Mercedes-Benz Finance Canada Inc.

Annual Report 2024

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Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Mercedes-Benz Finance Canada 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 28, 2025

MRamasami

Christoph Rieker

Ramasami Muthaiyah	*Christoph Rieker*
President & Chief Executive Officer	*Chief Financial Officer*

Management Report

General

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

The nature of the Mercedes-Benz Group operations in Canada include the distribution of passenger cars purchased from Mercedes-Benz AG under the brand name Mercedes-Benz. Mercedes-Benz Group also has financial services operations that principally provide automotive financing to its dealers and their customers, including retail and lease financing for cars, 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, 2024 and 2023, which were prepared using IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). Note 4 to the financial statements provides a summary of the Company’s material accounting policies.

Earnings

Interest income

Interest income was $222,860 in 2024 compared to $172,381 in 2023. The 29.3% increase is mainly driven by higher interest rates and higher average intercompany receivable balances in 2024.

Interest expense

Interest expense was $192,016 in 2024 compared to $163,721 in 2023. The 17.3% increase is caused by higher average balance of notes and bonds and commercial paper with 2024 issuances at higher interest rates.

Administrative and other expense

Administrative and other expense increased to $3,016 in 2024 from $3,001 in 2023 due to slightly higher cross-charges from MBNAC.

Other financial income and (expense), net

Other financial income, net was $129 in 2024, compared to other financial expense, net of $(165) in 2023, mainly due to foreign exchange gains.

Profit before income taxes

Profit before income taxes increased to $27,957 in 2024 compared to $5,494 in 2023. The change in profit before taxes is primarily driven by the interest result. While rising interest rates increased interest income and expense in 2024; higher intercompany receivable and lower intercompany payable balances was responsible for the favorable interest result.

Income tax expense

The Company recorded an income tax expense of $7,409 in 2024 compared with $1,456 in 2023. The change in tax expense from 2024 to 2023 is comparable to the change in earnings.

Other comprehensive income and (loss)

Other comprehensive income was comprised of unrealized gains and losses from cash flow hedges, driven by the fair value of derivatives. The Company recorded net loss after taxes of $(11,560) in 2024, compared to net income after taxes of $8,930 in 2023.

Financial position

Total assets were $5,101,549 at December 31, 2024 compared to $4,476,255 at December 31, 2023, an increase of $625,294 or 14%. This change is mainly due to an increase in receivables from related parties and cash and cash equivalents.

Total liabilities also increased to $4,680,376 at December 31, 2024 from $4,064,070 at December 31, 2023, an increase of 15.2%. This change is due to issuances of notes and bonds, as well as higher current payables to related parties.

Total equity increased to $421,173 at December 31, 2024 from $412,185 at December 31, 2023 due to other comprehensive loss from cash flow hedges in 2024 of $(11,560) and net income of $20,548.

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 MBGAG subsidiaries to optimize funding from a global Mercedes-Benz Group perspective.

The funds raised in 2024 and prior years were used to support the lease and sales financing business and the capital expenditure requirements of the industrial business of the Mercedes-Benz Group subsidiaries in Canada. Lease and sales financing activities are typically financed with a high proportion of debt.

(all amounts in thousands of Canadian dollars)

Cash flows were the following in 2024 and in 2023:

	2024	2023
Net cash provided by/(used for) operating activities	5,942	(1,295,090)
Net cash provided by/(used for) investing activities	-	-
Net cash provided by/(used for) financing activities	380,868	1,053,452

Net cash inflows from operating activities were $5,942 in 2024 compared to net cash outflows of $(1,295,090) in 2023, mainly due to a net increase in operating payables from related parties.

Net cash inflows from financing activities were $380,868 for 2024 compared to net cash inflows of $1,053,452 for 2023, due to maturities of commercial paper and fewer notes and bonds issuances in 2024.

Risk report

Many factors could directly and indirectly, through the close affiliation with MBFCI'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 is expected to strengthen steadily in 2025. This is mainly the result of the Bank of Canada's aggressive easing cycle that began in early June 2024 as policymakers see evidence that rate cuts are boosting the economy through consumption and housing activity.

Inflation has stabilized close to the 2% target and the central bank sees inflation holding here going into 2026. Restrictive immigration policy should also limit inflationary pressure on shelter; however, it could also weaken aggregate spending and lead to lower economic growth.

There is risk to how sustainable the Canadian economy is, especially given the potential of the US implementing hefty tariffs on Canada. A US-Canada trade war could also further increase Canada's already high unemployment rate, with job losses in the export-oriented sector. Canada's economy also has had relatively low productivity, due to a lack of business investment. Trade disruptions could continue this trend by adding uncertainty about future project returns.

These dynamics could have adverse effects on the Mercedes-Benz business in Canada and as a result, on the future financial position of the company.

Industry risks

Possible declines in vehicle sales may be caused in particular by a worse-than-expected macroeconomic environment for the Mercedes-Benz Group and in the context of political, trade policy or economic uncertainties. In addition to weaker economic growth overall, factors such as high energy prices, high inflation, interest rates, and volatile exchange rates may lead to market uncertainty or loss of purchasing power and may have a negative impact on demand in the automotive sector. A lower-than-expected market acceptance of electric vehicles can also lead to risks in the development of unit sales at Mercedes-Benz Group companies in Canada, which are financed by MBFCI, would be costly and indirectly affect the financial position of the Company.

In addition, the financial services that the Mercedes-Benz Group offers in connection with the sale of vehicles involve several risks. These include borrowers' worsening creditworthiness, so receivables might not be recoverable. Additionally, it includes 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 their book value (residual value risk). This may lead to additional funding requirements through MBFCI.

Financial risks

The Mercedes-Benz Group 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 Mercedes-Benz Group 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, MBGAG, 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 MBFCI's ability to fund the Mercedes-Benz Group operations in Canada.

Note 16 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, 2024, the Company had six 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 Mercedes-Benz Group organization, the Company has applied all compliance principles the Mercedes-Benz Group 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 16 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

Management expects the Company's operational results to be stable in 2025. This expectation is based on a continuation of the Company's business model.

Report of Independent Auditors

To the Board of Directors of Mercedes-Benz Finance Canada Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mercedes-Benz Finance Canada Inc. (the "Company"), which comprise the statement of financial position as of December 31, 2024, and the related statements of comprehensive income, changes in equity, and cash flows for the year then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Company as of December 31, 2023 and for the year then ended were audited by other auditors whose report, dated April 26, 2024, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB; and for 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern for at least, but not limited to, twelve months from the end of the reporting period, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Management Report (consisting of pages 4/43 to 8/43), but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements – *European Single Electronic Format*

In connection with the Company's listing requirements with the Luxembourg Stock Exchange, management is responsible for presenting the financial statements in compliance with the requirements set forth in Article 3 of the Delegated Regulation 2019/815 on European Single Electronic Format (ESEF Regulation). The requirements set forth in the ESEF Regulation that are relevant to the Company relate to the financial statements being prepared using a valid eXtensible HyperText Markup Language (XHTML) format. As part of our assessment as to whether the financial statements are prepared, in all material respects, with the requirements set forth in the ESEF Regulation that are relevant to the Company, we have performed tests of the compliance of the presentation of the financial statements of the Company with the requirement to prepare the financial statements using a valid XHTML format as set forth in the ESEF Regulation. In our opinion, the presentation of the financial statements, identified as MBFCI_Annual_Report_2024.zip, have been prepared, in all material respects, in accordance with the requirements set forth in the ESEF Regulation that are relevant to the Company insofar as it relates to the preparation of the financial statements in a valid XHTML format.

PricewaterhouseCoopers LLP

Detroit, Michigan
April 28, 2025

(all amounts in thousands of Canadian dollars)

Statement of Comprehensive Income

		Year ended December 31,	
	Note	2024	2023
Interest income			
Interest income – related parties	4	193,483	152,861
Interest income – third parties	4	29,377	19,520
Total interest income		**222,860**	**172,381**
Interest expense			
Interest expense – third parties	14	(178,429)	(121,232)
Interest expense – related parties	4	(13,587)	(42,489)
Total interest expense		**(192,016)**	**(163,721)**
Net interest income		**30,844**	**8,660**
Administrative and other expense	17	(3,016)	(3,001)
Other financial income and (expense), net	5	129	(165)
Profit before income taxes		**27,957**	**5,494**
Income tax expense	6	(7,409)	(1,456)
Net profit		**20,548**	**4,038**
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]		(21,153)	13,569
Cash flow hedge reserve – reclassification to profit or loss[1]		(1,272)	(421)
Cost of hedging reserve – changes in fair value[1]		8,999	(4,531)
Cost of hedging reserve – reclassification to profit or loss[1]		1,866	313
Other comprehensive income/(loss), net of taxes		**(11,560)**	**8,930**
Total comprehensive income/(loss)		**8,988**	**12,968**

[1] Net of taxes.

The accompanying notes on pages 16 to 43 are an integral part of the financial statements.

(all amounts in thousands of Canadian dollars)

Statement of Financial Position

		Year ended December 31,	
	Note	**2024**	**2023**
Assets			
Receivables from related parties	7	2,410,000	2,235,000
Other financial assets	8	98,158	61,331
Deferred tax assets	6	894	894
Total non-current assets		**2,509,052**	**2,297,225**
Receivables from related parties	7	1,953,443	1,921,072
Cash and cash equivalents	4	636,052	249,242
Other financial assets	8	1,373	2,633
Other assets		190	-
Tax receivables		1,439	6,083
Total current assets		**2,592,497**	**2,179,030**
Total assets		**5,101,549**	**4,476,255**
Equity and liabilities			
Share capital	9	-	-
Capital reserves		394,137	394,137
Accumulated earnings/(deficit)		41,704	21,156
Cash flow hedge reserve		(16,821)	5,604
Cost of hedging reserve		2,153	(8,712)
Total equity	9	**421,173**	**412,185**
Notes and bonds payable	10	3,224,900	3,171,826
Other financial liabilities	13	-	15,688
Total non-current liabilities		**3,224,900**	**3,187,514**
Provisions and other liabilities		97	21
Payables to related parties	12	401,486	229,442
Notes and bonds payable[1]	10	1,049,200	500,717
Commercial paper	11	-	84,809
Other financial liabilities[1]	13	4,693	61,567
Total current liabilities		**1,455,476**	**876,556**
Total liabilities		**4,680,376**	**4,064,070**
Total equity and liabilities		**5,101,549**	**4,476,255**

[1] The item has been adjusted to improve the presentation in the Statement of Financial Position. The effects are described in Note 2 of the Notes to the Financial Statements.

The accompanying notes on pages 16 to 43 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 earnings/ (deficit)	Cash flow hedge reserve	Cost of hedging reserve	Total equity
Balance at January 1, 2023	**-**	**394,137**	**17,118**	**(7,544)**	**(4,494)**	**399,217**
Net profit	-	-	4,038	-	-	4,038
Other comprehensive income/(loss) before taxes	-	-	-	17,888	(5,739)	12,149
Deferred taxes on other comprehensive income/(loss)	-	-	-	(4,740)	1,521	(3,219)
Total comprehensive income/(loss)	**-**	**-**	**4,038**	**13,148**	**(4,218)**	**12,968**
Balance December 31, 2023	**-**	**394,137**	**21,156**	**5,604**	**(8,712)**	**412,185**
Balance at January 1, 2024	**-**	**394,137**	**21,156**	**5,604**	**(8,712)**	**412,185**
Net profit	-	-	20,548	-	-	20,548
Other comprehensive income/(loss) before taxes	-	-	-	(30,511)	14,783	(15,728)
Deferred taxes on other comprehensive income/(loss)	-	-	-	8,086	(3,918)	4,168
Total comprehensive income/(loss)	**-**	**-**	**20,548**	**(22,425)**	**10,865**	**8,988**
Balance at December 31, 2024	**-**	**394,137**	**41,704**	**(16,821)**	**2,153**	**421,173**

The accompanying notes on pages 16 to 43 are an integral part of the financial statements.

(all amounts in thousands of Canadian dollars)

Statement of Cash Flows

		Year ended December 31,	
	Note	**2024**	**2023**
Net profit		20,548	4,038
Adjustments for			
Deferred tax (income)/expense		4,168	228
Foreign exchange (gains)/losses		221	672
Non-cash interest (income)/expense		3,307	739
Changes in			
Tax receivables		4,644	(1,961)
Other financial assets, provisions, other liabilities and other financial liabilities		8,381	32,199
Receivables from and payables to related parties	7, 12	(35,327)	(1,331,005)
Cash provided by/(used for) operating activities		**5,942**	**(1,295,090)**
Cash provided by/(used for) investing activities		**-**	-
Issuances of notes and bonds payable[1]	10	973,839	1,514,125
Repayment of notes and bonds payable[1]	10	(508,358)	(545,286)
Issuances/(repayment) of commercial paper, net[2]	11	(84,613)	84,613
Cash provided by/(used for) financing activities		**380,868**	**1,053,452**
Net increase/(decrease) in cash and cash equivalents		**386,810**	**(241,638)**
Cash and cash equivalents at the beginning of the period	4	**249,242**	**490,880**
Cash and cash equivalents at the end of the period	4	**636,052**	**249,242**
Supplemental information:[3,4]			
Interest paid		(178,937)	(131,862)
Interest received		223,374	171,572
Income taxes received/(paid)		1,128	(1,441)

[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 16 to 43 are an integral part of the financial statements.

Notes to the Financial Statements

1. Reporting Entity

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

MBFCI accesses Canadian and foreign capital markets to raise funds, which it lends to MBGAG subsidiaries in Canada through a consolidated funding and cash management system. In the event of non-payment by MBFCI, MBGAG 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. MBFCI has one reportable segment. The Statement of Comprehensive Income and Statement of Financial Position is provided to MBFCI's Chief Executive Officer on a monthly basis.

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

On April 28, 2025, the Board of Directors of MBFCI authorized the financial statements for issuance.

2. Changes in presentation made during the reporting year

In the reporting year, the following changes were made to improve the presentation of the Statement of Financial Position. The impacts on profitability, liquidity and capital resources and financial position are of minor importance.

As of December 31, 2024, non-derivative financial instruments will be reported including the corresponding accrued interest. That means that, accrued interest expense relating to notes and bonds that was previously shown as other financing liabilities is now accounted for under notes and bonds payable. As of December 31, 2024, $50,021 was reclassified from other financial liabilities to notes and bonds payable.

3. Basis of preparation

(a) Applied IFRS Accounting Standards

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

(b) IFRS Accounting Standards issued and adopted in the reporting period

The following amended standards did not have an impact on MBFCI's financial statements:

- Classification of Liabilities as Current and Non-Current (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lease Liability in a Sale-and-Leaseback (Amendments to IFRS 16)

(c) IFRS Accounting Standards issued not effective

New accounting standards are effective for annual periods beginning after January 1, 2025 and earlier adoption is permitted. The items below are not expected to have a significant **or** material impact on the financial statements and were not early adopted:

- Lack of Exchangeability (Amendments to IAS 21) – Effective January 1, 2025
- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 & IFRS 7) – Effective January 1, 2026
- IFRS 19 Subsidiaries without Public Accountability: Disclosures – Effective January 1, 2027

In April 2024, the IASB issued the standard IFRS 18 Presentation and Disclosure in Financial Statements. The aim of the standard is to improve the presentation of financial information as well as to increase the transparency and comparability of the financial statements. IFRS 18 will in the future replace IAS 1 Presentation of Financial Statements. The application of IFRS 18 is mandatory for reporting periods beginning on or after January 1, 2027. Earlier application is permitted but not planned for MBFCI. MBFCI currently does not expect any material impacts on profitability, liquidity and capital resources and financial position due to the application of IFRS 18.

(d) 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.

(e) 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.

(f) 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 generally classified as current if they are expected to be realized or settled within one year. Deferred tax assets and liabilities are presented as non-current items.

(g) 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, 2024, 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 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.

4. Material 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 substantially 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. As of December 31, 2024, the company's total deferred tax asset balance is $894, primarily due to unrealized gains and losses from hedging activities.

(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 MBFCI 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, MBFCI 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 though 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 solely of payments of principal and interest ("SPPI") are classified in accordance with MBFCI'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, MBFCI 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, MBFCI 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 MBFCI ’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, 2024 was $636,052 compared to $249,242 at December 31, 2023. Increased cash in 2024 resulted primarily from increased external financing liabilities. There were no cash equivalents in 2024 or 2023, respectively.

Impairment of financial assets

MBFCI 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 MBFCI 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.

MBFCI 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 MBFCI 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

MBFCI 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 $(971) at December 31, 2024 compared to $(1,311) at December 31, 2023.

If the requirements for hedge accounting set out in IFRS 9 are met, MBFCI 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.

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 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

MBFCI is wholly owned by MBGAG. 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.

(all amounts in thousands of Canadian dollars)

5. Other financial income and (expense), net

Other financial expense, net is comprised of the following:

	2024	2023
Result of foreign exchange transactions – gains/(losses)	188	(110)
Bank fees	(59)	(55)
Total	**129**	**(165)**

6. Income taxes

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

	2024	2023
Current taxes	(3,241)	(1,228)
Deferred taxes	(4,168)	(228)
Total	**(7,409)**	**(1,456)**

The current income tax expense includes benefits recognized for prior period of $0 in 2024 and $3,445 in 2023.

Expected and total income tax expense determined using the applicable Canada combined statutory rate of 26.5% (26.5% in 2023) is included in the following table; there are no reconciling items.

	2024	2023
Expected/total income tax expense at Canada statutory rate	**(7,409)**	**(1,456)**

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:

	2024	2023
Derivative financial instruments recognized through other comprehensive income	5,288	1,122
Derivative financial instruments recognized through profit/loss	(4,394)	(228)
Deferred tax assets/(liabilities)	**894**	**894**

In 2024 and 2023, the decrease in net deferred tax asset was composed of:

	2024	2023
Deferred tax (expense)/benefit in the statement of comprehensive income	(4,168)	(228)
Change in deferred tax (expense)/benefit on derivative financial instruments included in other comprehensive income/(loss)	4,168	(3,219)
Total	**-**	**(3,447)**

(all amounts in thousands of Canadian dollars)

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:

	2024	2023
Income tax (expense)/benefit in the statement of comprehensive income	(7,409)	(1,456)
Income tax (expense)/benefit recorded in other comprehensive income/(loss)	4,168	(3,219)
Total	**(3,241)**	**(4,675)**

7. Receivables from related parties

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

	December 31,	
	2024	2023
Mercedes-Benz Financial Services Canada Corp	4,321,535	4,155,797
Mercedes-Benz Group AG	41,908	275
Total	**4,363,443**	**4,156,072**

The receivables bear interest at fixed and variable rates ranging from 2.51% to 6.02%, with a weighted average interest rate of 4.74%. Variable rates are based on the Canadian Overnight Repo Rate Average (CORRA) and re-priced on a monthly basis. Interest income is recorded using the effective interest method.

As of December 31, 2024, aggregate annual maturities of loans receivables from related parties including accrued interest were as follows:

	Maturities
2025	1,953,443
2026	905,000
2027	835,000
2028	670,000
Total	**4,363,443**

As of December 31, 2023, aggregate annual maturities of loans receivables from related parties including accrued interest were as follows:

	Maturities
2024	1,921,072
2025	1,065,000
2026	525,000
2027	645,000
Total	**4,156,072**

(all amounts in thousands of Canadian dollars)

8. Other financial assets

Other financial assets are comprised of the following:

	December 31, 2024			December 31, 2023		
	Current	Non-current	Total	Current	Non-current	Total
Derivative financial instruments used in hedge accounting[2]	1,373	98,158	99,531	794	61,331	62,125
Accrued interest[1,2]	-	-	-	1,839	-	1,839
Carrying amount	**1,373**	**98,158**	**99,531**	**2,633**	**61,331**	**63,964**

[1] Comprised of accrued interest from derivative financial statements, for December 31, 2023.

[2] The item has been adjusted to improve the presentation in the Statement of Financial Position. The effects are described in Note 2.

9. Equity

(a) Share capital

At December 31, 2024 and 2023, 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 comprises 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)

10. Notes and bonds payable

Terms and conditions of notes and bonds payable outstanding at December 31, 2024, are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount[1]
NOK Medium Term Note					
Medium Term Note	NOK	3.100%	2025	69,685	71,190
Total NOK Medium Term Notes				**69,685**	**71,190**
HKD Medium Term Notes					
Medium Term Note	HKD	4.160%	2027	134,343	134,692
Total HKD Medium Term Notes				**134,343**	**134,692**
SEK Medium Term Notes					
Medium Term Note	SEK	3M SEKSTIBOR+.55%	2025	130,400	130,925
Total SEK Medium Term Notes				**130,400**	**130,925**
EURO Medium Term Notes					
Medium Term Note	EUR	3.000%	2027	1,121,100	1,146,923
Total EURO Medium Term Notes				**1,121,100**	**1,146,923**
USD Medium Term Notes					
Medium Term Note	USD	4.850%	2026	143,880	143,206
Medium Term Note	USD	5.210%	2026	215,820	216,071
Medium Term Note	USD	4.500%	2027	143,880	143,909
Medium Term Note	USD	5.125%	2027	223,014	225,899
USD Medium Term Notes				**726,594**	**729,085**
CAD Medium Term Notes					
Medium Term Note	CAD	1.650%	2025	500,000	501,861
Medium Term Note	CAD	5.200%	2025	300,000	300,619
Medium Term Note	CAD	5.140%	2026	500,000	499,397
Medium Term Note	CAD	4.640%	2027	500,000	509,937
Medium Term Note	CAD	5.120%	2028	250,000	249,471
Total CAD Medium Term Notes				**2,050,000**	**2,061,285**
Total				**4,232,122**	**4,274,100**

[1] The item has been adjusted to improve the presentation in the Statement of Financial Position. The effects are described in Note 2.

(all amounts in thousands of Canadian dollars)

Terms and conditions of notes and bonds payable outstanding at December 31, 2023, are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
NOK Medium Term Note					
Medium Term Note	NOK	3.250%	2024	130,300	130,202
Medium Term Note	NOK	3.100%	2025	71,665	71,630
Total NOK Medium Term Notes				**201,965**	**201,832**
HKD Medium Term Notes					
Medium Term Note	HKD	2.270%	2024	72,589	72,604
Total HKD Medium Term Notes				**72,589**	**72,604**
SEK Medium Term Notes					
Medium Term Note	SEK	3M SEKSTIBOR+.55%	2025	132,000	131,957
Total SEK Medium Term Notes				**132,000**	**131,957**
EURO Medium Term Notes					
Medium Term Note	EUR	3.000%	2027	1,098,150	1,094,162
Total EURO Medium Term Notes				**1,098,150**	**1,094,162**
USD Medium Term Notes					
Medium Term Note	USD	4.850%	2026	132,510	130,390
Medium Term Note	USD	5.210%	2026	198,765	197,665
USD Medium Term Notes				**331,275**	**328,055**
CAD Medium Term Notes					
Medium Term Note	CAD	2.970%	2024	300,000	297,911
Medium Term Note	CAD	1.650%	2025	500,000	499,079
Medium Term Note	CAD	5.200%	2025	300,000	298,941
Medium Term Note	CAD	5.140%	2026	500,000	498,835
Medium Term Note	CAD	5.120%	2028	250,000	249,167
CAD Medium Term Notes				**1,850,000**	**1,843,933**
Total				**3,685,979**	**3,672,543**

11. Commercial paper

In July 2011, MBFCI entered into a $2,500,000 private placement of a commercial paper program. As of December 31, 2024, under commercial paper program, there was no commercial paper outstanding, compared to $84,809 commercial paper outstanding as of December 31, 2023.

(all amounts in thousands of Canadian dollars)

12. Payables to related parties

The following table sets forth amounts payable to related parties:

	December 31,	
	2024	**2023**
Mercedes-Benz Canada Inc.	358,174	197,094
MBarc Credit Canada Inc.	38,527	21,221
Mercedes-Benz Group AG	4,203	10,476
Mercedes-Benz North America Corporation	582	651
Total	**401,486**	**229,442**

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, 2024, the interest rate on these deposits was 3.28%, compared to 4.78% as of December 31, 2023.

13. Other financial liabilities

Other financial liabilities are comprised of the following:

	December 31, 2024			December 31, 2023		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Derivative financial instruments used in hedge accounting[2]	4,693	-	4,693	9,612	15,688	25,300
Accrued interest[1,2]	-	-	-	51,955	-	51,955
Carrying amount	**4,693**	**-**	**4,693**	**61,567**	**15,688**	**77,255**

[1] Comprises of accrued interest from notes and bonds and derivative financial instruments for December 31, 2023.
[2] The item has been adjusted to improve the presentation in the Statement of Financial Position. The effects are described in Note 2.

(all amounts in thousands of Canadian dollars)

14. 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, 2024[1,2,3]	**3,714,250**	**84,809**	**(63,964)**	**35,547**	**3,770,642**
Proceeds from issuance	973,839	-	-	-	973,839
Repayments	(508,358)	(84,613)	-	-	(592,971)
Total changes from financing cash flows	**465,481**	**(84,613)**	**-**	**-**	**380,868**
Non-cash interest expense[5]	8,001	-	14,123	(2,894)	19,230
Foreign exchange (gain)/loss	78,054	-	(59,853)	(17,980)	221
Interest expense[6]	152,714	13,007	(74,557)	87,024	178,188
Interest paid[6]	(144,400)	(13,203)	84,720	(97,004)	(169,887)
Total liability-related other changes	**94,369**	**(196)**	**(35,567)**	**(30,854)**	**27,752**
Balance at December 31, 2024[7,8,9]	**4,274,100**	**-**	**(99,531)**	**4,693**	**4,179,262**

[1] Notes and bonds payable balance includes accrued interest in the amount of $41,707 presented in other financial liabilities.
[2] Derivative financial assets balance includes accrued interest in the amount of $1,839 presented in other financial assets.
[3] Derivative financial liabilities balance includes accrued interest in the amount of $10,247 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 $4,739 and amortization of discount/(premium) and hedge adjustments from inactive hedges in the amount of $3,263.
[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 $50,021.
[8] Derivative financial assets balance includes accrued interest payable in the amount of $8,324.
[9] Derivative financial liabilities balance includes accrued interest payable in the amount of $267.

(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, 2023[1,2,3]	**2,709,015**	**-**	**(32,386)**	**19,121**	**2,695,750**
Proceeds from issuance	1,514,125	84,613	-	-	1,598,738
Repayments	(545,286)	-	-	-	(545,286)
Total changes from financing cash flows	**968,839**	**84,613**	**-**	**-**	**1,053,452**
Non-cash interest expense[5]	7,611	-	(14,508)	(4,709)	(11,606)
Foreign exchange (gain)/loss	4,917	-	(17,059)	12,814	672
Interest expense[6]	91,805	7,178	(53,783)	76,033	121,233
Interest paid[6]	(67,937)	(6,982)	53,772	(67,712)	(88,859)
Total liability-related other changes	**36,396**	**196**	**(31,578)**	**16,426**	**21,440**
Balance at December 31, 2023[7,8,9]	**3,714,250**	**84,809**	**(63,964)**	**35,547**	**3,770,642**

[1] Notes and bonds payable balance includes accrued interest in the amount of $17,839 presented in other financial liabilities.
[2] Derivative financial assets balance includes accrued interest in the amount of $1,829 presented in other financial assets.
[3] Derivative financial liabilities balance includes accrued interest in the amount of $1,925 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 $7,061 and amortization of discount/(premium) and hedge adjustments from inactive hedges in the amount of $550.
[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 $41,707 presented in other financial liabilities.
[8] Derivative financial assets balance includes accrued interest in the amount of $1,839 presented in other financial assets.
[9] Derivative financial liabilities balance includes accrued interest in the amount of $10,247 presented in other financial liabilities.

(all amounts in thousands of Canadian dollars)

15. 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, 2024		December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	**636,052**	**636,052**	**249,242**	**249,242**
Financial assets at amortized cost				
Receivables from related parties	4,363,443	4,507,337	4,156,072	4,230,396
Accrued interest[1]	-	-	1,839	1,839
Total financial assets at amortized cost	**4,363,443**	**4,507,337**	**4,157,911**	**4,232,235**
Financial assets recognized at fair value through profit or loss				
Derivative financial instruments used in hedge accounting[1]	99,531	99,531	62,125	62,125
Total financial assets recognized at fair value through profit or loss	**99,531**	**99,531**	**62,125**	**62,125**
Total financial assets	**5,099,026**	**5,242,920**	**4,469,278**	**4,543,602**
Financial liabilities at amortized cost				
Notes and bonds payable[1]	4,274,100	4,318,293	3,672,543	3,679,822
Commercial paper	-	-	84,809	84,809
Payables to related parties	401,486	401,486	229,442	229,442
Accrued interest[1]	-	-	51,955	51,955
Total financial liabilities at amortized cost	**4,675,586**	**4,719,779**	**4,038,749**	**4,046,028**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments used in hedge accounting[1]	4,693	4,693	25,300	25,300
Total financial liabilities at fair value	**4,693**	**4,693**	**25,300**	**25,300**
Total financial liabilities	**4,680,279**	**4,724,472**	**4,064,049**	**4,071,328**

[1] The item has been adjusted to improve the presentation in the Statement of Financial Position. The effects are described in Note 2.

(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, 2024				December 31, 2023			
	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[4]	**99,531**	-	99,531	-	**62,125**	-	62,125	-
Liabilities								
Derivative financial instruments used in hedge accounting[4]	**4,693**	-	4,693	-	**25,300**	-	25,300	-

[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.
[4] The item has been adjusted to improve the presentation in the Statement of Financial Position. The effects are described in Note 2.

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

	December 31, 2024				December 31, 2023			
	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	**4,507,337**	**-**	**4,507,337**	**-**	**4,230,396**	**-**	**4,230,396**	**-**
Financial liabilities measured at amortized cost	**4,318,293**	**3,253,475**	**1,064,818**	**-**	**3,764,631**	**2,311,040**	**1,453,591**	**-**
thereof notes and bonds[4]	**4,318,293**	3,253,475	1,064,818	-	**3,679,822**	2,311,040	1,368,782	-
thereof other financial liabilities	**-**	-	-	-	**84,809**	-	84,809	-

[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.
[4] The item has been adjusted to improve the presentation in the Statement of Financial Position. The effects are described in Note 2.

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

MBFCI 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.

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

MBFCI 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. The Company's management of capital is disclosed in Note 18.

(a) General information on financial risks

MBFCI applies the guidelines established by its parent company, MBGAG, 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 controls. 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. MBFCI 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. MBFCI 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 MBFCI, 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 MBGAG's, intent and ability to effect the repayment of these receivables.

As it pertains to the remaining assets, MBFCI manages the credit risk exposure through the diversification of counterparties with the use of a Mercedes-Benz Group-wide limit system based on the review of each counterparty's financial strength. During times of significant financial market volatility, MBFCI's parent company, MBGAG 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	
		2024	2023
Receivables from related parties	7	4,363,443	4,156,072
Derivatives (only assets) [1]	8	99,531	62,125
Other financial assets[1]	8	-	1,839

[1] The item has been adjusted to improve the presentation in the Statement of Financial Position. The effects are described in Note 2.

Liquid assets

Liquid assets consist of cash and cash equivalents and marketable debt securities and similar investments. With the investment of liquid assets, financial institutions and issuers of securities are selected very carefully and diversified in accordance with a limit system. Liquid assets are mainly held at financial institutions with high creditworthiness and as money market funds. In connection with investment decisions, priority is placed on the borrower's very high creditworthiness and on balanced risk diversification. The limits and their utilizations are reassessed continuously. In this assessment, MBFCI also considers the credit risk assessment of its counterparties by the capital markets. In line with the Group's risk policy, most liquid assets are held in investments with an external rating of "A" or better.

(all amounts in thousands of Canadian dollars)

Derivative financial instruments

Derivative financial instruments are comprised of derivatives that are either included in hedge accounting or individually valued. MBFCI 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 MBGAG's liquidity position. MBGAG's financial statements are publicly available.

Debt ratings are an assessment by the rating agencies of the credit risk associated with MBGAG and are based on information provided by MBGAG or other sources. Lower ratings generally result in higher borrowing costs and reduced access to capital markets.

In the year 2024, the credit rating of Mercedes-Benz Group AG remained unchanged with all the agencies we have engaged to provide ratings as of December 31, 2024. In the course of the year, S&P Global Ratings (S&P), Moody's Ratings (Moody's) and Morningstar DBRS (DBRS) confirmed their long-term and short-term ratings for the Group. At the end of 2024, therefore, the outlook for Mercedes-Benz Group was assessed as "stable" by the three agencies.

MBGAG's ratings as of December 31, 2024 were as follows:

	S&P	Moody's	DBRS
Short-term debt	A-1	P-1	R-1 (low)
Long-term debt	A	A2	A

MBGAG's ratings as of December 31, 2023 were as follows:

	S&P	Moody's	DBRS
Short-term debt	A-1	P-1	R-1 (low)
Long-term debt	A	A2	A

(c) Liquidity risk

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

MBFCI'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 Mercedes-Benz Group 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 notes and bonds and commercial paper in various currencies. Adverse changes in the capital markets could increase MBFCI's funding costs and limit the Company's financial flexibility.

In June 2024, the Mercedes-Benz Group has renewed its syndicated credit facility with a volume of €11 billion with a consortium of international banks. It grants the Mercedes-Benz Group additional financial flexibility until at least the year 2029. The syndicated credit line had not been utilized as of the reporting date.

(all amounts in thousands of Canadian dollars)

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 MBFCI to manage its liquidity surplus and liquidity requirements according to the actual needs of the Company and other MBGAG 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.

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, 2024. 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 (inflows) of the derivative financial instruments for the respective time band, and

	Total	2025	2026	2027	2028	2029
Notes and bonds – principal	4,232,122	1,000,085	859,700	2,122,337	250,000	-
Notes and bonds – interest	381,785	167,044	124,183	84,158	6,400	-
Payables to related parties	401,486	401,486	-	-	-	-
Derivative financial instruments[1]	(113,103)	4,582	(16,941)	(100,744)	-	-
Total	**4,902,290**	**1,573,197**	**966,942**	**2,105,751**	**256,400**	**-**

[1] The item has been adjusted to improve the presentation in the Statement of Financial Position. The effects are described in Note 2.

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, 2023.

	Total	2024	2025	2026	2027	2028
Notes and bonds – principal	3,685,979	502,889	1,003,665	831,275	1,098,150	250,000
Notes and bonds – interest	375,929	130,354	118,053	75,377	45,745	6,400
Commercial paper	85,000	85,000	-	-	-	-
Payables to related parties	229,442	229,442	-	-	-	-
Derivative financial instruments	4,403	19,524	10,531	22,571	(48,223)	-
Other financial liabilities	10,247	10,247	-	-	-	-
Total	**4,391,000**	**977,456**	**1,132,249**	**929,223**	**1,095,672**	**256,400**

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

The undiscounted cash outflows (inflows) 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 (inflows). This analysis also include derivative financial instruments with a foreign exchange component which show a net cash inflow offsetting the notes and bonds outflow upon maturity.

- 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 MBFCI 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. MBFCI 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 MBGAG risk management committees. The Company maintains risk management control systems independent of Corporate Treasury. MBFCI is also exposed to the risk of changes in exchange rates. The risk resulting from these transactions in 2024 and 2023 was not, and is not currently, significant to MBFCI.

Interest rate risk

MBFCI 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, MBFCI uses derivative financial instruments (e.g. interest rate swaps) to manage this 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.

Exposure to Market Risk

As part of its risk management system, MBFCI employs value at risk analyses. VAR has been used by Mercedes-Benz Group as part of its risk management system in past years. In performing these analyses, MBFCI 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.

The value at risk calculations employed:

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

MBFCI 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, MBFCI 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 2024 and 2023 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.

(all amounts in thousands of Canadian dollars)

The impact of current macroeconomic and geopolitical developments are further discussed in the Management Report under *Industry Risks*.

	2024				2023			
	Period-end	**High**	**Low**	**Average**	**Period-end**	**High**	**Low**	**Average**
Interest rate risk	13,363	20,162	13,363	15,683	34,715	34,715	18,711	28,986

Changes in the value at 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, 2024	At December 31, 2023
	Interest rate risk	**Interest rate risk**
Fair value hedges		
Average variable rate – CAD	4.20%	2.97%
Cash flow hedges		
Average fixed rate – CAD	4.37%	4.11%

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, 2024 and December 31, 2023:

	At December 31, 2024		
	Notional Values	**Maturity**	
		≤1 year	**>1 year**
Cross currency interest rate swaps	**2,182,174**	**200,150**	**1,982,024**
thereof cash flow hedges	1,680,958	200,150	1,480,808
thereof fair value hedges	501,216	-	501,216
Interest rate swaps	**-**	**-**	**-**
thereof cash flow hedges	-	-	-
thereof fair value hedges	-	-	-
Total nominal values of derivative financial instruments	**2,182,174**	**200,150**	**1,982,024**
thereof cash flow hedges	1,680,958	200,150	1,480,808
thereof fair value hedges	501,216	-	501,216

(all amounts in thousands of Canadian dollars)

	At December 31, 2023		
	Notional Values	**Maturity**	
		≤1 year	**>1 year**
Cross currency interest rate swaps	**1,835,884**	**202,866**	**1,633,018**
thereof cash flow hedges	1,835,884	202,866	1,633,018
thereof fair value hedges	-	-	-
Interest rate swaps	**300,000**	**300,000**	**-**
thereof cash flow hedges	-	-	-
thereof fair value hedges	300,000	300,000	-
Total nominal values of derivative financial instruments	**2,135,884**	**502,866**	**1,633,018**
thereof cash flow hedges	1,835,884	202,866	1,633,018
thereof fair value hedges	300,000	300,000	-

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

Interest rate risk		**2024**	
	Notional Values	**Fair Value**	
		Other Financial Assets[1]	**Other Financial Liabilities**[1]
Cross currency interest rate swaps	**2,182,174**	**99,531**	**4,693**
thereof cash flow hedges	1,680,958	72,782	4,693
thereof fair value hedges	501,216	26,749	-
Interest rate swaps	**-**	**-**	**-**
thereof cash flow hedges	-	-	-
thereof fair value hedges	-	-	-

[1] The item has been adjusted to improve the presentation in the Statement of Financial Position. The effects are described in Note 2.

Interest rate risk		**2023**	
	Notional Values	**Fair Value**	
		Other Financial Assets	**Other Financial Liabilities**
Cross currency interest rate swaps	**1,835,884**	**62,125**	**23,292**
thereof cash flow hedges	1,835,884	62,125	23,292
thereof fair value hedges	-	-	-
Interest rate swaps	**300,000**	**-**	**2,008**
thereof cash flow hedges	-	-	-
thereof fair value hedges	300,000	-	2,008

(all amounts in thousands of Canadian dollars)

	During the period – 2024				
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	**(28,780)**	**-**	**12,244**	**(1,731)**	**2,539**
thereof cash flow hedges	(28,780)	-	11,948	(1,731)	2,539
thereof fair value hedges	-	-	296	-	-
Interest rate swaps	**-**	**(242)**	**-**	**-**	**-**
thereof cash flow hedges	-	-	-	-	-
thereof fair value hedges	-	(242)	-	-	-

	During the period – 2023				
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	**19,338**	**-**	**(6,165)**	**(1,450)**	**426**
thereof cash flow hedges	19,338	-	(6,165)	(1,450)	426
thereof fair value hedges	-	-	-	-	-
Interest rate swaps	**(877)**	**8**	**-**	**877**	**-**
thereof cash flow hedges	(877)	-	-	877	-
thereof fair value hedges	-	8	-	-	-

Fair value hedges

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

Net gain (losses) from these hedging instruments for 2024 and 2023 amounted to $4,498 and $7,069 respectively. The offsetting changes in the value of the underlying transactions amounted to $(4,739) for 2024 and $(7,061) for 2023.

(all amounts in thousands of Canadian dollars)

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

	2024	2023
	Interest rate risk	**Interest rate risk**
Carrying amounts of the hedged items		
Notes and bonds payable – current	-	297,911
Notes and bonds payable - non-current	504,500	-
thereof hedge adjustments		
Notes and bonds payable – current	-	(2,008)
Notes and bonds payable - non-current	2,731	-
Fair value changes of the hedged items[1]	**4,739**	**7,061**
Accumulated amount of hedge adjustments from inactive hedges remaining in the Statement of Financial Position – Notes and bonds payable	**-**	**-**

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

MBFCI 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:

	2024	2023
	Interest rate risk	**Interest rate risk**
Interest income/(expense) – third parties	(242)	8

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 2025 and 2027.

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

	2024	2023
	Interest rate risk	**Interest rate risk**
Gains and (losses) recognized in other comprehensive income	(16,536)	12,296
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)	808	(147)

(all amounts in thousands of Canadian dollars)

The maturities of the interest rate hedges correspond with those of the underlying transactions. As of December 31, 2024, the Company expects to reclassify losses (before income taxes) of $(2,346) to profit and loss in 2025.

The table below shows the reconciliation of the reserves for derivative instruments in 2024:

	2024	
Interest Rate Risk	**Cash flow hedges**	**Cost of hedging**
Balance at January 1, 2024	**5,604**	**(8,712)**
Changes in fair values (before taxes)	(28,780)	12,244
Taxes on changes in fair values	7,627	(3,245)
Reclassification to profit and loss (before taxes)	(1,731)	2,539
Taxes on reclassifications to profit and loss	459	(673)
Balance at December 31, 2024	**(16,821)**	**2,153**

The table below shows the reconciliation of the reserves for derivative instruments in 2023:

	2023	
Interest Rate Risk	**Cash flow hedges**	**Cost of hedging**
Balance at January 1, 2023	**(7,544)**	**(4,494)**
Changes in fair values (before taxes)	18,461	(6,165)
Taxes on changes in fair values	(4,892)	1,634
Reclassification to profit and loss (before taxes)	(573)	426
Taxes on reclassifications to profit and loss	152	(113)
Balance at December 31, 2023	**5,604**	**(8,712)**

17. Related party relationships

For transactions and balances with MBGAG and other MBGAG subsidiaries, refer to Notes 7 and 12.

MBFCI is charged fees for the full and unconditional guarantees on its outstanding notes and bonds payable and commercial paper, which are issued under MBGAG'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 $4,569 and $3,454 for the years ended December 31, 2024 and 2023, respectively and are included in interest expense - related parties. As of December 31, 2024 and 2023, accrued fees payable were $1,275 and $626.

The Company is charged for administrative overhead expenses by Mercedes-Benz North America Corporation ("MBNAC"). These expenses were $2,401 and $2,326 for the years ended December 31, 2024 and 2023, respectively, and are included in administrative and other expense. The outstanding payable for administrative overhead expenses to MBNAC amounted to $582 as of December 31, 2024 and $651 as of December 31, 2023.

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

18. Capital management

MBFCI is subject to the capital management at the MBGAG parent level. MBGAG uses net assets and value added as its basis for capital management. Net assets are managed on a divisional level at MBGAG 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 MBGAG divisions to which Company net assets are allocated. Value added shows the extent to which MBGAG achieves or exceeds the minimum return requirements of the shareholders and creditors, thus creating additional value. MBFCI monitors the required rate of return on net assets, and thus the cost of capital in accordance with MBGAG guidelines. Details regarding how MBGAG is meeting its objectives for managing capital can be found in Note 35 of the Mercedes-Benz Group 2024 Consolidated Financial Statements.

The Company is part of the worldwide financial management that is performed for all Mercedes-Benz Group entities by MBGAG's Corporate Treasury. Financial management operates within a framework of guidelines, limits and benchmarks; for MBFCI, these are described in more detail in Note 16.