

Mercedes-Benz Finance Canada Inc.

Interim Report as of and for the six months ended June 30, 2023

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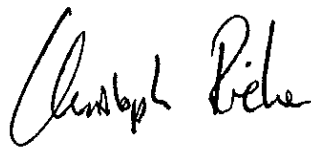
Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Mercedes-Benz Finance Canada Inc. 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), August 25, 2023



Ramasami Muthaiyah
President & Chief Executive Officer



Christoph Rieker
Chief Financial Officer

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Interim 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 six months ended June 30, 2022 and December 31, 2022, which were prepared using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Earnings

Interest Income

Interest Income was \$82,402 for the six months ended June 30, 2023 compared to \$41,259 for the six months ended June 30, 2022. The 99.7% increase is mainly caused by higher interest rates on higher related party accounts receivable balances in the first half of 2023 when compared to the first half of 2022.

Furthermore, due to the increasing cost of external funding an interest rebate from MBFS Canada increased interest income by \$5,300 in first half of 2023.

Interest expense

Interest expense was \$73,879 for the six months ended June 30, 2023 compared to \$37,950 for the six months ended June 30, 2022. The 94.7% increase is caused by higher interest rates on related party payables and external debt as well as the addition of commercial paper interest expense in 2023 which was zero in 2022.

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Administrative and other expense

Administrative and other expense decreased to \$1,333 for the six months ended June 30, 2023 from \$2,030 for the six months ended June 30, 2022 primarily due to a decrease in administrative overhead expenses

Other financial income and expense, net

Other financial expense, net was \$206 for the six months ended June 30, 2023 compared to other financial income, net of \$90 for the six months ended June 30, 2022 due to increased foreign exchange losses.

Profit before income taxes

Profit before income taxes increased to \$5,133 for the six months ended June 30, 2023 from \$1,006 for the six months ended June 30, 2022. The change in profit before taxes is primarily driven by interest result.

Income tax expense

The Company recorded an income tax expense of \$1,851 for the six months ended June 30, 2023 compared with \$363 for the six months ended June 30, 2022. The change in tax expense from June 30, 2023 to June 30, 2022 is comparable to the change in earnings respectively.

Financial position

Total assets were \$4,583,905 at June 30, 2023 compared to \$4,301,376 at December 31, 2022, an increase of 6.6%. This change is mainly due to an increase in current receivables from related parties, as well as an increase in cash and cash equivalents. Total liabilities also increased to \$4,172,271 at June 30, 2023 from \$3,902,159 at December 31, 2022, an increase of 6.9%. This change is primarily due to higher notes and bonds payable offset by lower payables to related parties. Total equity increased to \$411,634 at June 30, 2023 from \$399,217 at December 31, 2022 mainly due to net income of \$5,133 and other comprehensive income of \$7,284 primarily attributable to cash flow hedges for the six months ended June 30, 2023.

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 perspective.

The funds raised in 2023 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 subsidiaries in Canada. Lease and sales financing activities are typically financed with a high proportion of debt.

Cash flows were the following for the six months ended June 30, 2023 and June 30, 2022:

	Six months ended June 30,	
	2023	2022
Net cash provided by/(used for) operating activities	(655,003)	612,932
Net cash provided by/(used for) investing activities	-	-
Net cash provided by/(used for) financing activities	768,728	(498,425)

Net cash outflows from operating activities were \$655,003 for the six months ended June 30, 2023 compared to net cash inflows of \$612,932 for the six months ended June 30, 2022 mainly due to a reduction of payables to related parties.

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Net cash inflows from financing activities were \$768,728 for the six months ended June 30, 2023 compared to net cash outflows of \$498,425 for the six months ended June 30, 2022, mainly due to notes and bonds issuances without any offsetting maturities.

Risk report

Various 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 in MBFCI's annual report 2022 which was submitted to the Luxembourg Stock Exchange on April 25, 2023.

The Canadian economy has remained resilient despite global factors including the war in Ukraine, rising interest rates, and supply chain disruptions which are lingering concerns that may still lead to a recession in the second half of 2023.

Although inflation has slowed to 2.8% in mid-2023, it still remains above the target rate of 2%. The Bank of Canada has had to tighten monetary policy more than expected bringing its key overnight lending rate to 5%.

Additional risk factors include a cooling housing market and high levels of household debt.

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

Outlook

Management expects the Company's operational results to be stable in 2023. This expectation is based on a continuation of the Company's business model.

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Statement of Comprehensive Income (Unaudited)

	Note	Six months ended June 30,	
		2023	2022
Interest income			
Interest income – related parties		73,284	36,168
Interest income – third parties		9,118	5,091
Total interest income		82,402	41,259
Interest expense			
Interest expense – third parties		(52,139)	(32,315)
Interest expense – related parties		(21,740)	(5,635)
Total interest expense		(73,879)	(37,950)
Net interest income		8,523	3,309
Administrative and other expense	12	(1,333)	(2,030)
Other financial income and (expense), net	5	(206)	90
Profit before income taxes		6,984	1,369
Income tax expense		(1,851)	(363)
Net profit		5,133	1,006
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		8,524	6,720
Cash flow hedge reserve – reclassification to profit or loss ¹		617	268
Cost of hedging reserve – changes in fair value ¹		(1,857)	(3,189)
Cost of hedging reserve – reclassification to profit or loss ¹		-	-
Other comprehensive income/(loss), net of taxes		7,284	3,799
Total comprehensive income/(loss)		12,417	4,805

¹ Net of taxes

The accompanying notes on pages 11 to 18 are an integral part of the financial statements.

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Statement of Financial Position (Unaudited)

		June 30,	December 31,
	Note	2023	2022
Assets			
Receivables from related parties	6	2,220,000	2,205,000
Other financial assets		36,579	30,557
Deferred tax assets		1,714	4,341
Total non-current assets		2,258,293	2,239,898
Receivables from related parties	6	1,716,750	1,564,647
Cash and cash equivalents		604,605	490,880
Other financial assets		1,785	1,829
Tax receivables		2,472	4,122
Total current assets		2,325,612	2,061,478
Total assets		4,583,905	4,301,376
Equity and liabilities	7		
Share capital		-	-
Capital reserves		394,137	394,137
Accumulated surplus		22,251	17,118
Cash flow hedge reserve		1,597	(7,544)
Cost of hedging reserve		(6,351)	(4,494)
Total equity		411,634	399,217
Notes and bonds payable	9	2,463,554	2,154,212
Other financial liabilities		6,265	9,067
Total non-current liabilities		2,469,819	2,163,279
Payables to related parties	8	668,451	1,174,022
Notes and bonds payable	9	939,320	536,964
Commercial Paper	10	20,984	-
Other financial liabilities		73,697	27,894
Total current liabilities		1,702,452	1,738,880
Total liabilities		4,172,271	3,902,159
Total equity and liabilities		4,583,905	4,301,376

The accompanying notes on pages 11 to 18 are an integral part of the financial statements.

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Statement of Changes in Equity (Unaudited)

	Share capital	Capital reserves	Accumulated Surplus	Cash flow Hedge reserve	Cost of hedging reserve	Total equity
Balance at January 1, 2022	-	394,137	14,606	(1,863)	(618)	406,262
Net profit	-	-	1,006	-	-	1,006
Other comprehensive income/(loss) before taxes	-	-	-	9,507	(4,339)	5,168
Deferred taxes on other comprehensive income/(loss)	-	-	-	(2,519)	1,150	(1,369)
Total comprehensive income/(loss)	-	-	1,006	6,988	(3,189)	4,805
Balance at June 30, 2022	-	394,137	15,612	5,125	(3,807)	411,067
Balance at January 1, 2023	-	394,137	17,118	(7,544)	(4,494)	399,217
Net profit	-	-	5,133	-	-	5,133
Other comprehensive income/(loss) before taxes	-	-	-	12,438	(2,527)	9,911
Deferred taxes on other comprehensive income/(loss)	-	-	-	(3,297)	670	(2,627)
Total comprehensive income/(loss)	-	-	5,133	9,141	(1,857)	12,417
Balance at June 30, 2023	-	394,137	22,251	1,597	(6,351)	411,634

The accompanying notes on pages 11 to 18 are an integral part of the financial statements.

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Statement of Cash Flows (Unaudited)

	Note	Six months ended June 30,	
		2023	2022
Net profit		5,133	1,006
Adjustments for			
Foreign exchange (gains)/losses		121	(97)
Non-cash interest (income)/expense		1,310	(809)
Changes in			
Tax receivables		1,650	(2,994)
Other assets, tax liabilities, provisions and accrued interest		9,457	273
Receivables from and payables to related parties	6, 8	(672,674)	615,553
Cash provided by/(used for) operating activities		(655,003)	612,932
Acquisition of marketable debt securities		-	-
Proceeds from sales of marketable debt securities		-	-
Cash provided by/(used for) investing activities		-	-
Issuances of notes and bonds payable ¹	9	747,820	-
Repayment of notes and bonds payable ¹	9	-	(498,425)
Issuances/(repayment) of commercial paper ² , net	10	20,908	-
Cash provided by/(used for) financing activities		768,728	(498,425)
Net increase/(decrease) in cash and cash equivalents		113,725	114,507
Cash and cash equivalents at the beginning of the period		490,880	1,213,016
Cash and cash equivalents at the end of the period		604,605	1,327,523

¹ Cash provided by/ (used for) financing activities includes 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.

The accompanying notes on pages 11 to 18 are an integral part of the financial statements.

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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 Company’s ultimate parent MBGAG produces financial statements that are available for public use.

2. Basis of accounting

These unaudited interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

These interim financial statements are presented in Canadian dollars (“\$”), which is the Company’s functional currency. Unless otherwise stated all amounts are presented in thousands of Canadian dollars.

In the opinion of the management, the interim financial statements reflect all adjustments (i.e. normal recurring adjustments) necessary for a fair presentation of the results of operations and the financial position of MBFCI. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period or the full fiscal year. The interim financial statements should be read in conjunction with the December 31, 2022 audited IFRS financial statements and notes which were submitted to the Luxembourg Stock Exchange on April 25, 2023. The accounting policies applied by MBFCI in these interim financial statements are the same as those applied in the audited IFRS financial statements as of and for the year ended December 31, 2022.

Preparation of interim financial statements in conformity with IFRS requires management to make estimates, assessments and assumptions which can affect the amounts and reporting of assets and liabilities, the reporting of contingent assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. Actual amounts could differ from those estimates. Changes in estimates, assessments and assumptions can have a material impact on the financial statements.

3. 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.

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.

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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 June 30, 2023, the credit risk on receivables from related parties has not increased significantly since initial recognition. Therefore, the loss allowance for receivables from related parties are measured at an amount equal to 12-month expected credit losses. Receivables from related parties are considered to have a low risk of default. Management considers the 12-month expected credit losses for receivables from related parties as immaterial.

Estimates

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

Fair value of financial instruments

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

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

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

4. Basis of preparation

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

The accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

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5. Other financial income and (expense), net

Other financial expense, net is comprised of the following:

	2023	2022
Result of foreign exchange transactions - gains (losses)	(180)	114
Bank fees	(26)	(24)
Total	(206)	90

6. 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:

	June 30, 2023	December 31, 2022
Mercedes-Benz Financial Services Canada Corp	3,936,500	3,763,587
Mercedes-Benz Group AG	250	6,060
Total	3,936,750	3,769,647

7. Equity

(a) Share capital

At June 30, 2023 and December 31, 2022, the authorized share capital comprised 1,000 no par value shares, of which 100 shares were issued and outstanding. All issued shares were fully paid.

(b) Reserves

Capital reserves

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

Cash flow hedge reserve

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

Cost of hedging reserve

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

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8. Payables to related parties

The following table sets forth amounts payable to related parties:

	June 30, 2023	December 31, 2022
Mercedes-Benz Canada Inc.	549,161	938,937
MBarc Credit Canada Inc.	95,186	80,463
Mercedes-Benz Group AG	23,550	2,302
Mercedes-Benz North America Corporation	554	152,320
Total	668,451	1,174,022

9. Notes and bonds payable

MBFCI's obligations under the notes and bonds program are fully and unconditionally guaranteed by its ultimate parent company, MBGAG.

During the first six months of 2023, there were no notes and bonds payable that matured, compared to \$500,000 matured in the first six months of 2022. There were \$750,000 of notes and bonds issued in the first six months of 2023 compared to no issuances during the first six months of 2022.

Terms and conditions of new notes payable issued during the first six months of 2023 are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Canadian Dollar Bonds					
Bond	CAD	5.140%	2026	500,000	498,698
Bond	CAD	5.120%	2028	250,000	249,125
Total Canadian Dollar Bonds				750,000	747,823

10. Commercial paper

In July 2011, MBFCI entered into a \$2,500,000 private placement of a commercial paper program. As of June 30, 2023, the amount outstanding under the commercial paper program was \$20,984, compared to no amount outstanding as of December 31, 2022. Fixed interest rates ranged from 4.83% to 4.84% and maturity dates range from July 5, 2023 to July 6, 2023. MBFCI's obligations under the commercial paper program are fully and unconditionally guaranteed by its ultimate parent company, MBGAG.

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11. 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.

	June 30, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	604,605	604,605	490,880	490,880
Financial assets at amortized cost				
Receivables from related parties	3,936,750	3,907,163	3,769,647	3,739,787
Accrued interest	1,789	1,789	1,829	1,829
Total financial assets at amortized cost	3,938,539	3,908,952	3,771,476	3,741,616
Financial assets recognized at fair value through profit or loss				
Derivative financial instruments used in hedge accounting	36,575	36,575	30,557	30,557
Total financial assets recognized at fair value through profit or loss	36,575	36,575	30,557	30,557
Total financial assets	4,579,719	4,550,132	4,292,913	4,263,053
Financial liabilities at amortized cost				
Notes and bonds payable	3,402,874	3,337,753	2,691,176	2,619,931
Commercial paper	20,984	20,984	-	-
Payables to related parties	668,451	668,451	1,174,022	1,174,022
Accrued interest	29,183	29,183	19,765	19,765
Total financial liabilities at amortized cost	4,121,492	4,056,371	3,884,963	3,813,718
Financial liabilities at fair value				
Derivative financial instruments used in hedge accounting	50,779	50,779	17,196	17,196
Total financial liabilities at fair value	50,779	50,779	17,196	17,196
Total financial liabilities	4,172,271	4,107,150	3,902,159	3,830,914

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Financial assets and liabilities measured at fair value are classified into the following fair value hierarchy:

	June 30, 2023				December 31, 2022			
	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	36,575	-	36,575		30,557	-	30,557	-
Liabilities								
Derivative financial instruments used in hedge accounting	50,779	-	50,779	-	17,196	-	17,196	-

¹ Fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

² Fair value measurement based on inputs for the asset or liability that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

³ Fair value measurement based on inputs for the asset or liability that are not observable market data.

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

	June 30, 2023				December 31, 2022			
	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	3,907,163	-	3,907,163	-	3,739,787	-	3,739,787	-
Financial liabilities measured at amortized cost	3,358,737	2,136,820	1,221,917	-	2,619,931	2,339,813	280,118	-
thereof notes and bonds	3,337,753	2,136,820	1,200,933	-	2,619,931	2,339,813	280,118	-
thereof other financial liabilities	20,984	-	20,984	-	-	-	-	-

¹ Fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

² Fair value measurement based on inputs for the asset or liability that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

³ Fair value measurement based on inputs for the asset or liability that are not observable market data.

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

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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.

12. Related party relationships

For transactions and balances with MBGAG and other MBGAG subsidiaries, refer to notes 6 and 8.

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 \$1,626 and \$2,078 for the six months ended June 30, 2023 and June 30, 2022 respectively and are included in interest expense - related parties. As of June 30, 2023 fees outstanding were \$701 compared to \$1,076 as of December 31, 2022.

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(all amounts in thousands of Canadian dollars)

The Company is charged for administrative overhead expenses by MBNAC. These expenses were \$1,124 and \$1,751 for the six months ended June 30, 2023 and June 30, 2022 respectively, and are included in administrative and other expense. The payable for administrative overhead expenses to MBNAC amounted to \$554 as of June 30, 2023 and \$634 as of December 31, 2022.

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.