise.

(e) Presentation in the statement of financial position

Presentation in the statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they mature within one year. Deferred tax assets and liabilities are generally presented as non-current items.

(f) Accounting management judgments and estimates

The preparation of financial statements requires management to make estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management's most important estimates relate to the fair values of the Company's notes and bonds payable and receivables from related parties. Refer to note 15 for additional information.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are applied prospectively.

Management Judgements

Recoverability of receivables from related parties

At each reporting date, the carrying amounts of receivables from related parties are evaluated to determine whether there is objective significant increase in credit risk since initial recognition. Through December 31, 2020, the credit risk on receivables from related parties has not increased significantly since initial recognition. Therefore, the loss allowance for receivables from related parties are measured at an amount equal to 12-month expected credit losses. Receivables from related parties are considered to have a low risk of default. Management considers the 12-month expected credit losses for receivables from related parties as immaterial.

Estimates

Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized and disclosed in the financial statements relate to the fair value measurements for the Company's financial instruments.

Fair value of financial instruments

The Company measures fair values of its financial instruments using the following hierarchy of methods:

- Quoted market prices in an active market for an identical instrument.
- Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques. In particular, the Company uses widely recognized valuation models for determining the fair value of common and non-complex financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment. Observable prices and model inputs are usually available in the market for listed debt securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

3. Summary of significant accounting policies

(a) Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, except future credit losses.

The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

(b) Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars at the spot exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the spot exchange rate at that date. The resulting gains and losses from such re-measurement are recognized in the statement of comprehensive income in the line “other financial income and (expense), net”.

(c) Income taxes

Income taxes are comprised of current income taxes and deferred taxes.

Current income taxes are calculated based on the taxable income for the period and Canadian tax rules. In addition, current income taxes presented for the period include adjustments for uncertain tax payments or tax refunds for periods not yet finally assessed, however, excluding interest expenses and interest refunds and penalties on the underpayment of taxes. For the case it is probable that amounts declared as expenses in the tax returns might not be recognized (uncertain tax positions), a provision for income taxes is recognized. The amount is based on the best estimate of the expected tax payment (expected value or most likely amount). Tax refund claims from uncertain tax positions are recognized when it is probable that they can be realized. No provision for taxes or tax claim is recognized for uncertain tax positions when tax loss carryforwards or unused tax credits exist. Instead, the deferred tax assets for the unused tax loss carryforwards or tax credits are to be adjusted.

Changes in deferred tax assets and liabilities are generally recognized through profit and loss in deferred taxes in statement of comprehensive income, except for changes recognized in other comprehensive income/loss or directly in equity.

Deferred tax assets or liabilities are calculated on the basis of temporary differences between the tax basis and carrying value of assets and liabilities including differences from consolidation, on unused tax loss carryforwards and unused tax credits. Measurement is based on the tax rates expected to be effective in the period in which an asset is recognized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted at the reporting date or are soon to be enacted. Deferred tax assets are recognized to the extent that it is probable that the taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary difference.

(d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments in the form of financial assets and financial liabilities are presented separately. Financial instruments are recognized as soon as DCFI becomes a party to the contractual provisions of the financial instrument. In the case of purchases or sales of financial assets and liabilities through the regular market, DCFI uses the transaction date as the date of initial recognition or derecognition.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss). Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

(e) Financial assets

Financial assets are comprised of receivables from related parties, cash and cash equivalents, and derivative financial assets. The classification of financial instruments is based on the business model in which these instruments are held and on their contractual cash flows.

Financial assets that give rise to cash flows consisting only of payments of principal and interest are classified in accordance with DCFI's business model for holding these instruments. Financial assets that are held in a business model with the objective to hold them until maturity and collect the contractual cash flows are measured at amortized cost. These business models are managed principally based on interest-rate structure and credit risk. If the business model comprises the intention to hold the financial assets to collect the contractual cash flows but expects to sell these financial assets if this is necessary, e.g. to fulfill a specific need for liquidity, then these instruments are measured at fair value through other comprehensive income.

For the purposes of this assessment, "principal" is defined as the fair value of the financial assets on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, DCFI considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, DCFI considers:

- contingent events that would change the amount or timing of cash flows
- terms that may adjust the contractual coupon rate, including variable-rate features
- prepayment and extension features
- terms that limit DCFI's claim to cash flows of specified assets (e.g. non-recourse features)

The determination of the business model is made at the portfolio level and is based on management's intention and past transaction patterns. Assessments of the contractual cash flows are made on an instrument by instrument basis.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest on the nominal amount outstanding and which are held with the aim of collecting the contractual cash flows, such as receivables from related parties or cash and cash equivalents (business model "hold to collect").

After initial recognition, financial assets at amortized cost are subsequently carried at amortized cost using the effective interest method less any loss allowances. Gains and losses are recognized in profit or loss when the financial assets at amortized cost are impaired or derecognized. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Receivables from related parties

Under IFRS 9, receivable from related parties are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest on the nominal amount outstanding and which are held with the aim of collecting the contractual cash flows.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and overnight deposits with a remaining term when acquired of up to three months and correspond with the classification in the statement of cash flows. Cash at December 31, 2020 was $257,875 compared to $230,490 at December 31, 2019. There were no cash equivalents in 2020 or 2019, respectively.

Impairment of financial assets

DCFI recognizes loss allowances for expected credit losses for financial assets. The loss allowance for financial assets that are determined to have low credit risk at the reporting date or for which credit risk has not increased significantly since recognition (including receivable from related parties) are measured at 12-month expected credit losses.

When determining if the credit risk of a financial asset has increased significantly DCFI considers reasonable and supportable information that is relevant and available without undue cost or effort, including quantitative and qualitative information based on historical experience and forward-looking information.

DCFI assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The low credit risk exception is applied by DCFI for receivables from related parties.

Measurement of expected credit losses

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. 12-months expected credit losses are a portion of expected credit losses that result from default events that are possible within the next 12 months after the reporting date. Expected credit losses are discounted at the effective interest rate of the financial asset.

A financial instrument is written off when there is no reasonable expectation of recovering it in its entirety or a portion thereof, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

(f) Financial liabilities

Financial liabilities primarily include notes and bonds payable, commercial paper, derivative financial liabilities and other financial liabilities.

Financial liabilities measured at amortized cost

Financial liabilities are initially measured at fair value minus transaction cost. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

(g) Derivative financial instruments and hedge accounting

DCFI uses derivative financial instruments (e.g. swaps) mainly for the purposes of hedging interest rate and currency risks that arise from its operating and financing activities.

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is derived based on market price. If a market price is not available, fair value is calculated using standard financial valuation models, such as discounted cash flow models including fair value changes induced by counterparty credit risk. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values reflect the credit risk of the instrument and include adjustments (credit value adjustments (CVA) and debit value adjustments (DVA)) to take account of the credit risk of the Company and the counterparty where appropriate. The calculation of the CVA/DVA is considering probabilities of default (PD) on counterparty level, a standardized loss given default (LGD) and transaction exposures, which include market values and add-ons. The PDs are based on historical default data as well as on current market data. The add-ons are determined by multiplying nominal amounts by instrument and tenor specific add-on factors.

(CVA)/DVA was $(534) at December 31, 2020 compared to $(17) at December 31, 2019.

If the requirements for hedge accounting set out in IFRS 9 are met, DCFI designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge or a cash flow hedge. In a fair value hedge, the changes in the fair value of a recognized asset or liability or an unrecognized firm commitment are hedged. In a cash flow hedge, the variability of cash flows to be received or paid from expected transactions related to a recognized asset or liability or a highly probable forecast transaction is hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of the risk being hedged, the identification of the eligible hedging instrument and the eligible hedged item, as well as an assessment of the effectiveness requirements comprising the risk mitigating economic relationship, the absence of deteriorating effects from credit risk and the appropriate hedge ratio. Hedging transactions are regularly assessed to determine whether the effectiveness requirements are met while they are designated.

Changes in the fair value of derivative financial instruments that are designated in a hedge relationship are recognized periodically in either profit or loss or other comprehensive income, depending on whether the derivative is designated as a hedge of changes in fair value or cash flows.

For fair value hedges, changes in the fair value of the hedged item for the hedged risks and the derivative are recognized in profit or loss. The ineffectiveness portions of fair value changes related to fair value hedges are recognized directly in profit or loss in interest expenses – third parties.

(all amounts in thousands of Canadian dollars)

For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in other comprehensive income. The accumulated hedging gains or losses from the cash flow hedging instruments are reclassified from the reserves for derivative financial instruments to the statement of comprehensive income when the hedged item affects profit or loss.

Under IFRS 9, currency basis spreads are now excluded from the hedge designation. The initial currency basis spread is amortized over the lifetime of the derivative on a straight line basis. The subsequent changes in the fair value of the currency basis spread are accounted as a cost of hedging, which are deferred in OCI and subsequently recognized in profit or loss in interest expense – third parties over the term of the hedging relationship.

Hedge relationships are to be discontinued prospectively if a particular hedge relationship ceases to meet the qualifying criteria for hedge accounting under IFRS 9. Instances that require discontinuation of hedge accounting are, among others, loss of the economic relationship between the hedged item and the hedging instrument, disposal or termination of the hedging instrument, or a revision of the documented risk management objective of a particular hedge relationship. Accumulated hedging gains and losses from cash flow hedges are retained in the hedge reserve and are reclassified when the hedged cash flows affect profit or loss. Otherwise, if the hedged cash flows are no longer expected to occur, the accumulated hedging gains and losses are immediately reclassified to profit or loss. Accumulated hedging gains and losses from fair value hedges are retained within the hedged item and amortized over the remaining lifetime of the hedged item on a straight line basis.

If derivative financial instruments do not or no longer qualify for hedge accounting because the qualifying criteria for hedge accounting are not or are no longer met, the derivative financial instruments are classified as held for trading and are measured at fair value through profit or loss.

(h) Transactions with related parties

DCFI is wholly owned by DAG. Transactions with related parties in the normal course of business are recorded at the agreed upon exchange amount. Financial receivables and payables with related parties are entered into at prevailing market terms at the time of the transaction.

4. Other financial income and (expense), net

Other financial expense, net is comprised of the following:

	2020	2019
Result of foreign exchange transactions - gains (losses)	(193)	516
Bank fees	(54)	(227)
Total	**(247)**	**289**

5. Income taxes

Income tax (expense)/benefit is comprised of the following components:

	2020	2019
Current taxes	(1,771)	(2,886)
Deferred taxes	-	-
Total	**(1,771)**	**(2,886)**

There were no adjustments for prior periods recognized in current taxes.

(all amounts in thousands of Canadian dollars)

A reconciliation of expected income tax expense to actual income tax expense determined using the applicable Canada combined statutory rate of 26.5% (26.6% in 2019; reduction in provincial rate) is included in the following table:

	2020	**2019**
Expected income tax expense at Canada statutory rate	(1,771)	(2,876)
Prior year tax return and deferred tax adjustments	-	(10)
Total income tax expense	**(1,771)**	**(2,886)**

In respect of each type of temporary difference and in respect of each type of unutilized tax losses and unutilized tax credits, the deferred tax assets/ (liabilities) before offset are summarized as follows:

	2020	**2019**
Derivative financial instruments	4,210	2,292
Deferred tax assets/(liabilities)	**4,210**	**2,292**

In 2020 and 2019, the increase in net deferred tax asset was composed of:

	2020	**2019**
Deferred tax (expense)/benefit in the statement of comprehensive income	-	-
Change in deferred tax (expense)/benefit on derivative financial instruments included in other comprehensive income/(loss)	1,918	402
Total	**1,918**	**402**

Including the items charged or credited directly to related components of shareholders' equity without an effect on earnings, the (expense)/benefit for income taxes consists of the following:

	2020	**2019**
Income tax (expense)/benefit in the statement of comprehensive income	(1,771)	(2,886)
Income tax (expense)/benefit recorded in other comprehensive income/(loss)	1,918	402
Total	**147**	**(2,484)**

(all amounts in thousands of Canadian dollars)

6. Receivables from related parties

DCFI provides financing to certain DAG affiliates mainly in Canada, which are related parties for DCFI. DCFI is also responsible for administering a cash management system to manage the financial resources of DAG affiliated companies in Canada. The following sets forth receivables from these related parties for such financing, including accrued interest:

	December 31,	
	2020	**2019**
Mercedes-Benz Financial Services Canada Corp	6,374,213	7,330,492
Mercedes-Benz Canada Inc.	100,271	175,600
Daimler AG	70,753	17,296
Mascot Truck Parts Canada Ltd	9,151	7,531
Total	**6,554,388**	**7,530,919**

The receivables bear interest at fixed and variable rates ranging from 1.09% to 3.65%, with a weighted average interest rate of 2.63%. Variable rates are based on the Canadian Dollar Offered Rate (CDOR) and re-priced on a monthly basis. Interest income is recorded using the effective interest method. DCFI accrued an interest rebate of $16,500 payable to MBFS Canada for 2020, compared to an interest rebate receivable of $7,700 from MBFS Canada for 2019. Based on the contractual agreement, DCFI charges MBFS Canada only for the actual external funding cost and its administrative cost. The amount of the interest rebate is derived as the difference between the interest paid by MBFS Canada and the actual interest expenses including administrative cost incurred for DCFI. This interest rebate is included in interest expense – related parties and interest income – related parties in the Statement of Comprehensive Income.

As of December 31, 2020, aggregate annual maturities of loans receivables from related parties including accrued interest were as follows:

	Maturities
2021	3,479,388
2022	1,670,000
2023	1,405,000
Total	**6,554,388**

As of December 31, 2019, aggregate annual maturities of loans receivables from related parties including accrued interest were as follows:

	Maturities
2020	3,570,919
2021	2,290,000
2022	1,670,000
Total	**7,530,919**

(all amounts in thousands of Canadian dollars)

7. Other financial assets

Other financial assets are comprised of the following:

	December 31, 2020			December 31, 2019		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Derivative financial instruments used in hedge accounting	10,844	81,370	92,214	(111)	18,516	18,405
Accrued interest[1]	7,019	-	7,019	3,710	-	3,710
Carrying amount	**17,863**	**81,370**	**99,233**	**3,599**	**18,516**	**22,115**

[1] Comprised of accrued interest from derivative financial instruments.

8. Equity

(a) Share capital

At December 31, 2020 and 2019, the authorized share capital comprised 1,000 no par value shares, of which 100 shares were issued and outstanding. All issued shares were fully paid.

(b) Reserves

Capital reserves

Capital reserves primarily comprise premiums arising on the issue of shares.

Cash flow hedge reserve

The Cash flow hedge reserve comprise accumulated unrealized gains/losses on the measurement of derivative financial instruments designated in a cash flow hedge.

Cost of hedging reserve

The cost of hedging reserve reflects gains or losses on the portion excluded from the designated hedging instrument that relates to the currency basis spread of cross-currency interest rate swaps. It is initially recognized in other comprehensive income and amortized into profit or loss, pro rata in the caption interest expense – third parties.

(all amounts in thousands of Canadian dollars)

9. Notes and bonds payable

Terms and conditions of notes and bonds payable outstanding at December 31, 2020, are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
NOK Medium Term Note					
Medium Term Note	NOK	1.875%	2021	74,650	74,668
Medium Term Note	NOK	2.000%	2023	149,300	148,772
Medium Term Note	NOK	2.250%	2022	111,975	111,785
Medium Term Note	NOK	3.250%	2024	149,300	148,875
Medium Term Note	NOK	3.100%	2025	82,115	82,104
Total NOK Medium Term Notes				**567,340**	**566,204**
SEK Medium Term Notes					
Medium Term Note	SEK	3M SEKSTIBOT + .57%	2022	77,900	77,832
Total SEK Medium Term Notes				**77,900**	**77,832**
HKD Medium Term Notes					
Medium Term Note	HKD	2.270%	2024	70,320	70,326
Total HKD Medium Term Notes				**70,320**	**70,326**
EURO Medium Term Notes					
Medium Term Note	EUR	3M EURIBOR + 0.40%	2021	234,495	234,545
Medium Term Note	EUR	3M EURIBOR + 0.70%	2022	781,650	784,070
Total EURO Medium Term Notes				**1,016,145**	**1,018,615**
Canadian Dollar Bonds					
Bond	CAD	1.910%	2021	500,000	497,970
Bond	CAD	2.230%	2021	450,000	452,594
Bond	CAD	2.570%	2022	250,000	256,498
Bond	CAD	3.050%	2022	500,000	513,784
Bond	CAD	3.300%	2022	400,000	407,958
Bond	CAD	2.970%	2024	300,000	313,175
Bond	CAD	2.540%	2023	400,000	399,137
Bond	CAD	1.650%	2025	500,000	497,589
Total Canadian Dollar Bonds				**3,300,000**	**3,338,705**
Total				**5,031,705**	**5,071,682**

10. Commercial paper

In July 2011, DCFI entered into a $2,500,000 private placement of a commercial paper program. As of December 31, 2020, there was no amount outstanding under the commercial paper program compared to $586,374 as of December 31, 2019. Prior year fixed interest rates ranged from 1.88% to 2.09% and maturity dates ranged from January 6, 2020 to March 2, 2020.

(all amounts in thousands of Canadian dollars)

11. Payables to related parties

The following table sets forth amounts payable to related parties:

	December 31,	
	2020	**2019**
MBarc Credit Canada Inc.	389,563	321,998
Daimler North America Corporation	385,987	905
Mercedes-Benz Canada Inc.	276,981	317,134
Daimler Canada Investment Company	238,614	-
Daimler Trucks Canada Ltd.	103,742	98,654
Thomas Built Buses of Canada Ltd.	9,884	717
Daimler AG	4,456	4,335
SelecTrucks of Toronto Inc.	3,625	1,513
Mercedes-Benz Financial Services Canada Corp	3,062	-
MFTA Canada, Inc.	161	1,352
Daimler Finance North America	-	10
Total	**1,416,075**	**746,618**

Payables to related parties consist of intercompany cash balances. The variable interest rates are based on an average overnight bank rate and re-priced on a monthly basis. As of December 31, 2020, the average interest rate on these deposits was 0.30%, compared to 1.17% as of December 31, 2019.

12. Other financial liabilities

Other financial liabilities are comprised of the following:

	December 31, 2020			December 31, 2019		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Derivative financial instruments used in hedge accounting	13,217	2,000	15,217	31,935	28,920	60,855
Accrued interest[1]	34,694	-	34,694	38,564	-	38,564
Carrying amount	**47,911**	**2,000**	**49,911**	**70,499**	**28,920**	**99,419**

[1] Comprises of accrued interest from notes and bonds and derivative financial instruments.

(all amounts in thousands of Canadian dollars)

13. Statement of cash flows

Changes in financial liabilities arising from financing activities.

Financial Liabilities	Notes and bonds payable	Commercial paper	Derivative financial assets[4]	Derivative financial liabilities[4]	Total
Balance at January 1, 2020[1,2,3]	**5,998,030**	**586,374**	**(22,115)**	**73,362**	**6,635,651**
Proceeds from issuance	1,486,382	19,896	-	-	1,506,278
Repayments	(2,514,483)	(605,477)	-	-	(3,119,960)
Total changes from financing cash flows	**(1,028,101)**	**(585,581)**	**-**	**-**	**(1,613,682)**
Non-cash interest expense[5]	56,030	-	(27,747)	(11,698)	16,585
Foreign Exchange (gain)/loss	71,779	-	(46,061)	(33,940)	(8,222)
Interest expense[6]	102,713	8,052	(64,079)	86,427	133,113
Interest paid[6]	(99,484)	(8,845)	60,770	(93,527)	(141,086)
Total liability-related other changes	**131,038**	**(793)**	**(77,117)**	**(52,738)**	**390**
Balance at December 31, 2020[7,8,9]	**5,100,967**	**-**	**(99,232)**	**20,624**	**5,022,359**

[1] Notes and bonds payable balance includes accrued interest in the amount of $26,056 presented in other financial liabilities.
[2] Derivative financial assets balance includes accrued interest in the amount of $3,710 presented in other financial assets.
[3] Derivative financial liabilities balance includes accrued interest in the amount of $12,507 presented in other financial liabilities.
[4] Derivative financial assets and liabilities are used for hedging of notes and bonds payable.
[5] Notes and bonds payable balance includes fair value changes in the amount of $46,745 and amortization of discount/premium and hedge adjustments from inactive hedges in the amount of $9,285.
[6] Interest expense and interest paid exclude amounts related to operating assets and liabilities.
[7] Notes and bonds payable balance includes accrued interest in the amount of $29,285 presented in other financial liabilities.
[8] Derivative financial assets balance includes accrued interest in the amount of $7,019 presented in other financial assets.
[9] Derivative financial liabilities balance includes accrued interest in the amount of $5,407 presented in other financial liabilities.

(all amounts in thousands of Canadian dollars)

Financial Liabilities	Notes and bonds payable	Commercial paper	Derivative financial assets[4]	Derivative financial liabilities[4]	Total
Balance at January 1, 2019[1,2,3]	**6,273,653**	**407,774**	**(85,500)**	**41,148**	**6,637,075**
Proceeds from issuance	1,316,934	228,117	-	-	1,545,051
Repayments	(1,493,829)	(49,694)	-	-	(1,543,523)
Total changes from financing cash flows	**(176,895)**	**178,423**	**-**	**-**	**1,528**
Non-cash interest expense[5]	17,279	-	(7,635)	(5,582)	4,062
Foreign Exchange (gain)/loss	(116,884)	-	73,289	39,134	(4,461)
Interest expense[6]	108,737	6,224	(56,936)	112,465	170,490
Interest paid[6]	(107,860)	(6,047)	54,667	(113,803)	(173,043)
Total liability-related other changes	**(98,728)**	**177**	**63,385**	**32,214**	**(2,952)**
Balance at December 31, 2019[7,8,9]	**5,998,030**	**586,374**	**(22,115)**	**73,362**	**6,635,651**

[1] Notes and bonds payable balance includes accrued interest in the amount of $25,179 presented in other financial liabilities.
[2] Derivative financial assets balance includes accrued interest in the amount of $1,442 presented in other financial assets.
[3] Derivative financial liabilities balance includes accrued interest in the amount of $13,845 presented in other financial liabilities.
[4] Derivative financial assets and liabilities are used for hedging of notes and bonds payable.
[5] Notes and bonds payable balance includes fair value changes in the amount of $14,856 and amortization of discount/premium and hedge adjustments from inactive hedges in the amount of $2,423.
[6] Interest expense and interest paid exclude amounts related to operating assets and liabilities.
[7] Notes and bonds payable balance includes accrued interest in the amount of $26,056 presented in other financial liabilities.
[8] Derivative financial assets balance includes accrued interest in the amount of $3,710 presented in other financial assets.
[9] Derivative financial liabilities balance includes accrued interest in the amount of $12,507 presented in other financial liabilities.

(all amounts in thousands of Canadian dollars)

14. Financial instruments

Carrying amounts and fair values of financial instruments

The following table shows the carrying amounts and fair values of the Company's financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

	December 31, 2020		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	**257,875**	**257,875**	**230,490**	**230,490**
Financial assets at amortized cost				
Receivables from related parties	6,554,388	6,698,782	7,530,919	7,612,724
Accrued interest	7,019	7,019	3,710	3,710
Total financial assets at amortized cost	**6,561,407**	**6,705,801**	**7,534,629**	**7,616,434**
Financial assets recognized at fair value through profit or loss				
Derivative financial instruments used in hedge accounting	92,214	92,214	18,405	18,405
Total financial assets recognized at fair value through profit or loss	**92,214**	**92,214**	**18,405**	**18,405**
Total financial assets	**6,911,496**	**7,055,890**	**7,783,524**	**7,865,329**
Financial liabilities at amortized cost				
Notes and bonds payable	5,071,682	5,160,685	5,971,974	5,999,011
Commercial paper	-	-	586,374	586,374
Payables to related parties	1,416,075	1,416,075	746,618	746,618
Accrued interest	34,694	34,694	38,564	38,564
Total financial liabilities at amortized cost	**6,522,451**	**6,611,454**	**7,343,530**	**7,370,567**
Financial liabilities at fair value				
Derivative financial instruments used in hedge accounting	15,217	15,217	60,855	60,855
Total financial liabilities at fair value	**15,217**	**15,217**	**60,855**	**60,855**
Total financial liabilities	**6,537,668**	**6,626,671**	**7,404,385**	**7,431,422**

(all amounts in thousands of Canadian dollars)

Financial assets and liabilities measured at fair value according to IFRS 13 are classified into the following fair value hierarchy:

	December 31, 2020				December 31, 2019			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
Assets								
Derivative financial instruments used in hedge accounting	**92,214**	-	92,214	-	**18,405**	-	18,405	-
Liabilities								
Derivative financial instruments used in hedge accounting	**15,217**	-	15,217	-	**60,855**	-	60,855	-

[1] Fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
[2] Fair value measurement based on inputs for the asset or liability that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
[3] Fair value measurement based on inputs for the asset or liability that are not observable market data.

Financial assets and liabilities not measured at fair value are classified into the following fair value hierarchy:

	December 31, 2020				December 31, 2019			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
Financial assets measured at amortized cost	**6,698,782**	-	6,698,782	-	**7,612,724**	-	7,612,724	-
Financial liabilities measured at amortized cost	**5,160,685**	4,118,486	1,042,199	-	**6,585,385**	5,638,668	946,717	-
thereof notes and bonds	**5,160,685**	4,118,486	1,042,199	-	**5,999,011**	5,638,668	360,343	-
thereof other financial liabilities	**-**	-	-	-	**586,374**	-	586,374	-

[1] Fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
[2] Fair value measurement based on inputs for the asset or liability that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
[3] Fair value measurement based on inputs for the asset or liability that are not observable market data.

The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date using the methods and assumptions presented below.

Cash and cash equivalents

The carrying amount of cash approximates fair value.

Receivables from related parties

DCFI holds receivables from related parties within a business model whose objective is to collect contractual cash flows. The fair values of receivables from related parties are calculated as the present values of the estimated future cash flows, using market rates.

Derivative financial instruments used in hedge accounting

These derivative financial instruments include:

- Derivative currency hedging contracts. The fair values of cross currency interest rate swaps are determined on the basis of discounted estimated future cash flows using market interest rates appropriate to the remaining terms of the financial instruments.
- Derivative interest rate hedging contracts. The fair values of interest rate hedging instruments (e.g. interest rate swaps) are calculated on the basis of the discounted estimated future cash flows using the market interest rates appropriate to the remaining terms of the financial instruments.

Notes and bonds payable

When available, the Company uses quoted market prices for its issued identical notes and bonds and classifies such instruments as Level 1 in the fair value hierarchy. If quoted market prices are not available or for instruments with quoted prices in markets that are considered less than active, the fair value of notes and bonds is determined based on internal models calculating present values of the estimated cash flows and using observable inputs such as interest rates for similar types of instruments. Notes and bonds measured using simple proprietary models based on observable inputs are classified as Level 2 in the fair value hierarchy.

Commercial paper

Because of the short maturities of these financial instruments, the carrying amount approximates fair value.

Payables to related parties

The fair values of payables to related parties are calculated as the present values of the estimated future cash flows, using the interest rates set forth in the underlying intercompany loan agreements, which approximate market rates. Because of the short maturities of these financial instruments, the carrying amount approximates fair value.

Other financial liabilities

Because of the short maturities of these financial instruments, the carrying amount approximates fair value.

15. Management of financial risk and information on derivative financial instruments

DCFI is exposed to the following risks from financial instruments:

- credit risk
- liquidity risk
- finance market risks

This note presents information about the Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

(a) General information on financial risks

DCFI applies the guidelines established by its parent company, DAG, and when necessary, establishes its own guidelines unique to the transactions of the Company. The guidelines are established for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlement, accounting and the related controlling. The guidelines, upon which the Company's risk management processes are based, are designed to identify and analyze these risks, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products.

The Company manages and monitors these risks primarily through its operating and financing activities and, if required, through the use of derivative financial instruments. DCFI does not use derivative financial instruments for purposes other than risk management. Without these derivative financial instruments, the Company would be exposed to higher financial risks (additional information on financial instruments and derivative financial instruments used is included in Note 15). DCFI regularly evaluates its financial risks with due consideration of changes in key economic indicators and up-to-date market information.

(b) Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt in accordance with the contractual terms. It encompasses both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risks.

For DCFI, credit risk arises from the Company's receivables from related parties and derivative financial instruments concluded with related parties and third parties. As a result, the Company is exposed to these related parties, and indirectly to its parent DAG's, intent and ability to effect the repayment of these receivables.

As it pertains to the remaining assets, DCFI manages the credit risk exposure through the diversification of counterparties with the use of a Daimler Group-wide limit system based on the review of each counterparty's financial strength. During times of significant financial market volatility, DCFI's parent company, DAG reduced available limits for certain counterparties that were affected by the financial market crisis.

The maximum risk positions of financial assets, which generally can be subject to credit risk, are equal to their carrying amounts and are shown in the following table:

	See note	Maximum risk position	
		2020	2019
Receivables from related parties	6	6,554,388	7,530,919
Derivatives (only assets)	7	92,214	18,405
Other financial assets	7	7,019	3,710

Derivative financial instruments

Derivative financial instruments are comprised of derivatives that are either included in hedge accounting or individually valued. DCFI manages its credit risk exposure in connection with derivative financial instruments through a limit system, which is based on the review of each counterparty's financial strength. This system limits and diversifies the credit risk. As a result, the Company is exposed to credit risk only to a small extent with respect to its derivative financial instruments. According to the Company's risk policy, most derivatives are contracted with counterparties which have an external rating of "A" or better.

Receivables from related parties

The Company monitors DAG's liquidity position. DAG's financial statements are publicly available.

Debt ratings are an assessment by the rating agencies of the credit risk associated with DAG and are based on information provided by DAG or other sources. Lower ratings generally result in higher borrowing costs and reduced access to capital markets. Standard & Poor's Rating Services ("S&P"), Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings Ltd. ("Fitch"), the European rating agency Scope Ratings AG ("Scope"), and the Canadian agency DBRS ("DBRS") rate DAG's commercial paper (short-term) and senior unsecured long-term debt (long-term).

(all amounts in thousands of Canadian dollars)

In 2020, three agencies downgraded Daimler AG's credit ratings. On March 26, 2020, S&P Global Ratings (S&P) lowered its long-term rating for Daimler AG from A- to BBB+. The outlook was unchanged at "negative". On April 14, 2020, Fitch Ratings (Fitch) downgraded Daimler AG's long-term issuer default rating from A- to BBB+ with a stable outlook. DBRS downgraded its long-term rating for Daimler AG and its rated subsidiaries from A to BBB (high) on August 11, 2020. At the same time, DBRS lowered its short-term rating from R-1 (low) to R-2 (high). However, the trend was lifted from "negative" to "stable". All agencies justified these downgrades with various discussions of COVID-19 impacts to vehicle sales along with discussion of underlying fundamental challenges and structural headwinds facing Daimler AG.

DAG's ratings as of December 31, 2020 were as follows:

	S&P	**Moody's**	**Fitch**	**Scope**	**DBRS**
Short-term debt	A-2	P-2	F1	S-1	R-2 (high)
Long-term debt	BBB+	A-3	BBB+	A	BBB (high)

DAG's ratings as of December 31, 2019 were as follows:

	S&P	**Moody's**	**Fitch**	**Scope**	**DBRS**
Short-term debt	A-2	P-2	F1	S-1	R-1(low)
Long-term debt	A-	A-3	A-	A	A

(c) Liquidity risk

Liquidity risk comprises the risk that a company cannot meet its financial obligations in full.

DCFI's main sources of liquidity are external and internal borrowings. The funds are primarily used to finance working capital and capital expenditure requirements as well as the cash needs of the lease and financing business of the Daimler subsidiaries in Canada.

The Company manages its liquidity by holding adequate volumes of liquid assets and by maintaining syndicated credit facilities in addition to the cash inflow generated by its operating business. Liquid assets consist of cash and cash equivalents. In general, the Company makes use of a broad spectrum of financial instruments to cover its funding requirements. Depending on funding requirements and market conditions, the Company issues bonds and notes and commercial papers in various currencies. Adverse changes in the capital markets could increase DCFI's funding costs and limit the Company's financial flexibility.

Since July 2018, Daimler has had a syndicated credit facility with a volume of €11 billion from a consortium of international banks at its disposal. Following the exercise of an extension option of one further year, it grants Daimler additional financial flexibility until 2025. As of December 31, 2020, this credit line had not been utilized and Daimler does not intend to utilize the credit line.

Furthermore, an additional agreed credit facility has been available to Daimler since the beginning of April 2020 (a bridge facility). After capital-market transactions were carried out in 2020, the originally agreed amount decreased from €12.0 billion to €8.8 billion. At December 31, 2020, the credit line was still available but had not been utilized.

From an operating point of view, the management of the Company's liquidity exposures is centralized by a daily cash pooling process. This process enables DCFI to manage its liquidity surplus and liquidity requirements according to the actual needs of the Company and other DAG subsidiaries. The Company's short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from the operating business.

(all amounts in thousands of Canadian dollars)

The liquidity runoff shown in the following table provides an insight into how the liquidity situation of the Company is affected by the cash flows from financial liabilities as of December 31, 2020. It comprises a runoff of the

- undiscounted principal and interest of the notes and bonds payable,
- undiscounted payments of commercial paper
- undiscounted sum of the net cash outflows of the derivative financial instruments for the respective time band, and
- undiscounted payments from other financial liabilities without derivatives.

	Total	**2021**	**2022**	**2023**	**2024**	**2025**
Notes and bonds – principal	**5,031,705**	1,259,145	2,121,525	549,300	519,620	582,115
Notes and bonds – interest	**241,433**	99,328	70,310	39,300	21,699	10,796
Commercial paper	**-**	-	-	-	-	-
Payables to related parties	**1,416,075**	1,416,075	-	-	-	-
Derivative financial instruments	**(67,412)**	(5,486)	(34,599)	(6,271)	(12,638)	(8,418)
Other financial liabilities	**5,407**	5,407	-	-	-	-
Total	**6,627,208**	**2,774,469**	**2,157,236**	**582,329**	**528,681**	**584,493**

The liquidity runoff shown in the following table provides an insight into how the liquidity situation of the Company is affected by the cash flows from financial liabilities as of December 31, 2019

	Total	**2020**	**2021**	**2022**	**2023**	**2024**
Notes and bonds – principal	**5,984,133**	2,490,830	1,242,970	1,330,900	548,000	371,433
Notes and bonds – interest	**264,088**	97,899	82,581	53,875	23,652	6,081
Commercial paper	**587,000**	587,000	-	-	-	-
Payables to related parties	**746,618**	746,618	-	-	-	-
Derivative financial instruments	**76,023**	71,494	19,715	(12,177)	(1,322)	(1,687)
Other financial liabilities	**12,507**	12,507	-	-	-	-
Total	**7,670,369**	**4,006,348**	**1,345,266**	**1,372,598**	**570,330**	**375,827**

Interest payments on the notes and bonds are at fixed and floating rates.

The undiscounted cash outflows of this runoff are subject to the following conditions:

- Cash outflows from payables to related parties include interest payments on intercompany loans, which are based on forward rates. The outflows do not include future interest payments on outstanding cash sweep balances as these balances change daily and the interest on these balances, as a result, cannot be determined reliably. The Company believes that the interest payments resulting from cash sweep payables are insignificant.
- Besides derivative financial instruments bearing a negative fair value, this analysis also comprises derivative financial instruments with a positive fair value due to the fact that all derivative financial

instruments and not necessarily derivative financial instruments of negative fair value only may contain net cash outflows.

- The cash flows of floating interest financial instruments are estimated on the basis of forward rates.

(d) Finance market risk

The global nature of its business exposes DCFI to significant market risks resulting from fluctuations in interest rates. If these market risks materialize, they will adversely affect the Company's profitability, liquidity and capital resources and financial position. Management of market price risks aims to minimize the impact of fluctuations in interest rates. DCFI calculates its overall exposure to these market price risks to provide a basis for hedging decisions, which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods. Decisions regarding the management of market risks resulting from fluctuations in foreign exchange rates, interest rates (asset/liability management) are regularly made by the relevant DAG risk management committees. The Company maintains risk management control systems independent of Corporate Treasury and with a separate reporting line. DCFI is also exposed to the risk of changes in exchange rates. The risk resulting from these transactions in 2020 and 2019 was not, and is not currently, significant to DCFI.

Interest rate risk

DCFI holds a variety of interest rate sensitive assets and liabilities to manage the liquidity and cash needs of its day-to-day operations. The general policy is to match funding in terms of maturities and interest rates, where economically feasible. In order to achieve the targeted interest rate risk positions in terms of maturities and interest rate fixing periods, DCFI uses derivative financial instruments (e.g. interest rate swaps) to management these risk. The interest rate risk position is assessed by comparing assets and liabilities for corresponding maturities, including the impact of the relevant derivative financial instruments.

Certain existing benchmark interest rates including those of the London Interbank Offer Rate (for USD, GBP, CHF and JPY) will be comprehensively and internationally reformed by the end of 2021. As a result, those interest rates will be gradually abolished and replaced with alternative risk-free reference rates. Alternative interest rates are being developed on a national level in the context of the respective legal systems and currencies; they can therefore vary with regard to their structure, methodology and period of publication.

Despite market uncertainty, the existing benchmark interest rates are still applied as reference rates in financial markets and have an impact on the valuation of financial transactions. The financial instruments referencing IBOR provide for fallback arrangements in the event that a benchmark becomes unavailable. This also applies for financial instruments in hedging relationships with a maturity beyond the end of 2021. Stibor reform is currently under review with plans to meet the requirements for authorization, which would allow it to continue beyond 2021. With EURIBOR reform already implemented, there are no interest rate risk hedging relationships affected by the benchmark reform. DCFI regularly discusses current developments of alternative risk-free interest rates with its international banking partners.

DCFI expects the conversion of reference rates of hedging instruments and their underlying transactions to be identical and without material delay in time. DCFI continues to consider the economic relationship and thus the continuation of hedge accounting to be still existing as of December 31, 2020.

Exposure to Market Risk

As part of its risk management system, DCFI employs value at risk analyses. VAR has been used by Daimler as part of its risk management system in past years. In performing these analyses, DCFI quantifies its market risk due to changes in interest rates on a regular basis by predicting the potential loss over a target time horizon (holding period) and confidence level.

(all amounts in thousands of Canadian dollars)

The value at risk calculations employed:

- express potential losses in fair values.
- assume a 99% confidence level and holding period of five days.

DCFI calculates the value at risk for interest rate risk according to the variance-covariance approach.

When calculating the value at risk by using the variance-covariance approach, DCFI first computes the current market value of the company's financial instruments portfolio. Then the sensitivity of the portfolio value to changes in the relevant market risk factors, such as particular interest rates of specific maturities, is quantified. Based on volatilities and correlations of these market risk factors, which are obtained from the RiskMetrics™ dataset, a statistical distribution of potential changes in the portfolio value at the end of the holding period is computed. The loss which is reached or exceeded with a probability of only 1% can be derived from this calculation and represents the value at risk.

The table below shows the period-end, high, low and average value at risk figures for the 2020 and 2019 portfolios of interest-sensitive financial instruments, which include the related party receivables, notes and bonds payable, and derivatives. The amounts reflects the interest rate risk of unhedged positions of the aforementioned financial instruments. The average values have been computed on an end-of-quarter basis.

	2020				**2019**			
	Period-end	**High**	**Low**	**Average**	**Period-end**	**High**	**Low**	**Average**
Interest rate risk	3,656	16,193	3,656	7,035	2,649	4,662	1,928	2,981

Changes in the value of risk of interest rate sensitive financial instruments were primarily interest rate volatilities.

Use of derivatives

The table below shows the average rates for derivative financial instruments for the interest rate risks:

	At December 31, 2020	**At December 31, 2019**
	Interest rate risk	**Interest rate risk**
Fair value hedges		
Average variable rate - CAD	1.45%	2.85%
Cash flow hedges		
Average fixed rate - CAD	2.08%	2.60%

(all amounts in thousands of Canadian dollars)

The maturities of the interest rate hedges and cross currency interest rate hedges correspond with those of the underlying transactions. The realization of the underlying transactions of the cash flow hedges is expected to correspond with the maturities of the hedging transactions, as shown in the tables below for December 31, 2020 and December 31, 2019:

	At December 31, 2020		
	Notional Values	**Maturity**	
		≤1 year	**>1 year**
Cross currency interest rate swaps	**1,731,739**	**309,149**	**1,422,590**
thereof cash flow hedges	1,657,085	234,495	1,422,590
thereof fair value hedges	74,654	74,654	-
Interest rate swaps	**2,600,000**	**1,150,000**	**1,450,000**
thereof cash flow hedges	450,000	450,000	-
thereof fair value hedges	2,150,000	700,000	1,450,000
Total nominal values of derivative financial instruments	**4,331,739**	**1,459,149**	**2,872,590**
thereof cash flow hedges	2,107,085	684,495	1,422,590
thereof fair value hedges	2,224,654	774,654	1,450,000

	At December 31, 2019		
	Notional Values	**Maturity**	
		≤1 year	**>1 year**
Cross currency interest rate swaps	**1,934,086**	**1,240,830**	**693,256**
thereof cash flow hedges	1,860,088	1,240,830	619,258
thereof fair value hedges	73,998	-	73,998
Interest rate swaps	**2,850,000**	**250,000**	**2,600,000**
thereof cash flow hedges	700,000	250,000	450,000
thereof fair value hedges	2,150,000	-	2,150,000
Total nominal values of derivative financial instruments	**4,784,086**	**1,490,830**	**3,293,256**
thereof cash flow hedges	2,560,088	1,490,830	1,069,258
thereof fair value hedges	2,223,998	-	2,223,998

(all amounts in thousands of Canadian dollars)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

Interest rate risk		2020	
	Notional Values	Fair Value	
		Other Financial Assets	Other Financial Liabilities
Cross currency interest rate swaps	**1,731,739**	**45,254**	**7,585**
thereof cash flow hedges	1,657,085	45,254	2,000
thereof fair value hedges	74,654	-	5,585
Interest rate swaps	**2,600,000**	**46,960**	**7,632**
thereof cash flow hedges	450,000	-	7,632
thereof fair value hedges	2,150,000	46,960	-

Interest rate risk		2019	
	Notional Values	Fair Value	
		Other Financial Assets	Other Financial Liabilities
Cross currency interest rate swaps	**1,934,086**	**7,825**	**47,066**
thereof cash flow hedges	1,860,088	7,825	40,287
thereof fair value hedges	73,998	-	6,779
Interest rate swaps	**2,850,000**	**10,580**	**13,789**
thereof cash flow hedges	700,000	-	3,858
thereof fair value hedges	2,150,000	10,580	9,931

(all amounts in thousands of Canadian dollars)

	During the period – 2020				
Interest rate risk	**Changes in the fair value of the hedging instrument recognized in OCI**	**Hedge ineffectiveness recognized in profit or loss (interest expense - third parties)**	**Cost of hedging recognized in OCI**	**Amount reclassified from hedging reserve to P&L (interest expense – third parties)**	**Amount reclassified from cost of hedging reserve to P&L (interest expense – third parties)**
Cross currency interest rate swaps	**(8,983)**	**-**	**568**	**3,762**	**1,045**
thereof cash flow hedges	(8,983)	-	398	3,762	1,045
thereof fair value hedges	-	-	170	-	-
Interest rate swaps	**(3,306)**	**(60)**	**-**	**(325)**	**-**
thereof cash flow hedges	(3,306)	-	-	(325)	-
thereof fair value hedges	-	(60)	-	-	-

	During the period – 2019				
Interest rate risk	**Changes in the fair value of the hedging instrument recognized in OCI**	**Hedge ineffectiveness recognized in profit or loss (interest expense - third parties)**	**Cost of hedging recognized in OCI**	**Amount reclassified from hedging reserve to P&L (interest expense – third parties)**	**Amount reclassified from cost of hedging reserve to P&L (interest expense – third parties)**
Cross currency interest rate swaps	**1,728**	**-**	**1,728**	**(2,652)**	**1,151**
thereof cash flow hedges	1,728	-	1,268	(2,652)	1,151
thereof fair value hedges	-	-	460	-	-
Interest rate swaps	**(2,037)**	**(95)**	**-**	**(1,462)**	**-**
thereof cash flow hedges	(2,037)	-	-	(1,462)	-
thereof fair value hedges	-	(95)	-	-	-

Fair value hedges

The Company uses fair value hedges primarily for hedging interest rate risks.

Net gain (losses) from these hedging instruments for 2020 and 2019 amounted to $46,684 and $14,761 respectively. The offsetting changes in the value of the underlying transactions amounted to $(46,745) for 2020 and $(14,856) for 2019.

(all amounts in thousands of Canadian dollars)

The table shows the amounts of the items hedged with fair value hedges:

	2020	2019
	Interest rate risk	**Interest rate risk**
Carrying amounts of the hedged items		
Notes and bonds payable – current	1,025,232	100,016
Notes and bonds payable - non-current	1,491,415	2,463,265
thereof hedge adjustments		
Notes and bonds payable – current	1,173	29
Notes and bonds payable - non-current	43,773	(5,870)
Fair value changes of the hedged items[1]	**46,745**	**14,856**
Accumulated amount of hedge adjustments from inactive hedges remaining in the Statement of Financial Position – Notes and bonds payable	**2,153**	**6,195**

[1] Fair value changes of the hedged items used for recognizing hedge ineffectiveness.

DCFI ensures an economic relationship between the hedged asset and the hedging instrument by ensuring consistency of interest rates, maturity terms and notional amounts. The effectiveness of the hedge is assessed at the beginning and during the economic relationship using the hypothetical derivative method.

Source of ineffectiveness of the hedge relationship include

- Effects of the credit risk on the fair value of the derivative instrument in use which are not reflected in the change in the hedged interest rate risk.

The table below represents amounts relating to hedge ineffectiveness for items designated as fair value hedges:

	2020	2019
	Interest rate risk	**Interest rate risk**
Interest expense – third parties	(60)	(95)

Cash flow hedges

The Company uses cash flow hedges primarily for hedging currency and interest rate risks associated with the Company's financing liabilities. The hedged cash flows are expected to occur and affect profit and loss between 2021 and 2025.

(all amounts in thousands of Canadian dollars)

The table below shows the gains and losses on items designated as cash flow hedges as well as the amounts relating to hedge ineffectiveness:

	2020	2019
	Interest rate risk	Interest rate risk
Gains and (losses) recognized in other comprehensive income	(11,721)	1,419
Hedge ineffectiveness recognized in the statement of comprehensive income	-	-
Reclassification of the effective portion of the gain or (loss) on the derivatives (Interest expense – third parties)	4,482	(2,963)

The maturities of the interest rate hedges correspond with those of the underlying transactions. As of December 31, 2020, the Company expects to reclassify losses (before income taxes) of $(8,375) to profit and loss in 2021.

The table below shows the reconciliation of the reserves for derivative instruments in 2020:

	2020	
Interest Rate Risk	**Cash flow hedges**	**Cost of hedging**
Balance at January 1, 2020	**(5,118)**	**(1,241)**
Changes in fair values (before taxes)	(12,289)	568
Taxes on changes in fair values	3,257	(151)
Reclassification to profit and loss (before taxes)	3,437	1,045
Taxes on reclassifications to profit and loss	(912)	(277)
Balance at December 31, 2020	**(11,625)**	**(56)**

The table below shows the reconciliation of the reserves for derivative instruments in 2019:

	2019	
Interest Rate Risk	**Cash flow hedges**	**Cost of hedging**
Balance at January 1, 2019	**(1,859)**	**(3,357)**
Changes in fair values (before taxes)	(309)	1,728
Taxes on changes in fair values	71	(457)
Reclassification to profit and loss (before taxes)	(4,114)	1,151
Taxes on reclassifications to profit and loss	1,093	(306)
Balance at December 31, 2019	**(5,118)**	**(1,241)**

16. Related party relationships

For transactions and balances with DAG and other DAG subsidiaries, refer to notes 6 and 12.

DCFI is charged fees for the full and unconditional guarantees on its outstanding notes and bonds payable and commercial paper, which are issued under DAG's programs. These fees are calculated as a set percentage of the outstanding notes and bonds and commercial paper for any given year. These expenses were $7,971 and $8,305 for the years ended December 31, 2020 and 2019, respectively and are included in interest expense - related parties. As of December 31, 2020 and 2019, fees outstanding were $121 and $1,234.

The Company is charged for administrative overhead expenses by DNAC. These expenses were $3,603 and $3,681 for the years ended December 31, 2020 and 2019, respectively, and are included in administrative and other expense. The payable for administrative overhead expenses to DNAC amounted to $987 as of December 31, 2020 and $905 as of December 31, 2019.

The authority and responsibility for planning, directing and controlling the activities of DCFI resides within DAG's Corporate Treasury and Tax departments rather than with the directors of the entity. Accordingly, the Company does not have key management personnel.

17. Capital management

DCFI is subject to the capital management at the DAG parent level. DAG uses net assets and value added as its basis for capital management. Net assets are managed on a divisional level at DAG rather than at a regional or company level. Accordingly, the net assets of the Company are not subject to review for capital management, but rather are reviewed as part of the net assets of the DAG divisions to which Company net assets are allocated. Value added shows the extent to which DAG achieves or exceeds the minimum return requirements of the shareholders and creditors, thus creating additional value. DCFI monitors the required rate of return on net assets, and thus the cost of capital in accordance with DAG guidelines.

The Company is part of the worldwide financial management that is performed for all Daimler Group entities by DAG's Corporate Treasury. Financial management operates within a framework of guidelines, limits and benchmarks; for DCFI, these are described in more detail in note 15.

18. Events after the reporting period

On February 3, 2021, the Board of Management of Daimler AG decided, with the consent of the Supervisory Board, to examine the spin-off of Daimler Trucks & Buses including significant parts of the related financial services business (Daimler Truck), and to begin preparations for a separate listing of Daimler Truck before the end of 2021. Within the framework of the proposed transaction, Daimler intends to transfer a majority interest in Daimler Truck to its shareholders. Shareholder approval could be granted at an Extraordinary Shareholders' Meeting of Daimler AG at the end of the third quarter of 2021. Daimler intends to maintain a minority interest in Daimler Truck. The effect on the financial statements cannot be reliably determined at present.