

# 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

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## Consolidated Statements of Financial Position (In millions of U.S. dollars)

March 31,

<b>Assets</b>	<b>2018</b>	<b>2017</b>
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
<b>Total assets</b>	<b>\$ 52,179</b>	<b>\$ 49,463</b>
<b>Liabilities and Member's Interest</b>		
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
<b>Total liabilities</b>	<b>48,978</b>	<b>46,876</b>
Member's interest	3,201	2,587
<b>Total liabilities and member's interest</b>	<b>\$ 52,179</b>	<b>\$ 49,463</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Comprehensive Income

(In millions of U.S. dollars)

	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
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
<b>Total finance revenue and other income</b>	<b>3,085</b>	<b>4,035</b>
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
<b>Total Expenses</b>	<b>2,905</b>	<b>3,849</b>
<b>Profit before income taxes</b>	<b>180</b>	<b>186</b>
<b>Income tax expense/(benefit)</b>	<b>45</b>	<b>72</b>
<b>Profit for the period</b>	<b>\$ 135</b>	<b>\$ 114</b>

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 of 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