Daimler Finance North America LLC

Annual Report 2021

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Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Daimler Finance North America LLC (the Company) provide a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Company's Management Report provides a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Farmington Hills, MI (USA), April 27, 2022

Ramasami Muthaiyah
Chief Executive Officer

Christoph Rieker
Chief Financial Officer

Management Report

General

Daimler Finance North America LLC ("DFNA" or the "Company") is a wholly-owned subsidiary of Daimler North America Corporation ("DNA"), which is a wholly-owned subsidiary Mercedes-Benz Capital Nederland B.V. ("MBCN"), which is in turn a wholly-owned subsidiary of Mercedes-Benz Group AG ("MBGAG").

On October 1, 2021, the Extraordinary General Meeting approved the renaming of Daimler AG as Mercedes-Benz Group AG effective January 29, 2022. The commercial register entry took place on February 1, 2022. Also effective February 1, 2022, Daimler International Nederland B.V. changed its name to Mercedes-Benz Capital Nederland B.V.

DFNA accesses U.S. and foreign capital markets to raise funds, which it lends to DNA through a consolidated funding and cash management system. As such, it has relationships with other subsidiaries of MBGAG. MBGAG issued full and unconditional guarantees for DFNA's obligations incurred under its outstanding notes and bonds program and commercial paper program. DFNA and DNA entered into an intercompany loan agreement which is intended to mirror DFNA's external borrowings such that interest expense with third parties is offset by corresponding interest income from DNA.

The nature of the Mercedes-Benz Group operations in the US includes the distribution of passenger cars purchased from MBGAG under the brand name Mercedes-Benz. Mercedes-Benz Group also has financial services operations that principally provide automotive financing to its dealers and their customers, including retail and lease financing for cars, dealer inventory and other financing needs.

Operations in the US include the sale of trucks and other commercial vehicles under the brand names Freightliner, Western Star and Thomas Built Buses as well as financial services operations for retail and lease financing for trucks. On December 10, 2021, substantial parts of the Daimler Truck & Buses segment, including the related financial services business were spun-off when Daimler Truck Holding AG was listed on the Frankfurt Stock Exchange as the parent company of the independent Daimler Truck Group.

This document contains forward-looking statements that reflect our current views about future events. The words "anticipate," "assume," "believe," "estimate," "expect," "intend," "may," "can," "could," "plan," "project," "should" and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including:

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

The following discussion should be read in conjunction with the DFNA's financial statements as of and for the years ended December 31, 2021 and 2020, which were prepared using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Note 3 to the financial statements provides an overview of the Company's significant accounting policies.

The percentages in the following discussion were computed using exact dollar amounts and numbers. Some of those percentages may, therefore, not reflect the ratio between the rounded amounts presented below.

Earnings

Interest Income

Interest income decreased to $712,647 in 2021 from $896,911 in 2020, a decrease of $184,264 or 21%. The decrease was caused by lower interest rates and a lower average balance of receivables from related parties.

Interest Expense

Interest expense decreased to $712,647 in 2021 from $896,911 in 2020, a decrease of $184,264 or 21%. The decrease was caused by lower interest rates and lower average external borrowings.

Guarantee Fees

Guarantee fees charged by MBGAG (12.5 bp on outstanding external debt) were $29,867 in 2021, compared to $36,521 in 2020. This was caused by the Company's outstanding balances of external borrowings which were lower on average in 2021 compared to 2020.

Administrative Expenses

Administrative expenses were $2,619 and $3,371 for 2021 and 2020, respectively.

Reimbursement of Expenses from DNA

DFNA and DNA are parties to an agreement where DNA reimburses DFNA for any and all expenses incurred in connection with the administration of DFNA's notes and bonds program and commercial paper program. The reimbursement of net expenses from DNA amounted to $32,482 in 2021 and $39,900 in 2020.

Net Income

Net income was $0 in both 2021 and 2020.

Financial Position

Total assets were $19,915,790 at December 31, 2021 compared to $27,258,866 at December 31, 2020, a decrease of $7,343,076 or 27%. The decrease is due to repayments from related parties exceeding issuances of loans to related parties.

Total liabilities were $19,915,790 at December 31, 2021 compared to $27,258,866 at December 31, 2020, a decrease of $7,343,076 or 27%. The decrease reflects the repayments of notes and bonds exceeding the issuances of notes and bonds in 2021.

Liquidity and Capital Resources

In the ordinary course of business, the Company issues notes and bonds and commercial paper in the US and foreign capital markets and lends the proceeds to DNA. In 2021, $2,988,750 new notes and bonds were issued, while there were $2,138,803 new issuances in 2020. The Company had neither cash nor cash equivalents as of December 31, 2021 and 2020.

Risk Report

Many factors could directly and indirectly, through the close affiliation with MBGAG's affiliated companies, affect the Company's business, financial condition, and cash flows. The results of operations would not be affected due to the existing reimbursement agreements with DNA. The principal risks are described below.

Economic Risk

The United States along with global economies continue to experience decelerating growth as inflation is proving more persistent than expected with the progression of the pandemic remaining difficult to forecast. Once the threat of covid variants diminish, shortages will ease only gradually, high inflation will diminish purchasing power, fiscal and monetary policy will be less supportive. The overall expectation is that economic recovery in most major economies will slow this year.

United States economic growth will face headwinds from inflation and the withdrawal of fiscal and monetary policy stimulus in 2022 with the Federal Reserve likely to start raising rates in mid-March. Supply-side bottlenecks will also weigh on manufacturing growth through most of 2022. The overall economic outlook for the automotive industry also depends on the resolution of the semiconductor shortage as it remains a key issue in the near term. While the short-term disruptions driven by covid and global supply chain disruptions should finally fade towards the end of 2022, challenges for the auto industry will continue.

The prospects for the economy in 2022 and beyond have improved as ongoing pent-up demand and inventory restocking should allow for a more pronounced market increase in sales. If economic activity were to remain below pre-pandemic levels, adverse effects on Mercedes-Benz businesses in the United States remain a possibility and as a result, on the future financial position of the company.

Stronger economic growth in the United States would have spillover effects on the rest of the world. As Mercedes-Benz Cars & Vans and Mercedes-Benz Mobility generate a substantial proportion of their revenue in the United States, a robust economic development is of considerable importance for the Group's success.

Uncertainties for the global economy and the business development of the Mercedes-Benz Group may arise in particular from geopolitical and trade policy developments worldwide. The main factor in this respect is a further escalation of the Russia-Ukraine War or, in the worst case its spread to other countries.

Industry Risks

As a result of the covid-19 pandemic, risks still exist for the development of unit sales and the availability of components in the after-sales businesses. Rising energy and oil prices and volatile exchange rates can also lead to market uncertainty and thus to falling demand for vehicles at Mercedes-Benz Group companies in the United States.

In addition, the financial services that Mercedes-Benz Group offers in connection with the sale of vehicles involve several risks. These include the potential inability to recover the investments in leased vehicles or to collect the sales financing receivables if the resale prices of the vehicles securing these receivables fall short of their book value (residual value risk), which may lead to additional funding requirements through DFNA.

Financial Risks

Changes in interest rates may have substantial adverse effects on the Company's cash flows. Adverse effects may also arise from downgrades of the long-term debt ratings of the Company's ultimate parent company, MBGAG, and the ability of the Company to issue debt in the US and European markets. Lower demand for the Company's debt instruments could increase the borrowing costs or otherwise limit DFNA's ability to fund the Mercedes-Benz Group operations in the US.

Note 8 to the Company's financial statements describes the risk management strategies employed by the Company to address such risks.

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

Corporate Governance

Corporate Bodies

As of December 31, 2021, the Company had six officers and a board of directors which comprised three members. With this segregation, the officers are responsible for managing the day to day operations of the Company while the board of directors advises and monitors the officers.

Compliance

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

Risk Management and Internal Control

The risk management system is an integral part of the overall planning, controlling and reporting process. Its goal is to enable the Company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner (see note 8).

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

Accounting Principles

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

Outlook

Management expects net income and equity to be $0 in 2022. This expectation is based on the assumption of a stable economic development and continuation of the Company's business model.

Independent Auditors' Report

The Board of Directors
Daimler Finance North America LLC:

Report on the Audit of the Financial Statements

We have audited the financial statements of Daimler Finance North America LLC (the Company), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

Management is responsible for presenting the financial statements in accordance with the requirements set forth in the Commission Delegated Regulation 2019/815 on European Single Electronic Format (the ESEF Regulation).

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

Our responsibilities include assessing whether the financial statements have been prepared, in all material respects, in compliance with the requirements set forth in the ESEF Regulation.

In performing an audit in accordance with GAAS, we:

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Management Report (consisting of pages 4/29 to 7/29) but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Report on Other Legal and Regulatory Requirements

We have evaluated the compliance of the financial statements of the Company as of and for the years ended December 31, 2021 and 2020 with the relevant statutory requirements set forth in the ESEF Regulation that are applicable to financial statements.

For the Company, the relevant statutory requirements relate to financial statements being prepared in a valid XHTML format.

In our opinion, the financial statements of the Company as of and for the years ended December 31, 2021 and 2020, identified as DFNA_Annual_Report_2021.zip, have been prepared, in all material respects, in compliance with the requirements set forth in the ESEF Regulation.

/s/ KPMG LLP

Detroit, Michigan

April 27, 2022

(all amounts in thousands of U.S. dollars)

Statement of Comprehensive Income

		Year ended December 31,	
	Note	**2021**	**2020**
Interest income – related parties		712,647	896,911
Interest expense – third parties		(712,647)	(896,911)
Guarantee fees – MBGAG	4	(29,867)	(36,521)
Net interest expense		**(29,867)**	**(36,521)**
Other financial income / (expense)	5	4	(8)
Administrative expenses	4	(2,619)	(3,371)
Reimbursement of expenses from DNA	4	32,482	39,900
Net income		**-**	-
Other comprehensive income		-	-
Total comprehensive income		**-**	-

The accompanying notes on pages 15 to 29 are an integral part of the financial statements.

(all amounts in thousands of U.S. dollars)

Statement of Financial Position

		December 31,	
	Note	**2021**	**2020**
Assets			
Receivables from related parties	4	13,947,625	16,691,862
Total non-current assets		**13,947,625**	**16,691,862**
Receivables from related parties	4	5,762,972	10,313,187
Accrued interest income from DNA	4	205,193	253,817
Total current assets		**5,968,165**	**10,567,004**
Total assets		**19,915,790**	**27,258,866**
Equity and liabilities			
Total equity		**-**	**-**
Notes and bonds payable	7	13,947,625	16,691,862
Total non-current liabilities		**13,947,625**	**16,691,862**
Payables to related parties	4, 7	14,393	17,933
Other provisions		-	105
Notes and bonds payable	7	5,748,579	10,295,149
Accrued interest expense	7	205,193	253,817
Total current liabilities		**5,968,165**	**10,567,004**
Total liabilities		**19,915,790**	**27,258,866**
Total equity and liabilities		**19,915,790**	**27,258,866**

The accompanying notes on pages15 to 29 are an integral part of the financial statements.

Statement of Changes in Equity

	Member's Investment	Retained Earnings	Other Reserves	Total Equity
Balance at January 1, 2020	**-**	**-**	**-**	**-**
Net income	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**
Transactions with members directly recognized in equity	-	-	-	-
Balance at December 31, 2020	**-**	**-**	**-**	**-**
Net income	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**
Transactions with members directly recognized in equity	-	-	-	-
Balance at December 31, 2021	**-**	**-**	**-**	**-**

The accompanying notes on pages 15 to 29 are an integral part of the financial statements.

(all amounts in thousands of U.S. dollars)

Statement of Cash Flows

		Year ended December 31,	
	Note	**2021**	**2020**
Net income		-	-
Adjustments for			
Foreign exchange gains	5	(4)	8
Non-cash interest expense		20,443	21,281
Changes in			
Receivables from related parties	4	7,294,456	6,391,132
Payables to related parties	4	(3,540)	(6,374)
Other provisions		(105)	99
Net cash provided by/(used for) operating activities		**7,311,250**	**6,406,146**
Net cash provided by/(used for) investing activities		**-**	**-**
Issuances of notes and bonds payable	7	2,988,750	2,138,803
Repayments of notes and bonds payable	7	(10,300,000)	(7,550,000)
Repayments of commercial paper	7	-	(994,949)
Net cash provided by/(used for) financing activities		**(7,311,250)**	**(6,406,146)**
Net increase/(decrease) in cash and cash equivalents		**-**	**-**
Cash and cash equivalents at the beginning of the period		**-**	**-**
Cash and cash equivalents at the end of the period		**-**	**-**
Supplemental information:[1]			
Interest paid		(740,828)	(920,919)
Interest received		740,828	920,919

[1] All cash flows from interest are included in cash used in operating activities. The Company does not have any cash flows from income taxes and dividends.

The accompanying notes on pages 15 to 29 are an integral part of the financial statements.

Notes to the Financial Statements

1. General information

Daimler Finance North America LLC ("DFNA" or the "Company") is a limited liability company organized under the laws of Delaware. The Company is a wholly-owned subsidiary of Daimler North America Corporation ("DNA"), which is a wholly-owned subsidiary of Mercedes-Benz Capital Nederland B.V. ("MBCN"), which is in turn a wholly-owned subsidiary of Mercedes-Benz Group AG ("MBGAG"). Its registered office is located at 1209 Orange Street, Wilmington, Delaware 19801, USA.

On July 30, 2021, the Board of Management 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 upon entry into the Commercial Register on December 9, 2021, the shareholders of Daimler AG received 65% of the shares in the newly founded Daimler Truck Holding AG. Since December 10, 2021, Daimler Truck AG has been listed on the stock exchange as the parent company of the independent Daimler Truck Group.

The spin-off did not have a direct impact on DFNA operations.

Also, the Extraordinary General Meeting approved the renaming of Daimler AG as Mercedes-Benz Group AG effective January 29, 2022. The commercial register entry took place on February 1, 2022. Also effective February 1, 2022, Daimler International Nederland B.V. changed its name to Mercedes-Benz Capital Nederland B.V.

DFNA accesses US and foreign capital markets to raise funds, which it lends to DNA through a consolidated funding and cash management system.

In the event of non-payment by DFNA, MBGAG irrevocably and unconditionally guarantees the debt holders the payment of the amounts corresponding to the principal of, and interest on the respective notes and bonds and commercial paper as they become due. DFNA and DNA entered into intercompany loan agreements which are intended to mirror DFNA's external borrowings such that interest expense with third parties is offset by corresponding interest income from DNA. DFNA has one reportable segment.

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

On April 27, 2022, the Board of Directors of DFNA authorized the financial statements for issue.

2. Basis of preparation

(a) Applied IFRS

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

(b) IFRS issued and 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 financial statements.

The following amended standards did not have a significant impact on DFNA's financial statements:

- IFRS16 Covid-19-Related Rent Concessions.
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16.

The following amended standard is not expected to have a significant impact on DFNA's financial statements:

- IFRS17 Insurance Contracts.

(c) Basis of measurement

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

(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 thousands of U.S. dollars, except where indicated otherwise.

(e) Presentation in the statement of financial position

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

(f) Accounting estimates and management judgements

The preparation of financial statements requires management to make estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management's most important estimates relate to the fair values of the Company's notes and bonds payable and receivables from DNA. Refer to note 7 for additional information.

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

Management judgements

Recoverability of receivables from related parties

At each reporting date, the carrying amounts of receivables from related parties are evaluated to determine whether there is objective significant increase in credit risk since initial recognition. Through December 31, 2021, the credit risk on receivables from related parties has not increased significantly since initial recognition. Therefore, the loss allowance for receivables from related parties would be measured at an amount equal to 12-month expected credit losses. Receivables from related parties are considered to have a low risk of default. Management considers the 12-month expected credit losses for receivables from related parties as immaterial.

Estimates

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

Fair value of financial instruments

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

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

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

3. Summary of significant accounting policies

(a) Interest income and expense

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

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

(b) Income taxes

The Company is a single member limited liability company. As such, the Company is not a taxable entity for federal and state income tax purposes. Rather, taxable income or loss is included in its member's federal and state income tax returns and any resulting income taxes are paid by the member.

(c) Transactions with related parties

DFNA is wholly owned by DNA 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) Financial assets

Financial assets consist primarily of receivables from DNA, which arise from intercompany loans. The classification of financial instruments is based on the business model in which these instruments are held and on their contractual cash flows.

Financial assets that give rise to cash flows consisting solely of payments of principal and interest ("SPPI") are classified in accordance with DFNA's business model for holding these instruments. These business models are managed principally based on interest-rate structure and credit risk.

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

In making this assessment, DFNA considers:

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

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

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest on the nominal amount outstanding and which are held with the aim of collecting the contractual cash flows (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.

Impairment of financial assets

DFNA recognizes loss allowances for expected credit losses for financial assets other than those to be measured at fair value through profit or loss. The loss allowances for financial assets that are determined to have low credit risk at the reporting date or for which credit risk has not increased significantly since recognition (including receivable from related parties) are measured at 12-month expected credit losses.

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

DFNA assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Measurement of expected credit losses

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

(all amounts in thousands of U.S. dollars)

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

(e) Financial liabilities

Financial liabilities include notes and bonds payable, commercial paper, payables to related parties, and accrued interest. New notes and bonds and commercial paper issuances are recognized at fair value based on quoted prices on the day of issuance minus transaction costs, if any. After initial recognition at fair value minus transaction costs, they are subsequently measured at amortized cost using the effective interest method.

4. Transactions with related parties

The following table sets forth amounts receivable from related parties:

	December 31,	
	2021	**2020**
Daimler North America Corporation	19,710,045	27,004,385
Daimler North America Corporation - accrued interest	205,193	253,817
Daimler North America Finance Corporation (DNAF)	552	664
Total	**19,915,790**	**27,258,866**

The receivables bear interest at fixed and variable rates ranging from 0.75% to 8.50%, with a weighted average interest rate of 3.85%. Variable rates are re-priced on a 3 month basis. Interest income is recorded using the effective interest method. The Company recorded interest income from DNA of $712,647 in 2021 and $896,873 in 2020. The Company holds cash receivables with DNAF, the US In-House Bank, and recorded interest income of $3 in 2021 and $38 in 2020.

As of December 31, 2021, aggregate annual maturities of receivables from related parties were as follows:

Year	Amount
2022	5,968,164
2023	2,920,767
2024	3,340,873
≥2025	7,685,986
Total	**19,915,790**

(all amounts in thousands of U.S. dollars)

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

Year	**Amount**
2021	10,567,004
2022	5,744,157
2023	2,918,011
≥2024	8,029,694
Total	**27,258,866**

The following table sets forth amounts payable to related parties which result from guarantee fees:

	December 31,	
	2021	**2020**
Mercedes-Benz Group AG	14,393	17,933
Total	**14,393**	**17,933**

DFNA is charged fees for the full and unconditional guarantees on its outstanding notes and bonds and commercial paper programs by MBGAG. These fees are calculated as a set percentage of the outstanding notes and bonds and commercial paper at the end of each month at any given year. These guarantee fees were $29,867 and $36,521 for the years ended December 31, 2021 and 2020, respectively.

DFNA is charged for administrative overhead expenses by DNA. These expenses were $2,108 and $2,333 for the years ended December 31, 2021 and 2020, respectively, and are included in administrative expenses of $2,619 and $3,371 for the years ended December 31, 2021 and 2020 in the Statement of Comprehensive Income.

DFNA and DNA are also parties to agreements pursuant to which DNA reimburses DFNA for any and all expenses incurred in connection with the administration of DFNA's notes and bonds and commercial paper programs. These reimbursements are recognized in income - Reimbursement of expenses from DNA.

The receivable for reimbursement of expenses from DNA amounted to $13,842 as of December 31, 2021 and $17,374 as of December 31, 2020.

There are no related party transactions with key management personnel as defined in IAS 24.

5. Other financial income / (expense)

Other financial income includes foreign exchange from intercompany cash balances and invoices in EUR:

	2021	**2020**
Result of foreign exchange transactions – gains / (losses)	4	(8)
Total	**4**	**(8)**

(all amounts in thousands of U.S. dollars)

6. Statement of cash flows

In 2021 the changes in liabilities arising from financing activities were as follows.

Financing liabilities	**Notes and bonds payable**	**Commercial Paper**	**Total**
Balance at January 1, 2021[1]	**27,240,828**	**-**	**27,240,828**
Proceeds from Issuance	2,988,750	-	2,988,750
Repayments	(10,300,000)	-	(10,300,000)
Total changes from financing cash flows	**(7,311,250)**	**-**	**(7,311,250)**
Interest expense	712,647	-	712,647
Interest paid	(740,828)	-	(740,828)
Total liability-related other changes	**(28,181)**	**-**	**(28,181)**
Balance at December 31, 2021[2]	**19,901,397**	**-**	**19,901,397**

[1] Notes and bonds payable balance at January 1, 2021 includes accrued interest in the amount of $253,817.
[2] Notes and bonds payable balance at December 31, 2021 includes accrued interest in the amount of $205,193.

In 2020 the changes in liabilities arising from financing activities were as follows.

Financing liabilities	**Notes and bonds payable**	**Commercial Paper**	**Total**
Balance at January 1, 2020[1]	**32,673,036**	**997,946**	**33,670,982**
Proceeds from Issuance	2,138,803	-	2,138,803
Repayments	(7,550,000)	(994,949)	(8,544,949)
Total changes from financing cash flows	**(5,411,197)**	**(99,949)**	**(6,406,146)**
Interest expense	885,153	11,758	896,911
Interest paid	(906,164)	(14,755)	(920,919)
Total liability-related other changes	**(21,011)**	**(2,996)**	**(24,008)**
Balance at December 31, 2020[2]	**27,240,828**	**-**	**27,240,828**

[1] Notes and bonds payable balance at January 1, 2020 includes accrued interest in the amount of $299,106.
[2] Notes and bonds payable balance at December 31, 2020 includes accrued interest in the amount of $253,817.

(all amounts in thousands of U.S. dollars)

7. Financial instruments

(a) Carrying amounts and fair values of financial instruments

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

	December 31, 2021		December 31, 2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets at amortized cost				
Receivables from related parties	19,710,597	20,993,128	27,005,049	29,008,212
Accrued interest income from DNA	205,193	205,193	253,817	253,817
Total financial assets at amortized cost	19,915,790	21,198,321	27,258,866	29,262,029
Total financial assets	**19,915,790**	**21,198,321**	27,258,866	29,262,029
Financial liabilities carried at amortized cost				
Notes and bonds payable	19,696,204	20,978,735	26,987,011	28,990,279
Payables to related parties	14,393	14,393	17,933	17,933
Accrued interest expense	205,193	205,193	253,817	253,817
Total financial liabilities carried at amortized cost	19,915,790	21,198,321	27,258,761	29,262,029
Total financial liabilities	**19,915,790**	**21,198,321**	27,258,761	29,262,029

(all amounts in thousands of U.S. dollars)

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

	December 31, 2021				December 31, 2020			
	Total	**Level 1[1]**	**Level 2[2]**	**Level 3[3]**	**Total**	**Level 1[1]**	**Level 2[2]**	**Level 3[3]**
Financial assets at amortized cost	**21,198,321**	-	21,198,321	-	**29,262,029**	-	29,262,029	-
Financial liabilities carried at amortized cost	**21,198,321**	20,575,675	622,646	-	**29,262,029**	26,982,687	2,279,342	-
thereof notes and bonds	**20,978,735**	20,575,675	403,060	-	**28,990,279**	26,982,687	2,007,592	-
thereof other financial liabilities	**219,586**	-	219,586	-	**271,750**	-	271,750	-

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

The fair values of financial instruments were calculated on the basis of market information available at the reporting date using the methods and assumptions presented below. Due to the short nature of accrued interest income, accrued interest expense, and payables to related parties, management assumes that their fair values are equal to the carrying amounts.

Receivables from related parties

DFNA holds receivables from DNA within a business model whose objective is to collect contractual cash flows. No material impairments have been recognized, and the Company does not believe that these receivables are at risk of being impaired. The Company believes that the fair value of the receivables from DNA approximates the fair value of the external notes and bonds payable at December 31, 2021 and 2020, as the terms and interest rates of the receivables from DNA are intended to mirror DFNA's external borrowings such that interest expense and debt maturities with third parties are offset by corresponding interest income and loan maturities from DNA.

Notes and bonds payable

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

Other financial liabilities

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

(all amounts in thousands of U.S. dollars)

(b) Notes and bonds payable

DFNA's obligations under the notes and bonds program are fully and unconditionally guaranteed by its ultimate parent company, MBGAG. Contemporaneously, DFNA and DNA entered into an agreement according to which DNA reimburses DFNA for any and all fees incurred by DFNA in the course of the administration of the program. Terms and conditions of notes and bonds payable outstanding at December 31, 2021 are as follows:

US-Dollar Notes and Bonds	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Medium Term Note	USD	2.850%	2022	250,000	249,985
Medium Term Note	USD	2.850%	2022	850,000	849,919
Medium Term Note	USD	Libor+0.90%	2022	1,500,000	1,499,849
Medium Term Note	USD	Libor+0.88%	2022	700,000	699,932
Medium Term Note	USD	3.400%	2022	1,200,000	1,199,638
Medium Term Note	USD	2.550%	2022	1,250,000	1,249,255
Medium Term Note	USD	3.350%	2023	675,000	674,189
Medium Term Note	USD	1.750%	2023	1,250,000	1,247,974
Medium Term Note	USD	3.700%	2023	600,000	599,157
Medium Term Note	USD	Libor+0.84%	2023	400,000	399,449
Medium Term Note	USD	3.650%	2024	600,000	598,590
Medium Term Note	USD	0.750%	2024	1,500,000	1,495,825
Medium Term Note	USD	2.700%	2024	750,000	748,264
Medium Term Note	USD	3.250%	2024	500,000	498,194
Medium Term Note	USD	2.125%	2025	450,000	447,922
Medium Term Note	USD	3.300%	2025	650,000	648,694
Medium Term Note	USD	3.500%	2025	500,000	498,419
Medium Term Note	USD	1.450%	2026	1,000,000	996,805
Medium Term Note	USD	3.450%	2027	750,000	747,053
Medium Term Note	USD	3.750%	2028	300,000	295,316
Medium Term Note	USD	3.750%	2028	625,000	623,678
Medium Term Note	USD	4.300%	2029	500,000	497,869
Medium Term Note	USD	3.100%	2029	500,000	497,243
Medium Term Note	USD	2.625%	2030	450,000	447,244
Bond	USD	8.500%	2031	1,500,000	1,487,451
Medium Term Note	USD	2.450%	2031	500,000	498,290
Total				**19,750,000**	**19,696,204**

(all amounts in thousands of U.S. dollars)

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

US-Dollar Notes and Bonds	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Medium Term Note	USD	2.300%	2021	1,100,000	1,099,747
Medium Term Note	USD	Libor+0.43%	2021	400,000	399,971
Medium Term Note	USD	3.000%	2021	550,000	549,845
Medium Term Note	USD	Libor+0.45%	2021	400,000	399,961
Medium Term Note	USD	Libor+0.45%	2021	750,000	749,927
Medium Term Note	USD	2.875%	2021	650,000	649,839
Medium Term Note	USD	Libor+0.55%	2021	700,000	699,842
Medium Term Note	USD	3.350%	2021	1,000,000	999,497
Medium Term Note	USD	2.000%	2021	1,250,000	1,249,539
Medium Term Note	USD	3.875%	2021	750,000	749,017
Medium Term Note	USD	2.200%	2021	1,000,000	999,501
Medium Term Note	USD	Libor+0.67%	2021	500,000	499,718
Medium Term Note	USD	3.750%	2021	1,250,000	1,248,745
Medium Term Note	USD	2.850%	2022	850,000	849,269
Medium Term Note	USD	2.850%	2022	250,000	250,316
Medium Term Note	USD	Libor+0.90%	2022	1,500,000	1,498,653
Medium Term Note	USD	3.400%	2022	1,200,000	1,198,196
Medium Term Note	USD	Libor+0.88%	2022	700,000	699,466
Medium Term Note	USD	2.550%	2022	1,250,000	1,248,258
Medium Term Note	USD	3.350%	2023	675,000	673,575
Medium Term Note	USD	1.750%	2023	1,250,000	1,246,371
Medium Term Note	USD	Libor+0.84%	2023	400,000	399,449
Medium Term Note	USD	3.700%	2023	600,000	598,616
Medium Term Note	USD	3.650%	2024	600,000	598,006
Medium Term Note	USD	2.700%	2024	750,000	747,614
Medium Term Note	USD	3.250%	2024	500,000	497,556
Medium Term Note	USD	2.125%	2025	450,000	447,312
Medium Term Note	USD	3.300%	2025	650,000	648,357
Medium Term Note	USD	3.500%	2025	500,000	498,029
Medium Term Note	USD	3.450%	2027	750,000	746,539
Medium Term Note	USD	3.750%	2028	625,000	623,503
Medium Term Note	USD	3.750%	2028	300,000	294,663
Medium Term Note	USD	4.300%	2029	500,000	497,629
Medium Term Note	USD	3.100%	2029	500,000	496,934
Medium Term Note	USD	2.625%	2030	450,000	446,952
Bond	USD	8.500%	2031	1,500,000	1,486,599
Total				**27,050,000**	**26,987,011**

(c) Commercial paper

In February 2011, DFNA entered into a $3,000,000 private placement of a commercial paper program. DFNA's obligations under the commercial paper program are fully and unconditionally guaranteed by its ultimate parent company, MBGAG. As of December 31, 2021 and December 31, 2020 there was no commercial paper outstanding.

8. Management of financial risks

(a) Introduction

The global nature of the Mercedes-Benz Group businesses in the US exposes DFNA indirectly to the risks listed below:

(all amounts in thousands of U.S. dollars)

- credit risk
- liquidity risk
- finance market risks

However, the resulting effects of these risks on the Company's financial position, cash flows and profitability are all offset by the existing reimbursement agreements between DFNA and DNA as well as the unconditional guarantee issued by MBGAG for DFNA's outstanding notes and bonds and commercial paper. As a result, the Company is exposed to DNA's, and indirectly to its ultimate parent MBGAG's, intent and ability to effect the repayment of these receivables and honor the unconditional guarantee.

This note presents information about the Company's exposure to each of the above risks, and the objectives, policies and processes for measuring and managing risk. As part of its policies and processes for managing and measuring, if necessary, these risks, the Company monitors MBGAG's liquidity position. MBGAG's financial statements are publicly available.

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

In 2021, three agencies upgraded Mercedes-Benz Group AG's credit ratings. On July 27, 2021, S&P Global Ratings (S&P) increased its long-term rating for Mercedes-Benz Group AG from BBB+ to A- with a stable outlook. S&P justified these measures primarily with better-than-expected free cash flow and the good earnings development. On November 5, 2021, Fitch Ratings (Fitch) upgraded Mercedes-Benz Group AG's long-term issuer default rating from BBB+ to A- with a stable outlook. Fitch stated that the upgrade reflects the Group's rapidly improving profitability and the expectation that it will strengthen sustainably. DBRS upgraded its long-term rating for Mercedes-Benz Group AG and its rated subsidiaries from BBB (high) to A (low) with a stable outlook on November 18, 2021. At the same time, DBRS lifted its short-term rating from R-2 (high) to R-1 (low). DBRS justified this change with the improved assessment of business risk resulting from the spin-off of a majority stake in Daimler Truck.

MBGAG's ratings as of December 31, 2021 were as follows:

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

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

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

(b) General information on financial risks

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

(all amounts in thousands of U.S. dollars)

(c) Credit risk

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

The Company's assets consist primarily of receivables from DNA. As a result, the Company is exposed to DNA's, and indirectly to its ultimate parent MBGAG's, intent and ability to effect the repayment of these receivables. The maximum exposure to credit risk at the reporting date from receivables is equal to the carrying amount, which is equal to the total assets of the Company. As part of its policies and processes for managing and measuring, if necessary, the Company's exposure to credit risk, the Company monitors MBGAG's liquidity position.

(d) Liquidity risk

Liquidity risk encompasses the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities in full when due. DFNA's source of liquidity is its external borrowings. The funds are primarily used to finance working capital and capital expenditure requirements as well as the cash needs of the lease and financing business of the DNA subsidiaries.

Depending on its cash needs and market conditions, DFNA issues bonds and notes and commercial paper in various currencies. Adverse changes in the capital markets could increase DFNA's funding costs and limit the Company's financial flexibility.

Since July 2018, Mercedes-Benz Group has had a syndicated credit facility with a volume of €11 billion from a consortium of international banks at its disposal. Exercising an optional extension of one year grants additional financial flexibility for Mercedes-Benz Group until 2025. As of December 31, 2021, this credit line had not been utilized.

The liquidity runoff shown in the following table provides an insight into how the liquidity situation of the Company is affected by the cash flows of financial liabilities as of December 31, 2021. It comprises a runoff of the undiscounted contractual principal and interest cash outflows of the financing liabilities and undiscounted payments from other financing liabilities.

	Total	**2022**	**2023**	**2024**	**2025**	**2026**	**> 2027**
Notes and bonds – principal	**19,750,000**	5,750,000	2,925,000	3,350,000	1,600,000	1,000,000	5,125,000
Notes and bonds – interest	**2,689,826**	527,421	418,873	355,088	296,631	256,375	835,438
Payables to related parties	**14,393**	14,393					-
Total	**22,454,219**	**6,291,814**	**3,343,873**	**3,705,088**	**1,896,631**	**1,256,375**	**5,960,438**

(all amounts in thousands of U.S. dollars)

The liquidity runoff as of December 31, 2020 is shown in the following table.

	Total	2021	2022	2023	2024	2025	≥ 2026
Notes and bonds – principal	**27,050,000**	10,300,000	5,750,000	2,925,000	1,850,000	1,600,000	4,625,000
Notes and bonds – interest	**3,200,883**	723,360	488,376	379,365	322,713	269,881	1,017,188
Payables to related parties	**17,933**	17,933	-	-	-	-	-
Total	**30,268,816**	**11,041,293**	**6,238,376**	**3,304,365**	**2,172,713**	**1,869,881**	**5,642,188**

Future cash flows for variable rate instruments are estimated using forward rates.

(e) Finance market risks

Finance market risks are the risks that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's income or the value of its financial instruments. The objective of finance market risks management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The global nature of the Mercedes-Benz Group businesses in the US exposes DFNA indirectly to market risks resulting from foreign currency exchange rates and changes in interest rates. However, the resulting effects of these market risks on the Company's financial position, cash flows and profitability are all offset by the existing reimbursement agreements between DFNA and DNA. DFNA maintains risk management control systems independent of Corporate Treasury.

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

DFNA has US dollar LIBOR based interest rates on the floating-rate receivables from related parties and notes and bonds payable throughout its operations. Although US dollar LIBOR was planned to be discontinued by the end of 2021, consultations and possible regulatory changes are still in progress. As of December 31, 2021, the US dollar LIBOR will either cease to be provided or no longer be representative after June 30, 2023. DFNA monitors the progress of transition from IBORs to new benchmarks rates by reviewing the total amounts of contract that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. Per the Daimler AG European Medium Term Note Programme Prospectus dated May 12, 2021, the financial instruments referencing LIBOR provide for fallback arrangements in the event that a benchmark becomes unavailable. The effect of the application of the new interest rates on the financial statements is being reviewed on an ongoing basis.

Unreformed contracts in the course of the IBOR-reform

	USD LIBOR **Total Amount of unreformed contracts**
Financial assets	2,599,230
Financial liabilities	2,599,230

9. Related party relationships

For transactions and balances with other MBGAG subsidiaries, refer to note 4.

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

10. Capital management

DFNA is subject to the capital management at the MBGAG parent level. MBGAG uses net assets as its basis for capital management. Net assets are managed on a divisional level at MBGAG rather than at a regional or company level. Accordingly, the net assets of the Company are not subject to review for capital management, but rather are reviewed as part of the net assets of the MBGAG divisions to which Company net assets are allocated.

The Company is part of the worldwide financial management that is performed for all Mercedes-Benz Group entities by MBGAG's Corporate Treasury. Financial management operates within a framework of guidelines, limits and benchmarks; for DFNA, these are described in more detail in note 8.