Mercedes-Benz Financial Services USA LLC
and Subsidiaries

(A Wholly Owned Subsidiary of Mercedes-Benz North America Corporation)

Unaudited Interim Consolidated Financial Statements

March 31, 2024 and 2023

Table of Contents

Unaudited Interim Consolidated Statement of Financial Position 2

Unaudited Interim Consolidated Statement of Income 3

Unaudited Interim Consolidated Statement of Changes in Equity 4

Unaudited Interim Consolidated Statement of Cash Flows 5

Notes to Unaudited Interim consolidated Financial Statements 6

1. Material Accounting Policies 6
2. Accounting estimates and management judgements 14
3. Risks and uncertainties 15

Computation of Ratio of Earnings to Fixed Charges 16

Unaudited Interim Consolidated Statement of Financial Position
(In millions of U.S. dollars)

	March 31, 2024	**December 31, 2023**
Assets		
Cash and cash equivalents	63	76
Receivables from affiliated companies	47	39
Trade receivables	259	10
Returned and repossessed vehicle inventory	123	113
Finance receivables, net	24,131	23,959
Vehicles and equipment leased, net	15,590	15,477
Other assets	514	536
Total assets	**40,727**	**40,210**
Liabilities and equity		
Trade payables, provisions, and other liabilities	329	385
Trade payables to affiliated companies	51	23
Financing liabilities	10,312	9,898
Payables to affiliated companies	26,610	26,579
Deferred income	1,013	977
Deferred tax liabilities	659	638
Total liabilities	**38,974**	**38,500**
Equity	1,753	1,710
Total liabilities and equity	**40,727**	**40,210**

Unaudited Interim Consolidated Statement of Income
(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2024	**2023**
Revenue from retail finance receivables and finance leases	212	169
Revenue from wholesale finance receivables and other	167	99
Revenue from vehicles and equipment leased – rents and fees	967	983
Remarketing revenue	1,252	1,499
Other revenue and income	15	10
Total finance revenue and other income	**2,613**	**2,760**
Interest expense	(388)	(200)
Depreciation on vehicles and equipment leased	(736)	(782)
Provision for credit losses	(100)	(32)
Remarketing expense	(1,257)	(1,491)
Other financial expense	-	(2)
Selling expenses	(52)	(45)
General administrative expenses	(29)	(30)
Total expenses	**(2,562)**	**(2,582)**
Profit before income taxes	**51**	**178**
Income tax expense	(13)	(49)
Profit for the period	**38**	**129**

Unaudited Interim Consolidated Statement of Changes in Equity (In millions of U.S. dollars)

	2024	2023
Contributed capital:		
Balance at January 1	**867**	**867**
Balance at March 31	**867**	**867**

	2024	2023
Retained earnings:		
Balance at January 1	**843**	**968**
Profit for the period	38	129
Dividend	-	-
Other Comprehensive income/(loss) after taxes	5	(26)
Changes in consolidated group	-	-
Balance at March 31	**886**	**1,071**
Total equity	**1,753**	**1,938**

Unaudited Interim Consolidated Statement of Cash Flows
(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2024	**2023**
Operating activities:		
Net income	38	129
Reconciliation of net income to net cash provided by/(used in) operating activities		
Depreciation and amortization	(141)	(170)
Finance receivables	(184)	(616)
Proceeds from disposal of operating lease assets	36	766
Provision for credit losses	12	3
Deferred income tax expense	21	(18)
Net change in other assets	(24)	8
Net change in other liabilities	(28)	13
Other operating activities	(193)	91
Net cash provided by/(used in) operating activities	**(463)**	**206**
Investing activities:		
Additions to property, plant and equipment	-	-
Additions to intangible assets	-	-
Net cash provided by investing activities	**-**	**-**
Financing activities:		
Repayment of short-term borrowings	2,483	888
Net change in deposits	19	374
Net change in long-term debt	(2,057)	(1,428)
Dividends to parent company (distribution of capital)	-	-
Other financing activities	5	(25)
Net cash provided by/(used in) financing activities	**450**	**(191)**
Change in cash and cash equivalents	**(13)**	**15**
Cash and cash equivalents at January 1	**76**	**82**
Cash and cash equivalents at March 31	**63**	**97**

Notes to Unaudited Interim consolidated Financial Statements

1. Material Accounting Policies

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. The Company is a wholly-owned subsidiary of Mercedes-Benz North America Corporation ("MBNAC"), which is a wholly-owned subsidiary of Mercedes-Benz Capital Investments B.V. ("MBCI"), which is in turn a wholly-owned subsidiary of Mercedes-Benz Group AG ("MBGAG"). On October 31, 2023, Mercedes-Benz Capital Nederland B.V. ("MBCN") was merged into MBCI; becoming the new parent of MBNAC. MBFS USA's registered office is located at 35555 West 12 Mile Rd, Suite 100, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Mercedes-Benz dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA) and their customers, including retail and lease financing for cars and vans, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States.

Basis of preparation

(a) Applied IFRS Accounting Standards

The interim consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the periods ended March 31, 2024 and March 31, 2023. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

(b) Basis of Measurement

The interim consolidated financial statements have been prepared on the historical cost basis.

(c) Presentation in the statement of financial position

The Company has elected to present the interim consolidated statement of financial position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

(d) Functional and presentation currency

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

(e) Principles of consolidation

The interim consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiaries, including special purpose entities (SPEs) created to support the Company's securitization programs. These SPEs are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

As an additional funding source, MBFS USA transfers leases and finance receivables to SPEs in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these SPEs have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's consolidated statement of financial position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiaries included in the interim consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated SPEs have been eliminated.

Accounting Policies

(a) Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue on vehicles and equipment leased is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of MBGAG provide for interest rate differentials and residual value support payments to the Company for certain Mercedes-Benz vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized.

(b) Income taxes

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

The Company and its subsidiaries are included in the consolidated U.S. income tax return of MBNAC. The Company is also included in certain unitary and combined state tax returns with MBNAC, and files separate returns in certain state and local tax jurisdictions.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of MBGAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of MBNAC. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and MBNAC.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

(c) Transactions with related parties

MBFS USA is wholly owned by MBNAC and indirectly 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.

(d) Leasing

Leasing includes all contracts that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in the contract.

Mercedes-Benz Trust is a lessor of products manufactured by Mercedes-Benz AG (MBAG), principally passenger cars and vans. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

MBFS USA as lessee

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. MBFS USA applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, MBFS USA also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the

lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments.

The lease liabilities include the following lease payments:

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

The Company generally also applies the option for contracts comprising lease components as well as non-lease components not to split these components.

Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate, which is based on risk-adjusted interest rates and determined for the respective lease terms and currencies. MBFS USA generally applies the incremental borrowing rate to discount lease payments. As the cash flow pattern of the reference interest rates (bullet bonds) does not correspond to the cash flow pattern of a lease contract (annuity), we use a duration adjustment in order to account for that difference.

Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

(e) 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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument. In the case of purchases or sales of financial assets through the regular market, MBFS USA uses the transaction date as the date of initial recognition or derecognition.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss).

Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

(f) Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets that give rise to cash flows consisting only of payments of principal and interest ("SPPI") are classified in accordance with the Company'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. Financial assets that have only cash flows of solely principal and interest but are not held within one of the business models described above are measured at fair value through profit or loss.

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.

Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks, as well as debt instruments and certificates of deposits with remaining term when acquired of up to three months, which are not subject to any material value fluctuations. Cash at March 31, 2023 was $63 million (Dec 31, 2023: $76 million). In addition, cash held in collection accounts for ABS deals are included in other financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets with cash flows other than those of principal and interest on the nominal amount outstanding. Further financial assets that are held in a business model other “hold to collect” or “hold to collect and sell” are included here.

In addition, derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as financial assets acquired for the purpose of selling in the near term that are classified as held for trading, are included here. Gains or losses on these financial assets are recognized in profit or loss.

At each reporting date, a loss allowance is recognized for financial assets, loan commitments and financial guarantees other than those to be measured at fair value through profit or loss reflecting expected losses for these instruments. The same method is used for the impairment of non-revocable loan commitments and financial guarantees. The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve month

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 30 days past due date. The portion of the lifetime expected credit

losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating

information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information or the probability of default.

A financial asset is migrated to stage 2 if the asset's credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed based on the probability of default. For trade receivables, the simplified approach is applied whereby expected credit losses for all trade receivables are initially measured over the lifetime of the instrument.

MBFS USA applies the low credit risk exception to the stage allocation to quoted debt instruments with investment-grade ratings. These debt instruments are always allocated to stage 1. In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

Measurement of expected credit losses. Expected credit losses are measured in a way that reflects:

- the unbiased and probability-weighted amount;
- the time value of money; and
- reasonable and supportable information (if available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, expected credit losses are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors.

This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios). The impairment amount for trade receivables is predominately determined on a collective basis.

A financial instrument is written off when there is no reasonable expectation of recovery, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of financial assets. This is estimated to be rare and immaterial for receivables from financial services. If the terms of a contract are renegotiated or modified and this does not result in derecognition of the contract, then the gross carrying amount of the contract has to be recalculated and a modification gain or loss has to be recognized in profit or loss.

(g) Financial liabilities

Financial liabilities primarily include trade payables, payables to related parties, financial liabilities and other liabilities. Financial liabilities include $9,340 million and $8,945 million asset backed secured debt at March 31, 2024 and December 31, 2023 respectively.

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.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) which are not used as hedging instruments in hedge accounting, are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

(h) Derivative financial instruments and hedge accounting

MBFS USA uses derivative financial instruments mainly for the purposes of hedging interest rate risks that arise from its 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 equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, MBFS USA 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 forecasted 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 fair value of non-designated derivatives are recognized in profit or loss. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in other comprehensive income.

Under IFRS 9, with cash flow hedges, amounts recognized in other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly included in the initial cost or carrying amount of the hedged item at initial recognition if the hedged item, e.g. forecast transaction, results in the recognition of a non-financial asset or non-financial liability.

For other cash flow hedges, the accumulated hedging gains or losses from hedging instruments are reclassified from the reserves for derivative financial instruments to the Interim consolidated statement of income when the hedged item affects profit or loss. The ineffective portions of fair value changes are recognized directly in profit or loss.
For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This applies for example to the time value of options or cross currency basis spreads.

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 and are reclassified from equity as described at maturity if the hedged future cash flows are still expected to occur. Otherwise, accumulated hedging gains and losses are immediately reclassified to profit or loss.

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.

2. Accounting estimates and management judgements

In the interim consolidated financial statements, to a certain degree, estimates and management judgements have to be made, 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. The major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. Changes in the estimates and management judgments can have a material impact on the interim consolidated financial statements.

(a) Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

(b) Recoverable amount of equipment on operating leases

MBFS USA regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions are made regarding major influencing factors, such as the expected number of returned vehicles, the latest remarketing results and future vehicle model changes. Those assumptions are determined either by qualified estimates or by publications provided by expert third parties; qualified

estimates are based, as far as publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for depreciation; changes in residual values lead either to prospective adjustments of the depreciation or, in the case of a significant decline in expected residual values, to impairment. If depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

(c) Collectability of financial receivables

MBFS USA regularly estimates the risk of default on financial receivables. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. In addition to historical and current information on losses, appropriate and reliable forward-looking information on factors is also included. This information includes macroeconomic factors (e.g. GDP growth, unemployment rate, cost-performance index) and forecasts of future economic conditions. For financial receivables, these forecasts are determined using a scenario analysis (baseline scenario, optimistic and pessimistic scenario). Further external information, such as information in connection with the covid-19 pandemic, which cannot be depicted in the scenarios, is included in the assessment through subsequent adjustments as necessary. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on MBFS USA's net profit.

3. Risks and uncertainties

MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges
(In millions of U.S. dollars)

	Three Months ended March 31,	
	2024	**2023**
Earnings	**52**	**181**
Add:		
Interest included in expense	387	199
One-third of rental expense	-	-
Adjusted earnings	**439**	**380**
Fixed Charges		
Interest included in expense	387	199
Interest capitalized	19	18
One-third of rental expense	-	-
Total fixed charges	**406**	**217**
Ratio of earning to fixed charges	**1.08**	**1.75**

Mercedes-Benz Financial Services USA LLC
and Subsidiaries

(A Wholly Owned Subsidiary of Mercedes-Benz North America Corporation)

Unaudited Consolidated Financial Statements

December 31, 2023 and 2022

Table of Contents

Unaudited Consolidated Statement of Financial Position 2
Unaudited Consolidated Statement of Income 3
Unaudited Consolidated Statement of Changes in Equity 4
Unaudited Consolidated Statement of Cash Flows 5
Notes to Unaudited Consolidated Financial Statements 6
1. Material Accounting Policies 6
2. Accounting estimates and management judgements 14
3. Risks and uncertainties 15
Computation of Ratio of Earnings to Fixed Charges 16

Unaudited Consolidated Statement of Financial Position
(In millions of U.S. dollars)

	December 31, 2023	December31, 2022
Assets		
Cash and cash equivalents	76	82
Receivables from affiliated companies	39	16
Trade receivables	10	291
Returned and repossessed vehicle inventory	113	67
Finance receivables, net	23,959	20,057
Vehicles and equipment leased, net	15,477	16,528
Other assets	536	634
Total assets	**40,210**	**37,675**
Liabilities and equity		
Trade payables, provisions, and other liabilities	385	241
Trade payables to affiliated companies	23	32
Financing liabilities	9,898	8,531
Payables to affiliated companies	26,579	25,115
Deferred income	977	856
Deferred tax liabilities	638	1,065
Total liabilities	**38,500**	**35,840**
Equity	1,710	1,835
Total liabilities and equity	**40,210**	**37,675**

Unaudited Consolidated Statement of Income
(In millions of U.S. dollars)

	Years ended December 31,	
	2023	**2022**
Revenue from retail finance receivables and finance leases	748	606
Revenue from wholesale finance receivables and other	511	206
Revenue from vehicles and equipment leased – rents and fees	3,861	4,266
Remarketing revenue	5,542	6,532
Other revenue and income	63	36
Total finance revenue and other income	**10,725**	**11,646**
Interest expense	(1,093)	(516)
Depreciation on vehicles and equipment leased	(3,048)	(3,371)
Provision for credit losses	(273)	(106)
Remarketing expense	(5,544)	(6,529)
Other financial expense	(2)	(10)
Selling expenses	(271)	(192)
General administrative expenses	(148)	(105)
Total expenses	**(10,379)**	**(10,829)**
Profit before income taxes	**346**	**817**
Income tax expense	(140)	(211)
Profit for the period	**206**	**606**

Unaudited Consolidated Statement of Changes in Equity
(In millions of U.S. dollars)

	2023	2022
Contributed capital:		
Balance at January 1	**867**	**867**
Balance at December 31	**867**	**867**
Retained earnings:		
Balance at January 1	**968**	**1,183**
Profit for the period	206	606
Dividend	(260)	(900)
Other Comprehensive income/(loss) after taxes	(71)	79
Changes in consolidated group	-	-
Balance at December 31	**843**	**968**
Total equity	**1,710**	**1,835**

Unaudited Consolidated Statement of Cash Flows
(In millions of U.S. dollars)

	Years ended December 31,	
	2023	**2022**
Operating activities:		
Net income	206	606
Reconciliation of net income to net cash provided by/(used in) operating activities		
Depreciation and amortization	(706)	(456)
Finance receivables	(3,959)	(1,861)
Proceeds from disposal of operating lease assets	1,774	4,701
Provision for credit losses	59	87
Deferred income tax expense	(427)	(21)
Net change in other assets	(73)	888
Net change in other liabilities	134	(120)
Other operating activities	487	481
Net cash provided by/(used in) operating activities	**(2,505)**	**4,305**
Investing activities:		
Additions to property, plant and equipment	-	10
Additions to intangible assets	-	-
Net cash provided by investing activities	**-**	**10**
Financing activities:		
Repayment of short-term borrowings	1,468	(94)
Net change in deposits	142	(500)
Net change in long-term debt	1,221	(2,930)
Dividends to parent company (distribution of capital)	(260)	(900)
Other financing activities	(72)	78
Net cash provided by/(used in) financing activities	**2,499**	**(4,346)**
Change in cash and cash equivalents	**(6)**	**(31)**
Cash and cash equivalents at January 1	**82**	**113**
Cash and cash equivalents at December 31	**76**	**82**

Notes to Unaudited Consolidated Financial Statements

1. Material Accounting Policies

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. The Company is a wholly-owned subsidiary of Mercedes-Benz North America Corporation ("MBNAC"), which is a wholly-owned subsidiary of Mercedes-Benz Capital Investments B.V. ("MBCI"), which is in turn a wholly-owned subsidiary of Mercedes-Benz Group AG ("MBGAG"). On October 31, 2023, Mercedes-Benz Capital Nederland B.V. ("MBCN") was merged into MBCI; becoming the new parent of MBNAC. MBFS USA's registered office is located at 35555 West 12 Mile Rd, Suite 100, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Mercedes-Benz dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA) and their customers, including retail and lease financing for cars and vans, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States.

Basis of preparation

(a) Applied IFRS Accounting Standards

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the periods ended December 31, 2023 and December 31, 2022. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

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

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

- Insurance Contracts (IFRS 17)
- Disclosure of Accounting Policies (IAS and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets & Liabilities arising from a Single Transaction (Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12). Pillar Two has not yet been adopted in the United States.

(c) IFRS Accounting Standards issue not effective

New accounting standards are effective for annual periods beginning January 1, 2024 and earlier adoption is permitted. The items below are not expected to have an impact on the financial statements and were not early adopted:

- 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)
- Lack of Exchangeability (Amendments to IAS 21)

(d) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis.

(e) Presentation in the statement of financial position

The Company has elected to present the consolidated statement of financial position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

(f) Functional and presentation currency

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

(g) Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiaries, including special purpose entities (SPEs) created to support the Company's securitization programs. These SPEs are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

As an additional funding source, MBFS USA transfers leases and finance receivables to SPEs in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these SPEs have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's consolidated statement of financial position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiaries included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated SPEs have been eliminated.

Accounting Policies

(a) Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue on vehicles and equipment leased is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of MBGAG provide for interest rate differentials and residual value support payments to the Company for certain Mercedes-Benz vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses

as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

(b) Income taxes

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

The Company and its subsidiaries are included in the consolidated U.S. income tax return of MBNAC. The Company is also included in certain unitary and combined state tax returns with MBNAC, and files separate returns in certain state and local tax jurisdictions.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of MBGAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of MBNAC. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and MBNAC.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

(c) Transactions with related parties

MBFS USA is wholly owned by MBNAC and indirectly 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.

(d) Leasing

Leasing includes all contracts that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in the contract.

Mercedes-Benz Trust is a lessor of products manufactured by Mercedes-Benz AG (MBAG), principally passenger cars and vans. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

MBFS USA as lessee

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. MBFS USA applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, MBFS USA also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments.

The lease liabilities include the following lease payments:

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

The Company generally also applies the option for contracts comprising lease components as well as non-lease components not to split these components.

Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate, which is based on risk-adjusted interest rates and determined for the respective lease terms and currencies. MBFS USA generally applies the incremental borrowing rate to discount lease payments. As the cash flow pattern of the reference interest rates (bullet bonds) does not correspond to the cash flow pattern of a lease contract (annuity), we use a duration adjustment in order to account for that difference.

Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

(e) 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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument. In the case of purchases or sales of financial assets through the regular market, MBFS USA uses the transaction date as the date of initial recognition or derecognition.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories in IFRS 9 Financial Instruments (financial

assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss).

Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

(f) Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets that give rise to cash flows consisting only of payments of principal and interest ("SPPI") are classified in accordance with the Company'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. Financial assets that have only cash flows of solely principal and interest but are not held within one of the business models described above are measured at fair value through profit or loss.

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.

Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks, as well as debt instruments and certificates of deposits with remaining term when acquired of up to three months, which are not subject to any material value fluctuations. Cash at December 31, 2023 was $76 million (December 31, 2022: $82 million). In addition, cash held in collection accounts for ABS deals are included in other financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets with cash flows other than those of principal and interest on the nominal amount outstanding. Further financial assets that are held in a business model other "hold to collect" or "hold to collect and sell" are included here.

In addition, derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as financial assets acquired for the purpose of selling in the near term that are classified as held for trading, are included here. Gains or losses on these financial assets are recognized in profit or loss.

At each reporting date, a loss allowance is recognized for financial assets, loan commitments and financial guarantees other than those to be measured at fair value through profit or loss reflecting expected losses for these instruments. The same method is used for the impairment of non-revocable loan commitments and financial guarantees. The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve month

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 30 days past due date. The portion of the lifetime expected credit

losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating

information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information or the probability of default.

A financial asset is migrated to stage 2 if the asset's credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed based on the probability of default. For trade receivables, the simplified approach is applied whereby expected credit losses for all trade receivables are initially measured over the lifetime of the instrument.

MBFS applies the low credit risk exception to the stage allocation to quoted debt instruments with investment-grade ratings. These debt instruments are always allocated to stage 1. In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

Measurement of expected credit losses. Expected credit losses are measured in a way that reflects:

- the unbiased and probability-weighted amount;
- the time value of money; and
- reasonable and supportable information (if available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, expected credit losses are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors.

This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios). The impairment amount for trade receivables is predominately determined on a collective basis.

A financial instrument is written off when there is no reasonable expectation of recovery, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of financial assets. This is estimated to be rare and immaterial for receivables from financial services. If the terms of a contract are renegotiated or modified and this does not result in derecognition of the contract, then the gross carrying amount of the contract has to be recalculated and a modification gain or loss has to be recognized in profit or loss.

(g) Financial liabilities

Financial liabilities primarily include trade payables, payables to related parties, financial liabilities and other liabilities. Financial liabilities include $8,945 million and $7,720 million asset backed secured debt at December 31, 2023 and December 31, 2022 respectively.

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.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) which are not used as hedging instruments in hedge accounting, are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

(h) Derivative financial instruments and hedge accounting

MBFS USA uses derivative financial instruments mainly for the purposes of hedging interest rate risks that arise from its 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 equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, MBFS USA 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 forecasted 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 fair value of non-designated derivatives are recognized in profit or loss. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in other comprehensive income.

Under IFRS 9, with cash flow hedges, amounts recognized in other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly

included in the initial cost or carrying amount of the hedged item at initial recognition if the hedged item, e.g. forecast transaction, results in the recognition of a non-financial asset or non-financial liability.

For other cash flow hedges, the accumulated hedging gains or losses from hedging instruments are reclassified from the reserves for derivative financial instruments to the consolidated statement of income when the hedged item affects profit or loss. The ineffective portions of fair value changes are recognized directly in profit or loss.
For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This applies for example to the time value of options or cross currency basis spreads.

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 and are reclassified from equity as described at maturity if the hedged future cash flows are still expected to occur. Otherwise, accumulated hedging gains and losses are immediately reclassified to profit or loss.

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.

2. Accounting estimates and management judgements

In the consolidated financial statements, to a certain degree, estimates and management judgements have to be made, 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. The major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. Changes in the estimates and management judgments can have a material impact on the consolidated financial statements.

(a) Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

(b) Recoverable amount of equipment on operating leases

MBFS USA regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions are made regarding major influencing factors, such

as the expected number of returned vehicles, the latest remarketing results and future vehicle model changes. Those assumptions are determined either by qualified estimates or by publications provided by expert third parties; qualified estimates are based, as far as publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for depreciation; changes in residual values lead either to prospective adjustments of the depreciation or, in the case of a significant decline in expected residual values, to impairment. If depreciation is

prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

(c) Collectability of financial receivables

MBFS USA regularly estimates the risk of default on financial receivables. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. In addition to historical and current information on losses, appropriate and reliable forward-looking information on factors is also included. This information includes macroeconomic factors (e.g. GDP growth, unemployment rate, cost-performance index) and forecasts of future economic conditions. For financial receivables, these forecasts are determined using a scenario analysis (baseline scenario, optimistic and pessimistic scenario). Further external information, such as information in connection with the covid-19 pandemic, which cannot be depicted in the scenarios, is included in the assessment through subsequent adjustments as necessary. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on MBFS USA's net profit.

3. Risks and uncertainties

MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges
(In millions of U.S. dollars)

	Years ended December 31,	
	2023	**2022**
Earnings	**351**	**830**
Add:		
Interest included in expense	1,090	513
One-third of rental expense	2	2
Adjusted earnings	**1,443**	**1,345**
Fixed Charges		
Interest included in expense	1,090	513
Interest capitalized	19	17
One-third of rental expense	2	2
Total fixed charges	**1,111**	**532**
Ratio of earning to fixed charges	**1.30**	**2.53**

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Mercedes-Benz North America Corporation)

Unaudited Interim Consolidated Financial Statements

September 30, 2023 and 2022

Table of Contents

Unaudited Interim Consolidated Statement of Financial Position 2

Unaudited Interim Consolidated Statements of Income 3

Unaudited Interim Consolidated Statements of Changes in Equity 4

Unaudited Interim Consolidated Statements of Cash Flows 5

Notes to Unaudited Interim Consolidated Financial Statements 6

1. Significant Accounting Policies 6
2. Accounting estimates and management judgements 14
3. Risks and uncertainties 15

Computation of Ratio of Earnings to Fixed Charges 16

Unaudited Interim Consolidated Statement of Financial Position (In millions of U.S. dollars)

	September 30, 2023	**December 31, 2022**
Assets		
Cash and cash equivalents	42	82
Receivables from affiliated companies	30	16
Trade receivables	8	291
Returned and repossessed vehicle inventory	84	67
Finance receivables, net	22,473	20,057
Vehicles and equipment leased, net	15,582	16,528
Other assets	560	634
Total assets	**38,779**	**37,675**
Liabilities and Equity		
Trade payables, provisions, and other liabilities	241	241
Trade payables to affiliated companies	29	32
Financing liabilities	9,361	8,531
Payables to affiliated companies	25,731	25,115
Deferred income	926	856
Deferred tax liabilities	677	1,065
Total liabilities	**36,965**	**35,840**
Equity	1,814	1,835
Total liabilities and Equity	**38,779**	**37,675**

Unaudited Interim Consolidated Statements of Income
(In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2023	**2022**
Retail finance receivables and finance leases	543	447
Wholesale finance receivables and other	360	129
Vehicles and equipment leased – rents and fees	2,902	3,249
Remarketing revenue	4,234	5,015
Other income	32	30
Total finance revenue and other income	**8,071**	**8,870**
Interest expense	(744)	(348)
Depreciation on vehicles and equipment leased	(2,307)	(2,557)
Provision for credit losses	(161)	(77)
Remarketing expense	(4,232)	(5,011)
Other financial expense	(2)	(6)
Selling expenses	(158)	(134)
General administrative expenses	(84)	(70)
Total Expenses	**(7,688)**	**(8,203)**
Profit before income taxes	**383**	**667**
Income tax benefit/(expense)	**(109)**	**(180)**
Profit for the period	**274**	**487**

Unaudited Interim Consolidated Statements of Changes in Equity (In millions of U.S. dollars)

	2023	**2022**
Contributed capital:		
Balance at beginning of year	**867**	**867**
Balance at September 30	**867**	**867**
Retained earnings:		
Balance at beginning of year	**968**	**1,183**
Profit for the period	274	487
Dividend	(260)	(800)
Other Comprehensive income/loss after taxes	(35)	83
Balance at September 30	**947**	**953**
Total equity	**1,814**	**1,820**

Unaudited Interim Consolidated Statements of Cash Flows
(In millions of U.S. dollars)

	Nine months ended September 30,	
	2023	**2022**
Operating activities:		
Net income	274	487
Reconciliation of net income to net cash provided by(used in) operating activities		
Depreciation and amortization	(481)	(302)
Finance receivables	(2,432)	(485)
Proceeds from disposal of operating lease assets	1,440	3,580
Provision for credit losses	17	81
Deferred income tax expense	(389)	(64)
Net change in other assets	(35)	421
Net change in other liabilities	(3)	287
All other operating activities	417	744
Net cash provided by(used in) operating activities:	**(1,192)**	**4,749**
Investing activities:		
Additions to property, plant and equipment	-	10
Net cash provided by investing activities	**–**	**10**
Financing activities:		
Repayment of short-term borrowings	(677)	(3,026)
Net change in demand notes	81	(388)
Net change in long-term debt	2,042	(667)
Dividends to parent company	(260)	(800)
All other financing activities	(34)	83
Net cash provided by (used in) financing activities	**1,152**	**(4,798)**
Change in cash and cash equivalents	**(40)**	**(39)**
Cash and cash equivalents at beginning of year	**82**	**113**
Cash and cash equivalents at September 30	**42**	**74**

Notes to Unaudited Interim Consolidated Financial Statements

1. Significant Accounting Policies

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. MBFS USA is a wholly-owned subsidiary of Mercedes-Benz North America Corporation (MBNAC). MBNAC is a wholly-owned subsidiary of Mercedes-Benz Capital Nederland B.V. (MBCN), which is a wholly-owned subsidiary of Mercedes-Benz Group AG (MBGAG), a publicly held corporation organized under the laws of the Federal Republic of Germany. MBFS USA's registered office is located at 35555 West 12 Mile Rd, Suite 100, Farmington Hills, MI 48330.

MBFS USA is a financial services organization that principally provides automotive financing to Mercedes-Benz dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA) and their customers, including retail and lease financing for cars and vans, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States.

The interim consolidated financial statements of MBFS USA are presented in U.S. dollars ($) and has been rounded to the nearest million, unless indicated otherwise.

Changed the name after the spin-off of commercial vehicles business

On October 1, 2021, the Extraordinary General Meeting approved the change of name from Daimler AG to Mercedes-Benz Group AG. The entry in the Commercial Register took place on February 1, 2022. For this reason, in addition to the name Mercedes-Benz Group AG, the name Daimler AG (DAG) is also used here, depending on the respective facts and time.

Basis of Preparation

(a) Applied IFRSs

The interim consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International

Accounting Standards Board (IASB) applicable as of and for the periods ended September 30, 2023 and September 30, 2022. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

(b) IFRS issued and not yet adopted in the reporting period

New standards and interpretations to be applied in 2023 had no material impact on the interim consolidated financial statements in the reporting year.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued the standard IFRS 17 Insurance Contracts. IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after 1 January 2023. Early adoption is permitted but the Mercedes-Benz Group has not done so. The

Mercedes-Benz Group currently does not expect any material impacts on the Group's profitability, liquidity and capital resources, and financial position due to the application of IFRS 17.

IFRS 16 Lease Liability in a Sale Leaseback Transaction

In September 2022, the IASB published Lease Liability in a Sale and Leaseback Transaction (Amendments to IFRS 16). The amendments specify how the subsequent measurement of the right-of-use asset and the lease liability for a seller-lessee in a sale and leaseback transaction is to be performed in accordance with IFRS 16. The changes are mandatory for years beginning on or after 1 January 2024. Earlier application is permitted, but not planned in the Mercedes-Benz Group. No significant effects on the profitability, liquidity and capital resources, and financial position are expected.

In addition, other standards were published which are not expected to have any significant impact on the interim Consolidated Financial Statements.

(c) Presentation

The Company has elected to present the interim consolidated statement of financial position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

(d) Measurement

The interim consolidated financial statements have been prepared on the historical cost basis.

(e) Principles of consolidation

The interim consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiaries, including special purpose entities (SPEs) created to support the Company's securitization programs. These SPEs are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

As an additional funding source, MBFS USA transfers leases and finance receivables to SPEs in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these SPEs have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's consolidated statement of financial position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiaries included in the interim consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated SPEs have been eliminated.

Accounting Policies

(a) **Revenue recognition**

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of MBGAG provide for interest rate differentials and residual value support payments to the Company for certain Mercedes-Benz vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

(b) Income taxes

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

The Company and its subsidiaries are included in the consolidated U.S. income tax return of MBNAC. The Company is also included in certain unitary and combined state tax returns with MBNAC, and files separate returns in certain state and local tax jurisdictions.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of MBGAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of MBNAC. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and MBNAC.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or

substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

(c) Leasing

Leasing includes all contracts that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in the contract.

Mercedes-Benz Trust is a lessor of products manufactured by MBGAG, principally passenger cars and vans. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to

the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

MBFS USA as lessee

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. MBFS USA applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, MBFS USA also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments.

The lease liabilities include the following lease payments:

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

The Group generally also applies the option for contracts comprising lease components as well as non-lease components not to split these components.

Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate, which is based on risk-adjusted interest rates and determined for the respective lease terms and currencies. MBFS USA generally applies the incremental borrowing rate to discount lease payments. As the cash flow pattern of the reference interest rates (bullet bonds) does not correspond to the cash flow pattern of a lease contract (annuity), we use a duration adjustment in order to account for that difference.

Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

(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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument. In the case of purchases or sales of financial assets through the regular market, MBFS USA uses the transaction date as the date of initial recognition or derecognition.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss).

Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

(e) Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets that give rise to cash flows consisting only of payments of principal and interest are classified in accordance with the Group'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. Financial assets that have only cash flows of solely principal and interest but are not held within one of the business models described above are measured at fair value through profit or loss.

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.

Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks, as well as debt instruments and certificates of deposits with remaining term when acquired of up to three months, which are not subject to any material value fluctuations. Cash at September 30, 2023 was $42 million (December 31, 2022: $82 million). In addition, cash held in collection accounts for ABS deals are included in other financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets with cash flows other than those of principal and interest on the nominal amount outstanding. Further financial assets that are held in a business model other "hold to collect" or "hold to collect and sell" are included here.

In addition, derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as financial assets acquired for the purpose of selling in the near term that are classified as held for trading, are included here. Gains or losses on these financial assets are recognized in profit or loss.

(f) Impairment of financial assets

At each reporting date, a loss allowance is recognized for financial assets, loan commitments and financial guarantees other than those to be measured at fair value through profit or loss reflecting expected losses for these instruments.

The same method is used for the impairment of non-revocable loan commitments and financial guarantees. The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve month

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 30 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information or the probability of default.

A financial asset is migrated to stage 2 if the asset's credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed based on the probability of default. For trade receivables, the simplified approach is applied whereby expected credit losses for all trade receivables are initially measured over the lifetime of the instrument.

MBFS applies the low credit risk exception to the stage allocation to quoted debt instruments with investment-grade ratings. These debt instruments are always allocated to stage 1. In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

Measurement of expected credit losses. Expected credit losses are measured in a way that reflects:

- the unbiased and probability-weighted amount;
- the time value of money; and
- reasonable and supportable information (if available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, expected credit losses are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost.

performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios). The impairment amount for trade receivables is predominately determined on a collective basis.

A financial instrument is written off when there is no reasonable expectation of recovery, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of financial assets. This is estimated to be rare and immaterial for receivables from financial services. If the terms of a contract are renegotiated or modified and this does not result in derecognition of the contract, then the gross carrying amount of the contract has to be recalculated and a modification gain or loss has to be recognized in profit or loss.

(g) Financial liabilities

Financial liabilities primarily include trade payables, payables to related parties, financial liabilities and other liabilities. Financial liabilities include $8,469 million and $7,720 million asset backed secured debt at September 30, 2023 and December 31, 2022 respectively.

Financial liabilities measured at amortized cost

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Insofar as the Group enters into reverse factoring agreements in which trade receivables of a supplier are transferred to a financial intermediary, changes in the presentation of the original trade payables may occur. That would be the case if these liabilities differed in nature and function from other trade payables. As a result, these liabilities would be presented separately.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) which are not used as hedging instruments in hedge accounting, are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

(h) Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, MBFS USA 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 forecasted 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 fair value of non-designated derivatives are recognized in profit or loss. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in other comprehensive income.

Under IFRS 9, with cash flow hedges, amounts recognized in other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly included in the initial cost or carrying amount of the hedged item at initial recognition if the hedged item, e.g. forecast transaction, results in the recognition of a non-financial asset or non-financial liability.

For other cash flow hedges, the accumulated hedging gains or losses from hedging instruments are reclassified from the reserves for derivative financial instruments to the interim consolidated statement of income when the hedged item affects profit or loss. The ineffective portions of fair value changes are recognized directly in profit or loss.
For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This applies for example to the time value of options or cross currency basis spreads.

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 and are reclassified from equity as described at maturity if the hedged future cash flows are still expected to occur. Otherwise, accumulated hedging gains and losses are immediately reclassified to profit or loss.

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.

2. Accounting estimates and management judgements

In the interim consolidated financial statements, to a certain degree, estimates and management judgements have to be made, 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. The major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. Changes in the estimates and management judgments can have a material impact on the interim consolidated financial statements.

(a) Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

(b) Recoverable amount of equipment on operating leases

MBFS USA regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions are made regarding major influencing factors, such as the expected number of returned vehicles, the latest remarketing results and future vehicle model changes. Those assumptions are determined either by qualified estimates or by publications provided by expert third parties; qualified estimates are based, as far as publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for depreciation; changes in residual values lead either to prospective adjustments of the depreciation or, in the case of a significant decline in expected residual values, to impairment. If depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

(c) Collectability of financial receivables

MBFS USA regularly estimates the risk of default on financial receivables. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. In addition to historical and current information on losses, appropriate and reliable forward-looking information on factors is also included. This information includes macroeconomic factors (e.g. GDP growth, unemployment rate, cost-performance index) and forecasts of future economic conditions. For financial receivables, these forecasts are determined using a scenario analysis (baseline scenario, optimistic and pessimistic scenario). Further external information, such as information in connection with the covid-19 pandemic, which cannot be depicted in the scenarios, is included in the assessment through subsequent adjustments as necessary. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on MBFS USA's net profit.

3. Risks and uncertainties

MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges
(In millions of U.S. dollars)

	Nine months ended September 30,	
	2023	**2022**
Earnings	387	676
Add:		
Interest included in expense	742	346
One-third of rental expense	1	1
Adjusted earnings	1,130	1,023
Fixed Charges:		
Interest included in expense	742	346
Interest capitalized	19	14
One-third of rental expense	1	1
Total fixed charges	762	361
Ratio of earning to fixed charges	1.48	2.83

Mercedes-Benz Financial Services USA LLC
and Subsidiaries

(A Wholly Owned Subsidiary of Mercedes-Benz North America Corporation)

Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

Table of Contents

Unaudited Interim Consolidated Statement of Financial Position 2

Unaudited Interim Consolidated Statements of Income 3

Unaudited Interim Consolidated Statements of Changes in Equity 4

Unaudited Interim Consolidated Statements of Cash Flows 5

Notes to Unaudited Interim Consolidated Financial Statements 6

1. Significant Accounting Policies 6
2. Accounting estimates and management judgements 15
3. Risks and uncertainties 16

Computation of Ratio of Earnings to Fixed Charges 17

Unaudited Interim Consolidated Statement of Financial Position (In millions of U.S. dollars)

	June 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	74	82
Receivables from affiliated companies	23	16
Trade receivables	8	291
Returned and repossessed vehicle inventory	64	67
Finance receivables, net	22,168	20,057
Vehicles and equipment leased, net	15,730	16,528
Other assets	698	634
Total assets	**38,765**	**37,675**
Liabilities and Equity		
Trade payables, provisions, and other liabilities	232	241
Trade payables to affiliated companies	34	32
Financing liabilities	10,166	8,531
Payables to affiliated companies	24,698	25,115
Deferred income	901	856
Deferred tax liabilities	707	1,065
Total liabilities	**36,738**	**35,840**
Equity	2,027	1,835
Total liabilities and Equity	**38,765**	**37,675**

Unaudited Interim Consolidated Statements of Income (In millions of U.S. dollars)

	Six Months Ended June 30, 2023	**2022**
Retail finance receivables and finance leases	348	296
Wholesale finance receivables and other	222	72
Vehicles and equipment leased – rents and fees	1,947	2,230
Remarketing revenue	2,935	3,575
Other income	21	19
Total finance revenue and other income	**5,473**	**6,192**
Interest expense	(444)	(224)
Depreciation on vehicles and equipment leased	(1,550)	(1,733)
Provision for credit losses	(79)	16
Remarketing expense	(2,930)	(3,571)
Other financial expense	(2)	(3)
Selling expenses	(102)	(88)
General administrative expenses	(57)	(46)
Total Expenses	**(5,164)**	**(5,649)**
Profit before income taxes	**309**	**543**
Income tax benefit/(expense)	**(87)**	**(146)**
Profit for the period	**222**	**397**

Unaudited Interim Consolidated Statements of Changes in Equity (In millions of U.S. dollars)

	Six months Ended June 30,	
	2023	**2022**
Contributed capital:		
Balance at beginning of year	**867**	**867**
Balance at June 30	**867**	**867**
Retained earnings:		
Balance at beginning of year	**968**	**1,183**
Profit for the period	222	397
Dividend	-	(800)
Other Comprehensive income/loss after taxes	(30)	52
Balance at June 30	**1,160**	**832**
Total equity	**2,027**	**1,699**

Unaudited Interim Consolidated Statements of Cash Flows
(In millions of U.S. dollars)

	Six months ended June 30, 2023	2022
Operating activities:		
Net income	222	397
Reconciliation of net income to net cash provided by(used in) operating activities		
Depreciation and amortization	(329)	(253)
Finance receivables	(2,114)	(253)
Proceeds from disposal of operating lease assets	1,134	2,496
Provision for credit losses	4	19
Deferred income tax expense	(358)	(84)
Net change in other assets	(5)	879
Net change in other liabilities	(7)	690
All other operating activities	257	738
Net cash provided by(used in) operating activities:	**(1,196)**	**4,629**
Investing activities:		
Additions to property, plant and equipment	-	9
Net cash provided by investing activities	**–**	**9**
Financing activities:		
Repayment of short-term borrowings	(3,180)	(776)
Net change in demand notes	216	(184)
Net change in long-term debt	4,182	(2,944)
Dividends to parent company	-	(800)
All other financing activities	(30)	51
Net cash provided by (used in) financing activities	**1,188**	**(4,653)**
Change in cash and cash equivalents	**(8)**	**(15)**
Cash and cash equivalents at beginning of year	**82**	**113**
Cash and cash equivalents at June 30	**74**	**98**

Notes to Unaudited Interim Consolidated Financial Statements

1. Significant Accounting Policies

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. MBFS USA is a wholly-owned subsidiary of Mercedes-Benz North America Corporation (MBNAC). MBNAC is a wholly-owned subsidiary of Mercedes-Benz Capital Nederland B.V. (MBCN), which is a wholly-owned subsidiary of Mercedes-Benz Group AG (MBGAG), a publicly held corporation organized under the laws of the Federal Republic of Germany. MBFS USA's registered office is located at 35555 West 12 Mile Rd, Suite 100, Farmington Hills, MI 48330.

MBFS USA is a financial services organization that principally provides automotive financing to Mercedes-Benz dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA) and their customers, including retail and lease financing for cars and vans, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States.

The interim consolidated financial statements of MBFS USA are presented in U.S. dollars ($) and has been rounded to the nearest million, unless indicated otherwise.

Changed the name after the spin-off of commercial vehicles business

On October 1, 2021, the Extraordinary General Meeting approved the change of name from Daimler AG to Mercedes-Benz Group AG. The entry in the Commercial Register took place on February 1, 2022. For this reason, in addition to the name Mercedes-Benz Group AG, the name Daimler AG (DAG) is also used here, depending on the respective facts and time.

Basis of Preparation

(a) Applied IFRSs

The interim consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the periods ended June 30, 2023 and June 30, 2022. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

(b) IFRS issued and not yet adopted in the reporting period

New standards and interpretations to be applied in 2023 had no material impact on the interim consolidated financial statements in the reporting year.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued the standard IFRS 17 Insurance Contracts. IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after 1 January 2023. Early adoption is permitted but the Mercedes-Benz Group has not done so. The Mercedes-Benz Group currently does not expect any material impacts on the Group's profitability, liquidity and capital resources, and financial position due to the application of IFRS 17.

IFRS 16 Lease Liability in a Sale Leaseback Transaction

In September 2022, the IASB published Lease Liability in a Sale and Leaseback Transaction (Amendments to IFRS 16). The amendments specify how the subsequent measurement of the right-of-use asset and the lease liability for a seller-lessee in a sale and leaseback transaction is to be performed in accordance with IFRS 16. The changes are mandatory for years beginning on or after 1 January 2024. Earlier application is permitted, but not planned in the Mercedes-Benz Group. No significant effects on the profitability, liquidity and capital resources, and financial position are expected.

In addition, other standards were published which are not expected to have any significant impact on the interim Consolidated Financial Statements.

(c) Presentation

The Company has elected to present the interim consolidated statement of financial position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

(d) Measurement

The interim consolidated financial statements have been prepared on the historical cost basis.

(e) Principles of consolidation

The interim consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiaries, including special purpose entities (SPEs) created to support the Company's securitization programs. These SPEs are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

As an additional funding source, MBFS USA transfers leases and finance receivables to SPEs in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these SPEs have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's consolidated statement of financial position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiaries included in the interim consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated SPEs have been eliminated.

Accounting Policies

(a) **Revenue recognition**

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of MBGAG provide for interest rate differentials and residual value support payments to the Company for certain Mercedes-Benz vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

(b) Income taxes

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

The Company and its subsidiaries are included in the consolidated U.S. income tax return of MBNAC. The Company is also included in certain unitary and combined state tax returns with MBNAC, and files separate returns in certain state and local tax jurisdictions.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of MBGAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of MBNAC. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and MBNAC.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest

and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

(c) Leasing

Leasing includes all contracts that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in the contract.

Mercedes-Benz Trust is a lessor of products manufactured by MBGAG, principally passenger cars and vans. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

MBFS USA as lessee

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. MBFS USA applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, MBFS USA also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments.

The lease liabilities include the following lease payments:

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

The Group generally also applies the option for contracts comprising lease components as well as non-lease components not to split these components.

Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate, which is based on risk-adjusted interest rates and determined for the respective lease terms and currencies. MBFS USA generally applies the incremental borrowing rate to discount lease payments. As the cash flow pattern of the reference interest rates (bullet bonds) does not correspond to the cash flow pattern of a lease contract (annuity), we use a duration adjustment in order to account for that difference.

Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

(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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument. In the case of purchases or sales of financial assets through the regular market, MBFS USA uses the transaction date as the date of initial recognition or derecognition.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss).

Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

(e) Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets that give rise to cash flows consisting only of payments of principal and interest are classified in accordance with the Group'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. Financial assets that have only cash flows of solely principal and interest but are not held within one of the business models described above are measured at fair value through profit or loss.

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.

Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks, as well as debt instruments and certificates of deposits with remaining term when acquired of up to three months, which are not subject to any material value fluctuations. Cash at June 30, 2023 was $74 million (December 31, 2022: $82 million). In addition, cash held in collection accounts for ABS deals are included in other financial assets.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets with cash flows other than those of principal and interest on the nominal amount outstanding. Further financial assets that are held in a business model other "hold to collect" or "hold to collect and sell" are included here.

In addition, derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as financial assets acquired for the purpose of selling in the near term that are classified as held for trading, are included here. Gains or losses on these financial assets are recognized in profit or loss.

(f) Impairment of financial assets
At each reporting date, a loss allowance is recognized for financial assets, loan commitments and financial guarantees other than those to be measured at fair value through profit or loss reflecting expected losses for these instruments. The same method is used for the impairment of non-revocable loan commitments and financial guarantees. The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve month

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 30 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information or the probability of default.

A financial asset is migrated to stage 2 if the asset's credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed based on the probability of default. For trade receivables, the simplified approach is applied whereby expected credit losses for all trade receivables are initially measured over the lifetime of the instrument.

MBFS applies the low credit risk exception to the stage allocation to quoted debt instruments with investment-grade ratings. These debt instruments are always allocated to stage 1. In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

Measurement of expected credit losses. Expected credit losses are measured in a way that reflects:

- the unbiased and probability-weighted amount;
- the time value of money; and
- reasonable and supportable information (if available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, expected credit losses are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios). The impairment amount for trade receivables is predominately determined on a collective basis.

A financial instrument is written off when there is no reasonable expectation of recovery, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of financial assets. This is estimated to be rare and immaterial for receivables from financial services. If the terms of a contract are renegotiated or modified and this does not result in derecognition of the contract, then the gross carrying amount of the contract has to be recalculated and a modification gain or loss has to be recognized in profit or loss.

(g) Financial liabilities

Financial liabilities primarily include trade payables, payables to related parties, financial liabilities and other liabilities. Financial liabilities include $9,139 million and $7,720 million asset backed secured debt at June 30, 2023 and December 31, 2022 respectively.

Financial liabilities measured at amortized cost

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Insofar as the Group enters into reverse factoring agreements in which trade receivables of a supplier are transferred to a financial intermediary, changes in the presentation of the original trade payables may occur. That would be the case if these liabilities differed in nature and function from other trade payables. As a result, these liabilities would be presented separately.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) which are not used as hedging instruments in hedge accounting, are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

(h) Derivative financial instruments and hedge accounting
Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, MBFS USA 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 forecasted 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 fair value of non-designated derivatives are recognized in profit or loss. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in other comprehensive income.

Under IFRS 9, with cash flow hedges, amounts recognized in other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly included in the initial cost or carrying amount of the hedged item at initial recognition if the hedged item, e.g. forecast transaction, results in the recognition of a non-financial asset or non-financial liability.

For other cash flow hedges, the accumulated hedging gains or losses from hedging instruments are reclassified from the reserves for derivative financial instruments to the interim consolidated statement of income when the hedged item affects profit or loss. The ineffective portions of fair value changes are recognized directly in profit or loss.
For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This applies for example to the time value of options or cross currency basis spreads.

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 and are reclassified from equity as described at maturity if the hedged future cash flows are still expected to occur. Otherwise, accumulated hedging gains and losses are immediately reclassified to profit or loss.

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.

2. Accounting estimates and management judgements

In the interim consolidated financial statements, to a certain degree, estimates and management judgements have to be made, 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. The major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. Changes in the estimates and management judgments can have a material impact on the interim consolidated financial statements.

(a) Accounting estimates and management judgements due to the covid-19 pandemic

Due to the still unforeseeable global consequences of the covid-19 pandemic, especially the accounting estimates and management judgements regarding the reporting of assets and liabilities are subject to increased uncertainty.

With the update of the accounting estimates and management judgements, available information on the expected economic developments has been included.

This information was included in the analysis of the recoverability and collectability of financial assets, especially of the receivables from the financial services.

(b) Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

(c) Recoverable amount of equipment on operating leases

MBFS USA regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions are made regarding major influencing factors, such as the expected number of returned vehicles, the latest remarketing results and future vehicle model changes. Those assumptions are determined either by qualified estimates or by publications provided by expert third parties; qualified estimates are based, as far as publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for depreciation; changes in residual values lead either to prospective adjustments of the depreciation or, in the case of a significant decline in expected residual values, to impairment. If depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

(d) Collectability of financial receivables

MBFS USA regularly estimates the risk of default on financial receivables. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. In addition to historical and current information on losses, appropriate and reliable forward-looking information on factors is also included. This information includes macroeconomic factors (e.g. GDP growth, unemployment rate, cost-performance index) and forecasts of future economic conditions. For financial receivables, these forecasts are determined using a scenario analysis (baseline scenario, optimistic and pessimistic scenario). Further external information, such as information in connection with the covid-19 pandemic, which cannot be depicted in the scenarios, is included in the assessment

through subsequent adjustments as necessary. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on MBFS USA's net profit.

3. Risks and uncertainties

MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual

results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges
(In millions of U.S. dollars)

	Six months ended June 30, 2023	2022
Earnings	313	548
Add:		
Interest included in expense	443	223
One-third of rental expense	1	1
Adjusted earnings	757	772
Fixed Charges:		
Interest included in expense	443	223
Interest capitalized	18	13
One-third of rental expense	1	1
Total fixed charges	462	237
Ratio of earning to fixed charges	1.64	3.26

Mercedes-Benz Financial Services USA LLC
and Subsidiaries

(A Wholly Owned Subsidiary of Mercedes-Benz North America Corporation)

Unaudited Interim Consolidated Financial Statements

March 31, 2023 and 2022

Table of Contents

Unaudited Interim Consolidated Statement of Financial Position 2

Unaudited Interim Consolidated Statements of Income 3

Unaudited Interim Consolidated Statements of Changes in Equity 4

Unaudited Interim Consolidated Statements of Cash Flows 5

Notes to Unaudited Interim Consolidated Financial Statements 6

1. Significant Accounting Policies 6
2. Accounting estimates and management judgements 14
3. Risks and uncertainties 15

Computation of Ratio of Earnings to Fixed Charges 16

Unaudited Interim Consolidated Statement of Financial Position (In millions of U.S. dollars)

	March 31, 2023	**December 31, 2022**
Assets		
Cash and cash equivalents	97	82
Receivables from affiliated companies	19	16
Trade receivables	215	291
Returned and repossessed vehicle inventory	55	67
Finance receivables, net	20,670	20,057
Vehicles and equipment leased, net	15,937	16,528
Other assets	610	634
Total assets	**37,603**	**37,675**
Liabilities and Equity		
Trade payables, provisions, and other liabilities	254	241
Trade payables to affiliated companies	34	32
Financing liabilities	9,797	8,531
Payables to affiliated companies	23,683	25,115
Deferred income	850	856
Deferred tax liabilities	1,047	1,065
Total liabilities	**35,665**	**35,840**
Equity	1,938	1,835
Total liabilities and Equity	**37,603**	**37,675**

Unaudited Interim Consolidated Statements of Income (In millions of U.S. dollars)

	Three Months Ended March 31,	
	2023	**2022**
Retail finance receivables and finance leases	169	149
Wholesale finance receivables and other	99	33
Vehicles and equipment leased – rents and fees	983	1,140
Remarketing revenue	1,499	1,818
Other income	10	9
Total finance revenue and other income	**2,760**	**3,149**
Interest expense	(200)	(108)
Depreciation on vehicles and equipment leased	(782)	(885)
Provision for credit losses	(32)	4
Remarketing expense	(1,491)	(1,815)
Other financial expense	(2)	(1)
Selling expenses	(45)	(42)
General administrative expenses	(30)	(23)
Total Expenses	**(2,582)**	**(2,870)**
Profit before income taxes	**178**	**279**
Income tax benefit/(expense)	**(49)**	**(72)**
Profit for the period	**129**	**207**

Unaudited Interim Consolidated Statements of Changes in Equity (In millions of U.S. dollars)

	Three months Ended March 31,	
	2023	**2022**
Contributed capital:		
Balance at beginning of year	**867**	**867**
Balance at end of year	**867**	**867**
Retained earnings:		
Balance at beginning of year	**968**	**1,183**
Profit for the period	129	207
Dividend	-	(400)
Other Comprehensive income/loss after taxes	(26)	38
Changes in consolidated group	-	-
Balance at end of year	**1,071**	**1,028**
Total equity	**1,938**	**1,895**

Unaudited Interim Consolidated Statements of Cash Flows
(In millions of U.S. dollars)

	Three months ended March 31,	
	2023	**2022**
Cash flows from operating activities:		
Net profit	129	207
Net cash provided by operating activities:	**206**	**2,914**
Cash flows from investing activities:		
Net cash used in investing activities	**–**	**–**
Cash flows from financing activities:		
Net cash used by financing activities	**(191)**	**(2,958)**
Change in cash and cash equivalents	**15**	**(44)**
Cash and cash equivalents at beginning of year	**82**	**113**
Cash and cash equivalents at end of year	**97**	**69**

Notes to Unaudited Interim Consolidated Financial Statements

1. Significant Accounting Policies

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. MBFS USA is a wholly-owned subsidiary of Mercedes-Benz North America Corporation (MBNAC). MBNAC is a wholly-owned subsidiary of Mercedes-Benz Capital Nederland B.V. (MBCN), which is a wholly-owned subsidiary of Mercedes-Benz Group AG (MBGAG), a publicly held corporation organized under the laws of the Federal Republic of Germany. MBFS USA's registered office is located at 35555 West 12 Mile Rd, Suite 100, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Mercedes-Benz dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA) and their customers, including retail and lease financing for cars and vans, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States.

The interim consolidated financial statements of MBFS USA are presented in U.S. dollars ($) and has been rounded to the nearest million, unless indicated otherwise.

Changed the name after the spin-off of commercial vehicles business

On October 1, 2021, the Extraordinary General Meeting approved the change of name from Daimler AG to Mercedes-Benz Group AG. The entry in the Commercial Register took place on February 1, 2022. For this reason, in addition to the name Mercedes-Benz Group AG, the name Daimler AG (DAG) is also used here, depending on the respective facts and time.

Basis of Preparation

(a) Applied IFRSs

The interim consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International

Accounting Standards Board (IASB) applicable as of and for the periods ended March 31, 2023 and March 31, 2022. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

(b) IFRS issued and not yet adopted in the reporting period

New standards and interpretations to be applied in 2023 had no material impact on the interim consolidated financial statements in the reporting year.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued the standard IFRS 17 Insurance Contracts. IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after 1 January 2023. Early adoption is permitted but the Mercedes-Benz Group has not done so. The

Mercedes-Benz Group currently does not expect any material impacts on the Group's profitability, liquidity and capital resources, and financial position due to the application of IFRS 17.

IFRS 16 Lease Liability in a Sale Leaseback Transaction
In September 2022, the IASB published Lease Liability in a Sale and Leaseback Transaction (Amendments to IFRS 16). The amendments specify how the subsequent measurement of the right-of-use asset and the lease liability for a seller-lessee in a sale and leaseback transaction is to be performed in accordance with IFRS 16. The changes are mandatory for years beginning on or after 1 January 2024. Earlier application is permitted, but not planned in the Mercedes-Benz Group. No significant effects on the profitability, liquidity and capital resources, and financial position are expected.

In addition, other standards were published which are not expected to have any significant impact on the interim Consolidated Financial Statements.

(c) Presentation
The Company has elected to present the interim consolidated statement of financial position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

(d) Measurement
The interim consolidated financial statements have been prepared on the historical cost basis.

(e) Principles of consolidation
The interim consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiaries, including special purpose entities (SPEs) created to support the Company's securitization programs. These SPEs are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

As an additional funding source, MBFS USA transfers leases and finance receivables to SPEs in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these SPEs have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's consolidated statement of financial position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiaries included in the interim consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated SPEs have been eliminated.

Accounting Policies

(a) **Revenue recognition**
Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of MBGAG provide for interest rate differentials and residual value support payments to the Company for certain Mercedes-Benz vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

(b) Income taxes

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

The Company and its subsidiaries are included in the consolidated U.S. income tax return of MBNAC. The Company is also included in certain unitary and combined state tax returns with MBNAC, and files separate returns in certain state and local tax jurisdictions.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of MBGAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of MBNAC. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and MBNAC.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or

substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

(c) Leasing

Leasing includes all contracts that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in the contract.

Mercedes-Benz Trust is a lessor of products manufactured by MBGAG, principally passenger cars and vans. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to

the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

MBFS USA as lessee

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. MBFS USA applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, MBFS USA also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments.

The lease liabilities include the following lease payments:

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

The Group generally also applies the option for contracts comprising lease components as well as non-lease components not to split these components.

Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate, which is based on risk-adjusted interest rates and determined for the respective lease terms and currencies. MBFS USA generally applies the incremental borrowing rate to discount lease payments. As the cash flow pattern of the reference interest rates (bullet bonds) does not correspond to the cash flow pattern of a lease contract (annuity), we use a duration adjustment in order to account for that difference.

Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

(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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument. In the case of purchases or sales of financial assets through the regular market, MBFS USA uses the transaction date as the date of initial recognition or derecognition.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss).

Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

(e) Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets that give rise to cash flows consisting only of payments of principal and interest are classified in accordance with the Group'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. Financial assets that have only cash flows of solely principal and interest but are not held within one of the business models described above are measured at fair value through profit or loss.

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.

Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks, as well as debt instruments and certificates of deposits with remaining term when acquired of up to three months, which are not subject to any material value fluctuations. Cash at March 31, 2023 was $97 million (December 31, 2022: $82 million). In addition, cash held in collection accounts for ABS deals are included in other financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets with cash flows other than those of principal and interest on the nominal amount outstanding. Further financial assets that are held in a business model other "hold to collect" or "hold to collect and sell" are included here.

In addition, derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as financial assets acquired for the purpose of selling in the near term that are classified as held for trading, are included here. Gains or losses on these financial assets are recognized in profit or loss.

(f) Impairment of financial assets

At each reporting date, a loss allowance is recognized for financial assets, loan commitments and financial guarantees other than those to be measured at fair value through profit or loss reflecting expected losses for these instruments.

The same method is used for the impairment of non-revocable loan commitments and financial guarantees. The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve month

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 31 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information or the probability of default.

A financial asset is migrated to stage 2 if the asset's credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed based on the probability of default. For trade receivables, the simplified approach is applied whereby expected credit losses for all trade receivables are initially measured over the lifetime of the instrument.

MBFS applies the low credit risk exception to the stage allocation to quoted debt instruments with investment-grade ratings. These debt instruments are always allocated to stage 1. In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

Measurement of expected credit losses. Expected credit losses are measured in a way that reflects:

- the unbiased and probability-weighted amount;
- the time value of money; and
- reasonable and supportable information (if available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, expected credit losses are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost

performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios). The impairment amount for trade receivables is predominately determined on a collective basis.

A financial instrument is written off when there is no reasonable expectation of recovery, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of financial assets. This is estimated to be rare and immaterial for receivables from financial services. If the terms of a contract are renegotiated or modified and this does not result in derecognition of the contract, then the gross carrying amount of the contract has to be recalculated and a modification gain or loss has to be recognized in profit or loss.

(g) Financial liabilities

Financial liabilities primarily include trade payables, payables to related parties, financial liabilities and other liabilities. Financial liabilities include $8,613 million and $7,720 million asset backed secured debt at March 31, 2023 and December 31, 2022 respectively.

Financial liabilities measured at amortized cost

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Insofar as the Group enters into reverse factoring agreements in which trade receivables of a supplier are transferred to a financial intermediary, changes in the presentation of the original trade payables may occur. That would be the case if these liabilities differed in nature and function from other trade payables. As a result, these liabilities would be presented separately.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) which are not used as hedging instruments in hedge accounting, are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

(h) Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, MBFS USA 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 forecasted 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 fair value of non-designated derivatives are recognized in profit or loss. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in other comprehensive income.

Under IFRS 9, with cash flow hedges, amounts recognized in other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly included in the initial cost or carrying amount of the hedged item at initial recognition if the hedged item, e.g. forecast transaction, results in the recognition of a non-financial asset or non-financial liability.

For other cash flow hedges, the accumulated hedging gains or losses from hedging instruments are reclassified from the reserves for derivative financial instruments to the interim consolidated statement of income when the hedged item affects profit or loss. The ineffective portions of fair value changes are recognized directly in profit or loss.
For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This applies for example to the time value of options or cross currency basis spreads.

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 and are reclassified from equity as described at maturity if the hedged future cash flows are still expected to occur. Otherwise, accumulated hedging gains and losses are immediately reclassified to profit or loss.

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.

2. Accounting estimates and management judgements

In the interim consolidated financial statements, to a certain degree, estimates and management judgements have to be made, 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. The major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. Changes in the estimates and management judgments can have a material impact on the interim consolidated financial statements.

(a) Accounting estimates and management judgements due to the covid-19 pandemic

Due to the still unforeseeable global consequences of the covid-19 pandemic, especially the accounting estimates and management judgements regarding the reporting of assets and liabilities are subject to increased uncertainty.

With the update of the accounting estimates and management judgements, available information on the expected economic developments has been included.

This information was included in the analysis of the recoverability and collectability of financial assets, especially of the receivables from the financial services.

(b) Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

(c) Recoverable amount of equipment on operating leases

MBFS USA regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions are made regarding major influencing factors, such as the expected number of returned vehicles, the latest remarketing results and future vehicle model changes. Those assumptions are determined either by qualified estimates or by publications provided by expert third parties; qualified estimates are based, as far as publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for depreciation; changes in residual values lead either to prospective adjustments of the depreciation or, in the case of a significant decline in expected residual values, to impairment. If depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

(d) Collectability of financial receivables

MBFS USA regularly estimates the risk of default on financial receivables. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. In addition to historical and current information on losses, appropriate and reliable forward-looking information on factors is also included. This information includes macroeconomic factors (e.g. GDP growth, unemployment rate, cost-performance index) and forecasts of future economic conditions. For financial receivables, these forecasts are determined using a scenario analysis (baseline scenario, optimistic and pessimistic scenario). Further external information, such as information in connection with the covid-19 pandemic, which cannot be depicted in the scenarios, is included in the assessment through subsequent adjustments as necessary. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on MBFS USA’s net profit.

3. Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual

results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges
(In millions of U.S. dollars)

	Three months ended March 31,	
	2023	2022
Earnings	181	281
Add:		
Interest included in expense	199	108
One-third of rental expense	-	—
Adjusted earnings	380	389
Fixed Charges:		
Interest included in expense	199	107
Interest capitalized	18	17
One-third of rental expense	—	—
Total fixed charges	217	124
Ratio of earning to fixed charges	1.75	3.13

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Mercedes-Benz Investments North America LLC)

Unaudited Consolidated Financial Statements

December 31, 2022 and 2021

Table of Contents

Unaudited Consolidated Statement of Financial Position 2
Unaudited Consolidated Statements of Income 3
Unaudited Consolidated Statements of Changes in Equity 4
Unaudited Consolidated Statements of Cash Flows 5
Notes to Unaudited Consolidated Financial Statements 6
1. Significant Accounting Policies 6
2. Accounting estimates and management judgements 15
3. Risks and uncertainties 16
Computation of Ratio of Earnings to Fixed Charges 17

Unaudited Consolidated Statement of Financial Position (In millions of U.S. dollars)

	December 31, 2022	**December 31, 2021**
Assets		
Cash and cash equivalents	82	113
Receivables from affiliated companies	16	915
Trade receivables	291	233
Returned and repossessed vehicle inventory	67	59
Finance receivables, net	20,057	18,283
Vehicles and equipment leased, net	16,528	20,764
Other assets	634	1,411
Total assets	**37,675**	**41,778**
Liabilities and Equity		
Trade payables, provisions, and other liabilities	241	303
Trade payables to affiliated companies	32	91
Financing liabilities	8,531	11,560
Payables to affiliated companies	25,115	25,610
Deferred income	856	1,078
Deferred tax liabilities	1,065	1,086
Total liabilities	**35,840**	**39,728**
Equity	1,835	2,050
Total liabilities and Equity	**37,675**	**41,778**

Unaudited Consolidated Statements of Income
(In millions of U.S. dollars)

	Years Ended December 31, 2022	Years Ended December 31, 2021
Retail finance receivables and finance leases	606	901
Wholesale finance receivables and other	206	218
Vehicles and equipment leased – rents and fees	4,266	5,033
Remarketing revenue	6,532	7,462
Other income	36	27
Total finance revenue and other income	**11,646**	**13,641**
Interest expense	(516)	(673)
Depreciation on vehicles and equipment leased	(3,371)	(3,868)
Provision for credit losses	(106)	(7)
Remarketing expense	(6,529)	(7,462)
Other financial expense	(10)	(30)
Selling expenses	(192)	(215)
General administrative expenses	(105)	(125)
Total Expenses	**(10,829)**	**(12,380)**
Profit before income taxes	**817**	**1,261**
Income tax benefit/(expense)	**(211)**	**(372)**
Profit for the period	**606**	**889**
Thereof continuing operations	606	778
Thereof discontinued operations	-	111

Unaudited Consolidated Statements of Changes in Equity (In millions of U.S. dollars)

	Years Ended December 31,	
	2022	**2021**
Contributed capital:		
Balance at beginning of year	**867**	**867**
Balance at end of year	**867**	**867**

Retained earnings:		
Balance at beginning of year	**1,183**	**1,757**
Profit for the period	606	889
Dividend	(900)	(1,759)
Other Comprehensive income/loss after taxes	79	39
Changes in consolidated group	-	257
Balance at end of year	**968**	**1,183**
Total equity	**1,835**	**2,050**

Unaudited Consolidated Statements of Cash Flows
(In millions of U.S. dollars)

	Years Ended December 31,	
	2022	**2021**
Cash flows from operating activities:		
Net profit	606	889
Net cash provided by operating activities:	**3,709**	**11,353**
Cash flows from investing activities:		
Net cash used in investing activities	**–**	**–**
Cash flows from financing activities:		
Net cash used by financing activities	**(4,346)**	**(12,207)**
Change in cash and cash equivalents	**(31)**	**35**
Cash and cash equivalents at beginning of year	**113**	**78**
Cash and cash equivalents at end of year	**82**	**113**

Notes to Unaudited Consolidated Financial Statements

1. Significant Accounting Policies

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. MBFS USA is a wholly-owned subsidiary of Mercedes-Benz Investments North America, LLC (MBINA) which is a wholly-owned subsidiary of Mercedes-Benz North America Corporation (MBNAC). MBNAC is a wholly-owned subsidiary of Mercedes-Benz Capital Nederland B.V. (MBCN), which is a wholly-owned subsidiary of Mercedes-Benz Group AG (MBGAG), a publicly held corporation organized under the laws of the Federal Republic of Germany. MBFS USA's registered office is located at 35555 West 12 Mile Rd, Suite 100, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Mercedes-Benz dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA) and their customers, including retail and lease financing for cars and vans, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($) and has been rounded to the nearest million, unless indicated otherwise.

Spin-Off of Daimler's Commercial Vehicles Business

On July 30, 2021, the Board of Management of Daimler AG, with the approval of the Supervisory Board, decided on the spin-off of substantial parts of the Daimler Trucks & Buses segment, including the related financial services business (Daimler commercial vehicles business). The majority of the shareholders of Daimler AG approved the spin-off agreement at the Extraordinary General Meeting on October 1, 2021.

On October 1, 2021, the Extraordinary General Meeting also approved the change of name from Daimler AG to Mercedes-Benz Group AG. The entry in the Commercial Register took place on February 1, 2022. For this reason, in addition to the name Mercedes-Benz Group AG, the name Daimler AG (DAG) is also used here, depending on the respective facts and time.

With the completion of the spin-off entered in the Commercial Register on December 9, 2021, Mercedes-Benz Group AG directly and indirectly holds a minority interest totaling 35% of the share capital of Daimler Truck Holding AG as of the balance sheet date. Mercedes-Benz Group AG therefore, no longer has a controlling influence on that company since the entry of the spin-off in the Commercial Register on December 9, 2021.

As part of the spin-off, the financial services business also split up. MBFS USA's financial services business related to the Daimler's commercial vehicle business in the US was transferred under Daimler Trucks & Buses Holding Inc. before the spin-off.

The fair value of the transferred assets and liabilities of MBFS USA's financial services business related to Daimler's commercial vehicle business in the US was $8,686 million.

Basis of Preparation

(a) Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International

Accounting Standards Board (IASB) applicable as of and for the periods ended December 31, 2022 and 2021. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

(b) IFRS issued and not yet adopted in the reporting period

New standards and interpretations to be applied in 2022 had no material impact on the Consolidated Financial Statements in the reporting year.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued the standard IFRS 17 Insurance Contracts. IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after 1 January 2023. Early adoption is permitted but the Mercedes-Benz Group has not done so. The Mercedes-Benz Group currently does not expect any material impacts on the Group's profitability, liquidity and capital resources, and financial position due to the application of IFRS 17.

IFRS 16 Lease Liability in a Sale Leaseback Transaction

In September 2022, the IASB published Lease Liability in a Sale and Leaseback Transaction (Amendments to IFRS 16). The amendments specify how the subsequent measurement of the right-of-use asset and the lease liability for a seller-lessee in a sale and leaseback transaction is to be performed in accordance with IFRS 16. The changes are mandatory for years beginning on or after 1 January 2024. Earlier application is permitted, but not planned in the Mercedes-Benz Group. No significant effects on the profitability, liquidity and capital resources, and financial position are expected.

In addition, other standards were published which are not expected to have any significant impact on the Consolidated Financial Statements.

(c) Presentation

The Company has elected to present the consolidated statement of financial position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

(d) Measurement

The consolidated financial statements have been prepared on the historical cost basis.

(e) Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiaries, Daimler Capital Services LLC (DCS), including special purpose entities (SPEs) created to support the Company's securitization programs. These SPEs are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As of November 30, 2022 DCS was merged with MBFS USA.
As an additional funding source, MBFS USA transfers leases and finance receivables to SPEs in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these SPEs have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's consolidated statement of financial position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiaries included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated SPEs have been eliminated.

Accounting Policies

(a) **Revenue recognition**

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Mercedes-Benz vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

(b) Income taxes

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

The Company and its subsidiaries are included in the consolidated U.S. income tax return of MBNAC. The Company is also included in certain unitary and combined state tax returns with MBNAC and MBINA, and files separate returns in certain state and local tax jurisdictions.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of MBGAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of MBINA/MBNAC. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and MBINA/MBNAC.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or

substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

(c) Leasing

Leasing includes all contracts that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in the contract.

Daimler Trust is a lessor of products manufactured by Mercedes-Benz Group AG, principally passenger cars and vans. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

MBFS USA as lessee

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. MBFS USA applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises

the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, MBFS USA also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments.

The lease liabilities include the following lease payments:

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

The Group generally also applies the option for contracts comprising lease components as well as non-lease components not to split these components.

Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate, which is based on risk-adjusted interest rates and determined for the respective lease terms and currencies. MBFS USA generally applies the incremental borrowing rate to discount lease payments. As the cash flow pattern of the reference interest rates (bullet bonds) does not correspond to the cash flow pattern of a lease contract (annuity), we use a duration adjustment in order to account for that difference.

Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

(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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss).

Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

(e) Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

The classification of financial instruments is based on the business model in which these instruments are held and on their contractual cash flows.

Financial assets that give rise to cash flows consisting only of payments of principal and interest are classified in accordance with the Group'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. Financial assets that have only cash flows of solely principal and interest but are not held within one of the business models described above are measured at fair value through profit or loss.

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.

Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks, as well as debt instruments and certificates of deposits with remaining term when acquired of up to three months, which are not subject to any material value fluctuations. Cash at December 31, 2022 was $82 million (December 31, 2021: $113 million). In addition, cash held in collection accounts for ABS deals are included in other financial assets.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets with cash flows other than those of principal and interest on the nominal amount outstanding. Further financial assets that are held in a business model other “hold to collect” or “hold to collect and sell” are included here.

In addition, derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as financial assets acquired for the purpose of selling in the near term that are classified as held for trading, are included here. Gains or losses on these financial assets are recognized in profit or loss.

(f) Impairment of financial assets
At each reporting date, a loss allowance is recognized for financial assets, loan commitments and financial guarantees other than those to be measured at fair value through profit or loss reflecting expected losses for these instruments. The same method is used for the impairment of non-revocable loan commitments and financial guarantees. The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve month

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 31 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information or the probability of default.

A financial asset is migrated to stage 2 if the asset’s credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed based on the probability of default. For trade receivables, the simplified approach is applied whereby expected credit losses for all trade receivables are initially measured over the

lifetime of the instrument.

MBFS applies the low credit risk exception to the stage allocation to quoted debt instruments with investment-grade ratings. These debt instruments are always allocated to stage 1.

In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

Measurement of expected credit losses. Expected credit losses are measured in a way that reflects:

- the unbiased and probability-weighted amount;
- the time value of money; and
- reasonable and supportable information (if available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, expected credit losses are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios). The impairment amount for trade receivables is predominately determined on a collective basis.

A financial instrument is written off when there is no reasonable expectation of recovery, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of financial assets. This is estimated to be rare and immaterial for receivables from financial services. If the terms of a contract are renegotiated or modified and this does not result in derecognition of the contract, then the gross carrying amount of the contract has to be recalculated and a modification gain or loss has to be recognized in profit or loss.

(g) Financial liabilities

Financial liabilities primarily include trade payables, payables to related parties, financial liabilities and other liabilities. Financial liabilities include $7,720 million and $10,246 million asset backed secured debt at December 31, 2022 and 2021 respectively.

Financial liabilities measured at amortized cost

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Insofar as the Group enters into reverse factoring agreements in which trade receivables of a supplier are transferred to a financial intermediary, changes in the presentation of the original trade payables may occur. That would be the case if these liabilities differed in nature and function from other trade payables. As a result, these liabilities would be presented separately.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) which are not used as hedging instruments in hedge accounting, are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

(h) Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, MBFS USA 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 forecasted 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 fair value of non-designated derivatives are recognized in profit or loss. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in other comprehensive income.

Under IFRS 9, with cash flow hedges, amounts recognized in other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly included in the initial cost or carrying amount of the hedged item at initial recognition if the hedged item, e.g. forecast transaction, results in the recognition of a non-financial asset or non-financial liability.

For other cash flow hedges, the accumulated hedging gains or losses from hedging instruments are reclassified from the reserves for derivative financial instruments to the consolidated statement of income when the hedged item affects profit or loss. The ineffective portions of fair value changes are recognized directly in profit or loss.
For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This applies for example to the time value of options or cross currency basis spreads.

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 and are reclassified from equity as described at maturity if the hedged future cash flows are still expected to occur. Otherwise, accumulated hedging gains and losses are immediately reclassified to profit or loss.

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.

2. Accounting estimates and management judgements

In the consolidated financial statements, to a certain degree, estimates and management judgements have to be made, 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. The major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. Changes in the estimates and management judgments can have a material impact on the consolidated financial statements.

(a) Accounting estimates and management judgements due to the covid-19 pandemic

Due to the still unforeseeable global consequences of the covid-19 pandemic, especially the accounting estimates and management judgements regarding the reporting of assets and liabilities are subject to increased uncertainty.

With the update of the accounting estimates and management judgements, available information on the expected economic developments has been included.

This information was included in the analysis of the recoverability and collectability of financial assets, especially of the receivables from the financial services.

(b) Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

(c) Recoverable amount of equipment on operating leases

MBFS USA regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions are made regarding major influencing factors, such as the expected number of returned vehicles, the latest remarketing results and future vehicle model changes. Those assumptions are determined either by qualified estimates or by publications provided by expert third parties; qualified estimates are based, as far as publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for depreciation; changes in residual values lead either to prospective adjustments of the depreciation or, in the case of a significant decline in expected residual values, to impairment. If depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

(d) Collectability of financial receivables

MBFS USA regularly estimates the risk of default on financial receivables. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. In addition to historical and current information on losses, appropriate and reliable forward-looking information on factors is also included. This information includes macroeconomic factors (e.g. GDP growth, unemployment rate, cost-performance index) and forecasts of future economic conditions. For financial receivables, these forecasts are determined using a scenario

analysis (baseline scenario, optimistic and pessimistic scenario). Further external information, such as information in connection with the covid-19 pandemic, which cannot be depicted in the scenarios, is included in the assessment through subsequent adjustments as necessary. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on MBFS USA's net profit.

3. Risks and uncertainties

MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges
(In millions of U.S. dollars)

	Years Ended December 31,	
	2022	**2021**
Earnings	830	1,255
Add:		
Interest included in expense	513	670
One-third of rental expense	2	1
Adjusted earnings	1,345	1,926
Fixed Charges:		
Interest included in expense	513	670
Interest capitalized	17	20
One-third of rental expense	2	1
Total fixed charges	532	691
Ratio of earning to fixed charges	2.53	2.79

Mercedes-Benz Financial Services USA LLC
and Subsidiaries

(A Wholly Owned Subsidiary of Mercedes-Benz Investments North America, LLC)

Unaudited Interim Consolidated Financial Statements

September 30, 2022 and 2021

Table of Contents

Unaudited Interim Consolidated Statement of Financial Position 2

Unaudited Interim Consolidated Statements of Comprehensive Income 3

Notes to Unaudited Interim Consolidated Financial Statements 4

1. Significant Accounting Policies 4
2. Accounting estimates and management judgements 12
3. Risks and uncertainties 13

Computation of Ratio of Earnings to Fixed Charges 14

Unaudited Interim Consolidated Statement of Financial Position (In millions of U.S. dollars)

	September 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	74	113
Receivables from affiliated companies	487	915
Trade receivables	8	233
Returned and repossessed vehicle inventory	64	59
Finance receivables, net	18,687	18,283
Vehicles and equipment leased, net	17,489	20,764
Other assets	688	1,411
Total assets	**37,497**	**41,778**
Liabilities and Equity		
Trade payables, provisions, and other liabilities	234	303
Trade payables to affiliated companies	447	91
Financing liabilities	7,703	11,560
Payables to affiliated companies	25,384	25,610
Deferred income	886	1,078
Deferred tax liabilities	1,022	1,086
Total liabilities	**35,676**	**39,728**
Equity	1,821	2,050
Total liabilities and Equity	**37,497**	**41,778**

Unaudited Interim Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2022	**2021**
Retail finance receivables and finance leases	447	707
Wholesale finance receivables and other	129	176
Vehicles and equipment leased – rents and fees	3,249	3,825
Remarketing revenue	5,015	5,505
Other income	30	20
Total finance revenue and other income	**8,870**	**10,233**
Interest expense	(348)	(519)
Depreciation on vehicles and equipment leased	(2,557)	(2,943)
Provision for credit losses	(77)	31
Remarketing expense	(5,011)	(5,541)
Other financial expense	(6)	(15)
Selling expenses	(134)	(143)
General administrative expenses	(70)	(101)
Total Expenses	**(8,203)**	**(9,231)**
Profit before income taxes	**667**	**1,002**
Income tax benefit/(expense)	**(180)**	**(277)**
Profit for the period	**487**	**725**
Thereof continuing operations	487	614
Thereof discontinued operations	-	111

Notes to Unaudited Interim Consolidated Financial Statements

1. Significant Accounting Policies

General information

These condensed Interim Consolidated Financial Statements (Interim Financial Statements) of Mercedes-Benz Financial Services LLC and its subsidiaries have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

On October 1, 2021, the Extraordinary General Meeting approved the change of name from Daimler AG to Mercedes-Benz Group AG. The entry in the Commercial Register took place on February 1, 2022. For this reason, in addition to the name Mercedes-Benz Group AG, the name Daimler AG (DAG) is also used here, depending on the respective facts and time.

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. MBFS USA is a wholly-owned subsidiary of Mercedes-Benz Investments North America, LLC (MBINA) which is a wholly-owned subsidiary of Mercedes-Benz North America Corporation (MBNAC). MBNAC is a wholly-owned subsidiary of Mercedes-Benz Capital Nederland B.V. (MBCN), which is a wholly-owned subsidiary of Mercedes-Benz Group AG (MBGAG), a publicly held corporation organized under the laws of the Federal Republic of Germany. MBFS USA's registered office is located at 35555 West 12 Mile Rd, Suite 100, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Mercedes-Benz dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA) and their customers, including retail and lease financing for cars and vans, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The interim consolidated financial statements of MBFS USA are presented in U.S. dollars ($) and has been rounded to the nearest million, unless indicated otherwise.

Spin-Off of Daimler's Commercial Vehicles Business

On July 30, 2021, the Board of Management of Daimler AG, with the approval of the Supervisory Board, decided on the spin-off of substantial parts of the Daimler Trucks & Buses segment, including the related financial services business (Daimler commercial vehicles business). The majority of the shareholders of Daimler AG approved the spin-off agreement at the Extraordinary General Meeting on October 1, 2021.

With the completion of the spin-off entered in the Commercial Register on December 9, 2021, Mercedes-Benz Group AG directly and indirectly holds a minority interest totaling 35% of the share capital of Daimler Truck Holding AG as of the balance sheet date. Mercedes-Benz Group AG therefore, no longer has a controlling influence on that company since the entry of the spin-off in the Commercial Register on December 9, 2021.

As part of the spin-off, the financial services business also split up. MBFS USA's financial services business related to the Daimler's commercial vehicle business in the US was transferred under Daimler Trucks & Buses Holding Inc. before the spin-off.

The fair value of the transferred assets and liabilities of MBFS USA's financial services business related to Daimler's commercial vehicle business in the US was $8,686 million.

Basis of Preparation

(a) Applied IFRSs
The interim consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the periods ended September 30, 2022 and 2021. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

(b) Presentation
The Company has elected to present the interim consolidated statement of financial position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

(c) Measurement
The interim consolidated financial statements have been prepared on the historical cost basis.

(d) Principles of consolidation
The interim consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiaries, Daimler Capital Services LLC (DCS), including special purpose entities (SPEs) created to support the Company's securitization programs. These SPEs are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to SPEs in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these SPEs have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's interim consolidated statement of financial position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiaries included in the interim consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated SPEs have been eliminated.

Accounting Policies

(a) **Revenue recognition**
Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Mercedes-Benz vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

(b) Income taxes

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

The Company and its subsidiaries are included in the consolidated U.S. income tax return of MBNAC. The Company is also included in certain unitary and combined state tax returns with MBNAC and MBINA, and files separate returns in certain state and local tax jurisdictions.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of MBGAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of MBINA/MBNAC. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and MBINA/MBNAC.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

(c) Leasing

Leasing includes all contracts that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in the contract.

Daimler Trust is a lessor of products manufactured by Mercedes-Benz Group AG, principally passenger cars and vans. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks

and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

MBFS USA as lessee

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. MBFS USA applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, MBFS USA also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments.

The lease liabilities include the following lease payments:

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

The Group generally also applies the option for contracts comprising lease components as well as non-lease components not to split these components.

Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate, which is based on risk-adjusted interest rates and determined for the respective lease terms and currencies. MBFS USA generally applies the incremental borrowing rate to discount lease payments. As the cash flow pattern of the reference interest rates (bullet bonds) does not correspond to the cash flow pattern of a lease contract (annuity), we use a duration adjustment in order to account for that difference.

Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

(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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss).

Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

(e) Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

The classification of financial instruments is based on the business model in which these instruments are held and on their contractual cash flows.

Financial assets that give rise to cash flows consisting only of payments of principal and interest are classified in accordance with the Group'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. Financial assets that have only cash flows of solely principal and interest but are not held within one of the business models described above are measured at fair value through profit or loss.

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.

Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks, as well as debt instruments and certificates of deposits with remaining term when acquired of up to three months, which are not subject to any material value fluctuations. Cash at September 30, 2022 was $74 million (December 31, 2021: $113 million). In addition, cash held in collection accounts for ABS deals are included in other financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets with cash flows other than those of principal and interest on the nominal amount outstanding. Further financial assets that are held in a business model other "hold to collect" or "hold to collect and sell" are included here.

In addition, derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as financial assets acquired for the purpose of selling in the near term that are classified as held for trading, are included here. Gains or losses on these financial assets are recognized in profit or loss.

(f) Impairment of financial assets

At each reporting date, a loss allowance is recognized for financial assets, loan commitments and financial guarantees other than those to be measured at fair value through profit or loss reflecting expected losses for these instruments. The same method is used for the impairment of non-revocable loan commitments and financial guarantees. The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve month

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 31 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information or the probability of default.

A financial asset is migrated to stage 2 if the asset's credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed based on the probability of default. For trade receivables, the simplified approach is applied whereby expected credit losses for all trade receivables are initially measured over the lifetime of the instrument.

MBFS applies the low credit risk exception to the stage allocation to quoted debt instruments with investment-grade ratings. These debt instruments are always allocated to stage 1.

In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

Measurement of expected credit losses. Expected credit losses are measured in a way that reflects:

- the unbiased and probability-weighted amount;
- the time value of money; and
- reasonable and supportable information (if available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, expected credit losses are mainly calculated with

a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios). The impairment amount for trade receivables is predominately determined on a collective basis.

A financial instrument is written off when there is no reasonable expectation of recovery, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of financial assets. This is estimated to be rare and immaterial for receivables from financial services. If the terms of a contract are renegotiated or modified and this does not result in derecognition of the contract, then the gross carrying amount of the contract has to be recalculated and a modification gain or loss has to be recognized in profit or loss.

(g) Financial liabilities

Financial liabilities primarily include trade payables, payables to related parties, financial liabilities and other liabilities. Financial liabilities include $6.8 billion and $10.3 billion asset backed secured debt at September 30, 2022 and December 31, 2021 respectively.

Financial liabilities measured at amortized cost

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Insofar as the Group enters into reverse factoring agreements in which trade receivables of a supplier are transferred to a financial intermediary, changes in the presentation of the original trade payables may occur. That would be the case if these liabilities differed in nature and function from other trade payables. As a result, these liabilities would be presented separately.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) which are not used as hedging instruments in hedge accounting, are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

(h) Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, MBFS USA 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 forecasted 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 fair value of non-designated derivatives are recognized in profit or loss. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in other comprehensive income.

Under IFRS 9, with cash flow hedges, amounts recognized in other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly included in the initial cost or carrying amount of the hedged item at initial recognition if the hedged item, e.g. forecast transaction, results in the recognition of a non-financial asset or non-financial liability.

For other cash flow hedges, the accumulated hedging gains or losses from hedging instruments are reclassified from the reserves for derivative financial instruments to the interim consolidated statement of income when the hedged item affects profit or loss. The ineffective portions of fair value changes are recognized directly in profit or loss.
For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This applies for example to the time value of options or cross currency basis spreads.

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 and are reclassified from equity as described at maturity if the hedged future cash flows are still expected to occur. Otherwise, accumulated hedging gains and losses are immediately reclassified to profit or loss.

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.

2. Accounting estimates and management judgements

In the interim consolidated financial statements, to a certain degree, estimates and management judgements have to be made, 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. The major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. Changes in the estimates and management judgments can have a material impact on the interim consolidated financial statements.

(a) Accounting estimates and management judgements due to the covid-19 pandemic

Due to the still unforeseeable global consequences of the covid-19 pandemic, especially the accounting estimates and management judgements regarding the reporting of assets and liabilities are subject to increased uncertainty.

With the update of the accounting estimates and management judgements, available information on the expected economic developments has been included.

This information was included in the analysis of the recoverability and collectability of financial assets, especially of the receivables from the financial services.

(b) Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

(c) Recoverable amount of equipment on operating leases

MBFS USA regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions are made regarding major influencing factors, such as the expected number of returned vehicles, the latest remarketing results and future vehicle model changes. Those assumptions are determined either by qualified estimates or by publications provided by expert third parties; qualified estimates are based, as far as publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for depreciation; changes in residual values lead either to prospective adjustments of the depreciation or, in the case of a significant decline in expected residual values, to impairment. If depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

(d) Collectability of financial receivables

MBFS USA regularly estimates the risk of default on financial receivables. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. In addition to historical and current information on losses, appropriate and reliable forward-looking information on factors is also included. This information includes macroeconomic factors (e.g. GDP growth, unemployment rate, cost-performance index) and forecasts of future economic conditions. For financial receivables, these forecasts are determined using a scenario analysis (baseline scenario, optimistic and pessimistic scenario). Further external information, such as information in connection with the covid-19 pandemic, which cannot be depicted in the scenarios, is included in the assessment through subsequent adjustments as necessary. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on MBFS USA's net profit

3. Risks and uncertainties

MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges
(In millions of U.S. dollars)

	Nine Months Ended September 30, 2022	2021
Earnings	676	1,018
Add:		
Interest included in expense	346	517
One-third of rental expense	1	1
Adjusted earnings	1,023	1,536
Fixed Charges:		
Interest included in expense	346	517
Interest capitalized	14	25
One-third of rental expense	1	1
Total fixed charges	361	543
Ratio of earning to fixed charges	2.83	2.83

Mercedes-Benz Financial Services USA LLC
and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Unaudited Interim Consolidated Financial Statements

June 30, 2022 and 2021

Table of Contents

Unaudited Interim Consolidated Statement of Financial Position 2

Unaudited Interim Consolidated Statements of Comprehensive Income 3

Notes to Unaudited Interim Consolidated Financial Statements 4

1. Significant Accounting Policies 4
2. Accounting estimates and management judgements 12
3. Risks and uncertainties 13

Computation of Ratio of Earnings to Fixed Charges 14

Unaudited Interim Consolidated Statement of Financial Position (In millions of U.S. dollars)

	June 30, 2022	**December 31, 2021**
Assets		
Cash and cash equivalents	98	113
Receivables from affiliated companies	22	915
Trade receivables	6	233
Returned and repossessed vehicle inventory	72	59
Finance receivables, net	18,518	18,283
Vehicles and equipment leased, net	18,522	20,764
Other assets	744	1,411
Total assets	**37,982**	**41,778**
Liabilities and Equity		
Trade payables, provisions, and other liabilities	235	303
Trade payables to affiliated companies	849	91
Financing liabilities	8,682	11,560
Payables to affiliated companies	24,583	25,610
Deferred income	932	1,078
Deferred tax liabilities	1,002	1,086
Total liabilities	**36,283**	**39,728**
Equity	1,699	2,050
Total liabilities and Equity	**37,982**	**41,778**

Unaudited Interim Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Six Months Ended June 30,	
	2022	**2021**
Retail finance receivables and finance leases	296	470
Wholesale finance receivables and other	72	125
Vehicles and equipment leased – rents and fees	2,229	2,563
Remarketing revenue	3,576	3,751
Other income	19	14
Total finance revenue and other income	**6,192**	**6,923**
Interest expense	(224)	(377)
Depreciation on vehicles and equipment leased	(1,733)	(1,977)
Provision for credit losses	16	11
Remarketing expense	(3,571)	(3,782)
Other financial expense	(3)	(6)
Selling expenses	(88)	(98)
General administrative expenses	(46)	(57)
Total Expenses	**(5,649)**	**(6,286)**
Profit before income taxes	**543**	**637**
Income tax benefit/(expense)	**(146)**	**(161)**
Profit for the period	**397**	**476**

Notes to Unaudited Interim Consolidated Financial Statements

1. Significant Accounting Policies

General information

These condensed Interim Consolidated Financial Statements (Interim Financial Statements) of Mercedes-Benz Financial Services LLC and its subsidiaries have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

On October 1, 2021, the Extraordinary General Meeting approved the change of name from Daimler AG to Mercedes-Benz Group AG. The entry in the Commercial Register took place on February 1, 2022. For this reason, in addition to the name Mercedes-Benz Group AG, the name Daimler AG (DAG) is also used here, depending on the respective facts and time.

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. MBFS USA is a wholly-owned subsidiary of Mercedes-Benz Investments North America, LLC (MBINA) which is a wholly-owned subsidiary of Mercedes-Benz North America Corporation (MBNAC). MBNAC is a wholly-owned subsidiary of Mercedes-Benz Capital Nederland B.V. (MBCN), which is a wholly-owned subsidiary of Mercedes-Benz Group AG (MBGAG), a publicly held corporation organized under the laws of the Federal Republic of Germany. MBFS USA's registered office is located at 35555 West 12 Mile Rd, Suite 100, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Mercedes-Benz dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA) and their customers, including retail and lease financing for cars and vans, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The interim consolidated financial statements of MBFS USA are presented in U.S. dollars ($) and has been rounded to the nearest million, unless indicated otherwise.

Spin-Off of Daimler's Commercial Vehicles Business

On July 30, 2021, the Board of Management of Daimler AG, with the approval of the Supervisory Board, decided on the spin-off of substantial parts of the Daimler Trucks & Buses segment, including the related financial services business (Daimler commercial vehicles business). The majority of the shareholders of Daimler AG approved the spin-off agreement at the Extraordinary General Meeting on October 1, 2021.

With the completion of the spin-off entered in the Commercial Register on December 9, 2021, Mercedes-Benz Group AG directly and indirectly holds a minority interest totaling 35% of the share capital of Daimler Truck Holding AG as of the balance sheet date. Mercedes-Benz Group AG therefore, no longer has a controlling influence on that company since the entry of the spin-off in the Commercial Register on December 9, 2021.

As part of the spin-off, the financial services business also split up. MBFS USA's financial services business related to the Daimler's commercial vehicle business in the US was transferred under Daimler Trucks & Buses Holding Inc. before the spin-off.

The fair value of the transferred assets and liabilities of MBFS USA's financial services business related to Daimler's commercial vehicle business in the US was $8,686 million.

Basis of Preparation

(a) Applied IFRSs

The interim consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the periods ended June 30, 2022 and 2021. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

(b) Presentation

The Company has elected to present the interim consolidated statement of financial position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

(c) Measurement

The interim consolidated financial statements have been prepared on the historical cost basis.

(d) Principles of consolidation

The interim consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiaries, Daimler Capital Services LLC (DCS), including special purpose entities (SPEs) created to support the Company's securitization programs. These SPEs are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to SPEs in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these SPEs have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's interim consolidated statement of financial position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiaries included in the interim consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated SPEs have been eliminated.

Accounting Policies

(a) **Revenue recognition**

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Mercedes-Benz vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

(b) Income taxes

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

The Company and its subsidiaries are included in the consolidated U.S. income tax return of MBNAC. The Company is also included in certain unitary and combined state tax returns with MBNAC and MBINA, and files separate returns in certain state and local tax jurisdictions.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of MBGAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of MBINA/MBNAC. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and MBINA/MBNAC.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

(c) Leasing

Leasing includes all contracts that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in the contract.

Daimler Trust is a lessor of products manufactured by Mercedes-Benz Group AG, principally passenger cars and vans. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks

and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

MBFS USA as lessee

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. MBFS USA applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, MBFS USA also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments.

The lease liabilities include the following lease payments:

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

The Group generally also applies the option for contracts comprising lease components as well as non-lease components not to split these components.

Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate, which is based on risk-adjusted interest rates and determined for the respective lease terms and currencies. MBFS USA generally applies the incremental borrowing rate to discount lease payments. As the cash flow pattern of the reference interest rates (bullet bonds) does not correspond to the cash flow pattern of a lease contract (annuity), we use a duration adjustment in order to account for that difference.

Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

(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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss).

Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

(e) Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

The classification of financial instruments is based on the business model in which these instruments are held and on their contractual cash flows.

Financial assets that give rise to cash flows consisting only of payments of principal and interest are classified in accordance with the Group'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. Financial assets that have only cash flows of solely principal and interest but are not held within one of the business models described above are measured at fair value through profit or loss.

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.

Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks, as well as debt instruments and certificates of deposits with remaining term when acquired of up to three months, which are not subject to any material value fluctuations. Cash at June 30, 2022 was $98 million (2021: $113 million). In addition, cash held in collection accounts for ABS deals are included in other financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets with cash flows other than those of principal and interest on the nominal amount outstanding. Further financial assets that are held in a business model other "hold to collect" or "hold to collect and sell" are included here.

In addition, derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as financial assets acquired for the purpose of selling in the near term that are classified as held for trading, are included here. Gains or losses on these financial assets are recognized in profit or loss.

(f) Impairment of financial assets

At each reporting date, a loss allowance is recognized for financial assets, loan commitments and financial guarantees other than those to be measured at fair value through profit or loss reflecting expected losses for these instruments. The same method is used for the impairment of non-revocable loan commitments and financial guarantees. The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve month

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 31 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information or the probability of default.

A financial asset is migrated to stage 2 if the asset's credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed based on the probability of default. For trade receivables, the simplified approach is applied whereby expected credit losses for all trade receivables are initially measured over the lifetime of the instrument.

MBFS applies the low credit risk exception to the stage allocation to quoted debt instruments with investment-grade ratings. These debt instruments are always allocated to stage 1.

In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

Measurement of expected credit losses. Expected credit losses are measured in a way that reflects:

- the unbiased and probability-weighted amount;
- the time value of money; and
- reasonable and supportable information (if available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, expected credit losses are mainly calculated with

a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios). The impairment amount for trade receivables is predominately determined on a collective basis.

A financial instrument is written off when there is no reasonable expectation of recovery, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of financial assets. This is estimated to be rare and immaterial for receivables from financial services. If the terms of a contract are renegotiated or modified and this does not result in derecognition of the contract, then the gross carrying amount of the contract has to be recalculated and a modification gain or loss has to be recognized in profit or loss.

(g) Financial liabilities

Financial liabilities primarily include trade payables, payables to related parties, financial liabilities and other liabilities. Financial liabilities include $7.6B and $10.3B asset backed secured debt at June 30, 2022 and December 31, 2021 respectively.

Financial liabilities measured at amortized cost

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Insofar as the Group enters into reverse factoring agreements in which trade receivables of a supplier are transferred to a financial intermediary, changes in the presentation of the original trade payables may occur. That would be the case if these liabilities differed in nature and function from other trade payables. As a result, these liabilities would be presented separately.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) which are not used as hedging instruments in hedge accounting, are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

(h) Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, MBFS USA 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 forecasted 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 fair value of non-designated derivatives are recognized in profit or loss. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in other comprehensive income.

Under IFRS 9, with cash flow hedges, amounts recognized in other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly included in the initial cost or carrying amount of the hedged item at initial recognition if the hedged item, e.g. forecast transaction, results in the recognition of a non-financial asset or non-financial liability.

For other cash flow hedges, the accumulated hedging gains or losses from hedging instruments are reclassified from the reserves for derivative financial instruments to the interim consolidated statement of income when the hedged item affects profit or loss. The ineffective portions of fair value changes are recognized directly in profit or loss.
For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This applies for example to the time value of options or cross currency basis spreads.

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 and are reclassified from equity as described at maturity if the hedged future cash flows are still expected to occur. Otherwise, accumulated hedging gains and losses are immediately reclassified to profit or loss.

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.

2. Accounting estimates and management judgements

In the interim consolidated financial statements, to a certain degree, estimates and management judgements have to be made, 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. The major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. Changes in the estimates and management judgments can have a material impact on the interim consolidated financial statements.

(a) Accounting estimates and management judgements due to the covid-19 pandemic

Due to the still unforeseeable global consequences of the covid-19 pandemic, especially the accounting estimates and management judgements regarding the reporting of assets and liabilities are subject to increased uncertainty.

With the update of the accounting estimates and management judgements, available information on the expected economic developments has been included.

This information was included in the analysis of the recoverability and collectability of financial assets, especially of the receivables from the financial services.

(b) Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

(c) Recoverable amount of equipment on operating leases

MBFS USA regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions are made regarding major influencing factors, such as the expected number of returned vehicles, the latest remarketing results and future vehicle model changes. Those assumptions are determined either by qualified estimates or by publications provided by expert third parties; qualified estimates are based, as far as publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for depreciation; changes in residual values lead either to prospective adjustments of the depreciation or, in the case of a significant decline in expected residual values, to impairment. If depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

(d) Collectability of financial receivables

MBFS USA regularly estimates the risk of default on financial receivables. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. In addition to historical and current information on losses, appropriate and reliable forward-looking information on factors is also included. This information includes macroeconomic factors (e.g. GDP growth, unemployment rate, cost-performance index) and forecasts of future economic conditions. For financial receivables, these forecasts are determined using a scenario analysis (baseline scenario, optimistic and pessimistic scenario). Further external information, such as information in connection with the covid-19 pandemic, which cannot be depicted in the scenarios, is included in the assessment through subsequent adjustments as necessary. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on MBFS USA's net profit

3. Risks and uncertainties

MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges
(In millions of U.S. dollars)

	Six Months Ended June 30,	
	2022	**2021**
Earnings	548	643
Add:		
Interest included in expense	223	376
One-third of rental expense	1	1
Adjusted earnings	772	1,020
Fixed Charges:		
Interest included in expense	223	376
Interest capitalized	13	22
One-third of rental expense	1	1
Total fixed charges	237	399
Ratio of earning to fixed charges	3.26	2.55

Mercedes-Benz Financial Services USA LLC
and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Unaudited Interim Consolidated Financial Statements

March 31, 2022 and 2021

Table of Contents

Unaudited Interim Consolidated Statement of Financial Position 2

Unaudited Interim Consolidated Statements of Comprehensive Income 3

Notes to Unaudited Interim Consolidated Financial Statements 4

1. Significant Accounting Policies 4
2. Accounting estimates and management judgements 12
3. Risks and uncertainties 13

Computation of Ratio of Earnings to Fixed Charges 14

Unaudited Interim Consolidated Statement of Financial Position (In millions of U.S. dollars)

	March 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	69	113
Receivables from affiliated companies	11	915
Trade receivables	6	233
Returned and repossessed vehicle inventory	69	59
Finance receivables, net	18,237	18,283
Vehicles and equipment leased, net	19,624	20,764
Other assets	1,200	1,411
Total assets	**39,216**	**41,778**
Liabilities and Equity		
Trade payables, provisions, and other liabilities	236	303
Trade payables to affiliated companies	482	91
Financing liabilities	10,545	11,560
Payables to affiliated companies	24,029	25,610
Deferred income	986	1,078
Deferred tax liabilities	1,043	1,086
Total liabilities	**37,321**	**39,728**
Equity	1,895	2,050
Total liabilities and Equity	**39,216**	**41,778**

Unaudited Interim Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2022	**2021**
Retail finance receivables and finance leases	149	234
Wholesale finance receivables and other	33	65
Vehicles and equipment leased – rents and fees	1,140	1,282
Remarketing revenue	1,818	1,876
Other income	9	7
Total finance revenue and other income	**3,149**	**3,464**
Interest expense	(108)	(206)
Depreciation on vehicles and equipment leased	(885)	(991)
Provision for credit losses	4	(28)
Remarketing expense	(1,815)	(1,891)
Other financial expense	(1)	–
Selling expenses	(42)	(49)
General administrative expenses	(23)	(19)
Total Expenses	**(2,870)**	**(3,184)**
Profit before income taxes	**279**	**280**
Income tax benefit/(expense)	**(72)**	**(71)**
Profit for the period	**207**	**209**

Notes to Unaudited Interim Consolidated Financial Statements

1. Significant Accounting Policies

General information

These condensed Interim Consolidated Financial Statements (Interim Financial Statements) of Mercedes-Benz Financial Services LLC and its subsidiaries have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

On October 1, 2021, the Extraordinary General Meeting approved the change of name from Daimler AG to Mercedes-Benz Group AG. The entry in the Commercial Register took place on February 1, 2022. For this reason, in addition to the name Mercedes-Benz Group AG, the name Daimler AG (DAG) is also used here, depending on the respective facts and time.

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. MBFS USA is a wholly-owned subsidiary of Daimler Investments US Corporation ("DIUS") which is a wholly-owned subsidiary of Daimler North America Corporation ("DNAC"). DNAC is a wholly-owned subsidiary of Mercedes-Benz Capital Nederland B.V. ("MBCN"), which is a wholly-owned subsidiary of Mercedes-Benz Group AG ("MBGAG"), a publicly held corporation organized under the laws of the Federal Republic of Germany. MBFS USA's registered office is located at 35555 West 12 Mile Rd, Suite 100, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Mercedes-Benz dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA) and their customers, including retail and lease financing for cars and vans, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The interim consolidated financial statements of MBFS USA are presented in U.S. dollars ($) and has been rounded to the nearest million, unless indicated otherwise.

Spin-Off of Daimler's Commercial Vehicles Business

On July 30, 2021, the Board of Management of Daimler AG, with the approval of the Supervisory Board, decided on the spin-off of substantial parts of the Daimler Trucks & Buses segment, including the related financial services business (Daimler commercial vehicles business). The majority of the shareholders of Daimler AG approved the spin-off agreement at the Extraordinary General Meeting on October 1, 2021.

With the completion of the spin-off entered in the Commercial Register on December 9, 2021, Mercedes-Benz Group AG directly and indirectly holds a minority interest totaling 35% of the share capital of Daimler Truck Holding AG as of the balance sheet date. Mercedes-Benz Group AG therefore, no longer has a controlling influence on that company since the entry of the spin-off in the Commercial Register on December 9, 2021.

As part of the spin-off, the financial services business also split up. MBFS USA's financial services business related to the Daimler's commercial vehicle business in the US was transferred under Daimler Trucks & Buses Holding Inc. before the spin-off.

The fair value of the transferred assets and liabilities of MBFS USA's financial services business related to Daimler's commercial vehicle business in the US was $8,686 million.

Basis of Preparation

(a) Applied IFRSs

The interim consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the periods ended December 31, 2021 and 2020. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

(b) Presentation

The Company has elected to present the interim consolidated statement of financial position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

(c) Measurement

The interim consolidated financial statements have been prepared on the historical cost basis.

(d) Principles of consolidation

The interim consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiaries, Daimler Capital Services LLC (DCS), including special purpose entities (SPEs) created to support the Company's securitization programs. These SPEs are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to SPEs in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate

Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these SPEs have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's interim consolidated statement of financial position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiaries included in the interim consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated SPEs have been eliminated.

Accounting Policies

(a) **Revenue recognition**

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis

over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Mercedes-Benz vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

(b) Income taxes

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

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNAC. The Company is also included in certain unitary and combined state tax returns with DNAC and DIUS, and files separate returns in certain state and local tax jurisdictions.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of MBGAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNAC. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNAC.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

(c) Leasing

Leasing includes all contracts that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in the contract.

Daimler Trust is a lessor of products manufactured by Mercedes-Benz Group AG, principally passenger cars and vans. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or

to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount

necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

MBFS USA as lessee

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. MBFS USA applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, MBFS USA also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments.

The lease liabilities include the following lease payments:

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

The Group generally also applies the option for contracts comprising lease components as well as non-lease components not to split these components.

Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate, which is based on risk-adjusted interest rates and determined for the respective lease terms and currencies. MBFS USA generally applies the incremental borrowing rate to discount lease payments. As the cash flow pattern of the reference interest rates (bullet bonds) does not correspond to the cash flow pattern of a lease contract (annuity), we use a duration adjustment in order to account for that difference.

Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

(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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss).

Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

(e) Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

The classification of financial instruments is based on the business model in which these instruments are held and on their contractual cash flows.

Financial assets that give rise to cash flows consisting only of payments of principal and interest are classified in accordance with the Group'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. Financial assets that have only cash flows of solely principal and interest but are not held within one of the business models described above are measured at fair value through profit or loss.

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.

Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks, as well as debt instruments and certificates of deposits with remaining term when acquired of up to three months, which are not subject to any material value fluctuations. Cash at December 31, 2021 was $113 million (2020: $78 million). In addition, cash held in collection accounts for ABS deals are included in other financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets with cash flows other than those of principal and interest on the nominal amount outstanding. Further financial assets that are held in a business model other "hold to collect" or "hold to collect and sell" are included here.

In addition, derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as financial assets acquired for the purpose of selling in the near term that are classified as held for trading, are included here. Gains or losses on these financial assets are recognized in profit or loss.

(f) Impairment of financial assets

At each reporting date, a loss allowance is recognized for financial assets, loan commitments and financial guarantees other than those to be measured at fair value through profit or loss reflecting expected losses for these instruments. The same method is used for the impairment of non-revocable loan commitments and financial guarantees. The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve month

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 31 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information or the probability of default.

A financial asset is migrated to stage 2 if the asset's credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed based on the probability of default. For trade receivables, the simplified approach is applied whereby expected credit losses for all trade receivables are initially measured over the lifetime of the instrument.

MBFS applies the low credit risk exception to the stage allocation to quoted debt instruments with investment-grade ratings. These debt instruments are always allocated to stage 1.

In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

Measurement of expected credit losses. Expected credit losses are measured in a way that reflects:

- the unbiased and probability-weighted amount;
- the time value of money; and
- reasonable and supportable information (if available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, expected credit losses are mainly calculated with

a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios). The impairment amount for trade receivables is predominately determined on a collective basis.

A financial instrument is written off when there is no reasonable expectation of recovery, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of financial assets. This is estimated to be rare and immaterial for receivables from financial services. If the terms of a contract are renegotiated or modified and this does not result in derecognition of the contract, then the gross carrying amount of the contract has to be recalculated and a modification gain or loss has to be recognized in profit or loss.

(g) Financial liabilities

Financial liabilities primarily include trade payables, payables to related parties, financial liabilities and other liabilities. Financial liabilities include $9.3M and $10.3M asset backed secured debt at March 31, 2022 and December 31, 2021 respectively.

Financial liabilities measured at amortized cost

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Insofar as the Group enters into reverse factoring agreements in which trade receivables of a supplier are transferred to a financial intermediary, changes in the presentation of the original trade payables may occur. That would be the case if these liabilities differed in nature and function from other trade payables. As a result, these liabilities would be presented separately.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) which are not used as hedging instruments in hedge accounting, are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

(h) Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, MBFS USA 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 forecasted 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 fair value of non-designated derivatives are recognized in profit or loss. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in other comprehensive income.

Under IFRS 9, with cash flow hedges, amounts recognized in other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly included in the initial cost or carrying amount of the hedged item at initial recognition if the hedged item, e.g. forecast transaction, results in the recognition of a non-financial asset or non-financial liability.

For other cash flow hedges, the accumulated hedging gains or losses from hedging instruments are reclassified from the reserves for derivative financial instruments to the interim consolidated statement of income when the hedged item affects profit or loss. The ineffective portions of fair value changes are recognized directly in profit or loss.
For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This applies for example to the time value of options or cross currency basis spreads.

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 and are reclassified from equity as described at maturity if the hedged future cash flows are still expected to occur. Otherwise, accumulated hedging gains and losses are immediately reclassified to profit or loss.

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.

2. Accounting estimates and management judgements

In the interim consolidated financial statements, to a certain degree, estimates and management judgements have to be made, 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. The major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. Changes in the estimates and management judgments can have a material impact on the interim consolidated financial statements.

(a) Accounting estimates and management judgements due to the covid-19 pandemic

Due to the still unforeseeable global consequences of the covid-19 pandemic, especially the accounting estimates and management judgements regarding the reporting of assets and liabilities are subject to increased uncertainty.

With the update of the accounting estimates and management judgements, available information on the expected economic developments has been included.

This information was included in the analysis of the recoverability and collectability of financial assets, especially of the receivables from the financial services.

(b) Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

(c) Recoverable amount of equipment on operating leases

MBFS USA regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions are made regarding major influencing factors, such as the expected number of returned vehicles, the latest remarketing results and future vehicle model changes. Those assumptions are determined either by qualified estimates or by publications provided by expert third parties; qualified estimates are based, as far as publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for depreciation; changes in residual values lead either to prospective adjustments of the depreciation or, in the case of a significant decline in expected residual values, to impairment. If depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

(d) Collectability of financial receivables

MBFS USA regularly estimates the risk of default on financial receivables. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. In addition to historical and current information on losses, appropriate and reliable forward-looking information on factors is also included. This information includes macroeconomic factors (e.g. GDP growth, unemployment rate, cost-performance index) and forecasts of future economic conditions. For financial receivables, these forecasts are determined using a scenario analysis (baseline scenario, optimistic and pessimistic scenario). Further external information, such as information in connection with the covid-19 pandemic, which cannot be depicted in the scenarios, is included in the assessment through subsequent adjustments as necessary. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on MBFS USA's net profit

3. Risks and uncertainties

MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges
(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2022	**2021**
Earnings	281	279
Add:		
Interest included in expense	108	206
One-third of rental expense	–	–
Adjusted earnings	389	485
Fixed Charges:		
Interest included in expense	107	206
Interest capitalized	17	22
One-third of rental expense	–	–
Total fixed charges	124	228
Ratio of earning to fixed charges	3.13	2.13

Mercedes-Benz Financial Services USA LLC
and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Unaudited Consolidated Financial Statements

December 31, 2021 and 2020

Table of Contents

Unaudited Consolidated Statement of Financial Position 2
Unaudited Consolidated Statements of Comprehensive Income 3
Notes to Unaudited Consolidated Financial Statements 4
1. Significant Accounting Policies 4
2. Accounting estimates and management judgements 13
3. Risks and uncertainties 14
Computation of Ratio of Earnings to Fixed Charges 15

Unaudited Consolidated Statement of Financial Position
(In millions of U.S. dollars)

	December 31,	
Assets	**2021**	**2020**
Cash and cash equivalents	113	78
Receivables from affiliated companies	915	96
Trade receivables	233	47
Returned and repossessed vehicle inventory	59	589
Finance receivables, net	18,283	28,348
Vehicles and equipment leased, net	20,764	23,426
Other assets	1,411	738
Total assets	**41,778**	**53,322**
Liabilities and Equity		
Trade payables, provisions, and other liabilities	303	324
Trade payables to affiliated companies	91	147
Financing liabilities	11,560	13,400
Payables to affiliated companies	25,610	34,515
Deferred income	1,078	1,053
Deferred tax liabilities	1,086	1,259
Total liabilities	**39,728**	**50,698**
Equity	2,050	2,624
Total liabilities and equity	**41,778**	**53,322**

Unaudited Consolidated Statements of Comprehensive Income (In millions of U.S. dollars)

	Years Ended December 31,	
	2021	**2020**
Retail finance receivables and finance leases	901	920
Wholesale finance receivables and other	218	363
Vehicles and equipment leased – rents and fees	5,033	5,212
Remarketing revenue	7,443	6,565
Gain on sale of nonautomotive finance leases	19	—
Other income	27	23
Total finance revenue and other income	**13,641**	**13,083**
Interest expense	(673)	(1,155)
Depreciation on vehicles and equipment leased	(3,868)	(3,994)
Provision for credit losses	(7)	(150)
Remarketing expense	(7,462)	(6,627)
Other financial expense	(30)	(2)
Selling expenses	(215)	(241)
General administrative expenses	(125)	(79)
Total Expenses	**(12,380)**	**(12,248)**
Profit before income taxes	**1,261**	**835**
Income tax benefit/(expense)	(372)	(203)
Profit for the period	**889**	**632**

Notes to Unaudited Consolidated Financial Statements

1. Significant Accounting Policies

General information

On October 1, 2021, the Extraordinary General Meeting approved the change of name from Daimler AG to Mercedes-Benz Group AG. The entry in the Commercial Register took place on February 1, 2022. For this reason, in addition to the name Mercedes-Benz Group AG, the name Daimler AG (DAG) is also used here, depending on the respective facts and time.

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. MBFS USA is a wholly-owned subsidiary of Daimler Investments US Corporation ("DIUS") which is a wholly-owned subsidiary of Daimler North America Corporation ("DNAC"). DNAC is a wholly-owned subsidiary of Mercedes-Benz Capital Nederland B.V. ("MBCN"), which is a wholly-owned subsidiary of Mercedes-Benz Group AG ("MBGAG"), a publicly held corporation organized under the laws of the Federal Republic of Germany. MBFS USA's registered office is located at 35555 West 12 Mile Rd, Suite 100, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Mercedes-Benz dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA) and their customers, including retail and lease financing for cars and vans, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($) and has been rounded to the nearest million, unless indicated otherwise.

Spin-Off of Daimler's Commercial Vehicles Business

On July 30, 2021, the Board of Management of Daimler AG, with the approval of the Supervisory Board, decided on the spin-off of substantial parts of the Daimler Trucks & Buses segment, including the related financial services business (Daimler commercial vehicles business). The majority of the shareholders of Daimler AG approved the spin-off agreement at the Extraordinary General Meeting on October 1, 2021.

With the completion of the spin-off entered in the Commercial Register on December 9, 2021, Mercedes-Benz Group AG directly and indirectly holds a minority interest totaling 35% of the share capital of Daimler Truck Holding AG as of the balance sheet date. Mercedes-Benz Group AG therefore, no longer has a controlling influence on that company since the entry of the spin-off in the Commercial Register on December 9, 2021.

As part of the spin-off, the financial services business also split up. MBFS USA's financial services business related to the Daimler's commercial vehicle business in the US was transferred under Daimler Trucks & Buses Holding Inc. before the spin-off.

The fair value of the transferred assets and liabilities of MBFS USA's financial services business related to Daimler's commercial vehicle business in the US was $8,686 million.

Basis of Preparation

(a) Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the periods ended December 31, 2021 and 2020. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

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

A number of new standards are effective for annual periods beginning after January 1, 2021, and earlier application is permitted; however, the Company did not early adopt the new or amended standards in preparing these financial statements. No such amended standards or interpretations have a significant impact on the Company's consolidated financial statements.

IFRS 16 Covid-19 Related Rent Concessions

In March 2021, the IASB published an amendment to IFRS 16 ("Covid-19-Related Rent Concessions beyond June 30, 2021"), in which they extend the application period of the accounting policy choice to lessees applying the practical relief for rent concessions because of the Covid-19 pandemic. The Company does not apply this practical expedient for lessees.

The following amended standard is not expected to have a significant impact on MBFS US's financial statements:

IFRS 17 Insurance Contracts

IFRS 17 will replace the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2023. Early adoption is permitted. MBFS currently does not expect any material impacts on the Company's profitability, liquidity and capital resources or financial position due to the application of IFRS 17. Early adoption is not currently planned.

(c) Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

(d) Measurement

The consolidated financial statements have been prepared on the historical cost basis.

(e) Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiaries, Daimler Capital Services LLC (DCS), including special purpose entities (SPEs) created to support the Company's securitization programs. These SPEs are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to SPEs in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate

Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these SPEs have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiaries included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated SPEs have been eliminated.

Accounting Policies

(a) **Revenue recognition**

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Mercedes-Benz vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

(b) Income taxes

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

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNAC. The Company is also included in certain unitary and combined state tax returns with DNAC and DIUS, and files separate returns in certain state and local tax jurisdictions.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of MBGAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNAC. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing

authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNAC.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

(c) Leasing

Leasing includes all contracts that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in the contract.

Daimler Trust is a lessor of products manufactured by Mercedes-Benz Group AG, principally passenger cars and vans. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

MBFS USA as lessee

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. MBFS USA applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, MBFS USA also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the

lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments.

The lease liabilities include the following lease payments:

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

The Group generally also applies the option for contracts comprising lease components as well as non-lease components not to split these components.

Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate, which is based on risk-adjusted interest rates and determined for the respective lease terms and currencies. MBFS USA generally applies the incremental borrowing rate to discount lease payments. As the cash flow pattern of the reference interest rates (bullet bonds) does not correspond to the cash flow pattern of a lease contract (annuity), we use a duration adjustment in order to account for that difference.

Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

(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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories in IFRS 9 Financial Instruments (financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss).

Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

(e) Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

The classification of financial instruments is based on the business model in which these instruments are held and on their contractual cash flows.

Financial assets that give rise to cash flows consisting only of payments of principal and interest are classified in accordance with the Group'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. Financial assets that have only cash flows of solely principal and interest but are not held within one of the business models described above are measured at fair value through profit or loss.

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.

Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks, as well as debt instruments and certificates of deposits with remaining term when acquired of up to three months, which are not subject to any material value fluctuations. Cash at December 31, 2021 was $113 million (2020: $78 million). In addition, cash held in collection accounts for ABS deals are included in other financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets with cash flows other than those of principal and interest on the nominal amount outstanding. Further financial assets that are held in a business model other "hold to collect" or "hold to collect and sell" are included here.

In addition, derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as financial assets acquired for the purpose of selling in the near term that are classified as held for trading, are included here. Gains or losses on these financial assets are recognized in profit or loss.

(f) Impairment of financial assets

At each reporting date, a loss allowance is recognized for financial assets, loan commitments and financial guarantees other than those to be measured at fair value through profit or loss reflecting expected losses for these instruments. The same method is used for the impairment of non-revocable loan commitments and financial guarantees. The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve month

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 31 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating

information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information or the probability of default.

A financial asset is migrated to stage 2 if the asset's credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed based on the probability of default. For trade receivables, the simplified approach is applied whereby expected credit losses for all trade receivables are initially measured over the lifetime of the instrument.

MBFS applies the low credit risk exception to the stage allocation to quoted debt instruments with investment-grade ratings. These debt instruments are always allocated to stage 1.

In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

Measurement of expected credit losses. Expected credit losses are measured in a way that reflects:

- the unbiased and probability-weighted amount;
- the time value of money; and
- reasonable and supportable information (if available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, expected credit losses are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios). The impairment amount for trade receivables is predominately determined on a collective basis.

A financial instrument is written off when there is no reasonable expectation of recovery, for example at the end of insolvency proceedings or after a court decision of uncollectibility.

Significant modification (e.g., that leads to a change in the present value of the contractual cash flows of 10%) leads to derecognition of financial assets. This is estimated to be rare and immaterial for receivables from financial services. If the terms of a contract are renegotiated or modified and this does not result in derecognition of the contract, then the gross carrying amount of the contract has to be recalculated and a modification gain or loss has to be recognized in profit or loss.

(g) Financial liabilities

Financial liabilities primarily include trade payables, payables to related parties, financial liabilities and other liabilities. Financial liabilities include $10.3M and $11.9M asset backed secured debt at December 31, 2021 and December 31, 2020 respectively.

Financial liabilities measured at amortized cost

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Insofar as the Group enters into reverse factoring agreements in which trade receivables of a supplier are transferred to a financial intermediary, changes in the presentation of the original trade payables may occur. That would be the case if these liabilities differed in nature and function from other trade payables. As a result, these liabilities would be presented separately.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives (including embedded derivatives separated from the host contract) which are not used as hedging instruments in hedge accounting, are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

(h) Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IFRS 9 are met, MBFS USA 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 forecasted 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 fair value of non-designated derivatives are recognized in profit or loss. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized after tax in other comprehensive income.

Under IFRS 9, with cash flow hedges, amounts recognized in other comprehensive income as effective hedging gains or losses from hedging instruments are removed from the reserves for derivative financial instruments and directly included in the initial cost or carrying amount of the hedged item at initial recognition if the hedged item, e.g. forecast transaction, results in the recognition of a non-financial asset or non-financial liability.

For other cash flow hedges, the accumulated hedging gains or losses from hedging instruments are reclassified from the reserves for derivative financial instruments to the Consolidated Statement of Income when the hedged item affects profit or loss. The ineffective portions of fair value changes are recognized directly in profit or loss.
For derivative instruments designated in a hedge relationship, certain components can be excluded from designation and the changes in these components' fair value are then deferred in other comprehensive income under IFRS 9. This applies for example to the time value of options or cross currency basis spreads.

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 and are reclassified from equity as described at maturity if the hedged future cash flows are still expected to occur. Otherwise, accumulated hedging gains and losses are immediately reclassified to profit or loss.

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.

2. Accounting estimates and management judgements

In the consolidated financial statements, to a certain degree, estimates and management judgements have to be made, 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. The major items affected by such estimates and management judgments are described as follows. Actual amounts may differ from the estimates. Changes in the estimates and management judgments can have a material impact on the Consolidated Financial Statements.

(a) Accounting estimates and management judgements due to the covid-19 pandemic

Due to the still unforeseeable global consequences of the covid-19 pandemic, especially the accounting estimates and management judgements regarding the reporting of assets and liabilities are subject to increased uncertainty.

With the update of the accounting estimates and management judgements, available information on the expected economic developments has been included.

This information was included in the analysis of the recoverability and collectability of financial assets, especially of the receivables from the financial services.

(b) Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

(c) Recoverable amount of equipment on operating leases

MBFS USA regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions are made regarding major influencing factors, such as the expected number of returned vehicles, the latest remarketing results and future vehicle model changes. Those assumptions are determined either by qualified estimates or by publications provided by expert third parties; qualified estimates are based, as far as publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for depreciation; changes in residual values lead either to prospective adjustments of the depreciation or, in the case of a significant decline in expected residual values, to impairment. If depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

(d) Collectability of financial receivables

MBFS USA regularly estimates the risk of default on financial receivables. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. In addition to historical and current information on losses, appropriate and reliable forward-looking information on factors is also included. This information includes macroeconomic factors (e.g. GDP growth, unemployment rate, cost-performance index) and forecasts of future economic conditions. For financial receivables, these forecasts are determined using a scenario analysis (baseline scenario, optimistic and pessimistic scenario). Further external information, such as information in connection with the covid-19 pandemic, which cannot be depicted in the scenarios, is included in the assessment through subsequent adjustments as necessary. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on MBFS USA's net profit

3. Risks and uncertainties

MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges
(In millions of U.S. dollars)

	Year Ended December 31,	
	2021	**2020**
Earnings	1,255	831
Add:		
Interest included in expense	670	1,152
One-third of rental expense	1	2
Adjusted earnings	1,926	1,985
Fixed Charges:		
Interest included in expense	670	1,152
Interest capitalized	20	23
One-third of rental expense	1	2
Total fixed charges	691	1,177
Ratio of earning to fixed charges	2.79	1.69

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Unaudited Consolidated Financial Statements

September 30, 2021 and 2020

TABLE OF CONTENTS

	Pages(s)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	3
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	4-12
COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES	13

Unaudited Consolidated Statements of Financial Position

(In millions of U.S. dollars)

	September 30,	
Assets	**2021**	**2020**
Cash and cash equivalents	$ 67	$ 104
Assets held for distribution	8,983	-
Amounts due from affiliated companies	54	65
Trade receivables	13	51
Returned and repossessed vehicle inventory	72	402
Finance receivables, net	17,296	27,310
Vehicles and equipment leased, net	22,115	23,733
Other assets	1,060	813
Total assets	**$ 49,660**	**$ 52,478**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 319	$ 447
Liabilities held for distribution	1,086	-
Amounts due to affiliated companies	162	153
Financial liabilities	45,254	46,427
Deferred income	1,077	1,034
Deferred income taxes, net	1,391	1,380
Total liabilities	**46,289**	**49,441**
Member's interest	3,371	3,037
Total liabilities and member's interest	**$ 49,660**	**$ 52,478**

See accompanying notes to consolidated financial statements.

Unaudited Consolidated Statements of Comprehensive Income (In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2021	**2020**
Retail finance receivables and finance leases	$ 707	$ 684
Wholesale finance receivables and other	176	286
Vehicles and equipment leased – rents and fees	3,825	3,913
Remarketing revenue	5,505	4,917
Gain on sale of nonautomotive finance leases	–	–
Other income	20	20
Total finance revenue and other income	**10,233**	**9,820**
Interest expense	519	910
Depreciation on vehicles and equipment leased	2,943	2,998
Provision for credit losses	(31)	226
Remarketing expense	5,541	4,957
Other financial expense	15	–
Selling expenses	145	162
General administrative expenses	99	69
Total Expenses	**9,231**	**9,322**
Profit before income taxes	**1,002**	**498**
Income tax expense/(benefit)	**277**	**129**
Profit for the period	**$ 725**	**$ 369**
Thereof continuing operations	624	359
Thereof discontinued operations	111	10

See accompanying notes to consolidated financial statements.

Notes to Unaudited Consolidated Financial Statements
September 30, 2021 and 2020

1. SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 35555 W. 12 Mile Road, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise.

2. SPIN-OFF OF DAIMLER'S COMMERCIAL VEHICLES BUSINESS

On July 30, 2021, the Board of Management of Daimler AG, with the approval of the Supervisory Board, decided on the spin-off of substantial parts of the Daimler Trucks & Buses segment, including the related financial services business (Daimler commercial vehicles business). The majority of the shareholders of Daimler AG approved the spin-off agreement at the Extraordinary General Meeting on October 1, 2021.

With the planned completion by the end of the year of the spinoff of Daimler's commercial vehicle business, the shareholders of Daimler AG will receive 65% of the shares in the newly founded Daimler Truck Holding AG, which will then be listed on the stock exchange as an independent company.

It is planned that Daimler will hold a minority interest of 35% in Daimler Truck Holding AG as of December 31, 2021. On the basis of the contracts concluded in connection with the transaction, Daimler AG will no longer have a controlling influence on that company from the date of entry of the spin-off in the Commercial Register.

Effects of the spin-off on MBFS USA's reporting

The criteria for the classification as assets and liabilities held for distribution and as discontinued operations have been met since July 30, 2021.

In the consolidated statement of financial position, assets and liabilities of MBFS USA's commercial vehicles business as of September 30, 2021 are presented as assets and liabilities held for distribution. The amounts in the statement of final position of the previous years are shown in line with the previous method of presentation, in accordance with IFRS.

Continuing operations are presented in the consolidated statement of income; the profit or loss after tax of is continued operations is shown in a separate line. The previous year's figures have been adjusted accordingly. Unless otherwise indicated, the information on the statement of income in the notes to the consolidated financial statements relates to continuing operations.

Assets and liabilities held for distribution of MBFS USA's commercial vehicles business	**At September 30 2021**
In millions of U.S. Dollars	
Amounts due from affiliated companies	**6**
Finance receivables, net	**8,897**
Other assets	**80**
Total Assets held for distribution	**8,983**
Accounts payable, accrued expenses and other liabilities	**9**
Financial liabilities	**1,077**
Total Liabilities held for distribution	**1,086**

3. BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the periods ended September 30, 2021 and 2020. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRS issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the Consolidated Financial Statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision

over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

4. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state

tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Daimler as lessee

In January 2016, the IASB published IFRS 16 Leases, replacing IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments.

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate. The lease liabilities include the following lease payments:

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least

quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be

adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments:

Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Accounting estimates and management judgements due to the covid-19 pandemic

Due to the still not fully foreseeable global consequences of the covid-19 pandemic, especially the accounting estimates and management judgements regarding the reporting of assets and liabilities are subject to increased uncertainty.

With the update of the accounting estimates and management judgements, available information on the expected economic developments has been included.

This information was included in the analysis of the recoverability and collectability of financial assets, especially of the receivables from the financial services.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $11.1M and $11.9M asset backed secured debt at 09/30/21 and 09/30/20 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Accounting estimates and management judgements due to the covid-19 pandemic
- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2021	2020
Earnings from continuing and discontinued operations	1,018	494
Add:		
Interest included in expense	517	906
One-third of rental expense	1	1
Adjusted earnings from continuing and discontinued operations	1,536	1,401
Fixed Charges:		
Interest included in expense	517	906
Interest capitalized	25	27
One-third of rental expense	1	1
Total fixed charges	543	934
Ratio of earning to fixed charges	2.83	1.50

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Unaudited Consolidated Financial Statements

June 30, 2021 and 2020

TABLE OF CONTENTS

	Pages(s)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	3
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	4-11
COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES	12

Unaudited Consolidated Statements of Financial Position (In millions of U.S. dollars)

	June 30,	
Assets	**2021**	**2020**
Cash and cash equivalents	$ 79	$ 119
Amounts due from affiliated companies	61	121
Trade receivables	14	285
Returned and repossessed vehicle inventory	167	643
Finance receivables, net	27,088	28,363
Vehicles and equipment leased, net	22,957	23,841
Other assets	844	894
Total assets	**$ 51,210**	**$ 54,266**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 241	$ 460
Amounts due to affiliated companies	162	142
Financial liabilities	45,274	48,121
Deferred income	1,090	1,026
Deferred income taxes, net	1,326	1,438
Total liabilities	**48,093**	**51,383**
Member's interest	3,117	2,883
Total liabilities and member's interest	**$ 51,210**	**$ 54,266**

See accompanying notes to consolidated financial statements.

Unaudited Consolidated Statements of Comprehensive Income (In millions of U.S. dollars)

	Six Years Ended June 30,	
	2021	**2020**
Retail finance receivables and finance leases	$ 470	$ 448
Wholesale finance receivables and other	125	210
Vehicles and equipment leased – rents and fees	2,563	2,607
Remarketing revenue	3,751	3,118
Gain on sale of nonautomotive finance leases	–	–
Other income	14	18
Total finance revenue and other income	**6,923**	**6,401**
Interest expense	377	630
Depreciation on vehicles and equipment leased	1,977	1,995
Provision for credit losses	(11)	173
Remarketing expense	3,782	3,137
Other financial expense	6	–
Selling expenses	98	106
General administrative expenses	57	48
Total Expenses	**6,286**	**6,089**
Profit before income taxes	**637**	**312**
Income tax expense/(benefit)	**161**	**82**
Profit for the period	**$ 476**	**$ 230**

See accompanying notes to consolidated financial statements.

Notes to Unaudited Consolidated Financial Statements
June 30, 2021 and 2020

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 35555 W. 12 Mile Road, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 3, 2021, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the periods ended June 30, 2021 and 2020. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRS issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the Consolidated Financial Statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement
The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation
The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition
Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes
The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Daimler as lessee

In January 2016, the IASB published IFRS 16 Leases, replacing IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments.

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate. The lease liabilities include the following lease payments:

- fixed payments including de facto fixed payments, less lease incentives receivables from the lessor;
- variable lease payments linked to an index or interest rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase options, when exercise is estimated to be reasonably certain and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least

quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments:

Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable

data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the

estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Accounting estimates and management judgements due to the covid-19 pandemic

Due to the still not fully foreseeable global consequences of the covid-19 pandemic, especially the accounting estimates and management judgements regarding the reporting of assets and liabilities are subject to increased uncertainty.

With the update of the accounting estimates and management judgements, available information on the expected economic developments has been included.

This information was included in the analysis of the recoverability and collectability of financial assets, especially of the receivables from the financial services.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $11.3M and $13.65 asset backed secured debt at 06/30/21 and 06/30/20 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Accounting estimates and management judgements due to the covid-19 pandemic
- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Six Months Ended June 30,	
	2021	2020
Earnings	643	311
Add:		
Interest included in expense	376	629
One-third of rental expense	1	1
Adjusted earnings	1,020	941
Fixed Charges:		
Interest included in expense	376	629
Interest capitalized	22	31
One-third of rental expense	1	1
Total fixed charges	399	661
Ratio of earning to fixed charges	2.55	1.42

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

March 31, 2021 and 2020

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-11
COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 12

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	March 31,	
Assets	**2021**	**2020**
Cash and cash equivalents	$ 128	$ 76
Amounts due from affiliated companies	109	128
Trade receivables	220	83
Returned and repossessed vehicle inventory	368	620
Finance receivables, net	28,098	30,152
Vehicles and equipment leased, net	23,150	24,290
Other assets	1,412	1,040
Total assets	**$ 53,485**	**$ 56,389**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 290	$ 679
Amounts due to affiliated companies	161	166
Financial liabilities	47,857	50,121
Deferred income	1,049	1,075
Deferred income taxes, net	1,284	1,576
Total liabilities	**50,641**	**53,617**
Member's interest	2,844	2,772
Total liabilities and member's interest	**$ 53,485**	**$ 56,389**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Three Years Ended March 31,	
	2021	**2020**
Retail finance receivables and finance leases	$ 234	$ 227
Wholesale finance receivables and other	65	122
Vehicles and equipment leased – rents and fees	1,282	1,313
Remarketing revenue	1,876	1,689
Gain on sale of nonautomotive finance leases	–	–
Other income	7	12
Total finance revenue and other income	**3,464**	**3,363**
Interest expense	206	325
Depreciation on vehicles and equipment leased	991	1,004
Provision for credit losses	28	80
Remarketing expense	1,891	1,698
Other financial expense	–	–
Selling expenses	49	54
General administrative expenses	19	29
Total Expenses	**3,184**	**3,190**
Profit before income taxes	**280**	**173**
Income tax expense/(benefit)	**71**	**46**
Profit for the period	**$ 209**	**$ 127**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

SIGNIFICANT ACCOUNTING POLICIES

General information
Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 3, 2020, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs
The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2020 and 2019. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period
In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring **lessees** to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that as of January 1, 2019 all leases have to be reported in the Consolidated Statement of Financial Position – very similar to the former accounting of finance leases.

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for

non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense. The lease expenses of leases classified according to IAS 17 as operating leases have been fully recognized within functional costs.

Lease accounting for **lessors** has been taken over almost identically from IAS 17 into IFRS 16.

MBFS USA applies IFRS 16 for the first time at January 1, 2019. In compliance with the transition regulations, MBFS USA does not adjust the prior-year figures and presents the not significant accumulated transitional effects in retained earnings.

MBFS USA as lessee uses the following practical expedients of IFRS 16 at the date of initial application:

– With leases previously classified as operating leases according to IAS 17, the lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate was 2.27%. The respective right-of-use asset is generally recognized at an amount equal to the lease liability.

– An impairment review is not performed. Instead, a right-of-use asset is adjusted by the amount of any provision for onerous leases recognized in the Statement of Financial Position at December 31, 2018.

– Regardless of their original lease term, leases for which the lease term ends at the latest on December 31, 2020 are recognized as short-term leases.

– At the date of initial application, the measurement of a right-of-use asset excludes the initial direct costs.

– Current knowledge is given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.

Right-of-use assets and lease liabilities include assets and liabilities, which were recognized until December 31, 2018 as finance leases in accordance with IAS 17.

IFRS issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the Consolidated Financial Statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement
The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation
The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition
Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes
The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the

end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments:

Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Accounting estimates and management judgements due to the covid-19 pandemic
Due to the still not fully foreseeable global consequences of the covid-19 pandemic, especially the accounting estimates and management judgements regarding the reporting of assets and liabilities are subject to increased uncertainty.

With the update of the accounting estimates and management judgements, available information on the expected economic developments has been included.

This information was included in the analysis of the recoverability and collectability of financial assets, especially of the receivables from the financial services.

Liabilities
Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $11.8M and $12.5M asset backed secured debt at 03/31/21 and 03/31/20 respectively.

Derivative financial instruments and hedge accounting
Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are

reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Accounting estimates and management judgements due to the covid-19 pandemic
- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2021	2020
Earnings	279	172
Add:		
Interest included in expense	206	325
One-third of rental expense	—	—
Adjusted earnings	485	497
Fixed Charges:		
Interest included in expense	206	325
Interest capitalized	22	31
One-third of rental expense	—	—
Total fixed charges	228	356
Ratio of earning to fixed charges	2.13	1.40

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

December 31, 2020 and 2019

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-11
COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 12

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	December 31,	
Assets	**2020**	**2019**
Cash and cash equivalents	$ 78	$ 92
Amounts due from affiliated companies	96	213
Trade receivables	47	256
Returned and repossessed vehicle inventory	589	748
Finance receivables, net	28,348	29,659
Vehicles and equipment leased, net	23,426	24,319
Other assets	738	601
Total assets	**$ 53,322**	**$ 55,888**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 324	$ 484
Amounts due to affiliated companies	147	146
Financial liabilities	47,915	49,768
Deferred income	1,053	1,086
Deferred income taxes, net	1,259	1,719
Total liabilities	**50,698**	**53,203**
Member's interest	2,624	2,685
Total liabilities and member's interest	**$ 53,322**	**$ 55,888**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (In millions of U.S. dollars)

	Years Ended December 31,	
	2020	**2019**
Retail finance receivables and finance leases	$ 920	$ 862
Wholesale finance receivables and other	363	571
Vehicles and equipment leased – rents and fees	5,212	5,181
Remarketing revenue	6,565	6,985
Gain on sale of nonautomotive finance leases	–	38
Other income	23	31
Total finance revenue and other income	**13,083**	**13,668**
Interest expense	1,155	1,265
Depreciation on vehicles and equipment leased	3,994	3,967
Provision for credit losses	150	276
Remarketing expense	6,627	7,037
Other financial expense	2	–
Selling expenses	241	241
General administrative expenses	79	144
Total Expenses	**12,248**	**12,930**
Profit before income taxes	**835**	**738**
Income tax expense/(benefit)	**203**	**215**
Profit for the period	**$ 632**	**$ 523**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 3, 2020, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2020 and 2019. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring **lessees** to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that as of January 1, 2019 all leases have to be reported in the Consolidated Statement of Financial Position – very similar to the former accounting of finance leases.

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for

non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense. The lease expenses of leases classified according to IAS 17 as operating leases have been fully recognized within functional costs.

Lease accounting for **lessors** has been taken over almost identically from IAS 17 into IFRS 16.

MBFS USA applies IFRS 16 for the first time at January 1, 2019. In compliance with the transition regulations, MBFS USA does not adjust the prior-year figures and presents the not significant accumulated transitional effects in retained earnings.

MBFS USA as lessee uses the following practical expedients of IFRS 16 at the date of initial application:

– With leases previously classified as operating leases according to IAS 17, the lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate was 2.27%. The respective right-of-use asset is generally recognized at an amount equal to the lease liability.

– An impairment review is not performed. Instead, a right-of-use asset is adjusted by the amount of any provision for onerous leases recognized in the Statement of Financial Position at December 31, 2018.

– Regardless of their original lease term, leases for which the lease term ends at the latest on December 31, 2020 are recognized as short-term leases.

– At the date of initial application, the measurement of a right-of-use asset excludes the initial direct costs.

– Current knowledge is given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.

Right-of-use assets and lease liabilities include assets and liabilities, which were recognized until December 31, 2018 as finance leases in accordance with IAS 17.

IFRS issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the Consolidated Financial Statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement
The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation
The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition
Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes
The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the

end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments:

Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets
At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Accounting estimates and management judgements due to the covid-19 pandemic

Due to the still not fully foreseeable global consequences of the covid-19 pandemic, especially the accounting estimates and management judgements regarding the reporting of assets and liabilities are subject to increased uncertainty.

With the update of the accounting estimates and management judgements, available information on the expected economic developments has been included.

This information was included in the analysis of the recoverability and collectability of financial assets, especially of the receivables from the financial services.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $11.9M and $4.9M asset backed secured debt at 12/31/20 and 12/31/19 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are

reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Accounting estimates and management judgements due to the covid-19 pandemic
- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Year Ended December 31,	
	2020	2019
Earnings	831	735
Add:		
Interest included in expense	1,152	1,262
One-third of rental expense	2	2
Adjusted earnings	1,985	1,999
Fixed Charges:		
Interest included in expense	1,152	1,262
Interest capitalized	23	28
One-third of rental expense	2	2
Total fixed charges	1,177	1,292
Ratio of earning to fixed charges	1.69	1.55

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

September 30, 2020 and 2019

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-11

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES... 12

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	September 30,	
Assets	**2020**	**2019**
Cash and cash equivalents	$ 104	$ 101
Amounts due from affiliated companies	65	395
Trade receivables	51	409
Returned and repossessed vehicle inventory	402	843
Finance receivables, net	27,310	28,703
Vehicles and equipment leased, net	23,733	24,059
Other assets	813	643
Total assets	**$ 52,478**	**$ 55,153**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 447	$ 295
Amounts due to affiliated companies	153	790
Financial liabilities	46,427	48,417
Deferred income	1,034	1,055
Deferred income taxes, net	1,380	1,992
Total liabilities	**49,441**	**52,104**
Member's interest	3,037	2,604
Total liabilities and member's interest	**$ 52,478**	**$ 55,153**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2020	**2019**
Retail finance receivables and finance leases	$ 684	640
Wholesale finance receivables and other	286	437
Vehicles and equipment leased – rents and fees	3,913	3,877
Remarketing revenue	4,917	4,978
Gain on sale of nonautomotive finance leases	–	29
Other income	20	25
Total finance revenue and other income	**9,820**	**9,986**
Interest expense	910	942
Depreciation on vehicles and equipment leased	2,998	2,968
Provision for credit losses	226	160
Remarketing expense	4,957	5,013
Selling expenses	162	161
General administrative expenses	69	127
Total Expenses	**9,322**	**9,371**
Profit before income taxes	**498**	**615**
Income tax expense/(benefit)	**129**	**166**
Profit for the period	**$ 369**	**$ 449**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 3, 2020, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2019 and 2018. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring **lessees** to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that as of January 1, 2019 all leases have to be reported in the Consolidated Statement of Financial Position – very similar to the former accounting of finance leases.

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for

non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense. The lease expenses of leases classified according to IAS 17 as operating leases have been fully recognized within functional costs.

Lease accounting for **lessors** has been taken over almost identically from IAS 17 into IFRS 16.

MBFS USA applies IFRS 16 for the first time at January 1, 2019. In compliance with the transition regulations, MBFS USA does not adjust the prior-year figures and presents the not significant accumulated transitional effects in retained earnings.

MBFS USA as lessee uses the following practical expedients of IFRS 16 at the date of initial application:

– With leases previously classified as operating leases according to IAS 17, the lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate was 2.27%. The respective right-of-use asset is generally recognized at an amount equal to the lease liability.

– An impairment review is not performed. Instead, a right-of-use asset is adjusted by the amount of any provision for onerous leases recognized in the Statement of Financial Position at December 31, 2018.

– Regardless of their original lease term, leases for which the lease term ends at the latest on December 31, 2019 are recognized as short-term leases.

– At the date of initial application, the measurement of a right-of-use asset excludes the initial direct costs.

– Current knowledge is given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.

Right-of-use assets and lease liabilities include assets and liabilities, which were recognized until December 31, 2018 as finance leases in accordance with IAS 17.

IFRS issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the Consolidated Financial Statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement
The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation
The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition
Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes
The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least

quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments:

Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $13.2M and $10.9M asset backed secured debt at 09/30/20 and 09/30/19 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2020	2019
Earnings	494	613
Add:		
Interest included in expense	906	940
One-third of rental expense	1	1
Adjusted earnings	1,401	1,554
Fixed Charges:		
Interest included in expense	906	940
Interest capitalized	27	28
One-third of rental expense	1	1
Total fixed charges	934	969
Ratio of earning to fixed charges	1.50	1.60

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

June 30, 2020 and 2019

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-11

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 12

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	June 30,	
Assets	**2020**	**2019**
Cash and cash equivalents	$ 119	$ 118
Amounts due from affiliated companies	121	199
Trade receivables	285	297
Returned and repossessed vehicle inventory	643	666
Finance receivables, net	28,363	28,639
Vehicles and equipment leased, net	23,841	24,030
Other assets	894	635
Total assets	**$ 54,266**	**$ 54,584**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 460	$ 264
Amounts due to affiliated companies	142	789
Financial liabilities	48,317	47,866
Deferred income	1,026	1,034
Deferred income taxes, net	1,438	2,151
Total liabilities	**51,383**	**52,104**
Member's interest	2,883	2,480
Total liabilities and member's interest	**$ 54,266**	**$ 54,584**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Six Months Ended June 30,	
	2020	**2019**
Retail finance receivables and finance leases	$ 448	$ 419
Wholesale finance receivables and other	210	295
Vehicles and equipment leased – rents and fees	2,607	2,577
Remarketing revenue	3,118	3,341
Gain on sale of nonautomotive finance leases	–	–
Other income	18	17
Total finance revenue and other income	**6,401**	**6,649**
Interest expense	630	621
Depreciation on vehicles and equipment leased	1,995	1,974
Provision for credit losses	173	79
Remarketing expense	3,137	3,359
Selling expenses	106	105
General administrative expenses	48	83
Total Expenses	**6,089**	**6,221**
Profit before income taxes	**312**	**428**
Income tax expense/(benefit)	**82**	**108**
Profit for the period	**$ 230**	**$ 320**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 3, 2020, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2019 and 2018. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring **lessees** to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that as of January 1, 2019 all leases have to be reported in the Consolidated Statement of Financial Position – very similar to the former accounting of finance leases.

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for

non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense. The lease expenses of leases classified according to IAS 17 as operating leases have been fully recognized within functional costs.

Lease accounting for **lessors** has been taken over almost identically from IAS 17 into IFRS 16.

MBFS USA applies IFRS 16 for the first time at January 1, 2019. In compliance with the transition regulations, MBFS USA does not adjust the prior-year figures and presents the not significant accumulated transitional effects in retained earnings.

MBFS USA as lessee uses the following practical expedients of IFRS 16 at the date of initial application:

– With leases previously classified as operating leases according to IAS 17, the lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate was 2.27%. The respective right-of-use asset is generally recognized at an amount equal to the lease liability.

– An impairment review is not performed. Instead, a right-of-use asset is adjusted by the amount of any provision for onerous leases recognized in the Statement of Financial Position at December 31, 2018.

– Regardless of their original lease term, leases for which the lease term ends at the latest on December 31, 2019 are recognized as short-term leases.

– At the date of initial application, the measurement of a right-of-use asset excludes the initial direct costs.

– Current knowledge is given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.

Right-of-use assets and lease liabilities include assets and liabilities, which were recognized until December 31, 2018 as finance leases in accordance with IAS 17.

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In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the Consolidated Financial Statements.

Presentation
The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least

quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments:

Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $13.65M and $9.6M asset backed secured debt at 06/30/20 and 06/30/19 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under "Accounting policies".

Risks and uncertainties

MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Six Months Ended June 30,	
	2020	2019
Earnings	311	427
Add:		
Interest included in expense	629	620
One-third of rental expense	1	2
Adjusted earnings	941	866
Fixed Charges:		
Interest included in expense	629	471
Interest capitalized	31	21
One-third of rental expense	1	2
Total fixed charges	661	494
Ratio of earning to fixed charges	1.42	1.75

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

March 31, 2020 and 2019

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-11

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 12

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	March 31,	
Assets	**2020**	**2019**
Cash and cash equivalents	$ 76	$ 118
Amounts due from affiliated companies	128	363
Trade receivables	83	373
Returned and repossessed vehicle inventory	620	856
Finance receivables, net	30,152	28,302
Vehicles and equipment leased, net	24,290	24,051
Other assets	1,040	845
Total assets	**$ 56,389**	**$ 54,908**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 679	$ 276
Amounts due to affiliated companies	166	436
Financial liabilities	50,121	47,861
Deferred income	1,075	1,044
Deferred income taxes, net	1,576	2,327
Total liabilities	**53,617**	**51,944**
Member's interest	2,772	2,964
Total liabilities and member's interest	**$ 56,389**	**$ 54,908**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2020	**2019**
Retail finance receivables and finance leases	$ 227	$ 206
Wholesale finance receivables and other	122	145
Vehicles and equipment leased – rents and fees	1,313	1,286
Remarketing revenue	1,689	1,455
Gain on sale of nonautomotive finance leases	–	–
Other income	12	7
Total finance revenue and other income	**3,363**	**3,099**
Interest expense	325	305
Depreciation on vehicles and equipment leased	1,004	986
Provision for credit losses	80	46
Remarketing expense	1,698	1,462
Selling expenses	54	52
General administrative expenses	29	41
Total Expenses	**3,190**	**2,892**
Profit before income taxes	**173**	**207**
Income tax expense/(benefit)	**46**	**52**
Profit for the period	**$ 127**	**$ 155**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 3, 2020, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2019 and 2018. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring **lessees** to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that as of January 1, 2019 all leases have to be reported in the Consolidated Statement of Financial Position – very similar to the former accounting of finance leases.

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for

non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense. The lease expenses of leases classified according to IAS 17 as operating leases have been fully recognized within functional costs.

Lease accounting for **lessors** has been taken over almost identically from IAS 17 into IFRS 16.

MBFS USA applies IFRS 16 for the first time at January 1, 2019. In compliance with the transition regulations, MBFS USA does not adjust the prior-year figures and presents the not significant accumulated transitional effects in retained earnings.

MBFS USA as lessee uses the following practical expedients of IFRS 16 at the date of initial application:

– With leases previously classified as operating leases according to IAS 17, the lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate was 2.27%. The respective right-of-use asset is generally recognized at an amount equal to the lease liability.

– An impairment review is not performed. Instead, a right-of-use asset is adjusted by the amount of any provision for onerous leases recognized in the Statement of Financial Position at December 31, 2018.

– Regardless of their original lease term, leases for which the lease term ends at the latest on December 31, 2019 are recognized as short-term leases.

– At the date of initial application, the measurement of a right-of-use asset excludes the initial direct costs.

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Right-of-use assets and lease liabilities include assets and liabilities, which were recognized until December 31, 2018 as finance leases in accordance with IAS 17.

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The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

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DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

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Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least

quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories
Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments:

Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets
Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets
At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $12.5M and $9.3M asset backed secured debt at 03/31/20 and 03/31/19 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under "Accounting policies".

Risks and uncertainties

MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2020	2019
Earnings	172	207
Add:		
Interest included in expense	325	304
One-third of rental expense	–	1
Adjusted earnings	497	512
Fixed Charges:		
Interest included in expense	325	304
Interest capitalized	31	23
One-third of rental expense	–	1
Total fixed charges	356	328
Ratio of earning to fixed charges	1.40	1.56

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

December 31, 2019 and 2018

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-11

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 12

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	December 31,	
Assets	**2019**	**2018**
Cash and cash equivalents	$ 92	$ 128
Amounts due from affiliated companies	213	376
Trade receivables	256	562
Returned and repossessed vehicle inventory	748	797
Finance receivables, net	29,659	28,119
Vehicles and equipment leased, net	24,319	24,202
Other assets	601	577
Total assets	**$ 55,888**	**$ 54,761**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 484	$ 203
Amounts due to affiliated companies	146	994
Financial liabilities	49,768	47,243
Deferred income	1,086	1,072
Deferred income taxes, net	1,719	2,429
Total liabilities	**53,203**	**51,941**
Member's interest	2,685	2,820
Total liabilities and member's interest	**$ 55,888**	**$ 54,761**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Years Ended December 31,	
	2019	**2018**
Retail finance receivables and finance leases	$ 862	$ 749
Wholesale finance receivables and other	571	473
Vehicles and equipment leased – rents and fees	5,181	5,027
Remarketing revenue	6,985	6,319
Gain on sale of nonautomotive finance leases	38	8
Other income	31	30
Total finance revenue and other income	**13,668**	**12,606**
Interest expense	1,265	1,031
Depreciation on vehicles and equipment leased	3,967	3,881
Provision for credit losses	276	175
Remarketing expense	7,037	6,392
Selling expenses	241	218
General administrative expenses	144	171
Total Expenses	**12,930**	**11,868**
Profit before income taxes	**738**	**738**
Income tax expense/(benefit)	**215**	**186**
Profit for the period	**$ 523**	**$ 552**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 3, 2020, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2019 and 2018. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring **lessees** to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that as of January 1, 2019 all leases have to be reported in the Consolidated Statement of Financial Position – very similar to the former accounting of finance leases.

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for

non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense. The lease expenses of leases classified according to IAS 17 as operating leases have been fully recognized within functional costs.

Lease accounting for **lessors** has been taken over almost identically from IAS 17 into IFRS 16.

MBFS USA applies IFRS 16 for the first time at January 1, 2019. In compliance with the transition regulations, MBFS USA does not adjust the prior-year figures and presents the not significant accumulated transitional effects in retained earnings.

MBFS USA as lessee uses the following practical expedients of IFRS 16 at the date of initial application:

– With leases previously classified as operating leases according to IAS 17, the lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate was 2.27%. The respective right-of-use asset is generally recognized at an amount equal to the lease liability.

– An impairment review is not performed. Instead, a right-of-use asset is adjusted by the amount of any provision for onerous leases recognized in the Statement of Financial Position at December 31, 2018.

– Regardless of their original lease term, leases for which the lease term ends at the latest on December 31, 2019 are recognized as short-term leases.

– At the date of initial application, the measurement of a right-of-use asset excludes the initial direct costs.

– Current knowledge is given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.

Right-of-use assets and lease liabilities include assets and liabilities, which were recognized until December 31, 2018 as finance leases in accordance with IAS 17.

IFRS issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the Consolidated Financial Statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least

quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories
Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments:

Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets
Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable

data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $4.9M and $4.7M asset backed secured debt at 12/31/19 and 12/31/18 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items

affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Years Ended December 31,	
	2019	2018
Earnings	735	736
Add:		
Interest included in expense	1,262	1,029
One-third of rental expense	2	4
Adjusted earnings	1,999	1,769
Fixed Charges:		
Interest included in expense	1,262	1,029
Interest capitalized	28	23
One-third of rental expense	2	4
Total fixed charges	1,292	1,056
Ratio of earning to fixed charges	1.55	1.67

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

September 30, 2019 and 2018

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-11

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 12

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	September 30,	
Assets	**2019**	**2018**
Cash and cash equivalents	$ 101	$ 93
Amounts due from affiliated companies	395	423
Trade receivables	409	500
Returned and repossessed vehicle inventory	843	557
Finance receivables, net	28,703	26,201
Vehicles and equipment leased, net	24,059	24,197
Other assets	643	475
Total assets	**$ 55,153**	**$ 52,446**
Liabilities and Member’s Interest		
Accounts payable, provisions and other liabilities	$ 295	$ 205
Amounts due to affiliated companies	790	920
Financial liabilities	48,417	45,051
Deferred income	1,055	1,052
Deferred income taxes, net	1,992	2,498
Total liabilities	**52,549**	**49,726**
Member’s interest	2,604	2,720
Total liabilities and member’s interest	**$ 55,153**	**$ 52,446**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2019	**2018**
Retail finance receivables and finance leases	$ 640	$ 533
Wholesale finance receivables and other	437	335
Vehicles and equipment leased – rents and fees	3,877	3,701
Remarketing revenue	4,978	4,576
Gain on sale of nonautomotive finance leases	29	-
Other income	25	45
Total finance revenue and other income	**9,986**	**9,190**
Interest expense	942	736
Depreciation on vehicles and equipment leased	2,968	2,905
Provision for credit losses	160	122
Remarketing expense	5,013	4,576
Loss of nonautomotive finance leases	—	—
Selling expenses	161	165
General administrative expenses	127	121
Total Expenses	**9,371**	**8,625**
Profit before income taxes	**615**	**565**
Income tax expense/(benefit)	**166**	**129**
Profit for the period	**$ 449**	**$ 436**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 1, 2019, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2018 and 2017. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

IFRSs with mandatory application do not have a significant impact on the consolidated financial statements.

Application of IFRS 15 Revenue from Contracts with Customers. In May 2014, the IASB published the standard IFRS 15. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers.

Daimler applies IFRS 15 for the first time for the financial year beginning on January 1, 2018. Application of IFRS 15 will not have any major impact on MBFS consolidated financial statements.

Application of IFRS 9 Financial Instruments. Daimler applies IFRS 9 initially for reporting periods beginning on and after January 1, 2018. Initial application is made retrospectively. In accordance with the transition requirements, Daimler chose to present prior periods in accordance with IAS 39. As an exception, the transition for recognition of fair-value changes of certain non-designated components of derivatives through other comprehensive income is to be applied retrospectively to the comparative figures.

IFRSs issued, EU endorsed and not yet adopted

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 and IFRIC 4 and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that leases that were previously not reported in the statement of financial position will have to be reported in the future – very similar to the current accounting of finance leases.

According to IFRS 16 a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler will apply both recognition exemptions. The lease payments associated with those leases are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

Right-of-use assets are measured at cost less any accumulated depreciation and if necessary any accumulated impairment. The cost of a right-of-use asset comprise the present value of the outstanding lease payments, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-to-use asset reflects the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities are measured initially as the present value of the lease payments less any lease payments made before that date. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (by not affecting net income) the carrying amount to reflect the lease payments made.

According to IFRS 16 the depreciation of the right-of-use asset is recognized within functional costs. The interest due on the lease liability is a component of interest expense. The lease expenses of leases classified according to IAS 17 as operating leases are fully recognized within functional costs.

Lease accounting for lessors has been taken over almost identically from IAS 17 into IFRS 16.

IFRS 16 is to be applied to annual reporting periods beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 is already applied. Daimler and MBFS will apply IFRS 16 for the first time for the financial year beginning on January 1, 2019. In compliance with the transition regulations, Daimler will not adjust prior-year figures and will present the accumulated transitional effects in retained earnings.

IFRSs issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Daimler currently does not expect any material

impacts on the Group's profitability, liquidity and capital resources or financial position due to the application of IFRS 17. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the consolidated financial statements. Other IFRSs issued but not EU endorsed are not expected to have a significant impact on the Company's consolidated financial statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of

facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments:

Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based

on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $10.9M and $9.0M asset backed secured debt at 09/30/19 and 09/30/18 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2019	2018
Earnings	613	564
Add:		
Interest included in expense	940	734
One-third of rental expense	1	3
Adjusted earnings	1,554	1,301
Fixed Charges:		
Interest included in expense	940	734
Interest capitalized	28	23
One-third of rental expense	1	3
Total fixed charges	969	760
Ratio of earning to fixed charges	1.60	1.71

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

June 30, 2019 and 2018

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-11

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 12

Consolidated Statements of Financial Position (In millions of U.S. dollars)

	June 30,	
Assets	**2019**	**2018**
Cash and cash equivalents	$ 118	$ 106
Amounts due from affiliated companies	199	176
Trade receivables	297	382
Returned and repossessed vehicle inventory	666	518
Finance receivables, net	28,639	25,603
Vehicles and equipment leased, net	24,030	24,343
Other assets	635	437
Total assets	**$ 54,584**	**$ 51,565**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 264	$ 198
Amounts due to affiliated companies	789	1,371
Financial liabilities	47,866	43,399
Deferred income	1,034	1,067
Deferred income taxes, net	2,151	2,645
Total liabilities	**52,104**	**48,680**
Member's interest	2,480	2,885
Total liabilities and member's interest	**$ 54,584**	**$ 51,565**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Six Months Ended June 30,	
	2019	**2018**
Retail finance receivables and finance leases	$ 419	$ 347
Wholesale finance receivables and other	295	217
Vehicles and equipment leased – rents and fees	2,577	2,480
Remarketing revenue	3,341	3,225
Gain on sale of nonautomotive finance leases	-	-
Other income	17	35
Total finance revenue and other income	**6,649**	**6,304**
Interest expense	621	472
Depreciation on vehicles and equipment leased	1,974	1,927
Provision for credit losses	79	97
Remarketing expense	3,359	3,225
Loss of nonautomotive finance leases	—	—
Selling expenses	105	109
General administrative expenses	83	80
Total Expenses	**6,221**	**5,910**
Profit before income taxes	**428**	**394**
Income tax expense/(benefit)	**108**	**82**
Profit for the period	**$ 320**	**$ 312**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 1, 2019, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2018 and 2017. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

IFRSs with mandatory application do not have a significant impact on the consolidated financial statements.

Application of IFRS 15 Revenue from Contracts with Customers. In May 2014, the IASB published the standard IFRS 15. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers.

Daimler applies IFRS 15 for the first time for the financial year beginning on January 1, 2018. Application of IFRS 15 will not have any major impact on MBFS consolidated financial statements.

Application of IFRS 9 Financial Instruments. Daimler applies IFRS 9 initially for reporting periods beginning on and after January 1, 2018. Initial application is made retrospectively. In accordance with the transition requirements, Daimler chose to present prior periods in accordance with IAS 39. As an exception, the transition for recognition of fair-value changes of certain non-designated components of derivatives through other comprehensive income is to be applied retrospectively to the comparative figures.

IFRSs issued, EU endorsed and not yet adopted

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 and IFRIC 4 and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that leases that were previously not reported in the statement of financial position will have to be reported in the future – very similar to the current accounting of finance leases.

According to IFRS 16 a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler will apply both recognition exemptions. The lease payments associated with those leases are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

Right-of-use assets are measured at cost less any accumulated depreciation and if necessary any accumulated impairment. The cost of a right-of-use asset comprise the present value of the outstanding lease payments, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-to-use asset reflects the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities are measured initially as the present value of the lease payments less any lease payments made before that date. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (by not affecting net income) the carrying amount to reflect the lease payments made.

According to IFRS 16 the depreciation of the right-of-use asset is recognized within functional costs. The interest due on the lease liability is a component of interest expense. The lease expenses of leases classified according to IAS 17 as operating leases are fully recognized within functional costs.

Lease accounting for lessors has been taken over almost identically from IAS 17 into IFRS 16.

IFRS 16 is to be applied to annual reporting periods beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 is already applied. Daimler and MBFS will apply IFRS 16 for the first time for the financial year beginning on January 1, 2019. In compliance with the transition regulations, Daimler will not adjust prior-year figures and will present the accumulated transitional effects in retained earnings.

IFRSs issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Daimler currently does not expect any material

impacts on the Group's profitability, liquidity and capital resources or financial position due to the application of IFRS 17. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the consolidated financial statements. Other IFRSs issued but not EU endorsed are not expected to have a significant impact on the Company's consolidated financial statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of

facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments:

Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based

on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $9.6M and $8.5M asset backed secured debt at 06/30/19 and 06/30/18 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Six Months Ended June 30,	
	2019	2018
Earnings	427	393
Add:		
Interest included in expense	620	471
One-third of rental expense	1	2
Adjusted earnings	1,048	866
Fixed Charges:		
Interest included in expense	620	471
Interest capitalized	26	21
One-third of rental expense	1	2
Total fixed charges	647	494
Ratio of earning to fixed charges	1.62	1.75

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

March 31, 2019 and 2018

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-11

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 12

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	March 31,	
Assets	**2019**	**2018**
Cash and cash equivalents	$ 118	$ 83
Amounts due from affiliated companies	363	197
Trade receivables	373	322
Returned and repossessed vehicle inventory	856	667
Finance receivables, net	28,302	25,414
Vehicles and equipment leased, net	24,051	24,232
Other assets	845	1,264
Total assets	**$ 54,908**	**$ 52,179**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 276	$ 383
Amounts due to affiliated companies	436	884
Financial liabilities	47,861	43,841
Deferred income	1,044	1,070
Deferred income taxes, net	2,327	2,800
Total liabilities	**51,944**	**48,978**
Member's interest	2,964	3,201
Total liabilities and member's interest	**$ 54,908**	**$ 52,179**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2019	**2018**
Retail finance receivables and finance leases	$ 206	$ 171
Wholesale finance receivables and other	145	104
Vehicles and equipment leased – rents and fees	1,286	1,237
Remarketing revenue	1,455	1,562
Gain on sale of nonautomotive finance leases	-	-
Other income	7	11
Total finance revenue and other income	**3,099**	**3,085**
Interest expense	305	224
Depreciation on vehicles and equipment leased	986	958
Provision for credit losses	46	70
Remarketing expense	1,462	1,562
Loss of nonautomotive finance leases	—	—
Selling expenses	52	50
General administrative expenses	41	41
Total Expenses	**2,892**	**2,905**
Profit before income taxes	**207**	**180**
Income tax expense/(benefit)	**52**	**45**
Profit for the period	**$ 155**	**$ 135**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 1, 2019, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2018 and 2017. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

IFRSs with mandatory application do not have a significant impact on the consolidated financial statements.

Application of IFRS 15 Revenue from Contracts with Customers. In May 2014, the IASB published the standard IFRS 15. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers.

Daimler applies IFRS 15 for the first time for the financial year beginning on January 1, 2018. Application of IFRS 15 will not have any major impact on MBFS consolidated financial statements.

Application of IFRS 9 Financial Instruments. Daimler applies IFRS 9 initially for reporting periods beginning on and after January 1, 2018. Initial application is made retrospectively. In accordance with the transition requirements, Daimler chose to present prior periods in accordance with IAS 39. As an exception, the transition for recognition of fair-value changes of certain non-designated components of derivatives through other comprehensive income is to be applied retrospectively to the comparative figures.

IFRSs issued, EU endorsed and not yet adopted

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 and IFRIC 4 and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that leases that were previously not reported in the statement of financial position will have to be reported in the future – very similar to the current accounting of finance leases.

According to IFRS 16 a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler will apply both recognition exemptions. The lease payments associated with those leases are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

Right-of-use assets are measured at cost less any accumulated depreciation and if necessary any accumulated impairment. The cost of a right-of-use asset comprise the present value of the outstanding lease payments, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-to-use asset reflects the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities are measured initially as the present value of the lease payments less any lease payments made before that date. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (by not affecting net income) the carrying amount to reflect the lease payments made.

According to IFRS 16 the depreciation of the right-of-use asset is recognized within functional costs. The interest due on the lease liability is a component of interest expense. The lease expenses of leases classified according to IAS 17 as operating leases are fully recognized within functional costs.

Lease accounting for lessors has been taken over almost identically from IAS 17 into IFRS 16.

IFRS 16 is to be applied to annual reporting periods beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 is already applied. Daimler and MBFS will apply IFRS 16 for the first time for the financial year beginning on January 1, 2019. In compliance with the transition regulations, Daimler will not adjust prior-year figures and will present the accumulated transitional effects in retained earnings.

IFRSs issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Daimler currently does not expect any material

impacts on the Group's profitability, liquidity and capital resources or financial position due to the application of IFRS 17. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the consolidated financial statements. Other IFRSs issued but not EU endorsed are not expected to have a significant impact on the Company's consolidated financial statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of

facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments:

Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based

on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $9.3M and $9.8M asset backed secured debt at 03/31/19 and 03/31/18 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2019	2018
Earnings	207	180
Add:		
Interest included in expense	304	223
One-third of rental expense	1	1
Adjusted earnings	512	404
Fixed Charges:		
Interest included in expense	304	223
Interest capitalized	23	21
One-third of rental expense	1	1
Total fixed charges	328	245
Ratio of earning to fixed charges	1.56	1.64

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

December 31, 2018 and 2017

TABLE OF CONTENTS

	Pages(s)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	3
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	4-11
COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES	12

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	December 31,	
Assets	**2018**	**2017**
Cash and cash equivalents	$ 128	$ 113
Amounts due from affiliated companies	376	226
Trade receivables	562	615
Returned and repossessed vehicle inventory	797	738
Finance receivables, net	28,119	25,318
Vehicles and equipment leased, net	24,202	24,080
Other assets	577	460
Total assets	**$ 54,761**	**$ 51,550**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 203	$ 203
Amounts due to affiliated companies	994	988
Financial liabilities	47,243	42,827
Deferred income	1,072	1,041
Deferred income taxes, net	2,429	2,967
Total liabilities	**51,941**	**48,026**
Member's interest	2,820	3,524
Total liabilities and member's interest	**$ 54,761**	**$ 51,550**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Years Ended December 31,	
	2018	**2017**
Retail finance receivables and finance leases	$ 749	$ 679
Wholesale finance receivables and other	473	370
Vehicles and equipment leased – rents and fees	5,027	4,757
Remarketing revenue	6,319	5,759
Gain on sale of nonautomotive finance leases	8	23
Other income	30	26
Total finance revenue and other income	**12,606**	**11,614**
Interest expense	1,031	794
Depreciation on vehicles and equipment leased	3,881	3,716
Provision for credit losses	175	129
Remarketing expense	6,392	5,759
Loss of nonautomotive finance leases	–	–
Selling expenses	218	213
General administrative expenses	171	174
Total Expenses	**11,868**	**10,785**
Profit before income taxes	**738**	**829**
Income tax expense/(benefit)	**186**	**(1,239)**
Profit for the period	**$ 552**	**$ 2,068**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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General information

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MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

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BASIS OF PREPARATION

Applied IFRSs

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In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 and IFRIC 4 and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that leases that were previously not reported in the statement of financial position will have to be reported in the future – very similar to the current accounting of finance leases.

According to IFRS 16 a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. Daimler will apply both recognition exemptions. The lease payments associated with those leases are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

Right-of-use assets are measured at cost less any accumulated depreciation and if necessary any accumulated impairment. The cost of a right-of-use asset comprise the present value of the outstanding lease payments, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, Daimler also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-to-use asset reflects the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise the right-of-use asset is depreciated to the end of the lease term.

Lease liabilities, which are assigned to financing liabilities are measured initially as the present value of the lease payments less any lease payments made before that date. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (by not affecting net income) the carrying amount to reflect the lease payments made.

According to IFRS 16 the depreciation of the right-of-use asset is recognized within functional costs. The interest due on the lease liability is a component of interest expense. The lease expenses of leases classified according to IAS 17 as operating leases are fully recognized within functional costs.

Lease accounting for lessors has been taken over almost identically from IAS 17 into IFRS 16.

IFRS 16 is to be applied to annual reporting periods beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 is already applied. Daimler and MBFS will apply IFRS 16 for the first time for the financial year beginning on January 1, 2019. In compliance with the transition regulations, Daimler will not adjust prior-year figures and will present the accumulated transitional effects in retained earnings.

IFRSs issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Daimler currently does not expect any material

impacts on the Group's profitability, liquidity and capital resources or financial position due to the application of IFRS 17. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the consolidated financial statements. Other IFRSs issued but not EU endorsed are not expected to have a significant impact on the Company's consolidated financial statements.

Presentation
The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement
The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation
The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition
Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes
The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG.

The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing
Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of

facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments:

Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based

on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $4.7M and $4.6M asset backed secured debt at 12/31/18 and 12/31/17 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Years Ended December 31,	
	2018	2017
Earnings	736	826
Add:		
Interest included in expense	1,029	792
One-third of rental expense	4	3
Adjusted earnings	1,769	1,621
Fixed Charges:		
Interest included in expense	1,029	792
Interest capitalized	23	18
One-third of rental expense	4	3
Total fixed charges	1,056	813
Ratio of earning to fixed charges	1.67	1.99

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

September 30, 2018 and 2017

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-11

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 12

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	September 30,	
Assets	**2018**	**2017**
Cash and cash equivalents	$ 93	$ 230
Amounts due from affiliated companies	423	283
Trade receivables	500	599
Returned and repossessed vehicle inventory	557	500
Finance receivables, net	26,201	24,594
Vehicles and equipment leased, net	24,197	23,629
Other assets	475	477
Total assets	**$ 52,446**	**$ 50,312**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 205	$ 177
Amounts due to affiliated companies	920	216
Financial liabilities	45,051	41,981
Deferred income	1,052	1,053
Deferred income taxes, net	2,498	4,310
Total liabilities	**49,726**	**47,737**
Member's interest	2,720	2,575
Total liabilities and member's interest	**$ 52,446**	**$ 50,312**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2018	**2017**
Retail finance receivables and finance leases	$ 533	$ 519
Wholesale finance receivables and other	335	281
Vehicles and equipment leased – rents and fees	3,701	3,539
Remarketing revenue	4,576	4,265
Gain on sale of nonautomotive finance leases	-	-
Other income	45	19
Total finance revenue and other income	**9,190**	**8,623**
Interest expense	736	569
Depreciation on vehicles and equipment leased	2,905	2,761
Provision for credit losses	122	99
Remarketing expense	4,576	4,265
Loss of nonautomotive finance leases	—	—
Selling expenses	165	133
General administrative expenses	121	167
Total Expenses	**8,625**	**7,994**
Profit before income taxes	**565**	**629**
Income tax expense/(benefit)	**129**	**248**
Profit for the period	**$ 436**	**$ 381**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

SIGNIFICANT ACCOUNTING POLICIES

General information
Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 2, 2018, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs
The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2017 and 2016. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period
IFRSs with mandatory application do not have a significant impact on the consolidated financial statements.

IFRSs issued, EU endorsed and not yet adopted
In May 2014, the IASB published **IFRS 15 Revenue from Contracts with Customers**. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. Disclosure requirements are also extended. Application of IFRS 15 is mandatory for reporting periods beginning on or after January 1, 2018. Daimler will apply IFRS 15 for the first time for the financial year beginning on January 1, 2018. Daimler plans for retrospective first-time application so that the comparative period is presented according to IFRS 15. The application of IFRS 15 will not have any major impact on the Company's consolidated financial statements.

In July 2014, the IASB published **IFRS 9 Financial Instruments**, which replaces IAS 39. IFRS 9 includes a uniform model for classification and measurement methods (including impairments) for financial instruments. It also includes regulations for general hedge accounting. IFRS 9 requires additional notes disclosure, resulting from the amendment of IFRS 7 Financial Instruments – Disclosures.

Effects result above all from the fact that the new regulations for recognizing impairments also include expected future losses, whereas IAS 39 only requires the recognition of impairments that have already occurred. Especially receivables from financial services in the Daimler Financial Services segment are affected.

All equity instruments are to be measured at fair value, either through profit or loss or at fair value through other comprehensive income. If changes in carrying amounts are recognized in other comprehensive income, they are no longer to be reclassified to profit or loss when these instruments are sold. In addition, some debt instruments will be measured at fair value through profit or loss due to the new classification requirements of IFRS 9. Possible effects can be in higher fluctuations in carrying amounts and fluctuations in the income statement and/or the statement of other comprehensive income.

Additional effects will result from the possibility to exclude certain components of derivatives from designation to a hedge relationship and to defer the changes in these components' fair value in other comprehensive income. This change applies for example to the fair value of options whose changes in carrying amounts are regularly remeasured through profit and loss during the term of the options according to IAS 39. The newly introduced possibility to designate risk components of non-financial hedged items will facilitate hedge accounting for commodities.

Application of IFRS 9 is mandatory at the latest for reporting periods beginning on or after January 1, 2018. Daimler will apply IFRS 9 for the first time for the financial year beginning on January 1, 2018. In compliance with the transitional regulations, Daimler will not adjust the prior-year figures and will present the accumulated transitional effects in retained earnings. One exception to this is the recognition through other comprehensive income of certain undesignated components of derivatives, which is to be applied retrospectively to the comparative figures. Examination of the effects on the consolidated financial statements of applying IFRS 9 with regard to classification and measurement, impairment and hedge accounting indicates that no material impact on the Group's profitability, liquidity and capital resources or financial position is to be expected from the transition to IFRS 9.

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 and IFRIC 4 and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognize assets for the right to use as well as leasing liabilities for leases with a term of more than twelve months. This means that leases that were previously not reported in the statement of financial position will have to be reported in the future – very similar to the current accounting of finance leases. Lease accounting for lessors has been taken over almost identically from IAS 17 into IFRS 16.

IFRS 16 is to be applied to annual reporting periods beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 is already applied.

The effects on the consolidated financial statements of the application of IFRS 16 are currently being examined. Daimler will probably apply IFRS 16 for the first time for the financial year beginning on January 1, 2019. Daimler currently plans, in compliance with the transition regulations, not to adjust the prior year figures and to present the accumulated transitional effects in retained earnings.

IFRSs issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Daimler currently does not expect any material impacts on the Group's profitability, liquidity and capital resources or financial position due to the application of IFRS 17. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the consolidated financial statements. Other IFRSs issued but not EU endorsed are not expected to have a significant impact on the Company's consolidated financial statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally

presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor’s technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $9.0M and $9.6M asset backed secured debt at 09/30/18 and 09/30/17 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2018	2017
Earnings	564	628
Add:		
Interest included in expense	734	567
One-third of rental expense	3	3
Adjusted earnings	1,301	1,198
Fixed Charges:		
Interest included in expense	734	567
Interest capitalized	23	21
One-third of rental expense	3	3
Total fixed charges	760	591
Ratio of earning to fixed charges	1.71	2.03

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

June 30, 2018 and 2017

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-11

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 12

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	June 30,	
Assets	**2018**	**2017**
Cash and cash equivalents	$ 106	$ 171
Amounts due from affiliated companies	176	88
Trade receivables	382	249
Returned and repossessed vehicle inventory	518	478
Finance receivables, net	25,603	24,721
Vehicles and equipment leased, net	24,343	23,374
Other assets	437	486
Total assets	**$ 51,565**	**$ 49,567**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 198	$ 168
Amounts due to affiliated companies	1,371	247
Financial liabilities	43,399	41,524
Deferred income	1,067	1,040
Deferred income taxes, net	2,645	4,155
Total liabilities	**48,680**	**47,134**
Member's interest	2,885	2,433
Total liabilities and member's interest	**$ 51,565**	**$ 49,567**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Six Months Ended June 30,	
	2018	2017
Retail finance receivables and finance leases	$ 347	$ 328
Wholesale finance receivables and other	217	184
Vehicles and equipment leased – rents and fees	2,480	2,318
Remarketing revenue	3,225	7,225
Gain on sale of nonautomotive finance leases	-	-
Other income	35	13
Total finance revenue and other income	**6,304**	**10,068**
Interest expense	472	367
Depreciation on vehicles and equipment leased	1,927	1,797
Provision for credit losses	97	84
Remarketing expense	3,225	7,225
Loss of nonautomotive finance leases	—	—
Selling expenses	109	112
General administrative expenses	80	88
Total Expenses	**5,910**	**9,673**
Profit before income taxes	**394**	**395**
Income tax expense/(benefit)	**82**	**154**
Profit for the period	**$ 312**	**$ 241**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 2, 2018, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2017 and 2016. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

IFRSs with mandatory application do not have a significant impact on the consolidated financial statements.

IFRSs issued, EU endorsed and not yet adopted

In May 2014, the IASB published **IFRS 15 Revenue from Contracts with Customers**. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. Disclosure requirements are also extended. Application of IFRS 15 is mandatory for reporting periods beginning on or after January 1, 2018. Daimler will apply IFRS 15 for the first time for the financial year beginning on January 1, 2018. Daimler plans for retrospective first-time application so that the comparative period is presented according to IFRS 15. The application of IFRS 15 will not have any major impact on the Company's consolidated financial statements.

In July 2014, the IASB published **IFRS 9 Financial Instruments**, which replaces IAS 39. IFRS 9 includes a uniform model for classification and measurement methods (including impairments) for financial instruments. It also includes regulations for general hedge accounting. IFRS 9 requires additional notes disclosure, resulting from the amendment of IFRS 7 Financial Instruments – Disclosures.

Effects result above all from the fact that the new regulations for recognizing impairments also include expected future losses, whereas IAS 39 only requires the recognition of impairments that have already occurred. Especially receivables from financial services in the Daimler Financial Services segment are affected.

All equity instruments are to be measured at fair value, either through profit or loss or at fair value through other comprehensive income. If changes in carrying amounts are recognized in other comprehensive income, they are no longer to be reclassified to profit or loss when these instruments are sold. In addition, some debt instruments will be measured at fair value through profit or loss due to the new classification requirements of IFRS 9. Possible effects can be in higher fluctuations in carrying amounts and fluctuations in the income statement and/or the statement of other comprehensive income.

Additional effects will result from the possibility to exclude certain components of derivatives from designation to a hedge relationship and to defer the changes in these components' fair value in other comprehensive income. This change applies for example to the fair value of options whose changes in carrying amounts are regularly remeasured through profit and loss during the term of the options according to IAS 39. The newly introduced possibility to designate risk components of non-financial hedged items will facilitate hedge accounting for commodities.

Application of IFRS 9 is mandatory at the latest for reporting periods beginning on or after January 1, 2018. Daimler will apply IFRS 9 for the first time for the financial year beginning on January 1, 2018. In compliance with the transitional regulations, Daimler will not adjust the prior-year figures and will present the accumulated transitional effects in retained earnings. One exception to this is the recognition through other comprehensive income of certain undesignated components of derivatives, which is to be applied retrospectively to the comparative figures. Examination of the effects on the consolidated financial statements of applying IFRS 9 with regard to classification and measurement, impairment and hedge accounting indicates that no material impact on the Group's profitability, liquidity and capital resources or financial position is to be expected from the transition to IFRS 9.

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 and IFRIC 4 and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognize assets for the right to use as well as leasing liabilities for leases with a term of more than twelve months. This means that leases that were previously not reported in the statement of financial position will have to be reported in the future – very similar to the current accounting of finance leases. Lease accounting for lessors has been taken over almost identically from IAS 17 into IFRS 16.

IFRS 16 is to be applied to annual reporting periods beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 is already applied.

The effects on the consolidated financial statements of the application of IFRS 16 are currently being examined. Daimler will probably apply IFRS 16 for the first time for the financial year beginning on January 1, 2019. Daimler currently plans, in compliance with the transition regulations, not to adjust the prior year figures and to present the accumulated transitional effects in retained earnings.

IFRSs issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Daimler currently does not expect any material impacts on the Group's profitability, liquidity and capital resources or financial position due to the application of IFRS 17. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the consolidated financial statements. Other IFRSs issued but not EU endorsed are not expected to have a significant impact on the Company's consolidated financial statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally

presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor’s technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $8.5M and $8.5M asset backed secured debt at 06/30/18 and 06/30/17 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Six Months Ended June 30,	
	2018	2017
Earnings	393	395
Add:		
Interest included in expense	471	366
One-third of rental expense	2	2
Adjusted earnings	866	763
Fixed Charges:		
Interest included in expense	471	366
Interest capitalized	21	19
One-third of rental expense	2	2
Total fixed charges	494	387
Ratio of earning to fixed charges	1.75	1.97

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

March 31, 2018 and 2017

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-11

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 12

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	March 31,	
Assets	**2018**	**2017**
Cash and cash equivalents	$ 83	$ 154
Amounts due from affiliated companies	197	242
Trade receivables	322	369
Returned and repossessed vehicle inventory	667	405
Finance receivables, net	25,414	24,418
Vehicles and equipment leased, net	24,232	22,961
Other assets	1,264	914
Total assets	**$ 52,179**	**$ 49,463**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 383	$ 110
Amounts due to affiliated companies	884	201
Financial liabilities	43,841	41,532
Deferred income	1,070	1,011
Deferred income taxes, net	2,800	4,022
Total liabilities	**48,978**	**46,876**
Member's interest	3,201	2,587
Total liabilities and member's interest	**$ 52,179**	**$ 49,463**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2018	**2017**
Retail finance receivables and finance leases	$ 171	$ 163
Wholesale finance receivables and other	104	84
Vehicles and equipment leased – rents and fees	1,237	1,151
Remarketing revenue	1,562	2,630
Gain on sale of nonautomotive finance leases	-	-
Other income	11	7
Total finance revenue and other income	**3,085**	**4,035**
Interest expense	224	177
Depreciation on vehicles and equipment leased	958	887
Provision for credit losses	70	62
Remarketing expense	1,562	2,630
Loss of nonautomotive finance leases	—	—
Selling expenses	50	54
General administrative expenses	41	39
Total Expenses	**2,905**	**3,849**
Profit before income taxes	**180**	**186**
Income tax expense/(benefit)	**45**	**72**
Profit for the period	**$ 135**	**$ 114**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 2, 2018, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2017 and 2016. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

IFRSs with mandatory application do not have a significant impact on the consolidated financial statements.

IFRSs issued, EU endorsed and not yet adopted

In May 2014, the IASB published **IFRS 15 Revenue from Contracts with Customers**. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. Disclosure requirements are also extended. Application of IFRS 15 is mandatory for reporting periods beginning on or after January 1, 2018. Daimler will apply IFRS 15 for the first time for the financial year beginning on January 1, 2018. Daimler plans for retrospective first-time application so that the comparative period is presented according to IFRS 15. The application of IFRS 15 will not have any major impact on the Company's consolidated financial statements.

In July 2014, the IASB published **IFRS 9 Financial Instruments**, which replaces IAS 39. IFRS 9 includes a uniform model for classification and measurement methods (including impairments) for financial instruments. It also includes regulations for general hedge accounting. IFRS 9 requires additional notes disclosure, resulting from the amendment of IFRS 7 Financial Instruments – Disclosures.

Effects result above all from the fact that the new regulations for recognizing impairments also include expected future losses, whereas IAS 39 only requires the recognition of impairments that have already occurred. Especially receivables from financial services in the Daimler Financial Services segment are affected.

All equity instruments are to be measured at fair value, either through profit or loss or at fair value through other comprehensive income. If changes in carrying amounts are recognized in other comprehensive income, they are no longer to be reclassified to profit or loss when these instruments are sold. In addition, some debt instruments will be measured at fair value through profit or loss due to the new classification requirements of IFRS 9. Possible effects can be in higher fluctuations in carrying amounts and fluctuations in the income statement and/or the statement of other comprehensive income.

Additional effects will result from the possibility to exclude certain components of derivatives from designation to a hedge relationship and to defer the changes in these components' fair value in other comprehensive income. This change applies for example to the fair value of options whose changes in carrying amounts are regularly remeasured through profit and loss during the term of the options according to IAS 39. The newly introduced possibility to designate risk components of non-financial hedged items will facilitate hedge accounting for commodities.

Application of IFRS 9 is mandatory at the latest for reporting periods beginning on or after January 1, 2018. Daimler will apply IFRS 9 for the first time for the financial year beginning on January 1, 2018. In compliance with the transitional regulations, Daimler will not adjust the prior-year figures and will present the accumulated transitional effects in retained earnings. One exception to this is the recognition through other comprehensive income of certain undesignated components of derivatives, which is to be applied retrospectively to the comparative figures. Examination of the effects on the consolidated financial statements of applying IFRS 9 with regard to classification and measurement, impairment and hedge accounting indicates that no material impact on the Group's profitability, liquidity and capital resources or financial position is to be expected from the transition to IFRS 9.

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 and IFRIC 4 and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognize assets for the right to use as well as leasing liabilities for leases with a term of more than twelve months. This means that leases that were previously not reported in the statement of financial position will have to be reported in the future – very similar to the current accounting of finance leases. Lease accounting for lessors has been taken over almost identically from IAS 17 into IFRS 16.

IFRS 16 is to be applied to annual reporting periods beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 is already applied.

The effects on the consolidated financial statements of the application of IFRS 16 are currently being examined. Daimler will probably apply IFRS 16 for the first time for the financial year beginning on January 1, 2019. Daimler currently plans, in compliance with the transition regulations, not to adjust the prior year figures and to present the accumulated transitional effects in retained earnings.

IFRSs issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Daimler currently does not expect any material impacts on the Group's profitability, liquidity and capital resources or financial position due to the application of IFRS 17. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the consolidated financial statements. Other IFRSs issued but not EU endorsed are not expected to have a significant impact on the Company's consolidated financial statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally

presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $9.8M and $7.3M asset backed secured debt at 03/31/18 and 03/31/17 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2018	2017
Earnings	180	187
Add:		
Interest included in expense	223	177
One-third of rental expense	1	1
Adjusted earnings	404	365
Fixed Charges:		
Interest included in expense	223	177
Interest capitalized	21	14
One-third of rental expense	1	1
Total fixed charges	245	192
Ratio of earning to fixed charges	1.64	1.90

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

December 31, 2017 and 2016

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-11

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 12

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	December 31,	
Assets	**2017**	**2016**
Cash and cash equivalents	$ 113	$ 70
Amounts due from affiliated companies	226	294
Trade receivables	615	431
Returned and repossessed vehicle inventory	738	569
Finance receivables, net	25,318	24,603
Vehicles and equipment leased, net	24,080	22,735
Other assets	460	534
Total assets	**$ 51,550**	**$ 49,236**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 203	$ 203
Amounts due to affiliated companies	988	181
Financial liabilities	42,827	41,496
Deferred income	1,041	994
Deferred income taxes, net	2,967	3,889
Total liabilities	**48,026**	**46,763**
Member's interest	3,524	2,473
Total liabilities and member's interest	**$ 51,550**	**$ 49,236**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (In millions of U.S. dollars)

	Years Ended December 31,	
	2017	**2016**
Retail finance receivables and finance leases	$ 679	$ 628
Wholesale finance receivables and other	370	315
Vehicles and equipment leased – rents and fees	4,757	4,411
Remarketing revenue	5,759	6,240
Gain on sale of nonautomotive finance leases	23	1
Other income	26	27
Total finance revenue and other income	**11,614**	**11,622**
Interest expense	794	576
Depreciation on vehicles and equipment leased	3,716	3,475
Provision for credit losses	129	189
Remarketing expense	5,759	6,241
Loss of nonautomotive finance leases	–	–
Selling expenses	213	238
General administrative expenses	174	133
Total Expenses	**10,785**	**10,852**
Profit before income taxes	**829**	**770**
Income tax expense/(benefit)	**(1,239)**	**298**
Profit for the period	**$ 2,068**	**$ 472**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 2, 2018, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2017 and 2016. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

IFRSs with mandatory application do not have a significant impact on the consolidated financial statements.

IFRSs issued, EU endorsed and not yet adopted

In May 2014, the IASB published **IFRS 15 Revenue from Contracts with Customers**. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. Disclosure requirements are also extended. Application of IFRS 15 is mandatory for reporting periods beginning on or after January 1, 2018. Daimler will apply IFRS 15 for the first time for the financial year beginning on January 1, 2018. Daimler plans for retrospective first-time application so that the comparative period is presented according to IFRS 15. The application of IFRS 15 will not have any major impact on the Company's consolidated financial statements.

In July 2014, the IASB published **IFRS 9 Financial Instruments**, which replaces IAS 39. IFRS 9 includes a uniform model for classification and measurement methods (including impairments) for financial instruments. It also includes regulations for general hedge accounting. IFRS 9 requires additional notes disclosure, resulting from the amendment of IFRS 7 Financial Instruments – Disclosures.

Effects result above all from the fact that the new regulations for recognizing impairments also include expected future losses, whereas IAS 39 only requires the recognition of impairments that have already occurred. Especially receivables from financial services in the Daimler Financial Services segment are affected.

All equity instruments are to be measured at fair value, either through profit or loss or at fair value through other comprehensive income. If changes in carrying amounts are recognized in other comprehensive income, they are no longer to be reclassified to profit or loss when these instruments are sold. In addition, some debt instruments will be measured at fair value through profit or loss due to the new classification requirements of IFRS 9. Possible effects can be in higher fluctuations in carrying amounts and fluctuations in the income statement and/or the statement of other comprehensive income.

Additional effects will result from the possibility to exclude certain components of derivatives from designation to a hedge relationship and to defer the changes in these components' fair value in other comprehensive income. This change applies for example to the fair value of options whose changes in carrying amounts are regularly remeasured through profit and loss during the term of the options according to IAS 39. The newly introduced possibility to designate risk components of non-financial hedged items will facilitate hedge accounting for commodities.

Application of IFRS 9 is mandatory at the latest for reporting periods beginning on or after January 1, 2018. Daimler will apply IFRS 9 for the first time for the financial year beginning on January 1, 2018. In compliance with the transitional regulations, Daimler will not adjust the prior-year figures and will present the accumulated transitional effects in retained earnings. One exception to this is the recognition through other comprehensive income of certain undesignated components of derivatives, which is to be applied retrospectively to the comparative figures. Examination of the effects on the consolidated financial statements of applying IFRS 9 with regard to classification and measurement, impairment and hedge accounting indicates that no material impact on the Group's profitability, liquidity and capital resources or financial position is to be expected from the transition to IFRS 9.

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17 and IFRIC 4 and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognize assets for the right to use as well as leasing liabilities for leases with a term of more than twelve months. This means that leases that were previously not reported in the statement of financial position will have to be reported in the future – very similar to the current accounting of finance leases. Lease accounting for lessors has been taken over almost identically from IAS 17 into IFRS 16.

IFRS 16 is to be applied to annual reporting periods beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 is already applied.

The effects on the consolidated financial statements of the application of IFRS 16 are currently being examined. Daimler will probably apply IFRS 16 for the first time for the financial year beginning on January 1, 2019. Daimler currently plans, in compliance with the transition regulations, not to adjust the prior year figures and to present the accumulated transitional effects in retained earnings.

IFRSs issued but neither EU endorsed nor yet adopted

In May 2017, the IASB issued **IFRS 17 Insurance Contracts.** IFRS 17 replaces the currently applicable IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Daimler currently does not expect any material impacts on the Group's profitability, liquidity and capital resources or financial position due to the application of IFRS 17. Early adoption is not currently planned.

In addition, further standards and interpretations have been approved which are not expected to have a material impact on the consolidated financial statements. Other IFRSs issued but not EU endorsed are not expected to have a significant impact on the Company's consolidated financial statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally

presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor’s technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $4.6M and $4.5M asset backed secured debt at 12/31/17 and 12/31/16 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Years Ended December 31,	
	2017	2016
Earnings	826	771
Add:		
Interest included in expense	792	575
One-third of rental expense	3	4
Adjusted earnings	1,621	1,350
Fixed Charges:		
Interest included in expense	792	575
Interest capitalized	18	17
One-third of rental expense	3	4
Total fixed charges	813	596
Ratio of earning to fixed charges	1.99	2.26

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

September 30, 2017 and 2016

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-10

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 11

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	September 30,	
Assets	**2017**	**2016**
Cash and cash equivalents	$ 230	$ 176
Amounts due from affiliated companies	283	370
Trade receivables	599	389
Returned and repossessed vehicle inventory	500	517
Finance receivables, net	24,594	24,096
Vehicles and equipment leased, net	23,629	22,279
Other assets	477	564
Total assets	**$ 50,312**	**$ 48,391**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 177	$ 235
Amounts due to affiliated companies	216	224
Financial liabilities	41,981	40,797
Deferred income	1,053	982
Deferred income taxes, net	4,310	3,776
Total liabilities	**47,737**	**46,014**
Member's interest	2,575	2,377
Total liabilities and member's interest	**$ 50,312**	**$ 48,391**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2017	**2016**
Retail finance receivables and finance leases	$ 519	$ 469
Wholesale finance receivables and other	281	236
Vehicles and equipment leased – rents and fees	3,539	3,284
Remarketing revenue	4,265	4,647
Gain on sale of nonautomotive finance leases	–	2
Other income	19	19
Total finance revenue and other income	**8,623**	**8,657**
Interest expense	569	419
Depreciation on vehicles and equipment leased	2,761	2,562
Provision for credit losses	99	130
Remarketing expense	4,265	4,647
Loss of nonautomotive finance leases	–	–
Selling expenses	133	179
General administrative expenses	167	101
Total Expenses	**7,994**	**8,038**
Profit before income taxes	**629**	**619**
Income tax expense/(benefit)	**248**	**240**
Profit for the period	**$ 381**	**$ 379**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2016 and 2015

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 8, 2017, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2016 and 2015. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

IFRSs with mandatory application do not have a significant impact on the consolidated financial statements.

IFRSs issued, EU endorsed and not yet adopted

In May 2014, the IASB published **IFRS 15 Revenue from Contracts with Customers**. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. Disclosure requirements are also extended. Application of IFRS 15 is mandatory for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Investigation of the effects on Daimler's consolidated financial statements of adopting IFRS 15 has not yet been completed. From today's perspective, the application of IFRS 15 is not expected to have any major impact on the Company's consolidated financial statements.

In July 2014, the IASB published **IFRS 9 Financial Instruments**, which replaces IAS 39. IFRS 9 includes a uniform model for classification and measurement methods (including impairments) for financial instruments. It also includes regulations for general hedge accounting. IFRS 9 requires additional notes disclosure, resulting from the amendment of IFRS 7 Financial Instruments – Disclosures.

Examination of the effects on the consolidated financial statements of applying IFRS 9 is not yet completed. Effects can result in particular from the fact that the new regulations for recognizing impairments also include expected future losses, whereas IAS 39 only requires the recognition of impairments that have already occurred. Especially receivables from financial services in the Daimler Financial Services segment can be affected.

In the future, all equity instruments are to be measured at fair value through profit or loss or at fair value through other comprehensive income. If changes in carrying amounts are recognized in other comprehensive income, they are no longer to be reclassified to profit or loss when these instruments are sold. Possible effects can be in sharp fluctuations in carrying amounts and fluctuations in the income statement and/or the statement of other comprehensive income.

Additional effects can result from the possibility to exclude certain components of derivatives from designation to a hedging instrument and to recognize the changes in these components' fair value in other comprehensive income. This change applies for example to the fair value of options whose changes in carrying amounts are regularly remeasured through profit and loss during the term of the options according to IAS 39.

Daimler will apply IFRS 9 for the first time for the financial year beginning on January 1, 2018. Daimler currently plans, in compliance with the transitional regulations, not to adjust the prior-year figures and to present the accumulated transitional effects in retained earnings. One exception to this is the recognition through other comprehensive income of the nondesignated portion of derivatives, which is to be applied retrospectively to the comparative figures. Overall, Daimler does not currently anticipate any material impact on the Group's profitability, liquidity and capital resources or financial position from the transition to IFRS 9.

IFRSs issued but neither EU endorsed nor yet adopted

The final standard **IFRS 16 Leases** was published by the IASB on January 13, 2017. The changes resulting from this new standard mainly affect lessee accounting and generally require lessees to recognize assets and liabilities for all leases. The effects of the application of IFRS 16 are still being examined. IFRS 16 is to be applied to annual reporting periods beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 is being applied.

Subject to EU endorsement of these standards, which are to be adopted in future periods, Daimler does not currently plan to apply these standards earlier. Other IFRSs issued but not EU endorsed are not expected to have a significant impact on the Company's consolidated financial statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision

over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized.
Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does

not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.
Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing
Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values
The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance

receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $9.6M and $7.6M asset backed secured debt at 9/30/17 and 9/30/16 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2017	2016
Earnings	628	618
Add:		
Interest included in expense	567	418
One-third of rental expense	3	3
Adjusted earnings	1,198	1,039
Fixed Charges:		
Interest included in expense	567	418
Interest capitalized	21	17
One-third of rental expense	3	3
Total fixed charges	591	438
Ratio of earning to fixed charges	2.03	2.37

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

June 30, 2017 and 2016

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-10

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 11

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	June 30,	
Assets	**2017**	**2016**
Cash and cash equivalents	$ 171	$ 75
Amounts due from affiliated companies	88	282
Trade receivables	249	417
Returned and repossessed vehicle inventory	478	494
Finance receivables, net	24,721	24,675
Vehicles and equipment leased, net	23,374	21,890
Other assets	486	451
Total assets	**$ 49,567**	**$ 48,284**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 168	$ 191
Amounts due to affiliated companies	247	211
Financial liabilities	41,524	41,025
Deferred income	1,040	948
Deferred income taxes, net	4,155	3,652
Total liabilities	**47,134**	**46,027**
Member's interest	2,433	2,257
Total liabilities and member's interest	**$ 49,567**	**$ 48,284**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Six Months Ended June 30,	
	2017	**2016**
Retail finance receivables and finance leases	$ 328	$ 311
Wholesale finance receivables and other	184	159
Vehicles and equipment leased – rents and fees	2,318	2,171
Remarketing revenue	7,225	3,016
Gain on sale of nonautomotive finance leases	–	2
Other income	13	12
Total finance revenue and other income	**10,068**	**5,671**
Interest expense	367	271
Depreciation on vehicles and equipment leased	1,797	1,696
Provision for credit losses	84	71
Remarketing expense	7,225	3,017
Loss of nonautomotive finance leases	–	–
Selling expenses	112	126
General administrative expenses	88	60
Total Expenses	**9,673**	**5,241**
Profit before income taxes	**395**	**430**
Income tax expense/(benefit)	**154**	**170**
Profit for the period	**$ 241**	**$ 260**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2016 and 2015

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 8, 2017, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2016 and 2015. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

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IFRSs with mandatory application do not have a significant impact on the consolidated financial statements.

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over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

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Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

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Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

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The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does

not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.
Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing
Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values
The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance

receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $8.5M and $6.9M asset backed secured debt at 6/30/17 and 6/30/16 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Six Months Ended June 30,	
	2017	2016
Earnings	395	428
Add:		
Interest included in expense	366	271
One-third of rental expense	2	2
Adjusted earnings	763	701
Fixed Charges:		
Interest included in expense	366	271
Interest capitalized	19	16
One-third of rental expense	2	2
Total fixed charges	387	289
Ratio of earning to fixed charges	1.97	2.43

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

March 31, 2017 and 2016

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-10

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 11

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	March 31,	
Assets	**2017**	**2016**
Cash and cash equivalents	$ 154	78
Amounts due from affiliated companies	242	488
Trade receivables	369	364
Returned and repossessed vehicle inventory	405	510
Finance receivables, net	24,418	24,992
Vehicles and equipment leased, net	22,961	21,519
Other assets	914	559
Total assets	**$ 49,463**	**$ 48,510**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 110	164
Amounts due to affiliated companies	201	236
Financial liabilities	41,532	41,186
Deferred income	1,011	925
Deferred income taxes, net	4,022	3,437
Total liabilities	**46,876**	**45,948**
Member's interest	2,587	2,562
Total liabilities and member's interest	**$ 49,463**	**$ 48,510**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2017	**2016**
Retail finance receivables and finance leases	$ 163	155
Wholesale finance receivables and other	84	78
Vehicles and equipment leased – rents and fees	1,151	1,081
Remarketing revenue	2,630	1,481
Gain on sale of nonautomotive finance leases	–	2
Other income	7	5
Total finance revenue and other income	**4,035**	**2,802**
Interest expense	177	132
Depreciation on vehicles and equipment leased	887	846
Provision for credit losses	62	41
Remarketing expense	2,630	1,482
Loss of nonautomotive finance leases	–	–
Selling expenses	54	63
General administrative expenses	39	29
Total Expenses	**3,849**	**2,593**
Profit before income taxes	**186**	**209**
Income tax expense/(benefit)	**72**	**85**
Profit for the period	**$ 114**	**$ 124**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2016 and 2015

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 8, 2017, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2016 and 2015. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

IFRSs with mandatory application do not have a significant impact on the consolidated financial statements.

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Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does

not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.
Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing
Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values
The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories
Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets
Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance

receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Liabilities

Liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities. Financial liabilities include $7.2M and $7.4M asset backed secured debt at 3/31/17 and 3/31/16 respectively.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2017	2016
Earnings	187	209
Add:		
Interest included in expense	177	132
One-third of rental expense	1	1
Adjusted earnings	365	342
Fixed Charges:		
Interest included in expense	177	132
Interest capitalized	14	16
One-third of rental expense	1	1
Total fixed charges	192	149
Ratio of earning to fixed charges	1.90	2.29

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

December 31, 2016 and 2015

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-10

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES.. 11

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	December 31,	
Assets	**2016**	**2015**
Cash and cash equivalents	$ 70	138
Amounts due from affiliated companies	294	225
Trade receivables	431	359
Returned and repossessed vehicle inventory	569	649
Finance receivables, net	24,603	24,973
Vehicles and equipment leased, net	22,735	21,345
Other assets	534	489
Total assets	**$ 49,236**	**48,178**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 203	216
Amounts due to affiliated companies	181	207
Financial liabilities	41,496	41,072
Deferred income	994	922
Deferred income taxes, net	3,889	3,323
Total liabilities	**46,763**	**45,740**
Member's interest	2,473	2,438
Total liabilities and member's interest	**$ 49,236**	**48,178**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Years Ended December 31,	
	2016	**2015**
Retail finance receivables and finance leases	$ 628	605
Wholesale finance receivables and other	315	272
Vehicles and equipment leased – rents and fees	4,411	3,924
Remarketing revenue	6,240	5,844
Gain on sale of nonautomotive finance leases	1	14
Other income	27	28
Total finance revenue and other income	**11,622**	**10,687**
Interest expense	576	431
Depreciation on vehicles and equipment leased	3,475	3,139
Provision for credit losses	189	100
Remarketing expense	6,241	5,845
Loss of nonautomotive finance leases	–	–
Selling expenses	238	253
General administrative expenses	133	102
Total Expenses	**10,852**	**9,870**
Profit before income taxes	**770**	**817**
Income tax expense/(benefit)	**298**	**337**
Profit for the period	**$ 472**	**480**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2016 and 2015

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information is presented in U.S. dollars and has been rounded to the nearest million, unless indicated otherwise. On March 8, 2017, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2016 and 2015. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

IFRSs with mandatory application do not have a significant impact on the consolidated financial statements.

IFRSs issued, EU endorsed and not yet adopted

In May 2014, the IASB published **IFRS 15 Revenue from Contracts with Customers**. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. Disclosure requirements are also extended. Application of IFRS 15 is mandatory for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Investigation of the effects on Daimler's consolidated financial statements of adopting IFRS 15 has not yet been completed. From today's perspective, the application of IFRS 15 is not expected to have any major impact on the Company's consolidated financial statements.

In July 2014, the IASB published **IFRS 9 Financial Instruments**, which replaces IAS 39. IFRS 9 includes a uniform model for classification and measurement methods (including impairments) for financial instruments. It also includes regulations for general hedge accounting. IFRS 9 requires additional notes disclosure, resulting from the amendment of IFRS 7 Financial Instruments – Disclosures.

Examination of the effects on the consolidated financial statements of applying IFRS 9 is not yet completed. Effects can result in particular from the fact that the new regulations for recognizing impairments also include expected future losses, whereas IAS 39 only requires the recognition of impairments that have already occurred. Especially receivables from financial services in the Daimler Financial Services segment can be affected.

In the future, all equity instruments are to be measured at fair value through profit or loss or at fair value through other comprehensive income. If changes in carrying amounts are recognized in other comprehensive income, they are no longer to be reclassified to profit or loss when these instruments are sold. Possible effects can be in sharp fluctuations in carrying amounts and fluctuations in the income statement and/or the statement of other comprehensive income.

Additional effects can result from the possibility to exclude certain components of derivatives from designation to a hedging instrument and to recognize the changes in these components' fair value in other comprehensive income. This change applies for example to the fair value of options whose changes in carrying amounts are regularly remeasured through profit and loss during the term of the options according to IAS 39.

Daimler will apply IFRS 9 for the first time for the financial year beginning on January 1, 2018. Daimler currently plans, in compliance with the transitional regulations, not to adjust the prior-year figures and to present the accumulated transitional effects in retained earnings. One exception to this is the recognition through other comprehensive income of the nondesignated portion of derivatives, which is to be applied retrospectively to the comparative figures. Overall, Daimler does not currently anticipate any material impact on the Group's profitability, liquidity and capital resources or financial position from the transition to IFRS 9.

IFRSs issued but neither EU endorsed nor yet adopted

The final standard **IFRS 16 Leases** was published by the IASB on January 13, 2016. The changes resulting from this new standard mainly affect lessee accounting and generally require lessees to recognize assets and liabilities for all leases. The effects of the application of IFRS 16 are still being examined. IFRS 16 is to be applied to annual reporting periods beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 is being applied.

Subject to EU endorsement of these standards, which are to be adopted in future periods, Daimler does not currently plan to apply these standards earlier. Other IFRSs issued but not EU endorsed are not expected to have a significant impact on the Company's consolidated financial statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision

over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated. As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized.
Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does

not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.
Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing
Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values
The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance

receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Financial liabilities

Financial liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities.

Financial liabilities are measured at amortized cost and amortized using the effective interest method.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is 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 are 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 hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, 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 and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument after taxes are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged underlying transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

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.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under "Accounting policies".

Risks and uncertainties

MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Years Ended December 31,	
	2016	2015
Earnings	771	819
Add:		
Interest included in expense	575	430
One-third of rental expense	4	3
Adjusted earnings	1,350	1,252
Fixed Charges:		
Interest included in expense	575	430
Interest capitalized	17	14
One-third of rental expense	4	3
Total fixed charges	596	447
Ratio of earning to fixed charges	2.26	2.80

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	September 30,	
Assets	**2016**	**2015**
Cash and cash equivalents	$ 176	81
Amounts due from affiliated companies	370	374
Trade receivables	389	280
Returned and repossessed vehicle inventory	517	467
Finance receivables, net	24,096	24,453
Vehicles and equipment leased, net	22,279	20,810
Other assets	564	984
Total assets	**$ 48,391**	**47,449**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 235	123
Amounts due to affiliated companies	224	322
Financial liabilities	40,797	40,792
Deferred income	982	722
Deferred income taxes, net	3,776	3,139
Total liabilities	**46,014**	**45,098**
Member's interest	2,377	2,351
Total liabilities and member's interest	**$ 48,391**	**47,449**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2016	**2015**
Retail finance receivables and finance leases	$ 469	437
Wholesale finance receivables and other	236	198
Vehicles and equipment leased – rents and fees	3,284	3,026
Remarketing revenue	4,647	4,317
Gain on sale of nonautomotive finance leases	2	23
Other income	19	21
Total finance revenue and other income	**8,657**	**8,022**
Interest expense	419	310
Depreciation on vehicles and equipment leased	2,562	2,415
Provision for credit losses	130	70
Remarketing expense	4,647	4,318
Loss of nonautomotive finance leases	–	–
Selling expenses	179	173
General administrative expenses	101	81
Total Expenses	**8,038**	**7,367**
Profit before income taxes	**619**	**655**
Income tax expense/(benefit)	**240**	**261**
Profit for the period	**$ 379**	**394**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	June 30,	
Assets	**2016**	**2015**
Cash and cash equivalents	$ 75	73
Amounts due from affiliated companies	282	338
Trade receivables	417	248
Returned and repossessed vehicle inventory	494	481
Finance receivables, net	24,675	23,935
Vehicles and equipment leased, net	21,890	20,318
Other assets	451	475
Total assets	**$ 48,284**	**45,868**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 191	109
Amounts due to affiliated companies	211	194
Financial liabilities	41,025	39,734
Deferred income	948	689
Deferred income taxes, net	3,652	2,910
Total liabilities	**46,027**	**43,636**
Member's interest	2,257	2,232
Total liabilities and member's interest	**$ 48,284**	**45,868**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (In millions of U.S. dollars)

	Six Months Ended June 30,	
	2016	**2015**
Retail finance receivables and finance leases	$ 311	284
Wholesale finance receivables and other	159	128
Vehicles and equipment leased – rents and fees	2,171	2,007
Remarketing revenue	3,016	2,918
Gain on sale of nonautomotive finance leases	2	22
Other income	12	13
Total finance revenue and other income	**5,671**	**5,372**
Interest expense	271	200
Depreciation on vehicles and equipment leased	1,696	1,599
Provision for credit losses	71	37
Remarketing expense	3,017	2,919
Loss of nonautomotive finance leases	–	–
Selling expenses	126	111
General administrative expenses	60	54
Total Expenses	**5,241**	**4,920**
Profit before income taxes	**430**	**452**
Income tax expense/(benefit)	**170**	**178**
Profit for the period	**$ 260**	**274**

See accompanying notes to consolidated financial statements.

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

March 31, 2016 and 2015

TABLE OF CONTENTS

	Pages(s)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	3
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	4-10
COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES	11

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	March 31,	
Assets	**2016**	**2015**
Cash and cash equivalents	$ 78	79
Amounts due from affiliated companies	488	332
Trade receivables	364	329
Returned and repossessed vehicle inventory	510	482
Finance receivables, net	24,992	22,616
Vehicles and equipment leased, net	21,519	19,886
Other assets	559	565
Total assets	**$ 48,510**	**44,289**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 164	110
Amounts due to affiliated companies	236	182
Financial liabilities	41,186	38,495
Deferred income	925	666
Deferred income taxes, net	3,437	2,740
Total liabilities	**45,948**	**42,193**
Member's interest	2,562	2,096
Total liabilities and member's interest	**$ 48,510**	**44,289**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2016	**2015**
Retail finance receivables and finance leases	$ 155	137
Wholesale finance receivables and other	78	60
Vehicles and equipment leased – rents and fees	1,081	995
Remarketing revenue	1,481	1,480
Gain on sale of nonautomotive finance leases	2	20
Other income	5	6
Total finance revenue and other income	**2,802**	**2,698**
Interest expense	132	97
Depreciation on vehicles and equipment leased	846	797
Provision for credit losses	41	19
Remarketing expense	1,482	1,480
Loss of nonautomotive finance leases	–	–
Selling expenses	63	51
General administrative expenses	29	28
Total Expenses	**2,593**	**2,472**
Profit before income taxes	**209**	**226**
Income tax expense/(benefit)	**85**	**91**
Profit for the period	**$ 124**	**135**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information presented in U.S. dollars has been rounded to the nearest million, unless indicated otherwise. On March 8, 2016, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2015 and 2014. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

IFRSs with mandatory application do not have a significant impact on the Company's consolidated financial statements.

IFRSs issued but neither EU endorsed nor yet adopted

In July 2014, the IASB published IFRS 9 Financial Instruments, which shall supersede IAS 39. IFRS 9 deals with the classification, recognition and measurement (including impairment) of financial instruments as well as with regulations for general hedge accounting. With IFRS 9, additional notes will be required, as specified by the revised IFRS 7 Financial Instruments – Disclosures. Subject to being endorsed by the EU, application of IFRS 9 is mandatory for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Investigation of the effects on Daimler's consolidated financial statements of adopting IFRS 9 has not yet been completed.

In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining whether, in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. Disclosure requirements are also extended. Subject to being endorsed by the EU, application of IFRS 15 is mandatory for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Investigation of the effects on Daimler's consolidated financial statements of adopting IFRS 15 has not yet been completed. From today's perspective, the application of IFRS 15 is not expected to have any major impact on the Company's consolidated financial statements.

The final standard IRFS 16 Leases was published by the IASB on January 13, 2016. The changes resulting from this new standard mainly affect lessee accounting and generally require lessees to recognize assets and liabilities for all leases. The exact effects still have to be analyzed.

Subject to EU endorsement of these standards, which are to be adopted in future periods, Daimler does not currently plan to apply these standards earlier. Other IFRSs issued but not EU endorsed are not expected to have a significant impact on the Company's consolidated financial statements.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated.
As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized.
Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.
Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories
Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets
Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Loans and receivables - Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets
At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor’s technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Financial liabilities

Financial liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities.

Financial liabilities are measured at amortized cost and amortized using the effective interest method.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under "Accounting policies".

Risks and uncertainties

MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2016	2015
Earnings	209	229
Add:		
Interest included in expense	132	97
One-third of rental expense	1	1
Adjusted earnings	342	327
Fixed Charges:		
Interest included in expense	132	97
Interest capitalized	16	13
One-third of rental expense	1	1
Total fixed charges	149	111
Ratio of earning to fixed charges	2.29	2.93

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

December 31, 2015 and 2014

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-10

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 11

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	December 31,	
Assets	**2015**	**2014**
Cash and cash equivalents	$ 138	94
Amounts due from affiliated companies	225	162
Trade receivables	359	331
Returned and repossessed vehicle inventory	649	679
Finance receivables, net	24,973	21,912
Vehicles and equipment leased, net	21,345	19,704
Other assets	489	536
Total assets	**$ 48,178**	**43,418**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 216	133
Amounts due to affiliated companies	207	202
Financial liabilities	41,072	37,813
Deferred income	922	646
Deferred income taxes, net	3,323	2,666
Total liabilities	**45,740**	**41,460**
Member's interest	2,438	1,958
Total liabilities and member's interest	**$ 48,178**	**43,418**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Years Ended December 31,	
	2015	**2014**
Retail finance receivables and finance leases	$ 605	487
Wholesale finance receivables and other	272	223
Vehicles and equipment leased – rents and fees	3,924	3,758
Remarketing revenue	5,844	5,950
Gain on sale of nonautomotive finance leases	14	55
Other income	28	25
Total finance revenue and other income	**10,687**	**10,498**
Interest expense	431	356
Depreciation on vehicles and equipment leased	3,139	3,000
Provision for credit losses	100	59
Remarketing expense	5,845	5,950
Loss of nonautomotive finance leases	–	–
Selling expenses	253	205
General administrative expenses	102	127
Total Expenses	**9,870**	**9,697**
Profit before income taxes	**817**	**801**
Income tax expense/(benefit)	**337**	**337**
Profit for the period	**$ 480**	**464**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information presented in U.S. dollars has been rounded to the nearest million, unless indicated otherwise. On March 8, 2016, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2015 and 2014. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

IFRSs with mandatory application do not have a significant impact on the Company's consolidated financial statements.

IFRSs issued but neither EU endorsed nor yet adopted

In July 2014, the IASB published IFRS 9 Financial Instruments, which shall supersede IAS 39. IFRS 9 deals with the classification, recognition and measurement (including impairment) of financial instruments as well as with regulations for general hedge accounting. With IFRS 9, additional notes will be required, as specified by the revised IFRS 7 Financial Instruments – Disclosures. Subject to being endorsed by the EU, application of IFRS 9 is mandatory for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Investigation of the effects on Daimler's consolidated financial statements of adopting IFRS 9 has not yet been completed.

In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining whether, in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. Disclosure requirements are also extended. Subject to being endorsed by the EU, application of IFRS 15 is mandatory for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Investigation of the effects on Daimler's consolidated financial statements of adopting IFRS 15 has not yet been completed. From today's perspective, the application of IFRS 15 is not expected to have any major impact on the Company's consolidated financial statements.

The final standard IRFS 16 Leases was published by the IASB on January 13, 2016. The changes resulting from this new standard mainly affect lessee accounting and generally require lessees to recognize assets and liabilities for all leases. The exact effects still have to be analyzed.

Subject to EU endorsement of these standards, which are to be adopted in future periods, Daimler does not currently plan to apply these standards earlier. Other IFRSs issued but not EU endorsed are not expected to have a significant impact on the Company's consolidated financial statements.

Presentation
The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement
The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation
The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly controlled by MBFS USA. Control exists if the parent company has the power of decision over a subsidiary based on voting rights or other rights, if it participates in positive and negative variable returns from a subsidiary, and if it can affect these returns by its power of decision.

DCS principally engages in nonautomotive operations, of which no new business is being initiated.
As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the periods of the lease contracts. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases. In addition, sales revenue is generated at the end of the lease contracts from the subsequent sale of the vehicles.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized.
Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.
Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases are presented at (depreciated) cost of acquisition and are depreciated on a straight-line basis over the contract term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term. If these vehicles are subsidized, the subsidies are deducted from the cost of acquisition.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least semi-annually for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories
Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets
Financial assets are primarily comprised of cash and cash equivalents, amounts due from affiliated companies, trade receivables, and finance receivables.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Loans and receivables - Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks as well as debt instruments and certificates of deposits with a remaining term of up to three months, which are not subject to any material value fluctuations.

Impairment of financial assets
At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables – If there are objective indications that the value of a loan or receivable has to be impaired, amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Financial liabilities
Financial liabilities primarily include trade accounts payables, amounts due to affiliated companies, and financial liabilities.

Financial liabilities are measured at amortized cost and amortized using the effective interest method.

Provisions for other risks and contingent liabilities
A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made 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. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- Recoverable amount of equipment on operating leases;
- Collectability of finance receivables; and
- Recoverability of deferred tax assets

Further details on the estimates and assessments used in the preparation of these financial statements are provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Years Ended December 31,	
	2015	2014
Earnings	819	803
Add:		
Interest included in expense	430	354
One-third of rental expense	3	3
Adjusted earnings	1,252	1,160
Fixed Charges:		
Interest included in expense	430	354
Interest capitalized	14	12
One-third of rental expense	3	3
Total fixed charges	447	370
Ratio of earning to fixed charges	2.80	3.14

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

September 30, 2015 and 2014

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-10

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 11

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	September 30,	
Assets	**2015**	**2014**
Cash and cash equivalents	$ 81	99
Amounts due from affiliated companies	374	299
Trade receivables	280	379
Returned and repossessed vehicle inventory	467	398
Finance receivables, net	24,453	20,495
Vehicles and equipment leased, net	20,810	19,178
Other assets	984	833
Total assets	**$ 47,449**	**41,681**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 123	117
Amounts due to affiliated companies	322	203
Financial liabilities	40,792	36,247
Deferred income	722	606
Deferred income taxes, net	3,139	2,662
Total liabilities	**45,098**	**39,835**
Member's interest	2,351	1,846
Total liabilities and member's interest	**$ 47,449**	**41,681**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2015	**2014**
Retail finance receivables and finance leases	$ 437	419
Wholesale finance receivables and other	198	163
Vehicles and equipment leased – rents and fees	3,026	2,701
Remarketing revenue	4,317	4,435
Gain on sale of nonautomotive finance leases	23	–
Other income	21	18
Total finance revenue and other income	**8,022**	**7,736**
Interest expense	310	267
Depreciation on vehicles and equipment leased	2,415	2,131
Provision for credit losses	70	39
Remarketing expense	4,318	4,449
Loss of nonautomotive finance leases	–	7
Selling expenses	173	123
General administrative expenses	81	97
Total Expenses	**7,367**	**7,113**
Profit before income taxes	**655**	**623**
Income tax expense/(benefit)	**261**	**271**
Profit for the period	**$ 394**	**352**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
September 30, 2015 and 2014

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information presented in U.S. dollars has been rounded to the nearest million, unless indicated otherwise. On November 12, 2015, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the nine months ended September 30, 2015 and 2014. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

In May 2011, the IASB issued three new standards that provide guidance with respect to accounting for investments of the reporting entity in other entities. The EU endorsed the standards in December 2013. The Company applies the new consolidation standards as of the mandatory effective date for IFRS users in the EU of January 1, 2014 on a retrospective basis. IFRS 10 Consolidated Financial Statements supersedes consolidation rules in IAS 27 Consolidated and Separate Financial Statements as well as SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single consolidation model based on control that applies to all entities irrespective of the type of controlled entity. According to the new model control exists if the potential parent company has the power of decision over the potential subsidiary based on voting rights or other rights, if it participates in positive or negative variable returns from the potential subsidiary, and if it can affect these returns by its power of decision. The standard has been applied without a significant influence on the Company's Financial Statements.

IFRS 11 Joint Arrangements provides new guidance on accounting for joint arrangements. The standard supersedes IAS 31 Interests in Joint Ventures as well as SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. In the future, it has to be decided whether a joint operation or a joint venture exists. In a joint venture the parties that have joint control have rights to the net assets. Interests in a joint venture shall be accounted for as an investment using the equity method. MBFS USA doesn't have any joint operations, therefore the standard does not have a significant influence on the Company's Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities provides guidance on disclosure requirements for interests in other entities by combining existing disclosure requirements from several standards in IFRS 12. MBFS USA does not have any interests in other entities, therefore the standard does not have a significant influence on the Company's Financial Statements.

Other IFRSs and interpretations issued with mandatory application do not have a significant influence on the Company's financial position, cash flows or earnings.

IFRSs issued but neither EU endorsed nor yet adopted

In July 2014, the IASB published IFRS 9 Financial Instruments, which shall supersede IAS 39. IFRS 9 deals with the classification, recognition and measurement (including impairment) of financial instruments as well as with regulations for general hedge accounting. With IFRS 9, additional notes will be required, as specified by the revised IFRS 7 Financial Instruments – Disclosures. Subject to being endorsed by the EU, application of IFRS 9 is mandatory for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Investigation of the effects on Daimler's consolidated financial statements of adopting IFRS 9 has not yet been completed.

In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining whether, in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. Disclosure requirements are also extended. Subject to being endorsed by the EU, application of IFRS 15 is mandatory for reporting periods beginning on or after January 1, 2017. Early adoption is permitted. Investigation of the effects on Daimler's consolidated financial statements of adopting IFRS 15 has not yet been completed.

Other IFRSs issued are not expected to have a significant influence on the Company's consolidated financial statements. Subject to EU endorsement of these standards, which are to be adopted in future periods, Daimler does not plan to apply these standards earlier.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly or indirectly controlled by MBFS USA. Control means the power, directly or indirectly, to govern the financial and operating policies of an entity so that the parent obtains benefits from its activities. DCS principally engages in nonautomotive operations, of which no new business is being initiated.

As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.
The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the contractual terms of the leases. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized.
Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.
Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases is carried initially at its acquisition or manufacturing cost and is depreciated on a straight-line basis over the contractual term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the
leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least quarterly for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the quarterly review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories
Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss and are amortized over the life of the financial instrument. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets
Financial assets are primarily comprised of amounts due from affiliated companies, finance receivables, trade receivables, cash and cash equivalents, marketable securities and investments in associates.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Loans and receivables - Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks as well as debt instruments and certificates of deposits with an original term of up to three months.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective, significant evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables - The amount of the impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The fair value of the underlying collateral may be used as a practical expedient to measure impairment loss under certain circumstances. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Financial liabilities

Financial liabilities primarily include trade accounts payable, amounts due to affiliated companies, liabilities to banks, bonds, and other liabilities.

Financial liabilities are measured at amortized cost and amortized using the effective interest method.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

Preparation of the consolidated financial statements, to a certain degree, require management to make estimates, assessments and assumptions which can affect the amounts and reporting of assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. The items affected by such estimates,

assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- recoverability of investments in equipment on operating leases;
- collectability of receivables resulting from sales financing and leases;
- recoverability of deferred tax assets; and
- assets and obligations related to employee benefits.

Further details on the estimates and assessments used in the preparation of these financial statements is provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Nine Months Ended September 30,	
	2015	2014
Earnings	655	624
Add:		
Interest included in expense	309	266
One-third of rental expense	2	2
Adjusted earnings	966	892
Fixed Charges:		
Interest included in expense	309	266
Interest capitalized	15	15
One-third of rental expense	2	2
Total fixed charges	326	283
Ratio of earning to fixed charges	2.97	3.15

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

June 30, 2015 and 2014

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-10

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 11

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	June 30,	
Assets	**2015**	**2014**
Cash and cash equivalents	$ 73	128
Assets held for sale	–	–
Amounts due from affiliated companies	338	290
Trade receivables	248	299
Returned and repossessed vehicle inventory	481	588
Finance receivables, net	23,935	19,485
Vehicles and equipment leased, net	20,318	18,673
Other assets	475	412
Total assets	**$ 45,868**	**39,875**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 109	172
Liabilities held for sale	–	–
Amounts due to affiliated companies	194	293
Income taxes due to affiliated companies, net	–	62
Financial liabilities	39,734	34,660
Deferred income	689	408
Deferred income taxes, net	2,910	2,519
Total liabilities	**43,636**	**38,114**
Member's interest	2,232	1,761
Total liabilities and member's interest	**$ 45,868**	**39,875**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Six Months Ended June 30,	
	2015	**2014**
Retail finance receivables and finance leases	$ 284	295
Wholesale finance receivables and other	128	108
Vehicles and equipment leased – rents and fees	2,007	1,777
Remarketing revenue	2,918	2,853
Gain on sale of nonautomotive finance leases	22	–
Other income	13	11
Total finance revenue and other income	**5,372**	**5,044**
Interest expense	200	181
Depreciation on vehicles and equipment leased	1,599	1,396
Provision for credit losses	37	16
Remarketing expense	2,919	2,861
Loss of nonautomotive finance leases	–	5
Selling expenses	111	79
General administrative expenses	54	64
Total Expenses	**4,920**	**4,602**
Profit before income taxes	**452**	**442**
Income tax expense/(benefit)	**178**	**175**
Profit for the period	**$ 274**	**267**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
March 31, 2015 and 2014

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information presented in U.S. dollars has been rounded to the nearest million, unless indicated otherwise. On August 07, 2015, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the six months ended June 30, 2015 and 2014. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

In May 2011, the IASB issued three new standards that provide guidance with respect to accounting for investments of the reporting entity in other entities. The EU endorsed the standards in December 2013. The Company applies the new consolidation standards as of the mandatory effective date for IFRS users in the EU of January 1, 2014 on a retrospective basis. IFRS 10 Consolidated Financial Statements supersedes consolidation rules in IAS 27 Consolidated and Separate Financial Statements as well as SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single consolidation model based on control that applies to all entities irrespective of the type of controlled entity. According to the new model control exists if the potential parent company has the power of decision over the potential subsidiary based on voting rights or other rights, if it participates in positive or negative variable returns from the potential subsidiary, and if it can affect these returns by its power of decision. The standard has been applied without a significant influence on the Company's Financial Statements.

IFRS 11 Joint Arrangements provides new guidance on accounting for joint arrangements. The standard supersedes IAS 31 Interests in Joint Ventures as well as SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. In the future, it has to be decided whether a joint operation or a joint venture exists. In a joint venture the parties that have joint control have rights to the net assets. Interests in a joint venture shall be accounted for as an investment using the equity method. MBFS USA doesn't have any joint operations, therefore the standard does not have a significant influence on the Company's Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities provides guidance on disclosure requirements for interests in other entities by combining existing disclosure requirements from several standards in IFRS 12. MBFS USA does not have any interests in other entities, therefore the standard does not have a significant influence on the Company's Financial Statements.

Other IFRSs and interpretations issued with mandatory application do not have a significant influence on the Company's financial position, cash flows or earnings.

IFRSs issued but neither EU endorsed nor yet adopted

In July 2014, the IASB published IFRS 9 Financial Instruments, which shall supersede IAS 39. IFRS 9 deals with the classification, recognition and measurement (including impairment) of financial instruments as well as with regulations for general hedge accounting. With IFRS 9, additional notes will be required, as specified by the revised IFRS 7 Financial Instruments – Disclosures. Subject to being endorsed by the EU, application of IFRS 9 is mandatory for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Investigation of the effects on Daimler's consolidated financial statements of adopting IFRS 9 has not yet been completed.

In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining whether, in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. Disclosure requirements are also extended. Subject to being endorsed by the EU, application of IFRS 15 is mandatory for reporting periods beginning on or after January 1, 2017. Early adoption is permitted. Investigation of the effects on Daimler's consolidated financial statements of adopting IFRS 15 has not yet been completed.

Other IFRSs issued are not expected to have a significant influence on the Company's consolidated financial statements. Subject to EU endorsement of these standards, which are to be adopted in future periods, Daimler does not plan to apply these standards earlier.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly or indirectly controlled by MBFS USA. Control means the power, directly or indirectly, to govern the financial and operating policies of an entity so that the parent obtains benefits from its activities. DCS principally engages in nonautomotive operations, of which no new business is being initiated.

As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.
The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the contractual terms of the leases. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized.
Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.
Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases is carried initially at its acquisition or manufacturing cost and is depreciated on a straight-line basis over the contractual term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least quarterly for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the quarterly review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss and are amortized over the life of the financial instrument. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of amounts due from affiliated companies, finance receivables, trade receivables, cash and cash equivalents, marketable securities and investments in associates.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Loans and receivables - Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks as well as debt instruments and certificates of deposits with an original term of up to three months.

Impairment of financial assets
At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective, significant evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables - The amount of the impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The fair value of the underlying collateral may be used as a practical expedient to measure impairment loss under certain circumstances. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Financial liabilities
Financial liabilities primarily include trade accounts payable, amounts due to affiliated companies, liabilities to banks, bonds, and other liabilities.

Financial liabilities are measured at amortized cost and amortized using the effective interest method.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

Preparation of the consolidated financial statements, to a certain degree, require management to make estimates, assessments and assumptions which can affect the amounts and reporting of assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. The items affected by such estimates,

assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- recoverability of investments in equipment on operating leases;
- collectability of receivables resulting from sales financing and leases;
- recoverability of deferred tax assets; and
- assets and obligations related to employee benefits.

Further details on the estimates and assessments used in the preparation of these financial statements is provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Assets Held for Sale

In November 2013, the Company approved the sale of a non-automotive finance lease related to an energy facility. The carrying value of these held for sale assets reflect the lower of carrying amount and fair market value (less estimated selling costs) as of the Consolidated Statement of Financial Position date. The Company completed the sale on February 13, 2014.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Six Months Ended June 30,	
	2015	2014
Earnings	453	443
Add:		
Interest included in expense	199	180
One-third of rental expense	2	2
Adjusted earnings	654	625
Fixed Charges:		
Interest included in expense	199	180
Interest capitalized	14	16
One-third of rental expense	2	2
Total fixed charges	215	198
Ratio of earning to fixed charges	3.05	3.16

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

March 31, 2015 and 2014

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4-10

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 11

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	March 31,	
Assets	**2015**	**2014**
Cash and cash equivalents	$ 79	88
Assets held for sale	–	–
Amounts due from affiliated companies	332	251
Trade receivables	329	234
Returned and repossessed vehicle inventory	482	468
Finance receivables, net	22,616	18,637
Vehicles and equipment leased, net	19,886	18,451
Other assets	565	436
Total assets	**$ 44,289**	**38,565**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 110	20
Liabilities held for sale	–	–
Amounts due to affiliated companies	182	163
Income taxes due to affiliated companies, net	–	131
Financial liabilities	38,495	33,687
Deferred income	666	402
Deferred income taxes, net	2,740	2,513
Total liabilities	**42,193**	**36,916**
Member's interest	2,096	1,649
Total liabilities and member's interest	**$ 44,289**	**38,565**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (In millions of U.S. dollars)

	Three Months Ended March 31,	
	2015	**2014**
Retail finance receivables and finance leases	$ 137	179
Wholesale finance receivables and other	60	53
Vehicles and equipment leased – rents and fees	995	900
Remarketing revenue	1,480	1,415
Gain on sale of nonautomotive finance leases	20	–
Other income	6	5
Total finance revenue and other income	**2,698**	**2,552**
Interest expense	97	94
Depreciation on vehicles and equipment leased	797	706
Provision for credit losses	19	11
Remarketing expense	1,480	1,419
Loss of nonautomotive finance leases	–	2
Selling expenses	51	41
General administrative expenses	28	24
Total Expenses	**2,472**	**2,297**
Profit before income taxes	**226**	**255**
Income tax expense/(benefit)	**91**	**100**
Profit for the period	**$ 135**	**155**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
March 31, 2015 and 2014

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information presented in U.S. dollars has been rounded to the nearest million, unless indicated otherwise. On May 20, 2015, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the three months ended March 31, 2015 and 2014. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

In May 2011, the IASB issued three new standards that provide guidance with respect to accounting for investments of the reporting entity in other entities. The EU endorsed the standards in December 2013. The Company applies the new consolidation standards as of the mandatory effective date for IFRS users in the EU of January 1, 2014 on a retrospective basis. IFRS 10 Consolidated Financial Statements supersedes consolidation rules in IAS 27 Consolidated and Separate Financial Statements as well as SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single consolidation model based on control that applies to all entities irrespective of the type of controlled entity. According to the new model control exists if the potential parent company has the power of decision over the potential subsidiary based on voting rights or other rights, if it participates in positive or negative variable returns from the potential subsidiary, and if it can affect these returns by its power of decision. The standard has been applied without a significant influence on the Company's Financial Statements.

IFRS 11 Joint Arrangements provides new guidance on accounting for joint arrangements. The standard supersedes IAS 31 Interests in Joint Ventures as well as SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. In the future, it has to be decided whether a joint operation or a joint venture exists. In a joint venture the parties that have joint control have rights to the net assets. Interests in a joint venture shall be accounted for as an investment using the equity method. MBFS USA doesn't have any joint operations, therefore the standard does not have a significant influence on the Company's Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities provides guidance on disclosure requirements for interests in other entities by combining existing disclosure requirements from several standards in IFRS 12. MBFS USA does not have any interests in other entities, therefore the standard does not have a significant influence on the Company's Financial Statements.

Other IFRSs and interpretations issued with mandatory application do not have a significant influence on the Company's financial position, cash flows or earnings.

IFRSs issued but neither EU endorsed nor yet adopted

In July 2014, the IASB published IFRS 9 Financial Instruments, which shall supersede IAS 39. IFRS 9 deals with the classification, recognition and measurement (including impairment) of financial instruments as well as with regulations for general hedge accounting. With IFRS 9, additional notes will be required, as specified by the revised IFRS 7 Financial Instruments – Disclosures. Subject to being endorsed by the EU, application of IFRS 9 is mandatory for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Investigation of the effects on Daimler's consolidated financial statements of adopting IFRS 9 has not yet been completed.

In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining whether, in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. Disclosure requirements are also extended. Subject to being endorsed by the EU, application of IFRS 15 is mandatory for reporting periods beginning on or after January 1, 2017. Early adoption is permitted. Investigation of the effects on Daimler's consolidated financial statements of adopting IFRS 15 has not yet been completed.

Other IFRSs issued are not expected to have a significant influence on the Company's consolidated financial statements. Subject to EU endorsement of these standards, which are to be adopted in future periods, Daimler does not plan to apply these standards earlier.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly or indirectly controlled by MBFS USA. Control means the power, directly or indirectly, to govern the financial and operating policies of an entity so that the parent obtains benefits from its activities. DCS principally engages in nonautomotive operations, of which no new business is being initiated.

As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.
The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the contractual terms of the leases. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized.
Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.
Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing
Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases is carried initially at its acquisition or manufacturing cost and is depreciated on a straight-line basis over the contractual term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the
leases on a net basis.

Residual values
The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least quarterly for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the quarterly review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories
Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss and are amortized over the life of the financial instrument. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets
Financial assets are primarily comprised of amounts due from affiliated companies, finance receivables, trade receivables, cash and cash equivalents, marketable securities and investments in associates.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Loans and receivables - Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks as well as debt instruments and certificates of deposits with an original term of up to three months.

Impairment of financial assets
At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective, significant evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables - The amount of the impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The fair value of the underlying collateral may be used as a practical expedient to measure impairment loss under certain circumstances. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Financial liabilities
Financial liabilities primarily include trade accounts payable, amounts due to affiliated companies, liabilities to banks, bonds, and other liabilities.

Financial liabilities are measured at amortized cost and amortized using the effective interest method.

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A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

Preparation of the consolidated financial statements, to a certain degree, require management to make estimates, assessments and assumptions which can affect the amounts and reporting of assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. The items affected by such estimates,

assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- recoverability of investments in equipment on operating leases;
- collectability of receivables resulting from sales financing and leases;
- recoverability of deferred tax assets; and
- assets and obligations related to employee benefits.

Further details on the estimates and assessments used in the preparation of these financial statements is provided under “Accounting policies”.

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MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Assets Held for Sale

In November 2013, the Company approved the sale of a non-automotive finance lease related to an energy facility. The carrying value of these held for sale assets reflect the lower of carrying amount and fair market value (less estimated selling costs) as of the Consolidated Statement of Financial Position date. The Company completed the sale on February 13, 2014.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Three Months Ended March 31,	
	2015	2014
Earnings	229	255
Add:		
Interest included in expense	97	94
One-third of rental expense	1	1
Adjusted earnings	327	350
Fixed Charges:		
Interest included in expense	97	94
Interest capitalized	13	13
One-third of rental expense	1	1
Total fixed charges	111	108
Ratio of earning to fixed charges	2.93	3.24

Mercedes-Benz Financial Services USA LLC
and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

December 31, 2014 and 2013

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 11

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	December 31,	
Assets	**2014**	**2013**
Cash and cash equivalents	$ 94	82
Assets held for sale	–	55
Amounts due from affiliated companies	162	194
Trade receivables	331	137
Returned and repossessed vehicle inventory	679	652
Finance receivables, net	21,912	18,356
Vehicles and equipment leased, net	19,704	18,279
Other assets	536	422
Total assets	**$ 43,418**	**38,177**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 133	109
Liabilities held for sale	–	23
Amounts due to affiliated companies	202	188
Income taxes due to affiliated companies, net	–	131
Financial liabilities	37,813	33,484
Deferred income	646	404
Deferred income taxes, net	2,666	2,344
Total liabilities	**41,460**	**36,683**
Member's interest	1,958	1,494
Total liabilities and member's interest	**$ 43,418**	**38,177**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Years Ended December 31,	
	2014	**2013**
Retail finance receivables and finance leases	$ 487	489
Wholesale finance receivables and other	223	202
Vehicles and equipment leased – rents and fees	3,758	3,443
Remarketing revenue	5,950	4,489
Gain on sale of nonautomotive finance leases	55	2
Other income	25	19
Total finance revenue and other income	**10,498**	**8,644**
Interest expense	356	434
Depreciation on vehicles and equipment leased	3,000	2,668
Provision for credit losses	59	34
Remarketing expense	5,950	4,489
Loss of nonautomotive finance leases	–	1
Selling expenses	205	192
General administrative expenses	126	73
Total Expenses	**9,697**	**7,891**
Profit before income taxes	**801**	**753**
Income tax expense/(benefit)	**337**	**388**
Profit for the period	**$ 464**	**365**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2014 and 2013

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information presented in U.S. dollars has been rounded to the nearest million, unless indicated otherwise. On March 18, 2015, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2014 and 2013. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued, EU endorsed and initially adopted in the reporting period

In May 2011, the IASB issued three new standards that provide guidance with respect to accounting for investments of the reporting entity in other entities. The EU endorsed the standards in December 2013. The Company applies the new consolidation standards as of the mandatory effective date for IFRS users in the EU of January 1, 2014 on a retrospective basis. IFRS 10 Consolidated Financial Statements supersedes consolidation rules in IAS 27 Consolidated and Separate Financial Statements as well as SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single consolidation model based on control that applies to all entities irrespective of the type of controlled entity. According to the new model control exists if the potential parent company has the power of decision over the potential subsidiary based on voting rights or other rights, if it participates in positive or negative variable returns from the potential subsidiary, and if it can affect these returns by its power of decision. The standard has been applied without a significant influence on the Company's Financial Statements.

IFRS 11 Joint Arrangements provides new guidance on accounting for joint arrangements. The standard supersedes IAS 31 Interests in Joint Ventures as well as SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. In the future, it has to be decided whether a joint operation or a joint venture exists. In a joint venture the parties that have joint control have rights to the net assets. Interests in a joint venture shall be accounted for as an investment using the equity method. MBFS USA doesn't have any joint operations, therefore the standard does not have a significant influence on the Company's Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities provides guidance on disclosure requirements for interests in other entities by combining existing disclosure requirements from several standards in IFRS 12. MBFS USA does not have any interests in other entities, therefore the standard does not have a significant influence on the Company's Financial Statements.

Other IFRSs and interpretations issued with mandatory application do not have a significant influence on the Company's financial position, cash flows or earnings.

IFRSs issued but neither EU endorsed nor yet adopted

In July 2014, the IASB published IFRS 9 Financial Instruments, which shall supersede IAS 39. IFRS 9 deals with the classification, recognition and measurement (including impairment) of financial instruments as well as with regulations for general hedge accounting. With IFRS 9, additional notes will be required, as specified by the revised IFRS 7 Financial Instruments – Disclosures. Subject to being endorsed by the EU, application of IFRS 9 is mandatory for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Investigation of the effects on Daimler's consolidated financial statements of adopting IFRS 9 has not yet been completed.

In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard defines a comprehensive framework for determining whether, in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. Disclosure requirements are also extended. Subject to being endorsed by the EU, application of IFRS 15 is mandatory for reporting periods beginning on or after January 1, 2017. Early adoption is permitted. Investigation of the effects on Daimler's consolidated financial statements of adopting IFRS 15 has not yet been completed.

Other IFRSs issued are not expected to have a significant influence on the Company's consolidated financial statements. Subject to EU endorsement of these standards, which are to be adopted in future periods, Daimler does not plan to apply these standards earlier.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly or indirectly controlled by MBFS USA. Control means the power, directly or indirectly, to govern the financial and operating policies of an entity so that the parent obtains benefits from its activities. DCS principally engages in nonautomotive operations, of which no new business is being initiated.

As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.
The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the contractual terms of the leases. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized.
Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.
Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing
Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases is carried initially at its acquisition or manufacturing cost and is depreciated on a straight-line basis over the contractual term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the
leases on a net basis.

Residual values
The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least quarterly for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the quarterly review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories
Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss and are amortized over the life of the financial instrument. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets
Financial assets are primarily comprised of amounts due from affiliated companies, finance receivables, trade receivables, cash and cash equivalents, marketable securities and investments in associates.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Loans and receivables - Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks as well as debt instruments and certificates of deposits with an original term of up to three months.

Impairment of financial assets
At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective, significant evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables - The amount of the impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The fair value of the underlying collateral may be used as a practical expedient to measure impairment loss under certain circumstances. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Financial liabilities
Financial liabilities primarily include trade accounts payable, amounts due to affiliated companies, liabilities to banks, bonds, and other liabilities.

Financial liabilities are measured at amortized cost and amortized using the effective interest method.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

Preparation of the consolidated financial statements, to a certain degree, require management to make estimates, assessments and assumptions which can affect the amounts and reporting of assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. The items affected by such estimates,

assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- recoverability of investments in equipment on operating leases;
- collectability of receivables resulting from sales financing and leases;
- recoverability of deferred tax assets; and
- assets and obligations related to employee benefits.

Further details on the estimates and assessments used in the preparation of these financial statements is provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Assets Held for Sale

In November 2013, the Company approved the sale of a non-automotive finance lease related to an energy facility. The carrying value of these held for sale assets reflect the lower of carrying amount and fair market value (less estimated selling costs) as of the Consolidated Statement of Financial Position date. The Company completed the sale on February 13, 2014.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Years ended December 31,	
	2014	2013
Earnings	803	754
Add:		
Interest included in expense	354	432
One-third of rental expense	3	3
Adjusted earnings	1,160	1,189
Fixed Charges:		
Interest included in expense	354	432
Interest capitalized	12	16
One-third of rental expense	3	3
Total fixed charges	370	451
Ratio of earning to fixed charges	3.14	2.63

Mercedes Benz Financial Services USA LLC
and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

September 30, 2014 and 2013

December 31, 2013 and 2012

Mercedes-Benz Financial Services USA LLC and Subsidiaries-(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

TABLE OF CONTENTS Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 11

Mercedes-Benz Financial Services USA LLC and Subsidiaries-(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Statements of Financial Position

(In millions of U.S. dollars)

		September 30,		December 31,	
Assets		2014	2013	2013	2012
Cash and cash equivalents	$	99	66	82	82
Assets held for sale		—	—	55	—
Amounts due from affiliated companies		299	204	194	163
Trade receivables		379	370	137	472
Returned and repossessed vehicle inventory		398	367	652	456
Finance receivables, net		20,495	17,968	18,356	17,005
Vehicles and equipment leased, net		19,178	17,641	18,279	16,312
Investments in associates		—	1	—	1
Other assets		833	454	422	409
Total assets	$	41,681	37,071	38,177	34,900
Liabilities and Member's Interest					
Accounts payable, provisions and other liabilities	$	117	112	109	132
Liabilities held for sale		—	—	23	—
Amounts due to affiliated companies		203	210	188	161
Income taxes due to affiliated companies, net		—	141	131	132
Financial liabilities		36,247	32,592	33,484	31,010
Deferred income		606	384	404	352
Deferred income taxes, net		2,662	2,242	2,344	1,984
Total liabilities		39,835	35,681	36,683	33,771
Member's interest		1,846	1,390	1,494	1,129
Total liabilities and member's interest	$	41,681	37,071	38,177	34,900

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(In millions of U.S. dollars)

	Nine Months Ended September 30,		Years Ended December 31,	
	2014	2013	2013	2012
Retail finance receivables and finance leases	$ 419	365	489	551
Wholesale finance receivables and other	163	147	202	181
Vehicles and equipment leased – rents and fees	2,701	2,561	3,443	3,082
Remarketing revenue	4,435	3,265	4,489	2,963
Gain on sale of nonautomotive finance leases	—	15	2	—
Other income	18	16	19	13
Total finance revenue and other income	7,736	6,369	8,644	6,790
Interest expense	267	329	432	448
Depreciation on vehicles and equipment leased	2,131	1,950	2,668	2,278
Provision for credit losses	39	16	34	27
Remarketing expense	4,449	3,286	4,491	2,964
Loss of nonautomotive finance leases	7	3	1	8
Selling expenses	123	141	192	144
General administrative expenses	97	62	73	127
Total Expenses	7,113	5,787	7,891	5,996
Profit before income taxes	623	582	753	794
Income tax expense/(benefit)	271	320	388	305
Profit for the period	$ 352	262	365	489

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
September 30, 2014 and 2013
December 31, 2013 and 2012

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA, smart USA, or Daimler Trucks North America) and their customers, including financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information presented in U.S. dollars has been rounded to the nearest million, unless indicated otherwise. On October 31, 2014, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the nine months ended September 30, 2014 and 2013 as well as the years ended December 31, 2013 and 2012. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued and EU endorsed but not yet adopted

In May 2011, the IASB issued three new standards that provide guidance with respect to accounting for investments of the reporting entity in other entities. IFRS 10 Consolidated Financial Statements establishes a single consolidation model based on control that applies to all entities irrespective of the type of controlled entity. IFRS 11 Joint Arrangements provides new guidance on accounting for joint arrangements. In the future, it has to be decided whether a joint operation or a joint venture exists. IFRS 12 Disclosure of Interests in Other Entities provides guidance on disclosure requirements for interests in other entities by combining existing disclosure requirements from several standards in one comprehensive disclosure standard. Daimler will apply the new consolidation standards as of the mandatory effective date for EU IFRS-users as of January 1, 2014 on a retrospective basis and will therefore not make use of the possibility of earlier application. Daimler is currently in the process of determining the effects of these new standards on the Group's consolidated financial statements.

In May 2011, the IASB also published IFRS 13 Fair Value Measurement. The new standard replaces the fair value measurement rules contained in individual IFRSs and combines them in one standard for a single source of fair value measurement guidance. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Daimler will not make use of the possibility of earlier application of this standard. As a result of the application of IFRS 13, there will presumably be only minor effects on the consolidated financial statements.

In June 2011, the IASB issued an amendment to IAS 19 Employee Benefits. The amendment removes the corridor method. Actuarial gains and losses consequently have an immediate effect on the consolidated statement of financial position and have to be recognized exclusively in other comprehensive income/loss. In addition, currently at the beginning of the accounting period, the expected return on plan assets is determined based on the Company's expectations regarding the performance of the investment portfolio. With application of the revised IAS 19, only one return on plan assets equal to the discount rate for pension obligations is allowed at beginning of period. The amended standard generally has to be applied retrospectively with a few exceptions in financial statements for EU IFRS-users for annual periods beginning on or after January 1, 2013. Daimler will apply the amendments to IAS 19 as of January 1, 2013. As a result of the application of IFRS 13, there will be no effects on the consolidated financial statements. Other IFRSs and interpretations issued are not expected to have a significant influence on the Group's financial position, cash flows or earnings. Daimler does not plan to apply these standards earlier.

IFRSs issued but neither EU endorsed nor yet adopted

In November 2009, the IASB published IFRS 9 Financial Instruments (IFRS 9) as part of its project of a revision of the accounting guidance for financial instruments. Requirements for financial liabilities were added to IFRS 9 in October 2010. The requirements for classification and measurement of financial liabilities were carried forward unchanged from IAS 39, Financial Instruments, with the exception of certain changes to the fair value option for financial liabilities that address the consideration of own credit risk. The new standard provides guidance on the accounting of financial assets and financial liabilities as far as classification and measurement are concerned. The standard will be effective in general on a retrospective basis for annual periods beginning on or after January 1, 2015. Earlier application is permitted.

Other IFRSs issued are not expected to have a significant influence on the Company's consolidated financial statements. Subject to EU endorsement of these standards, which are to be adopted in future periods, Daimler does not plan to apply these standards earlier.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly or indirectly controlled by MBFS USA. Control means the power, directly or indirectly, to govern the financial and operating policies of an entity so that the parent obtains benefits from its activities. DCS principally engages in nonautomotive operations, of which no new business is being initiated.

As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According

to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the contractual terms of the leases. Initial direct fees and costs as well as up front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases.

Agreements have been entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized. Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of Daimler AG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset

is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. The Company is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases is carried initially at its acquisition or manufacturing cost and is depreciated on a straight-line basis over the contractual term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company’s historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company’s best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset’s recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least quarterly for impairment. If this review indicates that the carrying values are in excess of the assets’ fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment

balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the quarterly review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss and are amortized over the life of the financial instrument. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of amounts due from affiliated companies, finance receivables, trade receivables, cash and cash equivalents, marketable securities and investments in associates.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading.

Financial assets at fair value through profit and loss are measured at fair value and changes are recognized in profit or loss.

Loans and receivables - Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks as well as debt instruments and certificates of deposits with an original term of up to three months.

Impairment of financial assets
At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective, significant evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables - The amount of the impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The fair value of the underlying collateral may be used as a practical expedient to measure impairment loss under certain circumstances. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Financial liabilities
Financial liabilities primarily include trade accounts payable, amounts due to affiliated companies, liabilities to banks, bonds, and other liabilities.

Financial liabilities are measured at amortized cost and amortized using the effective interest method.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

Preparation of the consolidated financial statements, to a certain degree, require management to make estimates, assessments and assumptions which can affect the amounts and reporting of assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. The items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- recoverability of investments in equipment on operating leases;
- collectability of receivables resulting from sales financing and leases;
- recoverability of deferred tax assets; and
- assets and obligations related to employee benefits.

Further details on the estimates and assessments used in the preparation of these financial statements is provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Nine Months Ended September 30,		Years ended December 31,	
	2014	**2013**	**2013**	**2012**
Earnings	624	584	754	796
Add:				
Interest included in expense	266	328	432	448
One-third of rental expense	2	2	3	3
Adjusted earnings	892	914	1,189	1,247
Fixed Charges:				
Interest included in expense	266	328	432	448
Interest capitalized	15	16	16	18
One-third of rental expense	2	2	3	3
Total fixed charges	283	346	451	469
Ratio of earning to fixed charges	3.15	2.64	2.63	2.66

Mercedes Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

June 30, 2014 and 2013

December 31, 2013 and 2012

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 11

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

		June 30,		December 31,	
Assets		**2014**	**2013**	**2013**	**2012**
Cash and cash equivalents	$	128	66	82	82
Assets held for sale		—	—	55	—
Amounts due from affiliated companies		290	196	194	163
Trade receivables		299	600	137	472
Returned and repossessed vehicle inventory		588	284	652	456
Finance receivables, net		19,485	17,506	18,356	17,005
Vehicles and equipment leased, net		18,673	17,266	18,279	16,312
Investments in associates		—	1	—	1
Other assets		412	378	422	409
Total assets	$	**39,875**	**36,297**	**38,177**	**34,900**
Liabilities and Member's Interest					
Accounts payable, provisions and other liabilities	$	172	108	109	132
Liabilities held for sale		—	—	23	—
Amounts due to affiliated companies		293	180	188	161
Income taxes due to affiliated companies, net		62	111	131	132
Financial liabilities		34,660	32,047	33,484	31,010
Deferred income		408	368	404	352
Deferred income taxes, net		2,519	2,137	2,344	1,984
Total liabilities		**38,114**	**34,951**	**36,683**	**33,771**
Member's interest		1,761	1,346	1,494	1,129
Total liabilities and member's interest	$	**39,875**	**36,297**	**38,177**	**34,900**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (In millions of U.S. dollars)

		Six Months Ended June 30,		Year Ended December 31,	
		2014	**2013**	**2013**	**2012**
Retail finance receivables and finance leases	$	295	245	489	551
Wholesale finance receivables and other		108	97	202	181
Vehicles and equipment leased – rents and fees		1,777	1,691	3,443	3,082
Remarketing revenue		2,853	2,131	4,489	2,963
Gain on sale of nonautomotive finance leases		–	15	2	–
Other income		11	10	19	13
Total finance revenue and other income		**5,044**	**4,189**	**8,644**	**6,790**
Interest expense		181	222	434	449
Depreciation on vehicles and equipment leased		1,396	1,286	2,668	2,278
Provision for credit losses		16	14	34	27
Remarketing expense		2,861	2,143	4,489	2,963
Loss of nonautomotive finance leases		5	2	1	8
Selling expenses		79	96	192	144
General administrative expenses		64	40	73	127
Total Expenses		**4,602**	**3,803**	**7.891**	**5,996**
Profit before income taxes		**442**	**386**	**753**	**794**
Income tax expense/(benefit)		**175**	**168**	**388**	**305**
Profit for the period	**$**	**267**	**218**	**365**	**489**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
June 30, 2014 and 2013
December 31, 2013 and 2012

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA, smart USA, or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information presented in U.S. dollars has been rounded to the nearest million, unless indicated otherwise. On July 29, 2014, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the six months ended June 30, 2014 and 2013 as well as the years ended December 31, 2013 and 2012. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued and EU endorsed but not yet adopted

In May 2011, the IASB issued three new standards that provide guidance with respect to accounting for investments of the reporting entity in other entities. The EU endorsed the standards in December 2012. IFRS 10 Consolidated Financial Statements supersedes consolidation rules in IAS 27 Consolidated and Separate Financial Statements as well as SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single consolidation model based on control that applies to all entities irrespective of the type of controlled entity. According to the new model control exists if the potential parent company has the power of decision over the potential subsidiary based on voting rights or other rights, if it participates in positive or negative variable returns from the potential subsidiary, and if it can affect these returns by its power of decision. The standard is not expected to have a significant influence on the Company's Financial Statements.

IFRS 11 Joint Arrangements provides new guidance on accounting for joint arrangements. The standard supersedes IAS 31 Interests in Joint Ventures as well as SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. In the future, it has to be decided whether a joint operation or a joint venture exists. In a joint venture the parties that have joint control have rights to the net assets. A joint operation exists, if the parties that have joint control have rights to the assets and obligations for the liabilities. In the case of a joint operation the proportionate assets, liabilities, revenues and expenses have to be recognized. Interests in a joint venture shall be accounted for as an investment using the equity method. MBFS USA doesn't have any joint operations, therefore the standard is not expected to have a significant influence on the Company's Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities provides guidance on disclosure requirements for interests in other entities by combining existing disclosure requirements from several standards in one comprehensive disclosure standard. Daimler will apply the new consolidation standards as of the mandatory effective date for IFRS users in the EU as of January 1, 2014 on a retrospective basis.

Other IFRSs and interpretations issued are not expected to have a significant influence on the Company's financial position, cash flows or earnings.

IFRSs issued but neither EU endorsed nor yet adopted

IFRS 9 Financial Instruments reflects the first and third phase of the IASB project to replace IAS 39 and deals with the classification and measurement of financial assets and financial liabilities as well as regulations for general hedge accounting. Accordingly, in the future, financial assets will be classified and measured either at amortized cost or at fair value. The provisions relating to financial liabilities will generally be adopted from IAS 39. With the amendment to IFRS 9 issued in November 2013, mandatory adoption as of January 1, 2015 was cancelled. A new adoption date will be defined only when the standard has been finalized. Only then endorsement by the EU is planned. The analysis of the effects of applying IFRS 9 on the consolidated financial statements has not yet been finished.

Other IFRSs issued are not expected to have a significant influence on the Company's consolidated financial statements. Subject to EU endorsement of these standards, which are to be adopted in future periods, Daimler does not plan to apply these standards earlier.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly or indirectly controlled by MBFS USA. Control means the power, directly or indirectly, to govern the financial and operating policies of an entity so that the parent obtains benefits from its activities. DCS principally engages in nonautomotive operations, of which no new business is being initiated.

As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The

transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the contractual terms of the leases. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized.
Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is

realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases is carried initially at its acquisition or manufacturing cost and is depreciated on a straight-line basis over the contractual term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least quarterly for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the quarterly review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories
Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss and are amortized over the life of the financial instrument. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets
Financial assets are primarily comprised of amounts due from affiliated companies, finance receivables, trade receivables, cash and cash equivalents, marketable securities and investments in associates.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Loans and receivables - Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks as well as debt instruments and certificates of deposits with an original term of up to three months.

Impairment of financial assets
At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective, significant evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor’s technological, economic, legal or market environment.

Loans and receivables - The amount of the impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The fair value of the underlying collateral may be used as a practical expedient to measure impairment loss under certain circumstances. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Financial liabilities

Financial liabilities consist of unsecured debt (approximately 80%) and secured debt (approximately 20%). Unsecured debt includes amounts due to affiliated companies. Liabilities to banks, bonds, and other liabilities make up the secured debt. Financial liabilities are measured at amortized cost and amortized using the effective interest method.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

Preparation of the consolidated financial statements, to a certain degree, require management to make estimates, assessments and assumptions which can affect the amounts and reporting of assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. The items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- recoverability of investments in equipment on operating leases;
- collectability of receivables resulting from sales financing and leases;
- recoverability of deferred tax assets; and
- assets and obligations related to employee benefits.

Further details on the estimates and assessments used in the preparation of these financial statements is provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

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Mercedes-Benz Financial Services USA LLC
Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Six Months Ended June 30,		Year Ended December 31,	
	2014	**2013**	**2013**	**2012**
Earnings	443	387	754	796
Add:				
Interest included in expense	180	221	432	448
One-third of rental expense	2	2	3	3
Adjusted earnings	625	610	1,189	1,247
Fixed Charges:				
Interest included in expense	180	221	432	448
Interest capitalized	16	16	16	18
One-third of rental expense	2	2	3	3
Total fixed charges	198	239	451	469
Ratio of earning to fixed charges	3.16	2.55	2.63	2.66

Mercedes Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

March 31, 2014 and 2013

December 31, 2013 and 2012

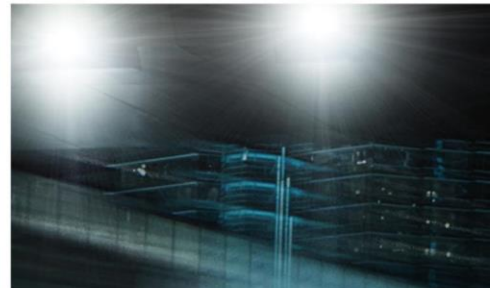

TABLE OF CONTENTS

	Pages(s)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	3
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	4
COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES	11

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

		March 31,		December 31,	
Assets		**2014**	**2013**	**2013**	**2012**
Cash and cash equivalents	$	88	79	82	82
Assets held for sale		—	—	55	—
Amounts due from affiliated companies		251	239	194	163
Trade receivables		234	484	137	472
Returned and repossessed vehicle inventory		468	256	652	456
Finance receivables, net		18,637	17,204	18,356	17,005
Vehicles and equipment leased, net		18,451	16,726	18,279	16,312
Investments in associates		—	1	—	1
Other assets		436	344	422	409
Total assets	$	**38,565**	**35,333**	**38,177**	**34,900**
Liabilities and Member's Interest					
Accounts payable, provisions and other liabilities	$	20	97	109	132
Liabilities held for sale		—	—	23	—
Amounts due to affiliated companies		163	195	188	161
Income taxes due to affiliated companies, net		131	114	131	132
Financial liabilities		33,687	31,252	33,484	31,010
Deferred income		402	356	404	352
Deferred income taxes, net		2,513	2,092	2,344	1,984
Total liabilities		**36,916**	**34,106**	**36,683**	**33,771**
Member's interest		1,649	1,227	1,494	1,129
Total liabilities and member's interest	$	**38,565**	**35,333**	**38,177**	**34,900**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (In millions of U.S. dollars)

		Three Months Ended March 31,		Year Ended December 31,	
		2014	**2013**	**2013**	**2012**
Retail finance receivables and finance leases	$	179	122	489	551
Wholesale finance receivables and other		53	47	202	181
Vehicles and equipment leased – rents and fees		900	836	3,443	3,082
Remarketing revenue		1,415	1,144	4,489	2,963
Gain on sale of nonautomotive finance leases		–	–	2	–
Other income		5	5	19	13
Total finance revenue and other income		**2,552**	**2,154**	**8,644**	**6,790**
Interest expense		94	106	434	449
Depreciation on vehicles and equipment leased		706	634	2,668	2,278
Provision for credit losses		11	17	34	27
Remarketing expense		1,419	1,147	4,489	2,963
Loss of nonautomotive finance leases		2	–	1	8
Selling expenses		41	46	192	144
General administrative expenses		24	16	73	127
Total Expenses		**2,297**	**1,966**	**7.891**	**5,996**
Profit before income taxes		**255**	**188**	**753**	**794**
Income tax expense/(benefit)		**100**	**90**	**388**	**305**
Profit for the period	**$**	**155**	**98**	**365**	**489**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements March 31, 2014 and 2013 December 31, 2013 and 2012

SIGNIFICANT ACCOUNTING POLICIES

General information
Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA, smart USA, or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information presented in U.S. dollars has been rounded to the nearest million, unless indicated otherwise. On May 14, 2014, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs
The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the quarters ended March 31, 2014 and 2013 as well as the years ended December 31, 2013 and 2012. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued and EU endorsed but not yet adopted
In May 2011, the IASB issued three new standards that provide guidance with respect to accounting for investments of the reporting entity in other entities. The EU endorsed the standards in December 2012. IFRS 10 Consolidated Financial Statements supersedes consolidation rules in IAS 27 Consolidated and Separate Financial Statements as well as SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single consolidation model based on control that applies to all entities irrespective of the type of controlled entity. According to the new model control exists if the potential parent company has the power of decision over the potential subsidiary based on voting rights or other rights, if it participates in positive or negative variable returns from the potential subsidiary, and if it can affect these returns by its power of decision. The standard is not expected to have a significant influence on the Company's Financial Statements.

IFRS 11 Joint Arrangements provides new guidance on accounting for joint arrangements. The standard supersedes IAS 31 Interests in Joint Ventures as well as SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. In the future, it has to be decided whether a joint operation or a joint venture exists. In a joint venture the parties that

have joint control have rights to the net assets. A joint operation exists, if the parties that have joint control have rights to the assets and obligations for the liabilities. In the case of a joint operation the proportionate assets, liabilities, revenues and expenses have to be recognized. Interests in a joint venture shall be accounted for as an investment using the equity method. MBFS USA doesn't have any joint operations, therefore the standard is not expected to have a significant influence on the Company's Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities provides guidance on disclosure requirements for interests in other entities by combining existing disclosure requirements from several standards in one comprehensive disclosure standard. Daimler will apply the new consolidation standards as of the mandatory effective date for IFRS users in the EU as of January 1, 2014 on a retrospective basis.

Other IFRSs and interpretations issued are not expected to have a significant influence on the Company's financial position, cash flows or earnings.

IFRSs issued but neither EU endorsed nor yet adopted

IFRS 9 Financial Instruments reflects the first and third phase of the IASB project to replace IAS 39 and deals with the classification and measurement of financial assets and financial liabilities as well as regulations for general hedge accounting. Accordingly, in the future, financial assets will be classified and measured either at amortized cost or at fair value. The provisions relating to financial liabilities will generally be adopted from IAS 39. With the amendment to IFRS 9 issued in November 2013, mandatory adoption as of January 1, 2015 was cancelled. A new adoption date will be defined only when the standard has been finalized. Only then endorsement by the EU is planned. The analysis of the effects of applying IFRS 9 on the consolidated financial statements has not yet been finished.

Other IFRSs issued are not expected to have a significant influence on the Company's consolidated financial statements. Subject to EU endorsement of these standards, which are to be adopted in future periods, Daimler does not plan to apply these standards earlier.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation

The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly or indirectly controlled by MBFS USA. Control means the power, directly or indirectly, to govern the financial and operating policies of an entity so that the parent obtains benefits from its activities. DCS principally engages in nonautomotive operations, of which no new business is being initiated.

As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The

transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the contractual terms of the leases. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized.
Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is

realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases is carried initially at its acquisition or manufacturing cost and is depreciated on a straight-line basis over the contractual term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term.

Residual values

The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least quarterly for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the quarterly review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories

Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss and are amortized over the life of the financial instrument. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of amounts due from affiliated companies, finance receivables, trade receivables, cash and cash equivalents, marketable securities and investments in associates.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Loans and receivables - Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks as well as debt instruments and certificates of deposits with an original term of up to three months.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective, significant evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor’s technological, economic, legal or market environment.

Loans and receivables - The amount of the impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The fair value of the underlying collateral may be used as a practical expedient to measure impairment loss under certain circumstances. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

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Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Financial liabilities

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A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

Preparation of the consolidated financial statements, to a certain degree, require management to make estimates, assessments and assumptions which can affect the amounts and reporting of assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. The items affected by such estimates,

assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- recoverability of investments in equipment on operating leases;
- collectability of receivables resulting from sales financing and leases;
- recoverability of deferred tax assets; and
- assets and obligations related to employee benefits.

Further details on the estimates and assessments used in the preparation of these financial statements is provided under "Accounting policies".

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MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

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- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

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Mercedes-Benz Financial Services USA LLC
Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Three Months Ended March 31,		Year Ended December 31,	
	2014	**2013**	**2013**	**2012**
Earnings	255	189	754	796
Add:				
Interest included in expense	94	106	432	448
One-third of rental expense	1	1	3	3
Adjusted earnings	350	296	1,189	1,247
Fixed Charges:				
Interest included in expense	94	106	432	448
Interest capitalized	13	14	16	18
One-third of rental expense	1	1	3	3
Total fixed charges	108	121	451	469
Ratio of earning to fixed charges	3.24	2.45	2.63	2.66

Mercedes-Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

December 31, 2013 and 2012

TABLE OF CONTENTS

Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 11

Consolidated Statements of Financial Position
(In millions of U.S. dollars)

	December 31,	
Assets	**2013**	**2012**
Cash and cash equivalents	$ 82	82
Assets held for sale	55	–
Amounts due from affiliated companies	194	163
Trade receivables	137	472
Returned and repossessed vehicle inventory	652	456
Finance receivables, net	18,356	17,005
Vehicles and equipment leased, net	18,279	16,312
Investments in associates	–	1
Other assets	422	409
Total assets	**$ 38,177**	**34,900**
Liabilities and Member's Interest		
Accounts payable, provisions and other liabilities	$ 109	132
Liabilities held for sale	23	–
Amounts due to affiliated companies	188	161
Income taxes due to affiliated companies, net	131	132
Financial liabilities	33,484	31,010
Deferred income	404	352
Deferred income taxes, net	2,344	1,984
Total liabilities	**36,683**	**33,771**
Member's interest	1,494	1,129
Total liabilities and member's interest	**$ 38,177**	**34,900**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars)

	Years Ended December 31,	
	2013	**2012**
Retail finance receivables and finance leases	$ 489	551
Wholesale finance receivables and other	202	188
Vehicles and equipment leased – rents and fees	3,443	3,082
Remarketing revenue	4,489	2,963
Gain on sale of nonautomotive finance leases	2	–
Other income	19	13
Total finance revenue and other income	**8,644**	**6,790**
Interest expense	434	449
Depreciation on vehicles and equipment leased	2,668	2,278
Provision for credit losses	34	27
Remarketing expense	4,489	2,963
Loss of nonautomotive finance leases	1	8
Selling expenses	192	144
General administrative expenses	73	127
Total Expenses	**7,891**	**5,996**
Profit before income taxes	**753**	**794**
Income tax expense/(benefit)	**388**	**305**
Profit for the period	**$ 365**	**489**

See accompanying notes to consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

General information
Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA, smart USA, or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information presented in U.S. dollars has been rounded to the nearest million, unless indicated otherwise. On March 12, 2014, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs
The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2013 and 2012. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued and EU endorsed but not yet adopted
In May 2011, the IASB issued three new standards that provide guidance with respect to accounting for investments of the reporting entity in other entities. The EU endorsed the standards in December 2012. IFRS 10 Consolidated Financial Statements supersedes consolidation rules in IAS 27 Consolidated and Separate Financial Statements as well as SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single consolidation model based on control that applies to all entities irrespective of the type of controlled entity. According to the new model control exists if the potential parent company has the power of decision over the potential subsidiary based on voting rights or other rights, if it participates in positive or negative variable returns from the potential subsidiary, and if it can affect these returns by its power of decision. The standard is not expected to have a significant influence on the Company's Financial Statements.

IFRS 11 Joint Arrangements provides new guidance on accounting for joint arrangements. The standard supersedes IAS 31 Interests in Joint Ventures as well as SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. In the future, it has to be decided whether a joint operation or a joint venture exists. In a joint venture the parties that have joint control have rights to the net assets. A joint operation exists, if the parties that have joint control have rights to the assets and obligations for the liabilities. In the case of a joint operation the proportionate

assets, liabilities, revenues and expenses have to be recognized. Interests in a joint venture shall be accounted for as an investment using the equity method. MBFS USA doesn't have any joint operations, therefore the standard is not expected to have a significant influence on the Company's Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities provides guidance on disclosure requirements for interests in other entities by combining existing disclosure requirements from several standards in one comprehensive disclosure standard. Daimler will apply the new consolidation standards as of the mandatory effective date for IFRS users in the EU as of January 1, 2014 on a retrospective basis.

Other IFRSs and interpretations issued are not expected to have a significant influence on the Company's financial position, cash flows or earnings.

IFRSs issued but neither EU endorsed nor yet adopted
IFRS 9 Financial Instruments reflects the first and third phase of the IASB project to replace IAS 39 and deals with the classification and measurement of financial assets and financial liabilities as well as regulations for general hedge accounting. Accordingly, in the future, financial assets will be classified and measured either at amortized cost or at fair value. The provisions relating to financial liabilities will generally be adopted from IAS 39. With the amendment to IFRS 9 issued in November 2013, mandatory adoption as of January 1, 2015 was cancelled. A new adoption date will be defined only when the standard has been finalized. Only then endorsement by the EU is planned. The analysis of the effects of applying IFRS 9 on the consolidated financial statements has not yet been finished.

Other IFRSs issued are not expected to have a significant influence on the Company's consolidated financial statements. Subject to EU endorsement of these standards, which are to be adopted in future periods, Daimler does not plan to apply these standards earlier.

Presentation
The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

Measurement
The consolidated financial statements have been prepared on the historical cost basis.

Principles of consolidation
The consolidated financial statements include the accounts of MBFS USA and its wholly owned subsidiary, Daimler Capital Services LLC (DCS), including special purpose entities (trusts) created to support the Company's securitization programs which are directly or indirectly controlled by MBFS USA. Control means the power, directly or indirectly, to govern the financial and operating policies of an entity so that the parent obtains benefits from its activities. DCS principally engages in nonautomotive operations, of which no new business is being initiated.

As an additional funding source, MBFS USA transfers leases and finance receivables to special purpose entities (SPEs) in exchange for cash. MBFS USA principally retains significant risks of the transferred receivables. According to IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee (SIC) Interpretation 12, Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by MBFS USA. The transferred financial assets remain on MBFS USA's Consolidated Statement of Financial Position as part of finance receivables, net or vehicles and equipment leased, net.

The financial statements of the Company and its subsidiary included in the consolidated financial statements have been prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to the consolidated subsidiary and consolidated special purpose entities have been eliminated.

ACCOUNTING POLICIES

Revenue recognition

Revenue, principally interest income, from finance receivables is recognized using the effective interest method. Certain direct incremental origination fees and costs are deferred and amortized to finance revenue over the contractual terms of the receivables using the effective interest method. Nonautomotive finance revenue is recognized monthly based on a pattern reflecting a constant periodic pre-tax return of the lessor's net investment in the finance lease.

Operating lease revenue is recorded on a straight-line basis over the contractual terms of the leases. Initial direct fees and costs as well as up-front payments related to operating leases are deferred and amortized on a straight-line basis over the terms of the leases.

Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized.
Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of DAG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing
Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. Daimler Trust is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases is carried initially at its acquisition or manufacturing cost and is depreciated on a straight-line basis over the contractual term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term.

Residual values
The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least quarterly for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the quarterly review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories
Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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

generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss and are amortized over the life of the financial instrument. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets

Financial assets are primarily comprised of amounts due from affiliated companies, finance receivables, trade receivables, cash and cash equivalents, marketable securities and investments in associates.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading and are measured at fair value with changes recognized in profit or loss.

Loans and receivables - Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks as well as debt instruments and certificates of deposits with an original term of up to three months.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective, significant evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables - The amount of the impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The fair value of the underlying collateral may be used as a practical expedient to measure impairment loss under certain circumstances. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Financial liabilities

Financial liabilities consist of unsecured debt (approximately 80%) and secured debt (approximately 20%). Unsecured debt includes amounts due to affiliated companies. Liabilities to banks, bonds, and other liabilities make up the secured debt. Financial liabilities are measured at amortized cost and amortized using the effective interest method.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

Preparation of the consolidated financial statements, to a certain degree, require management to make estimates, assessments and assumptions which can affect the amounts and reporting of assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. The items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- recoverability of investments in equipment on operating leases;
- collectability of receivables resulting from sales financing and leases;
- recoverability of deferred tax assets; and
- assets and obligations related to employee benefits.

Further details on the estimates and assessments used in the preparation of these financial statements is provided under "Accounting policies".

Risks and uncertainties

MBFS USA's financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Assets Held for Sale

In November 2013, the Company approved the sale of a non-automotive finance lease related to an energy facility. The carrying value of these held for sale assets reflect the lower of carrying amount and fair market value (less estimated selling costs) as of the Consolidated Statement of Financial Position date. The Company completed the sale on February 13, 2014.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Years ended December 31,	
	2013	2012
Earnings	754	796
Add:		
Interest included in expense	432	448
One-third of rental expense	3	3
Adjusted earnings	1,189	1,247
Fixed Charges:		
Interest included in expense	432	448
Interest capitalized	16	18
One-third of rental expense	3	3
Total fixed charges	451	469
Ratio of earning to fixed charges	2.63	2.66

Mercedes Benz Financial Services USA LLC and Subsidiaries

(A Wholly Owned Subsidiary of Daimler Investments US Corporation)

Consolidated Financial Statements

September 30, 2013 and 2012

December 31, 2012 and 2011

TABLE OF CONTENTS Pages(s)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 4

COMPUTATION OF RATIO OF EARNING TO FIXED CHARGES 11

Consolidated Statements of Financial Position

(In millions of U.S. dollars)

		September 30,		December 31,	
Assets		2013	2012	2012	2011
Cash and cash equivalents	$	66	67	82	39
Amounts due from affiliated companies		204	102	163	78
Trade receivables		370	423	472	18
Returned and repossessed vehicle inventory		367	231	456	258
Finance receivables, net		17,968	16,211	17,005	15,812
Vehicles and equipment leased, net		17,641	15,305	16,312	13,316
Investments in associates		1	1	1	2
Other assets		454	433	409	278
Total assets	$	37,071	32,773	34,900	29,801
Liabilities and Member's Interest					
Accounts payable, provisions and other liabilities	$	112	107	132	118
Amounts due to affiliated companies		210	137	161	118
Income taxes due to affiliated companies, net		141	197	132	352
Financial liabilities		32,592	28,729	31,010	26,323
Deferred income		384	342	352	306
Deferred income taxes, net		2,242	2,000	1,984	1,719
Total liabilities		35,681	31,512	33,771	28,936
Member's interest		1,390	1,261	1,129	865
Total liabilities and member's interest	$	37,071	32,773	34,900	29,801

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(In millions of U.S. dollars)

		Nine Months Ended September 30,		Years Ended December 31,	
		2013	2012	2012	2011
Retail finance receivables and finance leases	$	365	412	551	615
Wholesale finance receivables and other		147	135	181	166
Vehicles and equipment leased – rents and fees		2,561	2,276	3,082	2,716
Remarketing revenue		3,265	1,990	2,963	2,779
Gain on sale of nonautomotive finance leases		15	11	–	4
Other income		16	18	13	9
Total finance revenue and other income		**6,369**	**4,842**	**6,790**	**6,289**
Interest expense		329	340	449	442
Depreciation on vehicles and equipment leased		1,950	1,673	2,278	1,859
Provision for credit losses		16	(2)	27	(160)
Remarketing expense		3,286	1,990	2,963	2,780
Impairment of investments		–	–	–	1
Loss of nonautomotive finance leases		3	–	8	2
Selling expenses		141	96	144	114
General administrative expenses		62	99	127	144
Total Expenses		5,787	4,196	5,996	5,182
Profit before income taxes		582	646	794	1,107
Income tax expense/(benefit)		320	252	305	449
Profit for the period	$	262	394	489	658

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
September 30, 2013 and 2012
December 31, 2012 and 2011

SIGNIFICANT ACCOUNTING POLICIES

General information

Mercedes-Benz Financial Services USA LLC (MBFS USA or the Company) is a single member LLC organized under the laws of the State of Delaware. Daimler Investments US Corporation (DIUS) is the sole member (owner) of MBFS USA and a direct subsidiary of Daimler North America Corporation (DNA) with Daimler AG (DAG) as the ultimate parent. MBFS USA's registered office is located at 36455 Corporate Drive, Farmington Hills, MI 48331.

MBFS USA is a financial services organization that principally provides automotive financing to Daimler dealers (an entity involved in the sale or lease of new or used vehicles that has entered into a franchise agreement with Mercedes-Benz USA, smart USA, or Daimler Trucks North America) and their customers, including retail and lease financing for cars and trucks, dealer inventory, and other financing needs. Financing operations consist of retail installment and lease contracts, wholesale financing, and capital loans to dealers. The principal market for the Company's automotive financial products and services is the United States. The Company's nonautomotive operations consist of leveraged leases of major equipment and real estate, limited partnership investments and other commercial loans.

The consolidated financial statements of MBFS USA are presented in U.S. dollars ($). All financial information presented in U.S. dollars has been rounded to the nearest million, unless indicated otherwise. On March 25, 2013, senior management of MBFS USA authorized the consolidated financial statements for issue.

BASIS OF PREPARATION

Applied IFRSs

The consolidated financial statements of MBFS USA and its subsidiaries have been prepared using accounting practices permitted by state licensing agencies, of which the recognition and measurement principles are consistent with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) applicable as of and for the years ended December 31, 2012 and 2011. These accounting practices do not include all the financial statement presentation and disclosure requirements of IFRS.

IFRSs issued and EU endorsed but not yet adopted

In May 2011, the IASB issued three new standards that provide guidance with respect to accounting for investments of the reporting entity in other entities. IFRS 10 Consolidated Financial Statements establishes a single consolidation model based on control that applies to all entities irrespective of the type of controlled entity. IFRS 11 Joint Arrangements provides new guidance on accounting for joint arrangements. In the future, it has to be decided whether a joint operation or a joint venture exists. IFRS 12 Disclosure of Interests in Other Entities provides guidance on disclosure requirements for interests in other entities by combining existing disclosure requirements from several standards in one comprehensive disclosure standard. Daimler will apply the new consolidation standards as of the mandatory effective date for EU IFRS-users as of January 1, 2014 on a retrospective basis and will therefore not make use of the possibility of earlier application. Daimler is currently in the process of determining the effects of these new standards on the Group's consolidated financial statements.

In May 2011, the IASB also published IFRS 13 Fair Value Measurement. The new standard replaces the fair value measurement rules contained in individual IFRSs and combines them in one standard for a single source of fair value measurement guidance. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Daimler will not make use of the possibility of earlier application of this standard. As a result of the application of IFRS 13, there will presumably be only minor effects on the consolidated financial statements.

In June 2011, the IASB issued an amendment to IAS 19 Employee Benefits. The amendment removes the corridor method. Actuarial gains and losses consequently have an immediate effect on the consolidated statement of financial position and have to be recognized exclusively in other comprehensive income/loss. In addition, currently at the beginning of the accounting period, the expected return on plan assets is determined based on the Company's expectations regarding the performance of the investment portfolio. With application of the revised IAS 19, only one return on plan assets equal to the discount rate for pension obligations is allowed at beginning of period. The amended standard generally has to be applied retrospectively with a few exceptions in financial statements for EU IFRS-users for annual periods beginning on or after January 1, 2013. Daimler will apply the amendments to IAS 19 as of January 1, 2013. As a result of the application of IFRS 13, there will be no effects on the consolidated financial statements. Other IFRSs and interpretations issued are not expected to have a significant influence on the Group's financial position, cash flows or earnings. Daimler does not plan to apply these standards earlier.

IFRSs issued but neither EU endorsed nor yet adopted

In November 2009, the IASB published IFRS 9 Financial Instruments (IFRS 9) as part of its project of a revision of the accounting guidance for financial instruments. Requirements for financial liabilities were added to IFRS 9 in October 2010. The requirements for classification and measurement of financial liabilities were carried forward unchanged from IAS 39, Financial Instruments, with the exception of certain changes to the fair value option for financial liabilities that address the consideration of own credit risk. The new standard provides guidance on the accounting of financial assets and financial liabilities as far as classification and measurement are concerned. The standard will be effective in general on a retrospective basis for annual periods beginning on or after January 1, 2015. Earlier application is permitted.

Other IFRSs issued are not expected to have a significant influence on the Company's consolidated financial statements. Subject to EU endorsement of these standards, which are to be adopted in future periods, Daimler does not plan to apply these standards earlier.

Presentation

The Company has elected to present the Consolidated Statement of Financial Position in order of liquidity to provide more reliable and relevant information to the user since the Company does not supply goods or services within a clearly identifiable operating cycle.

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ACCOUNTING POLICIES

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Agreements entered into with indirect subsidiaries of DAG provide for interest rate differentials and residual value support payments to the Company for certain Daimler vehicle sale and lease programs. Interest rate differentials on finance receivables are earned on the effective interest method over the term of the receivables. Interest rate differentials on lease programs are recognized on a straight-line basis over the lives of the leases. Recognition of these support payments results in yields that approximate market yields. Residual value support payments on lease programs are billed to the applicable affiliated manufacturer for their share of the residual losses as they are incurred, which reduces the residual losses recognized.
Finance receivables that are 60 days past due are placed on nonearning status. Nonautomotive assets are placed on nonearning status at the time the asset is deemed impaired.

Income taxes

The Company and its subsidiaries are included in the consolidated U.S. income tax return of DNA. The Company is also included in certain unitary and combined state tax returns with DNA and DIUS, and files separate returns in certain state and local tax jurisdictions. DNA is the direct parent of DIUS and is a wholly owned subsidiary of Daimler AG. The Company's provision for income tax expense is generally determined on a separate-return basis with certain adjustments pursuant to applicable tax sharing agreements. Under these various tax-sharing agreements with direct and indirect subsidiaries of DAG, U.S. income taxes have been settled substantially without regard to alternative minimum tax or limitations on utilization of net operating losses, affordable housing tax credits and foreign tax credits. The agreements provide for adjustments pertaining to certain tax expenses/benefits resulting from the Company's like kind exchange (LKE) program, depreciation, and nonautomotive finance lease transactions. The Company's state tax sharing is based upon a pro-rata approach that utilizes the effective tax rates of DIUS/DNA. The Company does not accrue or pay interest on intercompany tax balances that would not

otherwise result in interest owed to taxing authorities. Intercompany receivables/payables related to income taxes are settled in accordance with the tax sharing agreements between the Company and DIUS/DNA.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Further, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest and penalties on the underpayments of these taxes. Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Leasing
Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. The Company is a lessor of products manufactured by DAG, principally passenger cars, trucks, vans and buses. The accounting treatment associated with such leasing arrangements is dependent upon an evaluation of the risks and rewards of the leased asset, and whether the ownership of the asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Vehicles and equipment subject to operating leases is carried initially at its acquisition or manufacturing cost and is depreciated on a straight-line basis over the contractual term of the leases in an amount necessary to reduce the asset to its estimated residual value at the end of the lease term.

Certain nonautomotive finance leases qualify under SIC Interpretation 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease (SIC 27) as linked transactions. This interpretation provides a basis for accounting for a series of transactions that involve the legal form of a lease and can be linked as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. These series of facts are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence. As a result, the lessor has the right to offset the amounts owing under each of the leases and the intention to settle the rights and obligations under the leases on a net basis.

Residual values
The Company has significant investments in the residual values of its portfolio of vehicles under operating leases and nonautomotive finance leases. These residual values represent estimates of the fair value of the leased assets at the end of the contract terms and are initially recorded based upon industry estimates, adjusted for the Company's historical and projected experience, for the types of assets leased.

Changes to residual values for operating leases are recognized through additional depreciation on vehicles and equipment leased based on the Company's best estimate of vehicle fair value at lease termination. These assumptions and related additional depreciation may change based on market conditions. Residual values are reviewed at least quarterly to determine if there is an indication of impairment. If such indication exists, the asset's recoverable amount is estimated as the greater of its value in use or fair value less costs to sell. The Company determines value in use by discounting the estimated future cash flows resulting from the asset using a discount rate which reflects current market assessments and risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The Company has a residual value risk-sharing agreement with Mercedes-Benz USA LLC (MBUSA), an affiliate. The Company only maintains reserves for disposal costs. Any losses will be the responsibility of MBUSA and all gross gains will be returned to MBUSA. The agreement is renewable annually.

Residual values for nonautomotive finance leases are reviewed at least quarterly for impairment. If this review indicates that the carrying values are in excess of the assets' fair value, the effective–interest rate shall be recalculated from the inception of the leases using the revised assumptions. The change in the net investment balance will be adjusted based on the recalculated balances and is recognized as a loss on nonautomotive finance leases in the year the assumption is changed.

In connection with the quarterly review for impairment, the Company determines whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company records a partial or an entire reversal of the impairment, and the carrying amount of the affected asset is increased to its recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Returned and repossessed vehicle inventories
Vehicle inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition.

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 generally presented separately. Financial instruments are recognized as soon as MBFS USA becomes a party to the contractual provisions of the financial instrument.

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 set forth in IAS 39, Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss and are amortized over the life of the financial instrument. If the trade date and the settlement date (i.e. the date of delivery) differ, MBFS USA uses the trade date for purposes of initial recognition or derecognition.

Financial assets
Financial assets are primarily comprised of amounts due from affiliated companies, finance receivables, trade receivables, cash and cash equivalents, marketable securities and investments in associates.

Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include those financial assets designated as held for trading.

Financial assets at fair value through profit and loss are measured at fair value and changes are recognized in profit or loss.

Loans and receivables - Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market, such as amounts due from affiliated companies, trade receivables or finance receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Cash and cash equivalents - Cash and cash equivalents consist primarily of cash on hand, checks, demand deposits at banks as well as debt instruments and certificates of deposits with an original term of up to three months.

Impairment of financial assets
At each reporting date, the carrying amounts of the financial assets other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective, significant evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment.

Loans and receivables - The amount of the impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The fair value of the underlying collateral may be used as a practical expedient to measure impairment loss under certain circumstances. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

The Company maintains an allowance for credit losses for finance assets and additional depreciation allowances for credit losses resulting from vehicles and equipment leased (the portfolio). The amount of the impairment loss is recognized as a provision for credit losses in profit and loss to maintain the allowance for credit losses at an amount management believes adequate to absorb inherent credit losses that have been incurred at the Consolidated Statement of Financial Position date on the Company's portfolio. Estimates for establishing an allowance are based on historical credit loss experience, the value of the underlying collateral, delinquency statistics, and other factors in the economy that are expected to have a specific impact on the credit losses incurred.

In determining these allowances and the related provision for credit losses, management considers four principal elements: (i) specific reserves based upon probable losses identified during the review of the portfolio, (ii) reserves established for other adversely rated receivables and vehicles and equipment leased, based on management's internal credit quality rating system, (iii) reserves for losses on homogeneous portfolios, which are established based principally on historical credit loss experience and portfolio delinquency status, and (iv) additional reserves based on observable evidence, including local and general economic business factors and trends, portfolio concentrations, and changes in the size and/or the general terms of the portfolio.

A financial asset is considered impaired when there is objective evidence of impairment that has an impact on the estimated future cash flows of the financial asset. Objective evidence of impairment about loss events may include, but is not limited to, significant financial difficulty of the obligor, a breach of contract by the obligor, or observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets that is not yet identified with the individual financial assets in the group. Any shortfall between the net present value of the

estimated future cash flows and the recorded investment in the asset considered impaired is recognized by recording a provision for credit losses.

Financial assets net of the estimated value of repossessed collateral and disposal costs, are generally charged to these allowances at the time of repossession or when the asset become contractually delinquent greater than 120 days.

Financial liabilities

Financial liabilities primarily include trade accounts payable, amounts due to affiliated companies, liabilities to banks, bonds, and other liabilities.

Financial liabilities are measured at amortized cost and amortized using the effective interest method.

Provisions for other risks and contingent liabilities

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Accounting estimates and assessments

Preparation of the consolidated financial statements, to a certain degree, require management to make estimates, assessments and assumptions which can affect the amounts and reporting of assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. The items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

- recoverability of investments in equipment on operating leases;
- collectability of receivables resulting from sales financing and leases;
- recoverability of deferred tax assets; and
- assets and obligations related to employee benefits.

Further details on the estimates and assessments used in the preparation of these financial statements is provided under “Accounting policies”.

Risks and uncertainties

MBFS USA’s financial position and results of operations are subject to numerous risks and uncertainties. The uncertainty of weak economic recovery in the U.S. economy, and the broader global economy, could cause actual results to vary from current expectations. Additional parameters which may cause actual results to differ from current expectations include:

- further increases in overcapacity and the intensity of competition in the automotive industry;
- fluctuations in currency exchange rates and interest rates;
- the resolution of significant legal proceedings; and
- environmental and other government regulations.

Computation of Ratio of Earnings to Fixed Charges

(In millions of U.S. dollars)

	Nine Months Ended September 30,	Years ended December 31,	
	2013	2012	2011
Earnings	584	796	1,109
Add:			
Interest included in expense	328	448	440
One-third of rental expense	2	3	3
Adjusted earnings	914	1,247	1,552
Fixed Charges:			
Interest included in expense	328	448	440
Interest capitalized	16	18	11
One-third of rental expense	2	3	3
Total fixed charges	346	469	454
Ratio of earning to fixed charges	2.64	2.66	3.42