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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Ford fourth-quarter and full-year 2015 Fixed Income conference call. My name is Tony and I will be your operator for today. (Operator Instructions) As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the conference over to your host for today, Mr. Stephen Dahle, Manager of Fixed Income Investor Relations. Please proceed.

Stephen Dahle - *Ford Motor Company - Fixed Income IR Manager*

Thank you, Tony, and good morning ladies and gentlemen. Welcome to all of you who are joining us either by phone or webcast. On behalf of the entire Ford management team I would like to thank you for spending time with us this morning.

With me in the room this morning are Neil Schloss, Ford Vice President and Treasurer; Stuart Rowley, Ford Vice President and Controller; and Marion Harris, Ford Credit Chief Financial Officer.

We also have some other members of the management team who are joining us for this call, including the following: Sam Smith, Assistant Treasurer; Brian Schaaf, Assistant Treasurer; and Paul Andonian, Director of Global Accounting.

Before we begin I would like to review a few items. A copy of this morning's press release and the Fixed Income slides that we will be using today have been posted on the Ford Motor Company's investor and media websites for your reference.

The financial results discussed herein are presented on a preliminary basis; final data will be included in our Form 10-K.

Additionally, the financial results presented here are on a GAAP basis and in some cases on a non-GAAP basis. Any non-GAAP financial measures discussed on this call are reconciled to the US GAAP equivalent as part of the appendix to the slide deck.

Finally, today's presentation includes some forward-looking statements about our expectation for Ford's future performance. Actual results could differ materially from those suggested by our comments here. The most significant factors that could affect future results are summarized at the end of this presentation. These risk factors and other key information are detailed in our SEC filings including our annual, quarterly, and current reports to the SEC.

With that I would like to turn the call over to Ford Credit CFO, Marion Harris.

Marion Harris - *Ford Motor Credit Company - CFO*

Thanks, Stephen. Good morning, everyone, and thanks for joining us. Today, I'll walk you through Ford Credit's operating highlights, profit, and credit and residual loss performance, including our outlook for 2016.

Then Neil will cover Ford Credit's funding and liquidity, as well as Automotive topics including cash, debt, liquidity, and an update on Ford's pension plans.

We'll then have some time for Q&A, so let's get started.

Let's turn to Ford Credit's 2015 key metrics on slide 1.

We continue to support Ford's growth by providing financial products and services to our dealers and customers around the world. Contract volume grew 8% in the quarter and full year. Managed receivables ended the year at $127 billion, up $14 billion from year-end 2014 and at the top end of our prior guidance.

Ford Credit had another outstanding quarter, with pretax profit of $556 million, up $133 million from 2014. And full-year pretax profit at $2.1 billion is up $232 million from 2014.

Fourth-quarter net income was $352 million and full-year net income was $1.4 billion. We paid distributions of $250 million.

Our purchase policy remains consistent along with a relentless focus on originations, servicing, and collections. As a result, portfolio performance continues to be robust, with loss-to-receivables ratio at the low end of our historical experience.

Managed leverage was 9.5-to-1 at December 31, reflecting U.S. dollar strength and year-end receivables at the top end of the forecasted range.

We are very pleased with our performance. Our balance sheet and liquidity are strong, and we have world-class customer satisfaction and cost efficiency.

Slide 2 explains the $133 million improvement from a year ago in Ford Credit's fourth-quarter pretax profit.

The pretax profit improvement is more than explained by favorable volume and mix and higher financing margin.

The favorable volume and mix was driven by growth in all products globally, and the higher financing margin reflects lower borrowing costs.

Slide 3 provides an explanation to change in Ford Credit's full-year pretax profit compared with 2014.

The improvement is more than explained by favorable volume and mix, driven by growth in all products globally.

Higher credit losses and the translation effect of the stronger US dollar were partial offsets.

The higher credit losses, primarily in North America, reflect reserve increases in 2015 compared with reserve releases in 2014. Charge-offs were also higher.

For 2016, Ford Credit expects full-year pretax profit to be equal to or higher than 2015, year-end managed receivables in the range of $134 billion to $139 billion, and managed leverage returning to the upper end of our targeted range of 8-to-9-to-1. With that, distributions will be dependent upon leverage which is affected by numerous factors including receivables balance, net income, and exchange.

On slide 4, charge-offs were up from 2014, primarily reflecting higher severities and growth in receivables.

The LTR ratio of 23 basis points remains at the low end of our historical experience.

The reserve, as a percent of managed receivables, was up 1 basis point and up $63 million on an absolute basis from the year ago. Our credit loss reserve is based on such factors as historical loss performance, portfolio quality, and receivable level.

Slide 5 outlines the drivers of credit losses in our US retail and lease portfolios.

As I said earlier, our origination practices remain consistent, and as you can see in the top left box, our average placement FICO scores are very, very consistent. With that we continue to experience very robust credit loss performance.

Our repossession ratio of 98 basis points in 2015 was the lowest on record, and our over 60-day delinquencies was also a record low.

On the other hand, severities have increased over the last number of years. These increases primarily reflect factors including higher average amount financed, longer-term financing, shorter average time to repossession, and higher principal outstanding at repossession. Our severity performance is generally consistent with our expectations.

Our average severity of $8,900 in 2015 was $1,000 higher than prior year. About $600 of this increase reflects the underlying physicals I just mentioned, while the remainder reflects the inclusion of certain repossession expenses beginning in 2015 and noted on the slide.

The loss-to-receivables ratio of 33 basis points was up 6 basis points from a year ago primarily as a result of the increase in severity. Despite the increase, the LTR remains near our historical lows.

With higher severity and a growing balance sheet, charge-offs were up $60 million from 2014.

On slide 6, our 2015 lease return volume and return rates were lower than 2014. The return rate decreased reflecting primarily a larger mix of 36-month placements, which typically have a lower return rate.

In 2015 our auction values were up from 2014, consistent with the industry.

Leasing growth across the U.S. continued and 2015 was one of the highest years ever. Ford Credit's share was up as well, but we remain below the industry average and within the parameters of our One Ford lease strategy.

With that, our worldwide net investment in operating leases was $25.1 billion at the end of 2015, up from $21.5 billion in 2014.

Now I'll turn it over to Neil, who will take us through the remainder of the material.

Neil Schloss - *Ford Motor Company - VP, Treasurer*

Good. Thanks, Marion, and good morning, everyone.

Turning to slide 7, we will walk through Ford Credit's full-year 2015 funding highlights.

In 2015, Ford Credit issued about $30 billion of public term funding, which included about $17 billion of unsecured debt. In the fourth quarter we issued $6 billion, which included about $5 billion of unsecured.

Other highlights include the industry's first Reg AB II compliant securitization transaction in the U.S., as well as our continued development in the Chinese capital markets, with our first unsecured financial bond and two additional ABS transactions. In total, Ford Credit issued RMB8 billion in the Chinese public capital markets.

Ford Credit ended the year with net liquidity of $23.5 billion, which includes $3 billion allocated to Ford Credit from Ford's revolving credit facility.

Ford Credit's funding strategy remains focused on diversification, and we plan to continue accessing a variety of markets, channels, and investors. We continue to target a single-A investment grade profile.

Slide 8 shows Ford Credit's 2015 and projected 2016 global public funding plan, excluding our short-term funding programs.

As I mentioned earlier, in 2015 Ford Credit completed about $30 billion of public term funding in the U.S., Europe, Canada, China, Australia, and Mexico.

For 2016, Ford Credit projects full-year public term funding in the range of $26 billion to $33 billion, consisting of $14 billion to $18 billion of unsecured and $12 billion to $15 billion of public securitizations.

Slide 9 shows the trends in funding for Ford Credit's managed receivables. At the end of 2015, managed receivables were $127 billion, and cash ended the year at $11 billion. Securitized funding was 39% of managed receivables.

Ford Credit is projecting 2016 year-end managed receivables of $134 billion to $139 billion. We expect securitized funding as a percent of managed receivables to be between 37% and 40%. We expect this percentage to decline over time. Quarterly and annual movement of this percentages reflects the calendarization of our funding plan.

Turning to slide 10, I'd like to highlight Ford Credit's 2015 fourth-quarter liquidity, which remained strong at $23.5 billion.

Ford Credit's sources of liquidity include cash, committed asset-backed facilities, unsecured credit facilities, and the Corporate revolver allocation.

At year end, liquidity sources including cash totaled $49.7 billion, up $3.4 billion from the third quarter.

Utilization of liquidity was up $5 billion, reflecting accumulated cash to pay a $1.7 billion January floorplan ABS maturity as well as higher receivables.

Ford Credit is focused on maintaining strong liquidity to meet its business and funding requirements.

Now turning to the Automotive section, slide 11 shows that Automotive debt was $12.8 billion at year-end, $1 billion lower than year-end 2014.

Ford ended the year with Auto cash of $23.6 billion and Automotive liquidity of $34.5 billion, both up from the third quarter and year-end 2014.

Net cash ended the year at $10.3 billion, up $1.4 billion from the third quarter and up $2.9 billion from year-end 2014.

Let's now turn to slide 12 for our annual update on pensions, where in 2016 we will conclude our strategy to fully fund and de-risk our global funded pension plans.

Worldwide, our year-end pension funded status improved by $1.6 billion, with an underfunded position of $8.2 billion, of which $5.7 billion or about 70% is associated with our unfunded plans.

Asset returns were down year-over-year, reflecting primarily fixed-income losses in the U.S.

In 2015 we made $1.1 billion in cash contributions to our worldwide funded pension plans. In 2016, contributions are expected to be about $1.5 billion.

Worldwide pension expense, excluding special items, improved compared with 2014.

Now let's close with a summary.

It was another outstanding quarter that helped contribute to our breakthrough year.

Importantly, we delivered strong top-line growth, with wholesale volumes and Automotive revenue both up 12%, and revenue up 18% at constant exchange.

Our fourth-quarter pretax profit of $2.6 billion, was nearly double a year ago. Net income was $1.9 billion.

Our Automotive operating margin came in at 6.1%, up 2.7 percentage points from a year ago.

We generated strong Automotive operating-related cash flow at $2.1 billion.

We were profitable in all business units except South America, including a record quarter in Asia Pacific and a fourth-quarter record for North America. In Europe we delivered our third consecutive profitable quarter.

Ford reported a record full-year Company pretax profit of $10.8 billion, Automotive operating margin at 6.8%, and Automotive operating-related cash flow of $7.3 billion the highest since at least 2001.

At quarter end, Automotive cash was $23.6 billion and liquidity was $34.5 billion.

Ford Credit had another outstanding year, with fourth-quarter pretax profit of $556 million and full-year pretax profit of $2.1 billion. Managed receivables ended the year at $127 billion, up $14 billion from a year ago.

As a result of its consistent purchase policy and world-class servicing, Ford Credit's portfolio continues to be robust, with credit losses at the low end of our historical experience.

Ford Credit has completed its funding plan and closed the year with strong liquidity of $23.5 billion.

Ford Credit is a strategic asset and integral to Ford's business. It supports sales and dealers, builds customer satisfaction and loyalty, and delivers consistent profits from a strong business. The 2015 results highlight the success of this strategy.

With that, I'll turn it back to Steve to start the Q&A session.

Stephen Dahle - *Ford Motor Company - Fixed Income IR Manager*

Thanks, Neil. With that we will start the question-and-answer session. Tony, may we please have the first caller?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Brian Jacoby, Goldman Sachs.

Brian Jacoby - *Goldman Sachs - Analyst*

Hey, good morning, guys. Thanks for taking my questions. Just two questions. One, it kind of came out on the earnings call, but maybe if I could just dig down a little deeper on, is on the free cash flow for 2016 is expected to be down. You alluded to the working capital line and I guess some non-repeat items on F-Series.

But what is -- can you maybe elaborate a little bit more on -- I get the inventory side, but maybe on the other area? Like what are some of the drains there that maybe are negatively impacting free cash flow in 2016? If you could help us with that, that would be helpful.

Stuart Rowley - *Ford Motor Company - VP, Controller*

Yes, Brian; it's Stuart here. Maybe if you look at slide 23 of the deck from earlier this morning, you can see the cash flow. If you look at the full-year column, the right-hand column, you can see we had favorable effects in 2015 calendar year, both from working capital and from timing differences.

As Bob noted on the call, the working capital was in part driven by a negative impact on payables at year-end of 2014 as we took our Dearborn Truck Plant down; and then that normalized at year-end 2015. So we had a positive impact on working capital in 2015 calendar year. We won't get that again in 2016.

Then on the other end, timing differences, that's things such as accruals, marketing accruals, warranty accruals, pension accruals, and the like. For example, in there we had higher marketing accruals in end of 2015 because we had a higher dealer stocks as we normalized our dealer stocks with the F-150 launch behind us. Again, you don't repeat that.

So you've got two timing factors there that we don't expect to see to the same extent in 2016 calendar year. So that's really -- it's really about those working capital and timing changes. What we'll see again is good, strong profitability flowing through to cash flow, but just not quite to the same extent.

Neil Schloss - *Ford Motor Company - VP, Treasurer*

I think the only thing, Brian, the only thing I would add to that also is the CapEx guidance that we've provided for 2016 at $7.7 is $0.6 higher than it was in 2015.

Stuart Rowley - *Ford Motor Company - VP, Controller*

Yes, although you should also expect higher depreciation.

Brian Jacoby - *Goldman Sachs - Analyst*

Right, okay. That's helpful; thank you. Then on slide 6 you have the lease return data. I'm just curious what -- we've got a lot more vehicles coming off lease, obviously, for you and the industry as a whole, right? So just curious, what exactly are you guys doing that makes sure that folks get back into a Ford vehicle? And how you're dealing with the strategy just on the dealer level, just to make sure that you go after those customers that will be returning vehicles. Because I would assume the volume on 2016 would probably be higher than the numbers that you are showing here on slide 6.

Marion Harris - *Ford Motor Credit Company - CFO*

Yes, that's right, Brian; this is Marion. We do expect higher lease return volume in 2016 just because the industry over the last couple years has been bigger and lease mix has been coming up. So we would expect to see -- my guess is we'll have a little over 200,000 units or so returning back to Ford.

We'll do of course everything we can to make sure they get into a new Ford. We actively do early-bird programs. And that's the beauty of lease, is it really gives us the opportunity to stay connected with the customer. So we're actively working on that, and we're really excited about the opportunity this year to turn over all that volume.

Brian Jacoby - *Goldman Sachs - Analyst*

If I could ask, do you have like a success rate that maybe you could share with us, like in the last two years, that you've been able to turn those customers back into a Ford vehicle?

Marion Harris - *Ford Motor Credit Company - CFO*

No specific success rate. We have talked about the loyalty factor of Ford Credit, and that's an important piece. We know that customers who finance with Ford Credit are 15 percentage points or so more loyal to Ford than those that do not.

Brian Jacoby - *Goldman Sachs - Analyst*

Okay. All right. Then if I could throw one more in here, a quick one. But it was again talked on the earnings call that one of your competitors obviously is really taking a pretty dramatic move in throwing all their resources on trucks and SUVs, and pretty much moving away from some car investments they made. So just curious, like, what is Ford's view on that?

Just in particular I'm not asking you to comment on what they're doing, but more importantly just like your ability to toggle up SUV and truck production -- and obviously if the demand continues at the rate it is -- and to react to what your competitors are doing there. Any comments? That would be great.

Stuart Rowley - *Ford Motor Company - VP, Controller*

Yes, this is Stuart. I think the first thing I would like to do is stand back and say, in this environment, we're quite happy to be Ford Motor Company with our very strong lineup of trucks and SUVs in the U.S. market. So this is a good thing for us.

Now to take advantage of that, we have been acting consistently over the last couple of years to put incremental capacity in place. We've added shifts in Kansas City; we've taken the line rate up in Kansas City and in Dearborn Truck Plant. We've taken line the speed up in Louisville to build Escapes. As Mark said on the call, we're adding Super Duty, as we recently announced, into our Ohio Assembly Plant.

So we've taken a number of actions. We've taken Explorer capacity up a number of times, and we've shifted that capacity out of Taurus and into Explorer in Chicago. It's all of those actions that are delivering, combined with a great products, the benchmark level of margins that we're enjoying in North America.

At the same time, you've seen us take action on cars. So took a shift off Michigan Assembly Plant last year. We took some actions in Flat Rock, so we've dialed back correspondingly on the car side.

But as we look to the medium and the longer term, as well as just the short term of here and now, we know gas prices go down and we know gas prices go up. And we need to plan for both of those scenarios. So it's important that we have a full range of competitive products so that we can meet customers' needs in all of those scenarios.

So the other thing you see us doing is investing in fuel economy across the range, whether it be small cars, small SUVs, or our iconic F-150 and the actions we've taken there. So it has to be a balance, because we have to not only generate benchmark profits as we did in 2015 in that environment; we also have to do it when we find ourselves in a different environment, which will happen at some point.

Brian Jacoby - *Goldman Sachs - Analyst*

Couldn't agree more. Okay; thank you very much. Appreciate it.

Operator

(Operator Instructions) Eric Selle, SunTrust.

Eric Selle - *SunTrust Robinson Humphrey - Analyst*

Hey, guys. Getting back to Jacoby's questions on the cash flow, if I look at your Automotive operating cash flow, it was $7.3 billion. And as you run your eye down below that, most of the stuff below that is somewhat discretionary. I mean, you don't have to restructure; you don't have to pay dividends; you could have refinanced the debt in the markets instead of paying cash.

You guys are generating -- it's a high-class problem. You guys are generating $7 billion of cash a year. That's over half your debt. That's 15% of your market cap.

How do you guys balance the effort to go A-rated and continue to improve your balance sheet, with the fact that the equity market really isn't rewarding the growth, doubling your earnings and the free cash flow you're generating? How do you guys balance that internally?

Neil Schloss - *Ford Motor Company - VP, Treasurer*

Eric, this is Neil, and I think you're spot-on from the standpoint of it's a high-class problem from the standpoint of the amount of cash that this business generates. I think also, because of the balance that we have and the way we work together with Ford Credit, it is really a strategic advantage for us relative to our peers that allows us to be able to really maximize the benefit of having a Finance Company along with the ability to sell cars and trucks.

And with that it's really important to have a well-rated Finance Company. So as you know from the actions we've taken over the last four or five years, getting our debt down and it's as low now as it's been a long, long time; our pension funding status is that the point where we'll be completed with our strategy by the end of this year, from a standpoint of our funded plans. We've got our leverage, multiple ways to calculate what that is, but we believe our balance sheet already is at a single-A rating.

So we need to continue to work it. We need to continue to work together to make sure we've got the right balance of how we fund credit.

And then the use of Automotive cash --we've got flexibility from the standpoint of growth investments. You heard a lot this morning on what we need to do from the standpoint of mobility, but also reward our shareholders in a way with not only a base dividend, which is $2.4 billion a year right now, along with what we announced a couple weeks ago, adding a $1 billion supplemental.

So as you think through, we get to the point where we think we're doing a pretty good balance on both rewarding our shareholders, and also investing in the balance sheet to make sure that we got a very good credit rating, because it's really important as we continue to grow Ford Credit to be a single-A.

Eric Selle - *SunTrust Robinson Humphrey - Analyst*

Neil, you're reading my mind, and it really dovetails into the next question. I mean your credit stats are A-rated, and the last time I talked to the agencies, their triggers were: you're at breakeven, check; F-150 launch, clean, smooth, check; diversified profits, check.

I mean what are their triggers? When you talk with those guys, what else do you need to do?

Or is it just -- do you honestly need to go through a recession to prove that you guys -- this isn't your father's Oldsmobile and you guys have the flexibility in your cost? Is that what they need? Or is it just continued discipline over time?

Neil Schloss - *Ford Motor Company - VP, Treasurer*

I think we continue to execute the business and the strategy the way we think is important. What they do and how they do it -- I think it's best for you to ask them. We believe we're achieving everything we need to achieve to get a better credit rating.

Eric Selle - *SunTrust Robinson Humphrey - Analyst*

We'll keep working from this side, as you know. Then getting more in the detail, just my last question, is: we knew about the higher balances; obviously trucks are coming through, higher ticket prices; and we've heard about the longer-term financings.

The shorter time to repo, is that concerning? Or do you see that as still normalizing? I mean is that a danger flag?

Marion Harris - *Ford Motor Credit Company - CFO*

Eric, it's Marion. It's a good question. It's one that really flowed through our portfolio as it changed and we downsized as a Company, and we've been growing and it's returned back to normal.

What we saw is as the balance sheet shrank and assets ran off people were holding on -- I shouldn't say people were holding onto their vehicles longer necessarily; it reflected the maturing of the portfolio. So as we have started to turn that around and started growing the portfolio, what we're seeing is a return to normal of the average time to repossession.

Just so you know, that's about 24 or 25 months for us. But as we had downsized the balance sheet, it reached a peak of over, say, 36 months. It just was a longer --

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Eric Selle - *SunTrust Robinson Humphrey - Analyst*

Yes, two years was more normal, as I remember.

Marion Harris - *Ford Motor Credit Company - CFO*

That's right. So we're just back at normal levels. But still when you look at the effect in 2014, it was still at a higher level, returning back to normal; and that's why it's a year-over-year variance this year.

Eric Selle - *SunTrust Robinson Humphrey - Analyst*

That is great color. Hey, guys, keep up the good work. I appreciate the time.

Operator

Ashley Weiseltier, Prudential.

Ashley Weiseltier - *Prudential Fixed Income - Analyst*

Hi, good morning. Thanks for taking the question. Most of my questions have been answered, but I just wanted to ask if more directly maybe you can discuss the balance sheet. You've talked about how the balance sheet is currently in line with a higher rating; and previously you guys talked about paying down Automotive debt to $10 billion.

So just wanted to follow up and see if that reduction is still in the plan for cash flow, and if you're targeting that $10 billion level. Thank you.

Neil Schloss - *Ford Motor Company - VP, Treasurer*

Yes, once we've gotten now debt and pension both to the construct of a single-A and using sort of a leverage metrics that's more standard in the industry, we have walked from an absolute debt target. That said, we have no plans at this point to raise debt in the US.

We do borrow occasionally in international markets, so that debt number is going to move around. But just following our big maturities as we go in time, the debt level will continue to come down.

Ashley Weiseltier - *Prudential Fixed Income - Analyst*

So you are planning to pay down the maturities coming up and get to the $10 billion? Or you are no longer targeting that $10 billion?

Neil Schloss - *Ford Motor Company - VP, Treasurer*

We're no longer targeting the absolute number.

Ashley Weiseltier - *Prudential Fixed Income - Analyst*

Great, thank you.

Operator

Thank you for your question. There are no further questions in the queue at the moment. We will now hear from Mr. Dahle for any additional and/or closing remarks.

Stephen Dahle - *Ford Motor Company - Fixed Income IR Manager*

Thank you, Tony. With that I believe we'll conclude today's call. Thank you all on the line for joining us.

Operator

Ladies and gentlemen, that concludes today's presentation. Thank you so much. You may now disconnect, and everyone have a great day.