

# FORD CREDIT UNIVERSITY

July 15, 2016

*Ford*



| FORD CREDIT

# CREDIT UNIVERSITY OUTLINE

- **Ford Credit Strategic Value, Virtuous Circle and Value Proposition**
- **Scope of Operations**
- **Ford Credit Business Model and the Drivers of the Business**
  - **Originate: Buy it Right**
  - **Service: Operate Efficiently, Collect Effectively**
  - **Fund: Fund Efficiently, Manage Risk**
- **Ford Credit Profit Reporting**



FORD CREDIT

IT'S JUST WHAT WE DO.



CAPITAL AND FACILITY LOANS



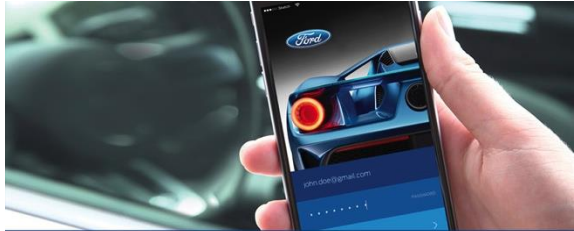
INVENTORY FINANCING



INVENTORY INSURANCE



VEHICLE OWNERSHIP PROTECTION



SMART MOBILITY



DEALER CONSULTING



COMMERCIAL FINANCING



LEASE FINANCING



RETAIL FINANCING

# Ford Credit Strategic Value, Virtuous Circle, and Value Proposition

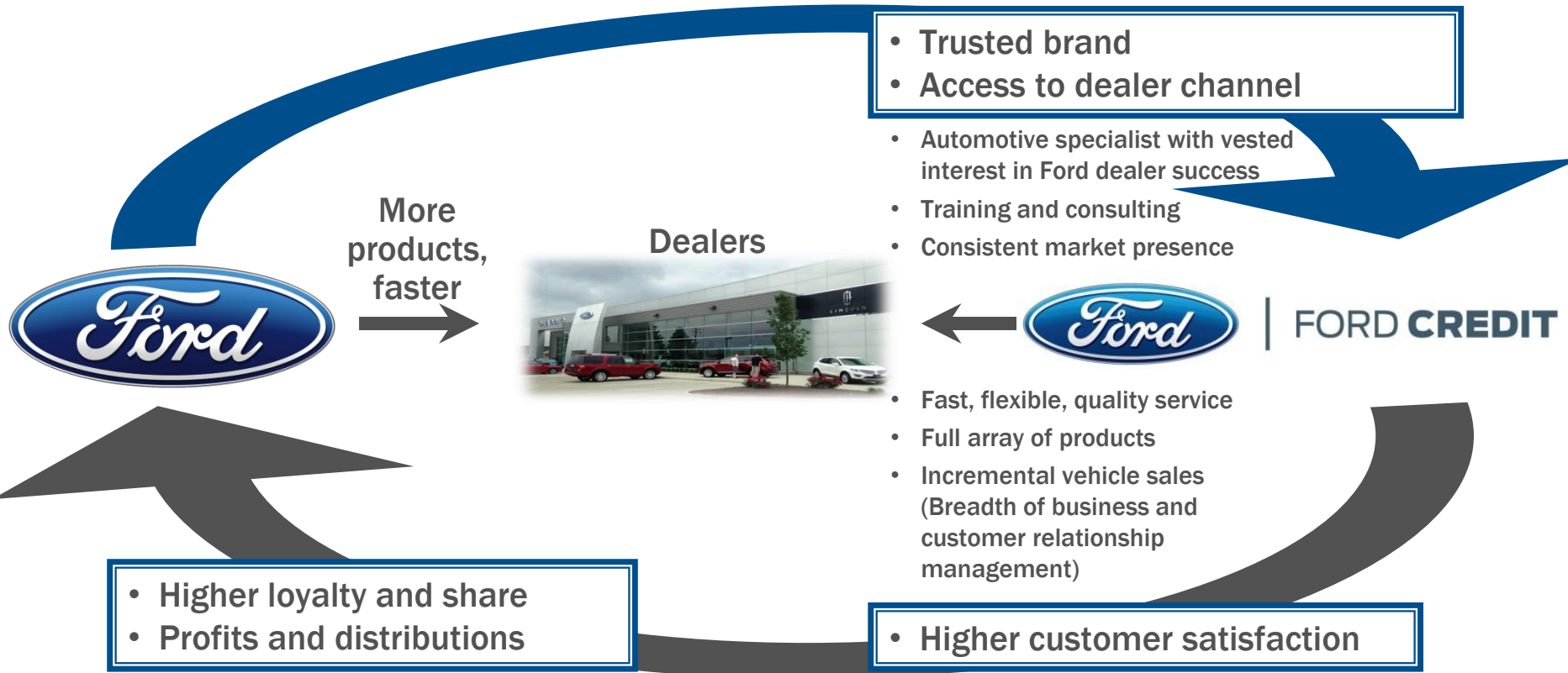
# FORD CREDIT STRATEGIC VALUE

- Profitably support Ford, its dealers and customers through economic cycles
- Strategic value delivered through:
  - More than 55 years of automotive financing experience
  - Consistent dealer inventory financing
  - Exclusive Ford and Lincoln retail and lease consumer financing products; integrated marketing strategies

# FORD CREDIT STRATEGIC VALUE

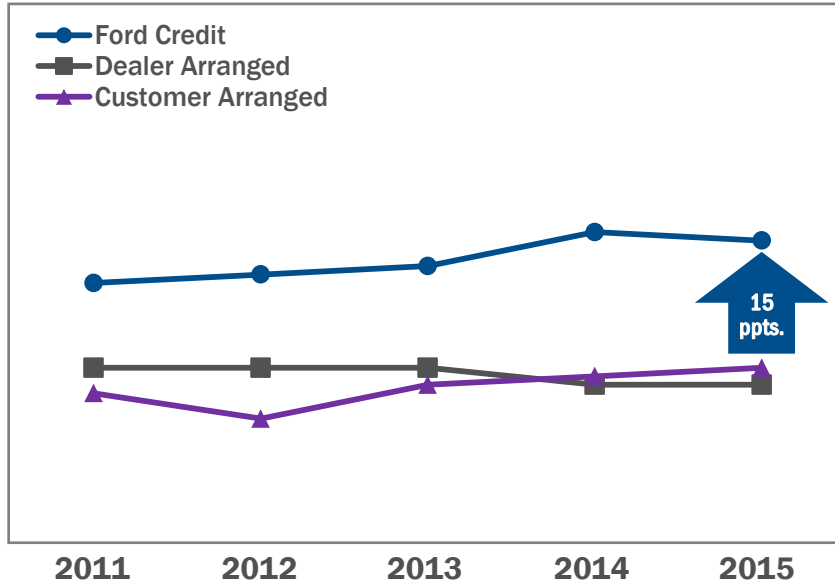
- Ford Credit is integrally tied to Ford Motor Company
- Our profitability is based on competitive leverage and return targets
- We have a relentless focus on driving value based on:
  - A competitive funding structure
  - A world-class operating cost structure
  - A strong risk management organization
- Our comprehensive customer relationship management process enhances the sales and service experience, and drives repeat business for Ford and Lincoln
- Ford Credit's processes and focus create the “Virtuous Circle”

# A VIRTUOUS CIRCLE – INTEGRATION CREATES A STRATEGIC ADVANTAGE



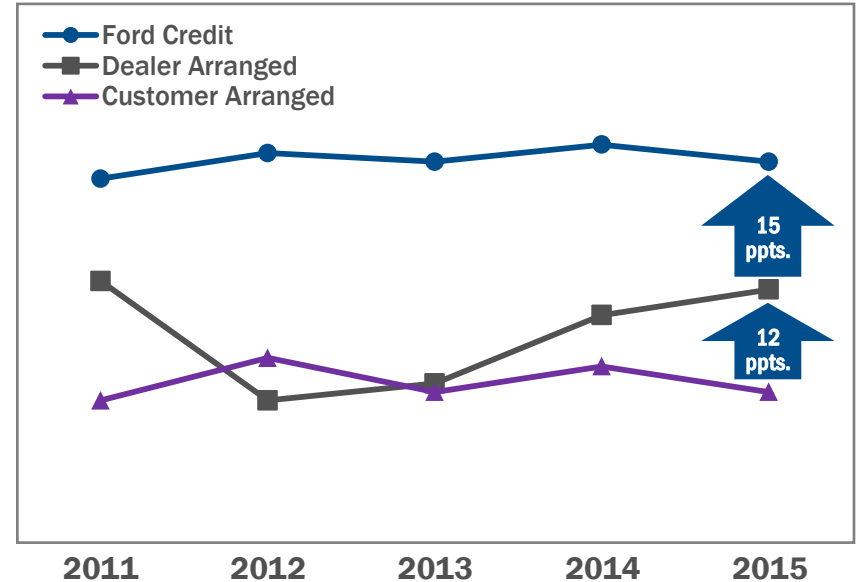
# FORD CREDIT VALUE PROPOSITION – CUSTOMER LOYALTY TO FORD

## U.S. – Loyal to Ford and Lincoln (%)



Source: Maritz New Vehicle Customer Survey 2011-2015

## Europe (Big 5 Markets) – Loyal to Ford (%)

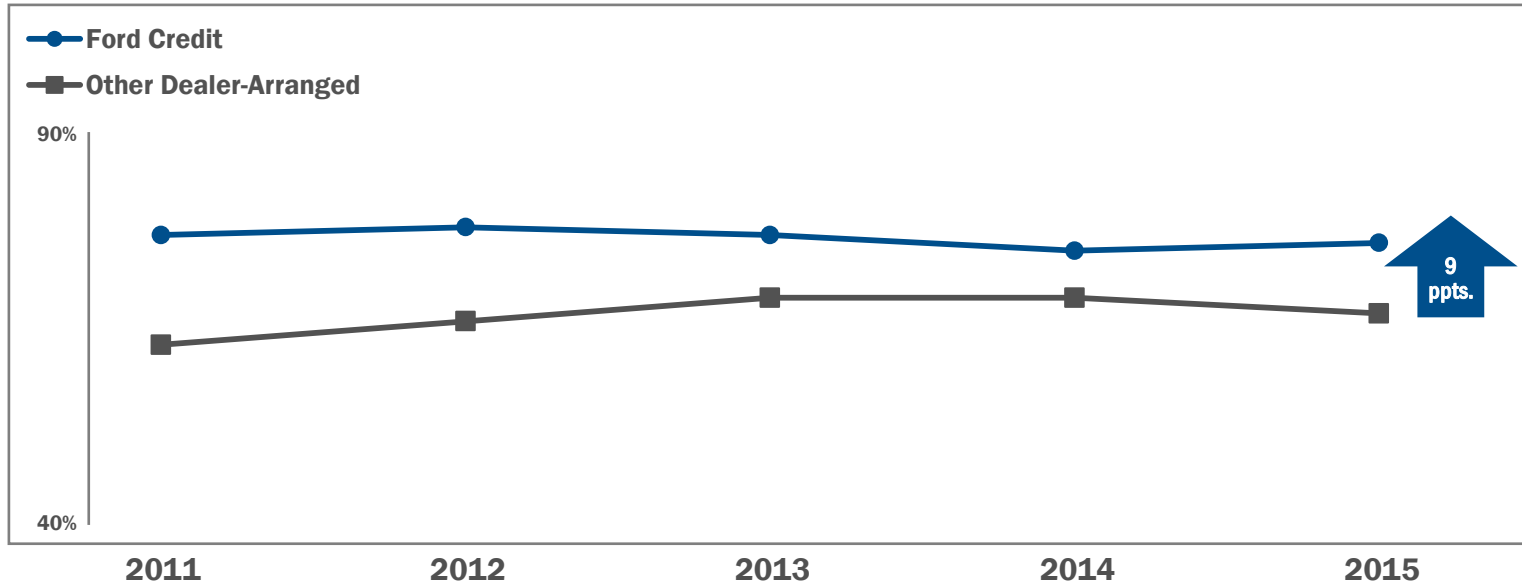


Source: Internal

**Customers Who Finance With Ford Credit Are More Loyal To Ford Compared With Customers Who Finance With Other Lenders**

# FORD CREDIT VALUE PROPOSITION – U.S. CUSTOMER SATISFACTION WITH DEALER-ARRANGED FINANCING

**U.S. – Customer Satisfaction (%)**



Source: Maritz New Vehicle Customer Survey 2011-2015

**Customers Are More Satisfied With Ford Credit  
Than Other Dealer-Arranged Financing**

# FORD CREDIT VALUE PROPOSITION – FORD CREDIT U.S. FLOORPLAN DEALERS

## 2015 Performance vs. Non-Ford Credit Dealers

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### Automotive Retail Market Share

(within the dealer's market area)

+ 0.6 ppts

### Ford Credit Share of Ford / Lincoln Retail Sales

+ 12.1 ppts

### Customer Satisfaction

+ 2 ppts

### Certified Pre-Owned Share

(as a % of total used vehicle sales)

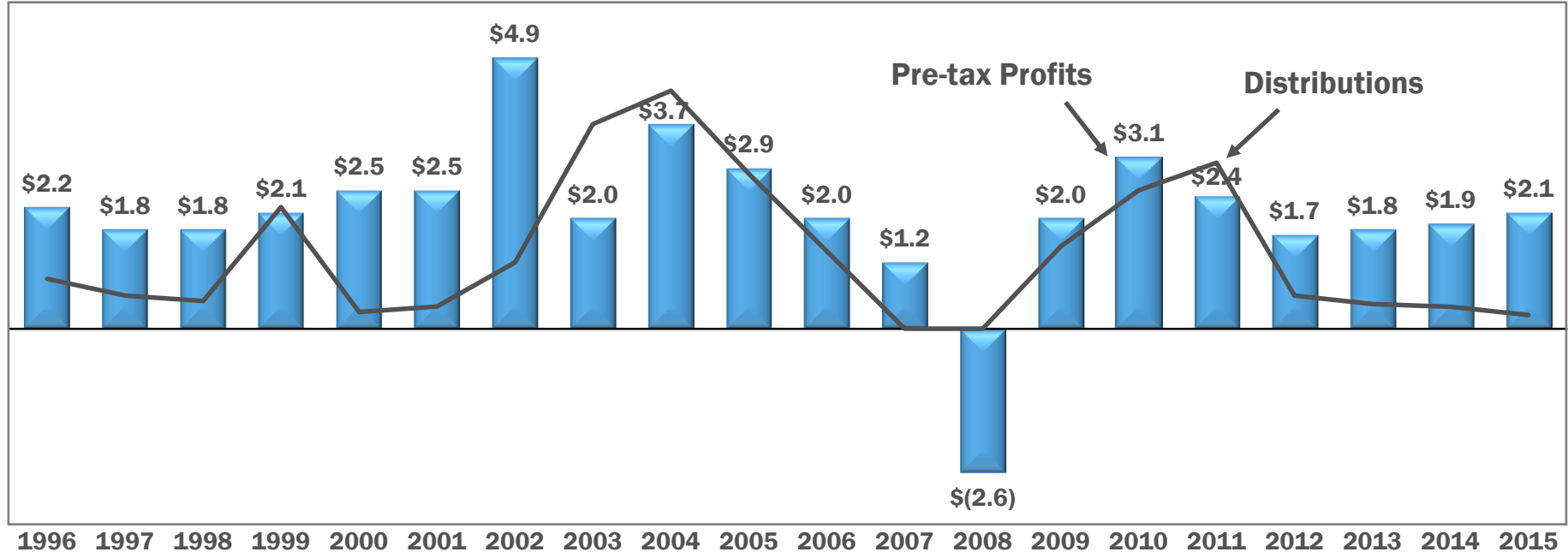
+ 23.7 ppts

### Ford Protect Extended Service Plan Share

+ 11.1 ppts

**Ford Credit Delivers Higher Value To Ford, Our Dealers And Our Customers  
Than Other Finance Providers**

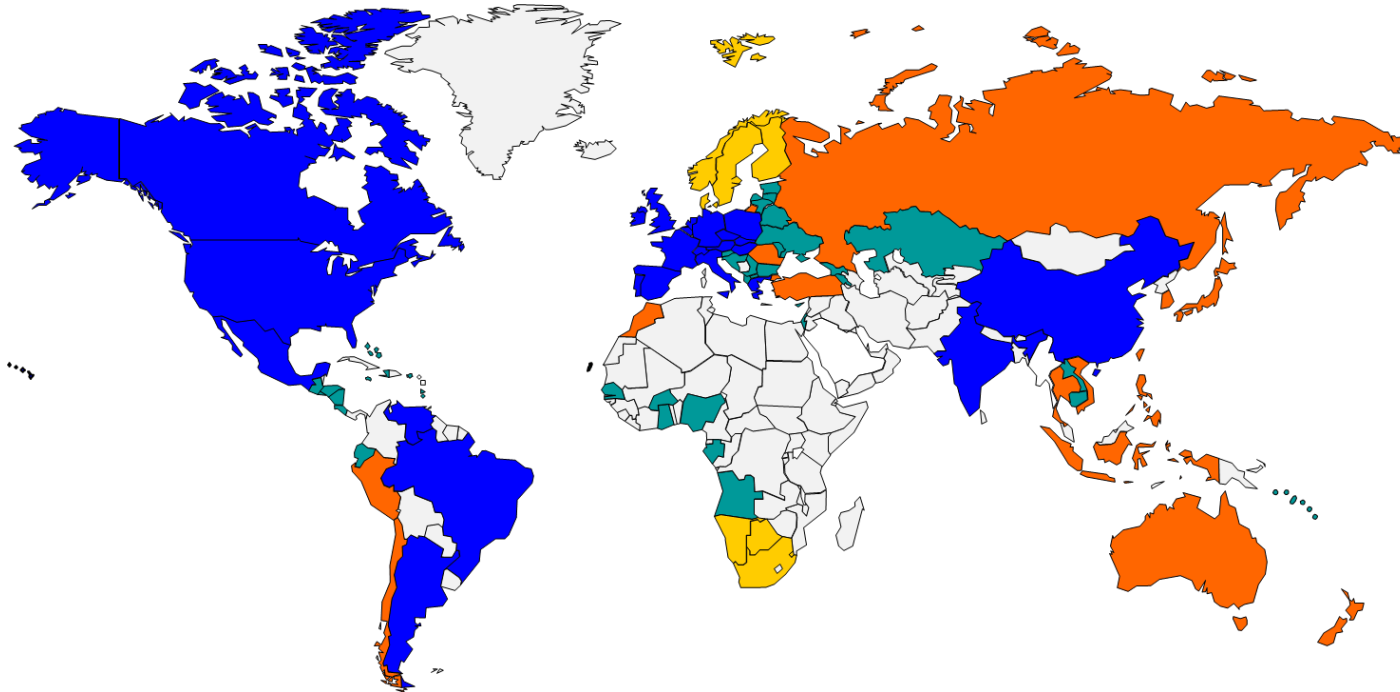
# FORD CREDIT VALUE PROPOSITION – HISTORICAL PROFITABILITY (BILS)



**Over The Last 20 Years, Ford Credit Generated  
\$42 Billion In Pre-Tax Profits And \$27 Billion In Distributions**

# Scope of Operations

# FORD CREDIT GLOBAL PRESENCE



■ Ford Credit Operations    
 ■ Joint Ventures    
 ■ Outsource Providers    
 ■ Ford Credit Export Finance

**Ford Credit Supports Ford Everywhere It Operates Around The World –  
 With The Right Business Model For Each Market**

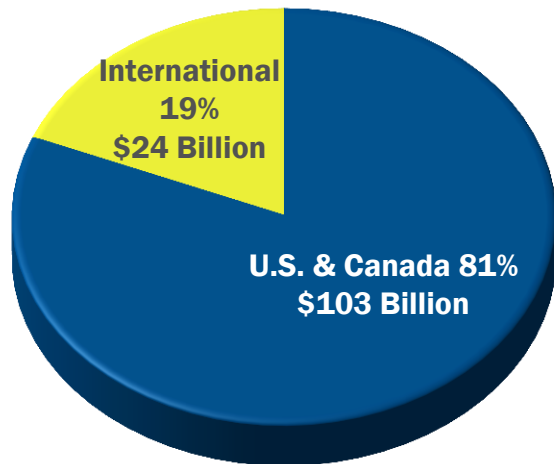
# SIZE AND SCOPE OF OPERATIONS

- Ford indirectly owns 100% of Ford Credit
- Ford Credit offers a wide variety of automotive financing products to and through automotive dealers around the world
- Ford Credit has about 6,800 full-time employees and provides financing in approximately 100 countries
- As of year-end 2015, Ford Credit was financing worldwide:
  - About 5,100 Ford and Lincoln dealers
  - About 4.6 million customer contracts
- Ford Credit generates about 100 million customer touch points every year through websites, calls, e-mails, preapprovals and invoices

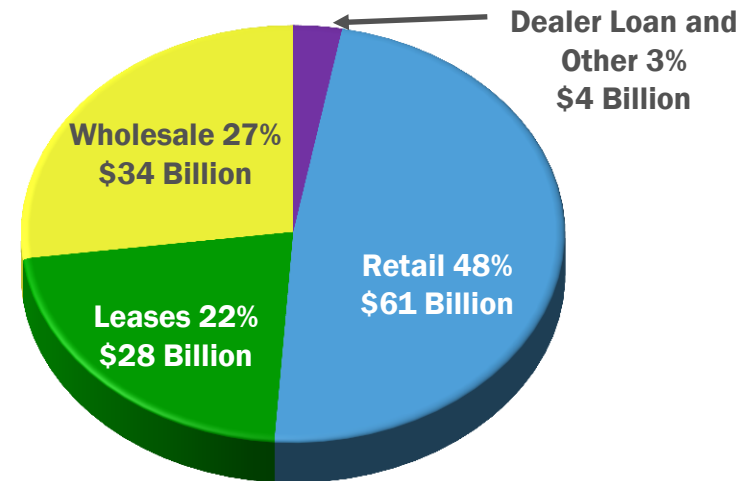
# WORLDWIDE MANAGED RECEIVABLES AND EQUITY AT YEAR-END 2015

## Managed Receivables\* Of \$127 Billion

### Regional View



### Product View



### Equity\*\*



\* See Appendix 1 for reconciliation to GAAP

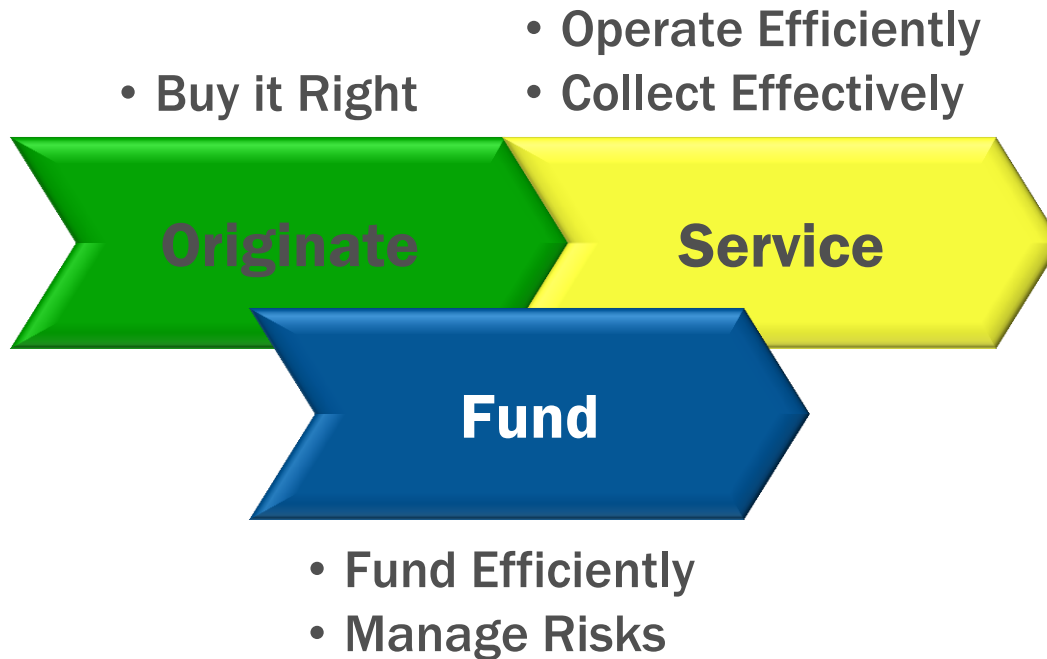
\*\* Equity equals shareholder's interest reported on Ford Credit's balance sheet

## RELATIONSHIP AGREEMENT WITH FORD

- Any extension of credit to Ford will be on arm's-length terms and will be enforced in a commercially reasonable manner
- Ford Credit will not guarantee more than \$500 million of indebtedness of, or make equity investments in any of, Ford or its automotive affiliates
- Ford Credit can require Ford to make a capital contribution if Ford Credit's managed leverage is greater than 11.5 to 1
- Ford Credit will not be required to accept credit or residual risk beyond what it would be willing to accept acting in a prudent and commercially reasonable manner
- Ford and Ford Credit are separate, legally distinct companies and will continue to maintain separate books, accounts, assets and liabilities
- Up to \$3 billion of borrowing capacity under Ford's revolving credit facility allocated to Ford Credit

# Ford Credit Business Model and the Drivers of the Business

# FORD CREDIT BUSINESS MODEL

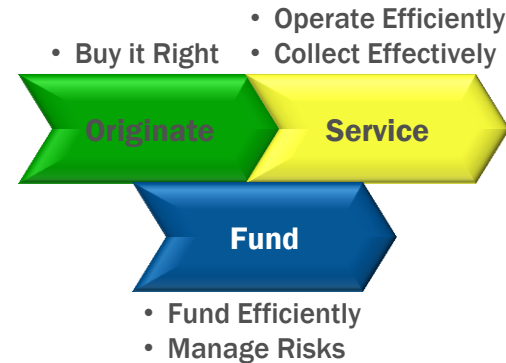


# ORIGINATIONS STRATEGY

- Buy it Right



- Support Ford Motor Company brands
- Build strong relationships with dealers
- Segment credit applications and price appropriately for risk
- Use robust credit evaluation and verification process
- Ensure efficient use of capital



Technology And Judgment Combine To Buy It Right

# ORIGINATIONS SCORING MODELS

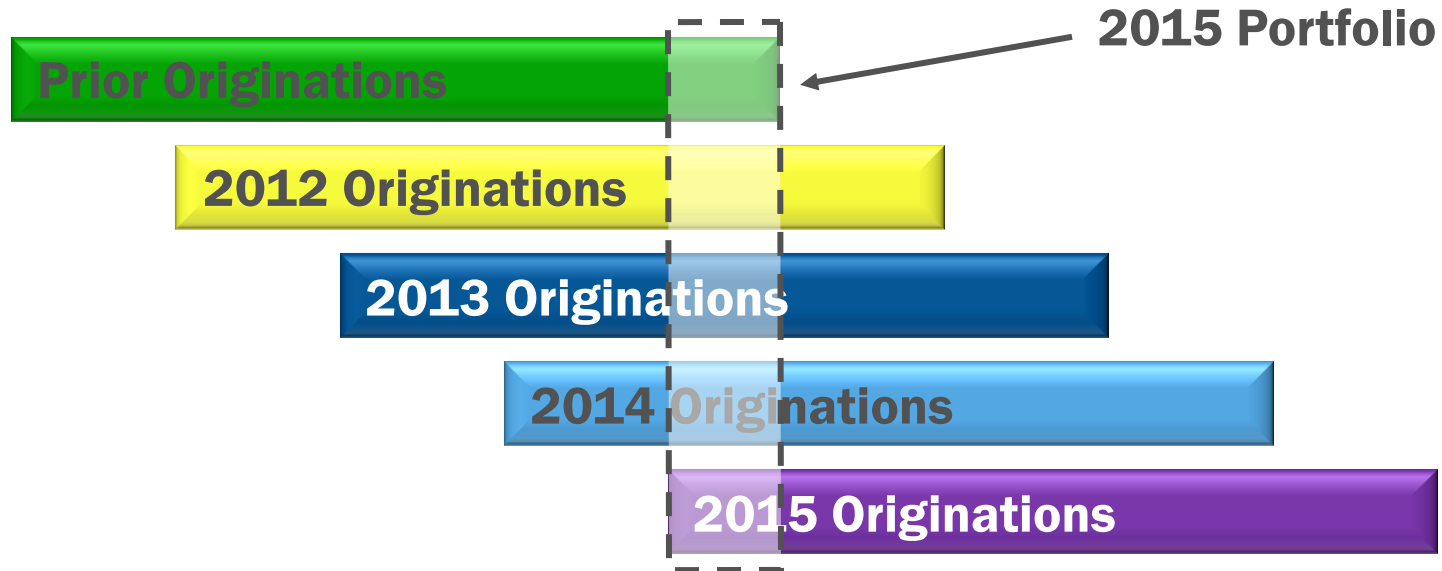
- In purchasing retail finance and operating lease contracts, Ford Credit uses a proprietary scoring system that measures credit quality using several factors, such as credit bureau information, consumer credit risk scores (e.g., FICO score), contract characteristics and customer characteristics, including employment history, financial stability, and capacity to pay
- Output of the origination scoring models is a proprietary risk score referred to as Probability of Payment (POP)
  - The origination scoring models build on the predictive power of credit bureau and credit application data
  - Internal studies show that POP is more effective than credit bureau data alone
- POP is used as a credit decision variable globally
- Process governance includes:
  - Senior personnel regularly review decisions of credit analysts to ensure consistency with purchasing quality guidelines
  - Quarterly risk management portfolio performance analysis is performed

# PURCHASE GUIDELINES AND CONTROL PROCESSES

- Ford Credit has originations policies and procedures that leverage technology and use well-established purchase guidelines to ensure consistent credit decisions
  - Portfolio level: Purchase quality guidelines establish portfolio targets for the purchase of lower and marginal quality contracts and to manage the overall quality of the portfolio
  - Credit application level: Risk factor guidelines provide a framework for credit application evaluation criteria focused on the customer's repayment ability, including, for example, loan-to-value, payment-to-income and contract term
  - Procedures are established for verification of income, employment and residency if appropriate

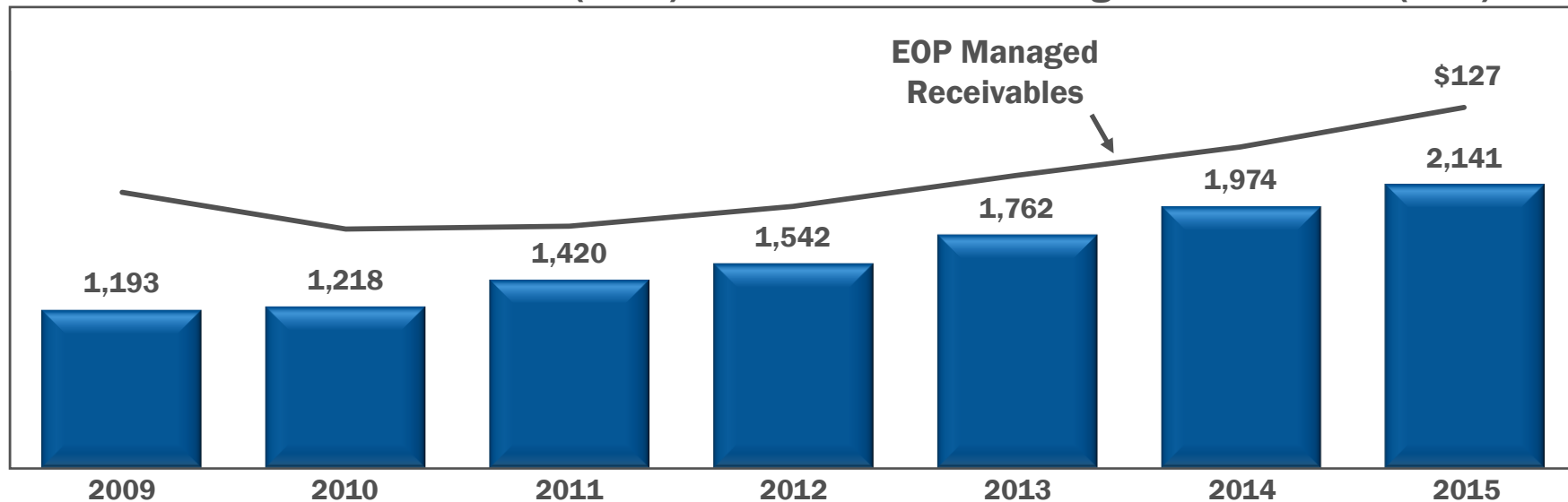
**These Capabilities Enable Predictability Of Portfolio Performance**

# 2015 PORTFOLIO LARGELY REFLECTED BUSINESS ORIGINATED IN PRIOR YEARS



# HISTORICAL VOLUME AND RECEIVABLES

**Contract Placement Volume (000s) and End-of-Period Managed Receivables\* (Bils.)**

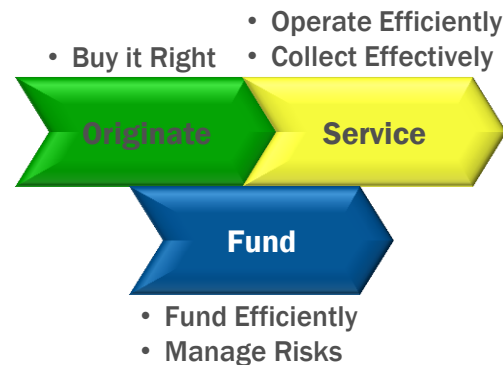


\* See Appendix 1 for reconciliation to GAAP

**Since 2010, Contract Volume And Managed Receivables Have Been Growing**

# SERVICING STRATEGY

- Operate Efficiently
- Collect Effectively



- Ford Credit has a world-class servicing organization
- Credit losses are an expected part of the business
- The objective is to collect within the portfolio loss expectation while managing costs
- Customer satisfaction is critical

Technology And Judgment Combine To Minimize Credit Losses

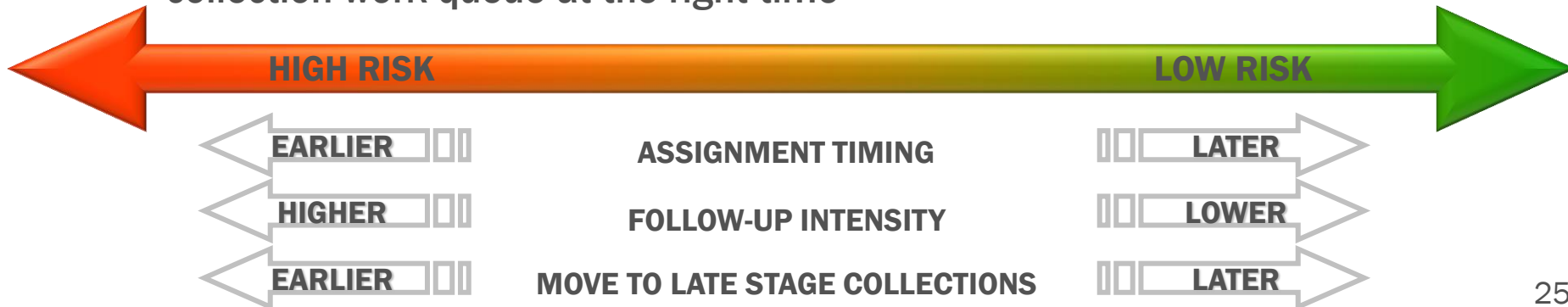
# SERVICING STRATEGY

- Ford Credit uses proprietary behavioral scoring models to assess the probability of payment default for each receivable and implements collection efforts based on its determination of the credit risk of the customer on the payment due date
- Output of the behavioral scoring models is a proprietary risk rating referred to as Probability of Default (POD)
- These models assess a number of variables including origination characteristics, customer account history, payment patterns, expected loss or severity and, in the United States, periodically updated credit bureau information

**Behavioral Scoring Models Support Our Collection Strategy**

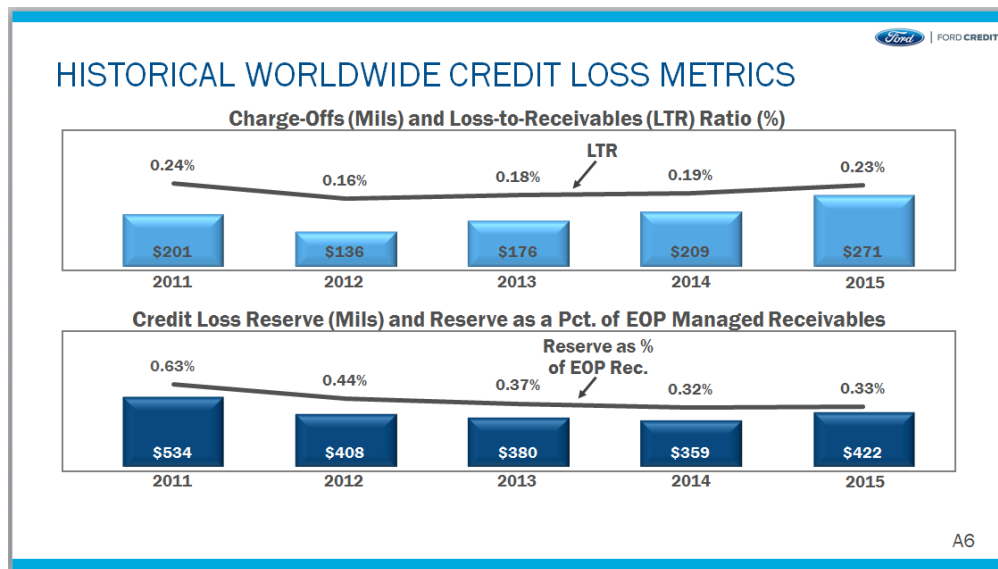
# SERVICING STRATEGY – RISK SEGMENTATION

- Segmentation allows the matching of the account risk with the appropriate collection strategy
- POD is the primary driver in determining risk segmentation
- Risk segmentation establishes:
  - Assignment issuance timing
  - Follow-up intensity
  - Assignment transfers from an early stage to a late stage delinquency strategy
  - Segmentation ensures past due customer accounts are assigned to the right collection work queue at the right time



# CREDIT LOSS KEY CONTRIBUTORS

Slide: Ford Motor Credit Company, 1Q 2016 Earnings Review

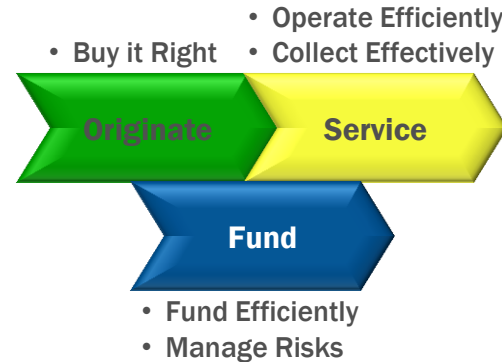


- Purchase Practices
  - Broad spread of credit quality
  - New and used product mix
  - Term and loan-to-value ratio
  
- Collections Practices
  - Proprietary risk score
  - Assignment timing
  - Follow-up intensity
  - Specialized departments based on delinquency stage
  
- Economy
  - Unemployment
  - Growth
  - Bankruptcy rates
  - Used vehicle auction values

# EFFICIENT FUNDING



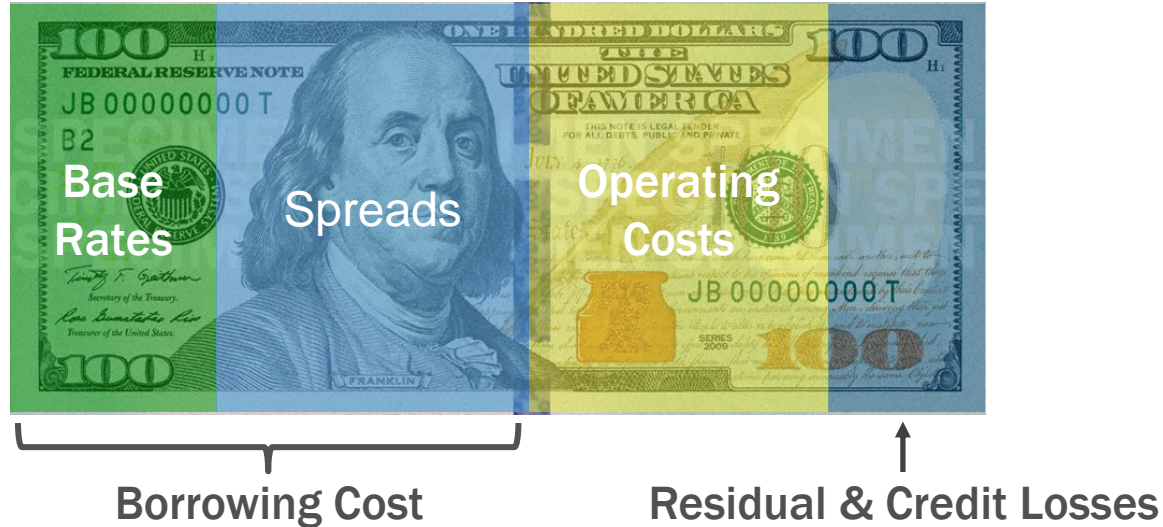
- Fund Efficiently
- Manage Risks



Ford Credit's funding strategy is to:

- Maintain ample liquidity to support our financing activities and growth
- Access diverse and cost-effective funding sources

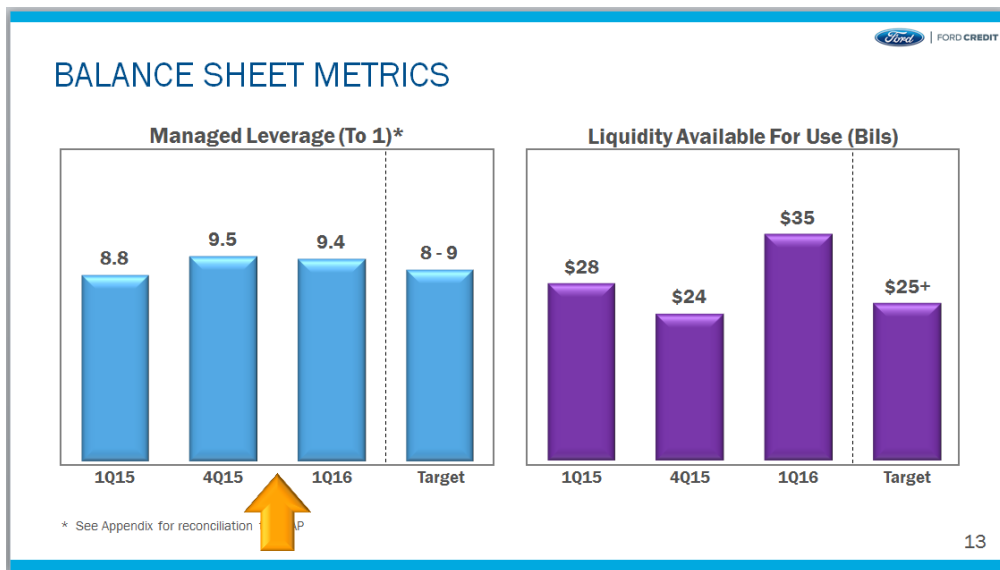
# KEY COST DRIVERS



- Borrowing cost is our largest expense
  - Borrowed funds are a finance company’s “raw material”
  - Key factors that drive our borrowing cost are:
    - Base interest rates
    - Credit ratings
    - Funding strategy
    - Market conditions
- } Credit spreads

# KEY METRICS – MANAGED LEVERAGE

Slide: Ford Motor Credit Company, 1Q 2016 Earnings Review



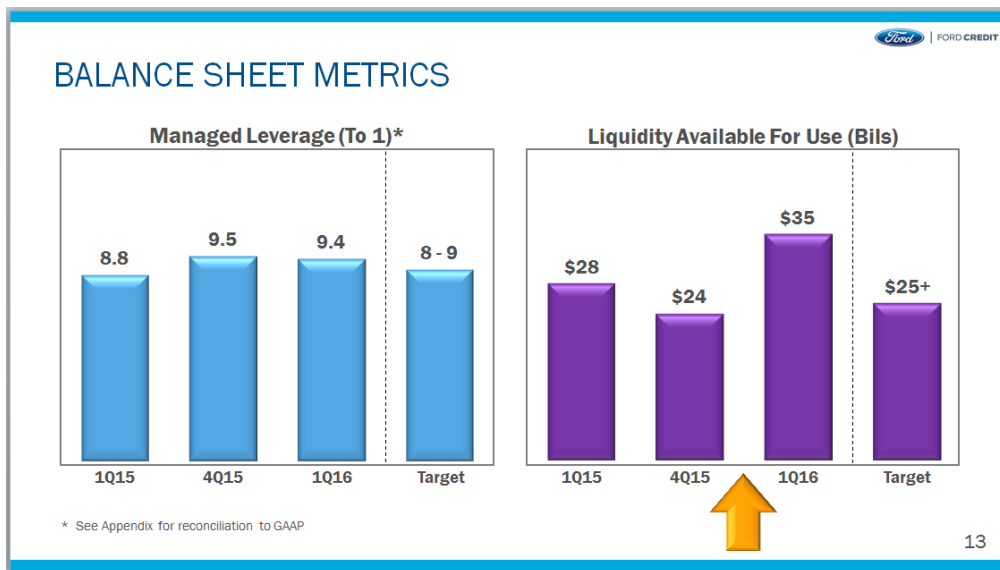
- Leverage, or the debt-to-equity ratio, is used to make various business decisions
- We make the following adjustments to leverage to calculate Managed Leverage, which reflects the way we manage our business
  - Cash deducted from debt, reflecting excess borrowing beyond amount required to support operations
  - Derivative accounting adjustments excluded from debt and equity to isolate from interim effects of changes in interest rates
- Our Managed Leverage target is a range of 8:1 to 9:1

\* See Appendix 2 for reconciliation to GAAP

**Managed Leverage Target Considers Internal Risk Assessment Of Assets, External Benchmarks And Other Factors**

# KEY METRICS – LIQUIDITY

Slide: Ford Motor Credit Company, 1Q 2016 Earnings Review

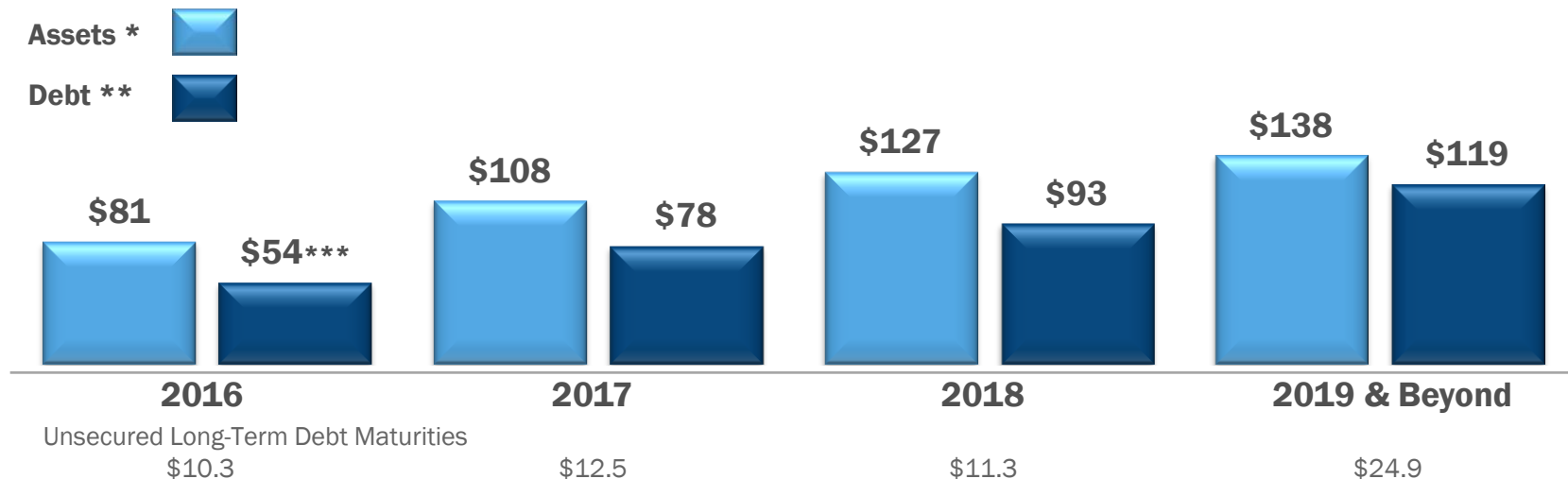


- Stress testing of funding and liquidity are regularly conducted, and we routinely develop contingency funding plans
- Stress scenarios include assumptions on access to debt and ABS markets, runoff of short-term funding, and ability to renew expiring liquidity commitments
- Liquidity is targeted to withstand “severe but plausible” firm-specific and market-wide stress events. Assumptions include:
  - Consistent finance support for the sale of Ford vehicles with no asset curtailments
  - No funding, liquidity, or capital support from Ford

**Liquidity Sized To Provide Consistent Finance Support During Severe Stress Without Requiring Financial Support From Ford**

# LIQUIDITY PROFILE BALANCE SHEET (BILS)

## Cumulative Maturities at December 31, 2015



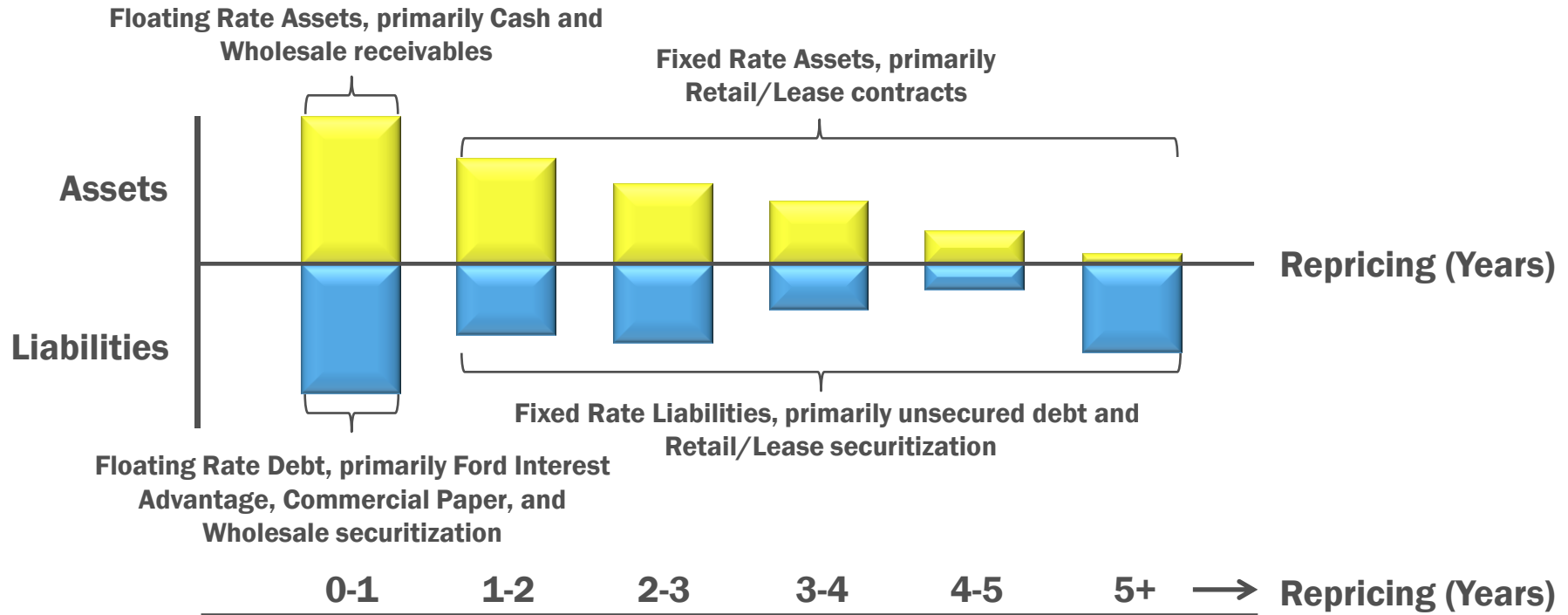
\* Includes finance receivables net of unearned income, investment in operating leases net of accumulated depreciation, cash and cash equivalents, and marketable securities (excludes marketable securities related to insurance activities)

\*\* Retail and lease ABS are treated as amortizing to match the underlying assets

\*\*\* Includes all of the wholesale ABS term maturities of \$10.4 billion that otherwise contractually extend to 2017 and beyond

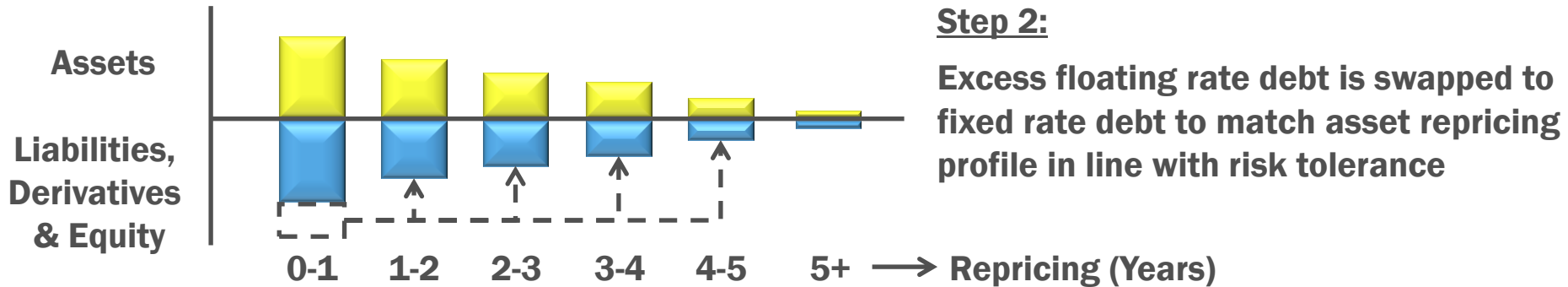
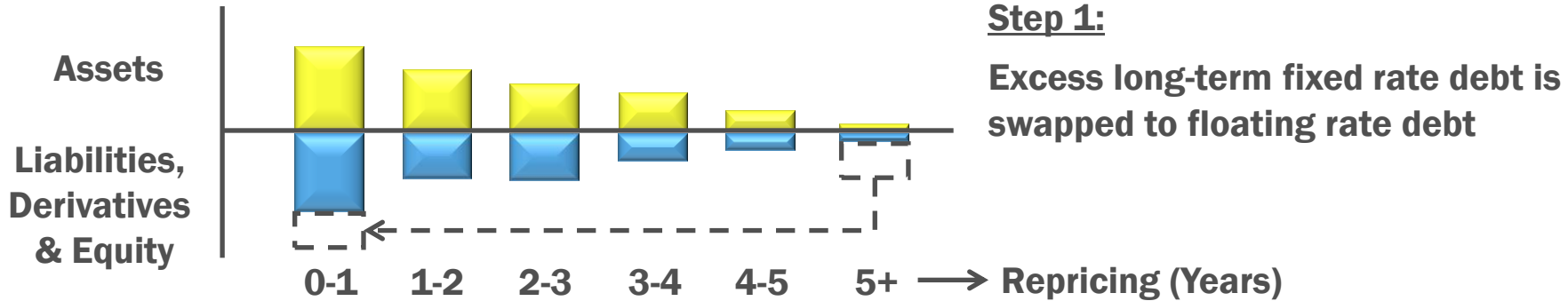
**Ford Credit's Balance Sheet Is Inherently Liquid  
As Assets Liquidate More Quickly Than Debt**

# INTEREST RATE RISK – ASSET LIABILITY MISMATCH



**Interest Rate Risk Is Created When Repricing Characteristics Of Funding Sources Do Not Naturally Match Repricing Characteristics Of Assets**

# INTEREST RATE RISK – ASSET LIABILITY MISMATCH



Swaps Are Used To Manage Our Interest Rate Exposure In Line  
With Risk Management Strategy And Tolerances

# FORD CREDIT DERIVATIVE NOTIONAL

(Bils)

	<u>2014</u>	<u>2015</u>
<b><u>Interest Rate Derivatives</u></b>		
Pay-fix swaps	\$ 15	\$ 20
Pay-float swaps	36	40
Securitization swaps	<u>29</u>	<u>31</u>
Subtotal interest rate derivatives	\$ 80	\$ 91
<b><u>Other Derivatives</u></b>		
Cross-currency swaps	2	3
Foreign currency forwards	<u>2</u>	<u>2</u>
Total derivative notional	<u>\$ 84</u>	<u>\$ 96</u>
<b><u>Memo:</u></b>		
Non-designated derivative notional (Bils)	\$ 61	\$ 67
Income/(Loss) from Unallocated Risk Management (Mils)	\$ (6)	\$ (1)
Income/(Loss) as a % of non-designated notional (Pct.)	(0.01)%	(0.01)%

**Despite The Significant Derivative Notional Balance,  
Ford Credit's Derivatives Had A Minimal Impact On Total Profit**

# FUNDING A STRONG FORD CREDIT BALANCE SHEET

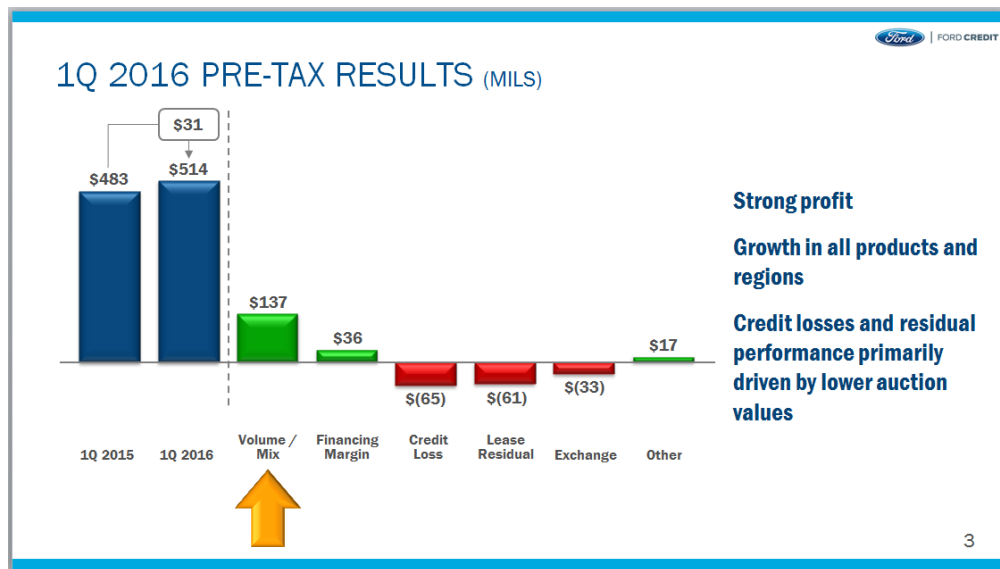
- Expanding and diversifying our funding programs globally
  - Increasing mix of term debt
  - Delivering innovative funding platforms in mature and growth markets
- Maintaining strong liquidity to protect against funding disruptions
  - Targeting total liquidity of \$25 billion +
- Delivering around 10% return on equity with sustainable distributions
  - Targeting leverage between 8 and 9 to 1
- Targeting single-A credit rating profile

**Strong Funding And Liquidity Profile Supports Growth In Receivables**

# Ford Credit Profit Reporting

# VARIANCE ANALYSIS – VOLUME / MIX (MILS)

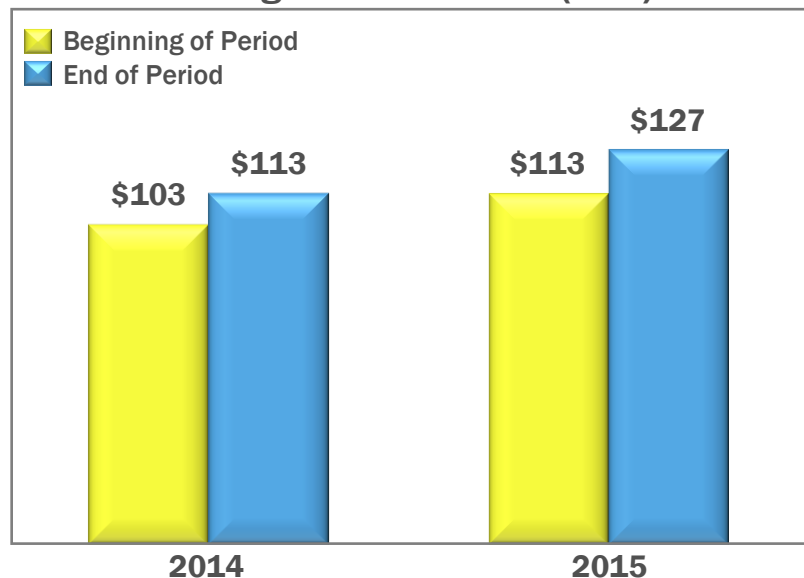
Slide: Ford Motor Credit Company, 1Q 2016 Earnings Review



- Volume and Mix are primarily reflected within *Net financing margin* on the income statement
- Volume primarily measures changes in net financing margin driven by changes in average managed receivables at prior period financing margin yield at prior period exchange rates
- Mix primarily measures changes in net financing margin driven by period over period changes in the composition of our average managed receivables by product and by country or region

# VOLUME AND MIX PROFIT VARIANCES

## Managed Receivables\* (Bils.)



Memo:

Average Receivables at Incurred Exchange Rates	\$108.4	\$117.4
Average Receivables at Prior Year Exchange Rates		\$121.9

\* See Appendix 1 for reconciliation to GAAP

## Volume and Mix Variances

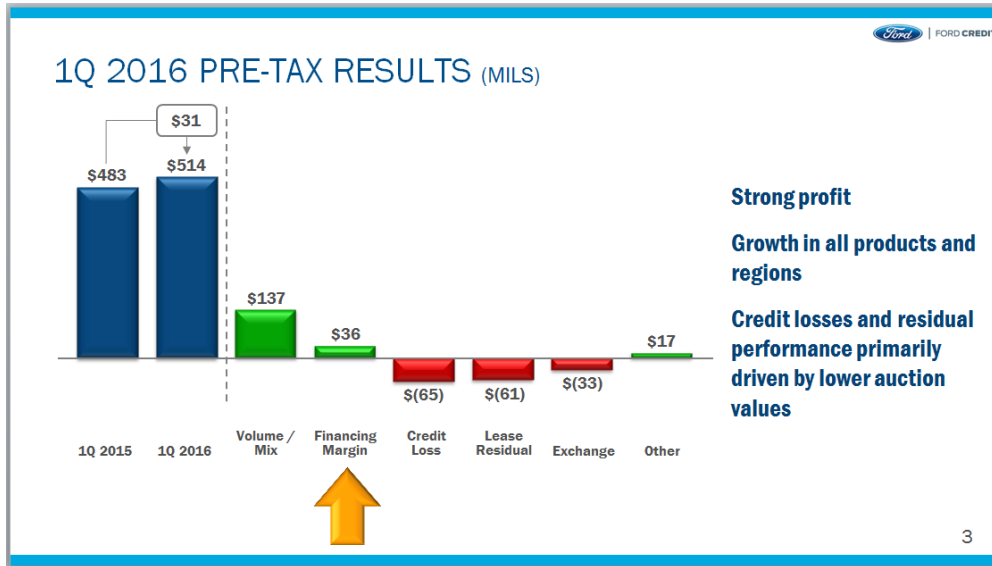
### 2015 Compared with 2014

#### Volume

2015 Average Receivables at 2014 Exchange Rates (Bils.)	\$ 121.9
2014 Average Receivables	<u>108.4</u>
Increase / (Decrease) in Receivables	\$ 13.5
 Average 2014 Financing Margin	 ~ 2.90 %
 Volume Variance (Mils.)	 ~ \$ 392
 Mix (Primarily Higher Leasing in North America)	 ~ <u>82</u>
 Total Volume and Mix	 <u>\$ 474</u>

# VARIANCE ANALYSIS – FINANCING MARGIN (MILS)

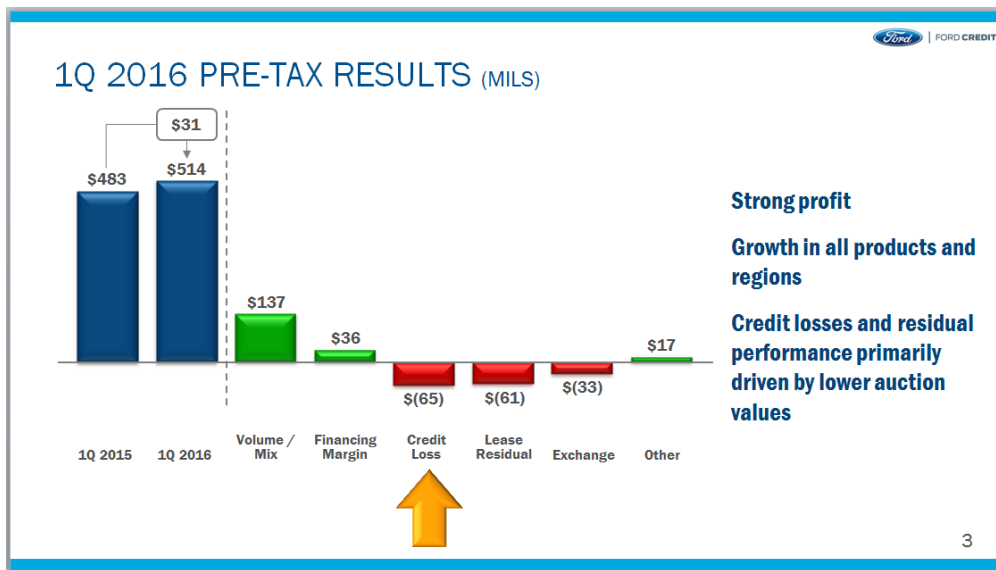
Slide: Ford Motor Credit Company, 1Q 2016 Earnings Review



- Financing Margin shows the change in financing margin yield at constant average managed receivables and is reflected within *Net financing margin* on the income statement
- The variance is calculated as the period-to-period change in financing margin yield multiplied by the present period average managed receivables at prior period exchange rates
- Financing margin yield equals revenue, less interest expense and scheduled depreciation for the period, divided by average managed receivables for the same period

# VARIANCE ANALYSIS – CREDIT LOSS (MILS)

Slide: Ford Motor Credit Company, 1Q 2016 Earnings Review



Credit Loss equals the change in:

- Net charge-offs, plus
- Changes in the allowance for credit losses

At prior period exchange rates

# UNDERSTANDING CREDIT LOSS TERMINOLOGY

## BALANCE SHEET

**Allowance for Credit Losses (Reserve):** Estimate of the probable credit losses inherent in finance receivables and operating leases as of the date of the financial statements

## INCOME STATEMENT IMPACT

**Charge-offs (net):** Actual loss incurred on a receivable net of recoveries. Recoveries are amounts collected from customers after the account is charged off

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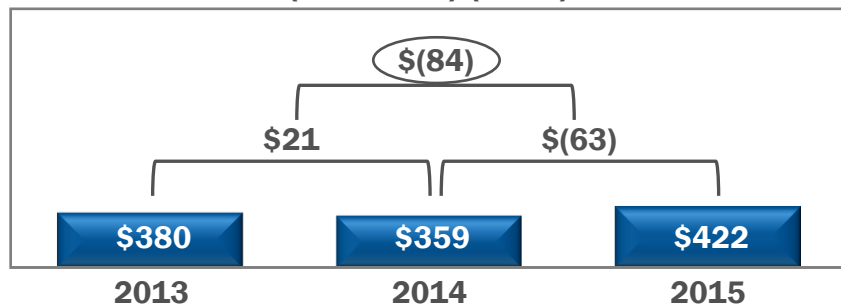
**Change in Allowance for Credit Losses :** Reflects the increase or decrease in allowance for credit losses during the period, net of changes in reserves resulting from exchange rate movements, which flow through Accumulated Other Comprehensive Income and not through the Income Statement

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**Provision for Credit Losses:** Expense that flows through the income statement to provide appropriate allowance for credit losses

# 2015 FULL YEAR CREDIT LOSS VARIANCE EXPLANATION

## Worldwide Allowance for Credit Losses (Reserves) (Mils.)

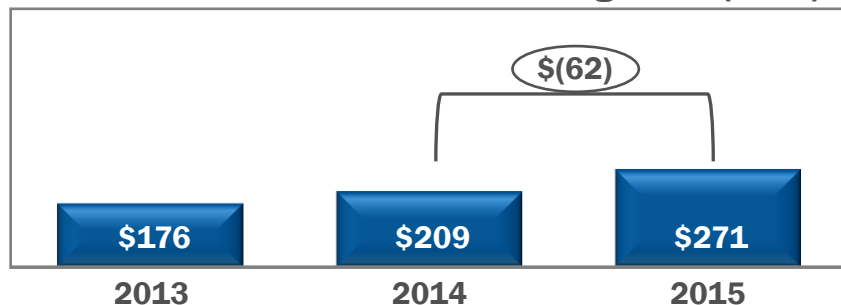


## Profit Impact

	<u>2015</u> (Mils.)
Change in Reserves	\$ (84)
Exchange Rate Impact on Reserves*	<u>(7)</u>
Change in Reserves Variance	\$ (91)
Charge-Offs	(62)
Exchange Rate Impact on Losses	<u>(10)</u>
Total Credit Loss Variance	<u>\$ (163)</u>

\* In the absence of a stronger dollar, Reserves would have been about \$429 million, \$7 million higher.

## Worldwide On-Balance Sheet Charge-Offs (Mils.)



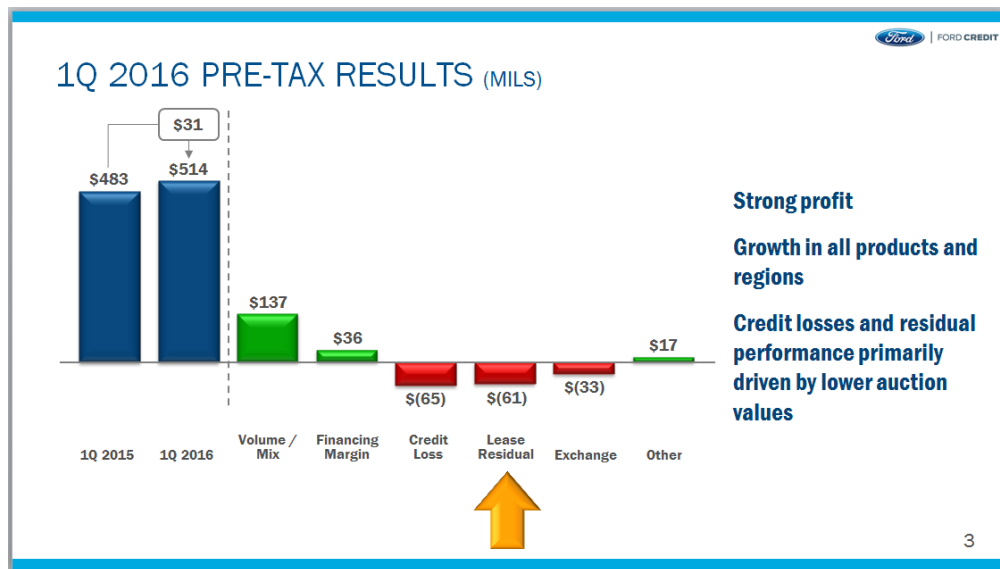
LTR (%) 0.18%

0.19%

0.23%

# VARIANCE ANALYSIS – LEASE RESIDUAL (MILS)

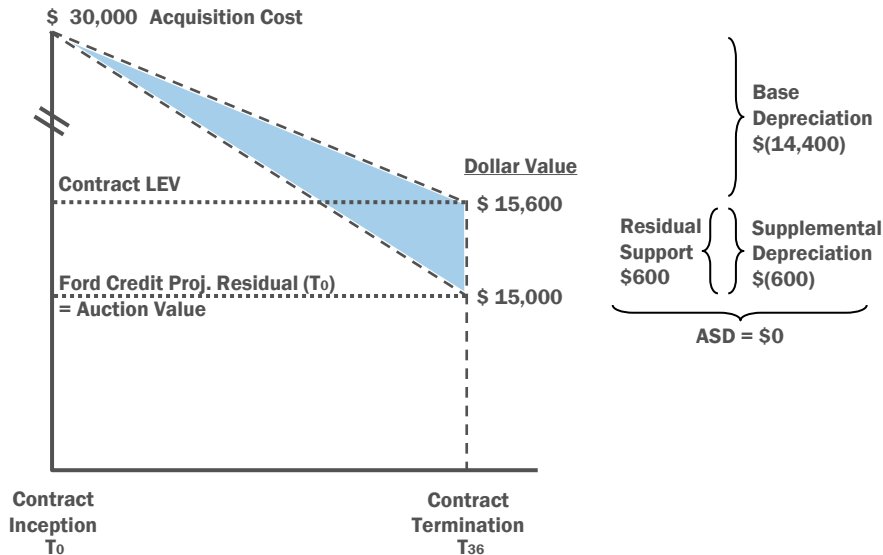
Slide: Ford Motor Credit Company, 1Q 2016 Earnings Review



- Lease Residual performance is reported at prior period exchange rates. It reflects Residual Gains and Losses plus Change in Accumulated Supplemental Depreciation
- Lease Residual performance is affected by projected auction values of future disposals, portfolio size, and actual auction values and volume of disposed units

# LEASE ACCOUNTING EXAMPLE WITH NO RESIDUAL GAIN / LOSS

Lease Accounting Example:		
Acquisition Cost = MSRP	\$	30,000
Contract Lease-end Value (LEV)	15,600	(52% MSRP)
Ford Credit Projected Residual at Contract Inception	15,000	(50% MSRP)
Ford Residual Support	600	
Lease Term in months	36	

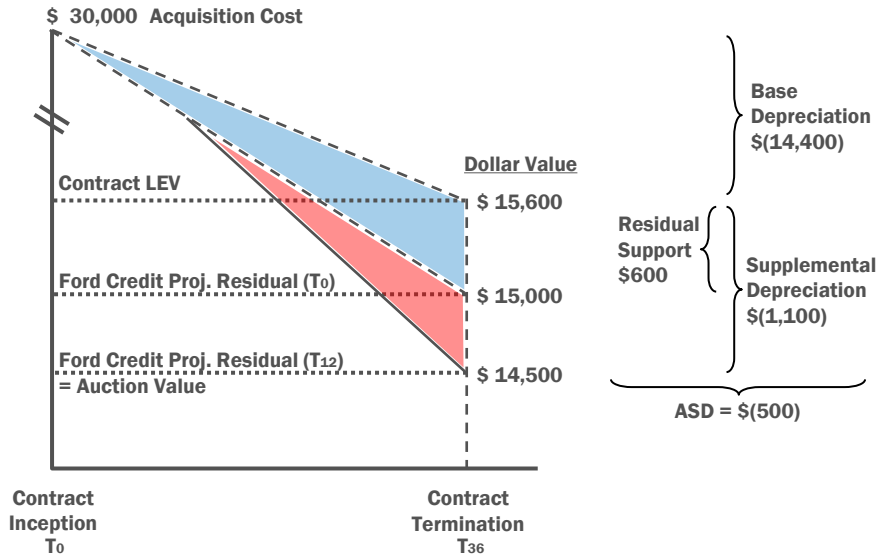


Generally, depreciation for leases is the sum of base and supplemental depreciation, net of residual support

- **Base Depreciation** reflects scheduled depreciation from the acquisition cost to the contract LEV and does not change after inception
- **Supplemental Depreciation** reflects the difference between contract LEV and projected auction value. It is depreciated over the life of the contract
- **Residual Support** is received up front from Ford and amortized within depreciation
- **Accumulated Supplemental Depreciation (ASD)** reflects the accumulated balance of Supplemental Depreciation and Residual Support. In this example, ASD is \$0

# LEASE ACCOUNTING EXAMPLE WITH RESIDUAL LOSS

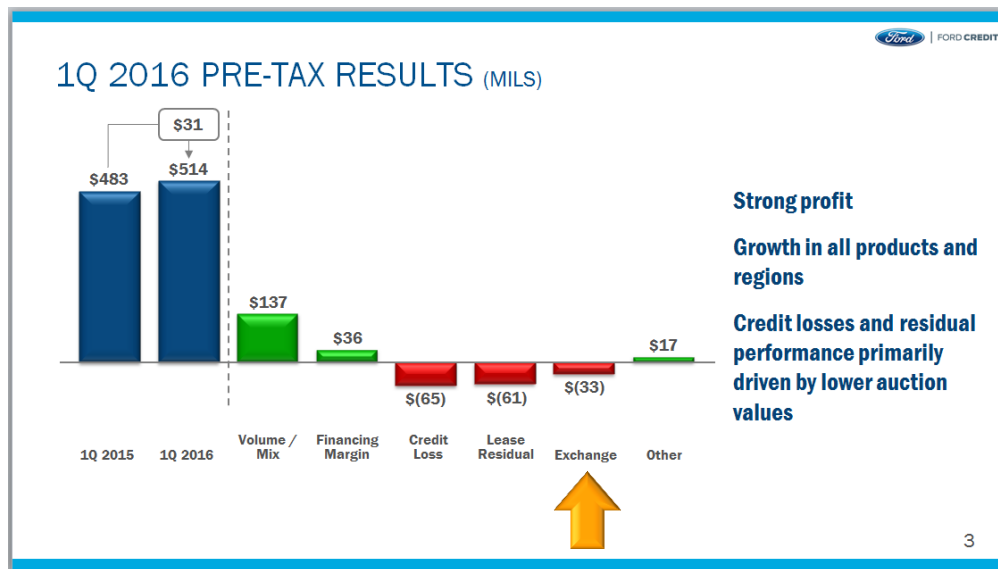
Lease Accounting Example:		
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Contract Lease-end Value (LEV)		15,600 (52% MSRP)
Ford Credit Projected Residual at Contract Inception		15,000 (50% MSRP)
Ford Residual Support		600
Lease Term in months		36



- Auction value projections are assessed quarterly and changes are made accordingly
- In this example, the projected residual is lowered at month 12
- Supplemental Depreciation is increased to depreciate the vehicle to the revised auction value projection
- In this example, ASD is \$(500) at contract termination
- Supplemental Depreciation can be increased or decreased; however, it can never “un-depreciate” above base depreciation
- Residual Gain or Loss is the difference between the auction value and the depreciated value at contract termination

# VARIANCE ANALYSIS – EXCHANGE (MILS)

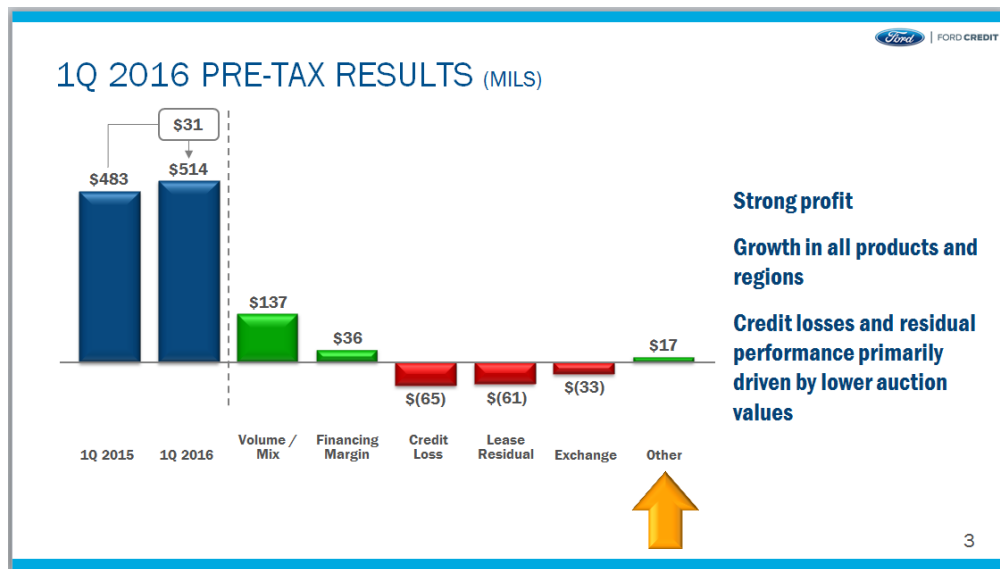
Slide: Ford Motor Credit Company, 1Q 2016 Earnings Review



- Exchange equals the difference between present period profits at present period exchange rates and present period profits at prior period exchange rates
- About 35% of Ford Credit's profits are generated outside of the U.S.

# VARIANCE ANALYSIS – OTHER (MILS)

Slide: Ford Motor Credit Company, 1Q 2016 Earnings Review



- Primarily includes *Operating expenses*,\* *Other revenue*,\*\* and *Insurance expenses* on the income statement at prior period exchange rates

\* Changes in operating expenses are primarily driven by salaried personnel costs, facilities costs, and costs associated with the origination and servicing of customer contracts

\*\* In general, other revenue changes are primarily driven by changes in earnings related to market valuation adjustments to derivatives (primarily related to movements in interest rates), which are included in unallocated risk management, and other miscellaneous items

# RISK FACTORS

Statements included or incorporated by reference herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on expectations, forecasts, and assumptions by our management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including, without limitation:

- Decline in industry sales volume, particularly in the United States, Europe, or China due to financial crisis, recession, geopolitical events, or other factors;
- Decline in Ford's market share or failure to achieve growth;
- Lower-than-anticipated market acceptance of Ford's new or existing products or services;
- Market shift away from sales of larger, more profitable vehicles beyond Ford's current planning assumption, particularly in the United States;
- An increase in or continued volatility of fuel prices, or reduced availability of fuel;
- Continued or increased price competition resulting from industry excess capacity, currency fluctuations, or other factors;
- Fluctuations in foreign currency exchange rates, commodity prices, and interest rates;
- Adverse effects resulting from economic, geopolitical, or other events;
- Economic distress of suppliers that may require Ford to provide substantial financial support or take other measures to ensure supplies of components or materials and could increase costs, affect liquidity, or cause production constraints or disruptions;
- Work stoppages at Ford or supplier facilities or other limitations on production (whether as a result of labor disputes, natural or man-made disasters, tight credit markets or other financial distress, production constraints or difficulties, or other factors);
- Single-source supply of components or materials;
- Labor or other constraints on Ford's ability to maintain competitive cost structure;
- Substantial pension and postretirement health care and life insurance liabilities impairing our liquidity or financial condition;
- Worse-than-assumed economic and demographic experience for postretirement benefit plans (e.g., discount rates or investment returns);
- Restriction on use of tax attributes from tax law "ownership change";
- The discovery of defects in vehicles resulting in delays in new model launches, recall campaigns, or increased warranty costs;
- Increased safety, emissions, fuel economy, or other regulations resulting in higher costs, cash expenditures, and / or sales restrictions;
- Unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, perceived environmental impacts, or otherwise;
- A change in requirements under long-term supply arrangements committing Ford to purchase minimum or fixed quantities of certain parts, or to pay a minimum amount to the seller ("take-or-pay" contracts);
- Adverse effects on results from a decrease in or cessation or clawback of government incentives related to investments;
- Inherent limitations of internal controls impacting financial statements and safeguarding of assets;
- Cybersecurity risks to operational systems, security systems, or infrastructure owned by Ford, Ford Credit, or a third-party vendor or supplier;
- Failure of financial institutions to fulfill commitments under committed credit and liquidity facilities;
- Inability of Ford Credit to access debt, securitization, or derivative markets around the world at competitive rates or in sufficient amounts, due to credit rating downgrades, market volatility, market disruption, regulatory requirements, or other factors;
- Higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles;
- Increased competition from banks, financial institutions, or other third parties seeking to increase their share of financing Ford vehicles; and
- New or increased credit regulations, consumer or data protection regulations, or other regulations resulting in higher costs and / or additional financing restrictions.

We cannot be certain that any expectation, forecast, or assumption made in preparing forward-looking statements will prove accurate, or that any projection will be realized. It is to be expected that there may be differences between projected and actual results. Our forward-looking statements speak only as of the date of their initial issuance, and we do not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events, or otherwise. For additional discussion, see "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

# APPENDIX

# MANAGED RECEIVABLES RECONCILIATION TO TOTAL NET RECEIVABLES

(Bils)

## **Net Receivables\***

### Finance receivables – North America Segment

Consumer retail financing	\$ 40.9	\$ 44.1	\$ 49.2
Non-consumer: Dealer financing**	22.1	22.5	25.5
Non-consumer: Other	1.0	1.0	0.9
<b>Total finance receivables – North America Segment</b>	<b>\$ 64.0</b>	<b>\$ 67.6</b>	<b>\$ 75.6</b>

### Finance receivables – International Segment

Consumer retail financing	\$ 10.8	\$ 11.8	\$ 12.9
Non-consumer: Dealer financing**	8.3	9.3	10.5
Non-consumer: Other	0.4	0.3	0.3
<b>Total finance receivables – International Segment</b>	<b>\$ 19.5</b>	<b>\$ 21.4</b>	<b>\$ 23.7</b>

Unearned interest supplements

(1.5) (1.8) (2.1)

Allowance for credit losses

(0.4) (0.3) (0.4)

Finance receivables, net

\$ 81.6 \$ 86.9 \$ 96.8

Net investment in operating leases

18.3 21.5 25.1

### **Total net receivables**

**\$ 99.9 \$ 108.4 \$ 121.9**

## **Managed Receivables**

Total net receivables (GAAP)

\$ 99.9 \$ 108.4 \$ 121.9

Unearned interest supplements and residual support

3.1 3.9 4.5

Allowance for credit losses

0.4 0.4 0.4

Other, primarily accumulated supplemental depreciation

- 0.1 0.4

### **Total managed receivables (Non-GAAP)**

**\$ 103.4 \$ 112.8 \$ 127.2**

\* Includes finance receivables (retail and wholesale) sold for legal purposes and net investment in operating leases included in securitization transactions that do not satisfy the requirements for accounting sale treatment. These receivables and operating leases are reported on Ford Credit's balance sheet and are available only for payment of the debt issued by, and other obligations of the securitization entities that are parties to those securitization transactions; they are not available to pay the other obligations of Ford Credit or the claims of Ford Credit's other creditors

\*\* Dealer financing primarily includes wholesale loans to dealers to finance the purchase of vehicle inventory

# MANAGED LEVERAGE RECONCILIATION TO FINANCIAL STATEMENT LEVERAGE

(Bils)

## Leverage Calculation

	<u>Mar. 31, 2015</u>	<u>Dec. 31, 2015</u>	<u>Mar. 31, 2016</u>
<b>Total debt*</b>	<b>\$109.1</b>	<b>\$119.6</b>	<b>\$127.4</b>
<b>Adjustments for cash**</b>	<b>(13.0)</b>	<b>(11.2)</b>	<b>(14.9)</b>
<b>Adjustments for derivative accounting***</b>	<b>(0.7)</b>	<b>(0.5)</b>	<b>(1.0)</b>
<b>Total adjusted debt</b>	<b><u>\$95.4</u></b>	<b><u>\$107.9</u></b>	<b><u>\$111.5</u></b>
<b>Equity****</b>	<b>\$11.2</b>	<b>\$11.7</b>	<b>\$12.2</b>
<b>Adjustments for derivative accounting***</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>(0.3)</b>
<b>Total adjusted equity</b>	<b><u>\$10.8</u></b>	<b><u>\$11.4</u></b>	<b><u>\$11.9</u></b>
<b>Financial statement leverage (to 1)</b>	<b>9.8</b>	<b>10.2</b>	<b>10.4</b>
<b>Managed leverage (to 1)</b>	<b>8.8</b>	<b>9.5</b>	<b>9.4</b>

\* Includes debt issued in securitization transactions and payable only out of collections on the underlying securitized assets and related enhancements. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions

\*\* Cash, cash equivalents, and marketable securities (excludes marketable securities related to insurance activities)

\*\*\* Primarily related to market valuation adjustments to derivatives due to movements in interest rates. Adjustments to debt are related to designated fair value hedges and adjustments to equity are related to retained earnings

\*\*\*\* Shareholder's interest reported on Ford Credit's balance sheet

# IMPACT OF ON-BALANCE SHEET SECURITIZATION

**Impact of On-Balance Sheet Securitization – receivables include finance receivables (retail and wholesale) sold for legal purposes and net investment in operating leases included in securitization transactions that do not satisfy the requirements for accounting sale treatment. These receivables and operating leases are reported on Ford Credit’s balance sheet and are available only for payment of the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions; they are not available to pay the other obligations of Ford Credit or the claims of Ford Credit’s other creditors. Total debt includes debt reported on Ford Credit’s balance sheet that is issued in securitization transactions and payable only out of collections on the underlying securitized assets and related enhancements. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions.**

# FURTHER INFORMATION

## Ford Investor Relations Contacts:

### Fixed Income Investors:

Stephen Dahle (U.S.-based)

313.621.0881

Fixedinc@ford.com

## Information on Ford:

- [www.corporate.ford.com/investors.html](http://www.corporate.ford.com/investors.html)
- 10-K Annual Reports
- 10-Q Quarterly Reports
- 8-K Current Reports
- Ford University
- 2015/2016 Sustainability Report
  - [www.corporate.ford.com/microsites/sustainability-report-2015-16/index.html](http://www.corporate.ford.com/microsites/sustainability-report-2015-16/index.html)

## Information on Ford Motor Credit Company:

- [www.credit.ford.com/investor-center](http://www.credit.ford.com/investor-center)
- 10-K Annual Reports
- 10-Q Quarterly Reports
- 8-K Current Reports
- Ford Credit University