

# FORD CREDIT

## Q3 Earnings Review

October 28, 2020

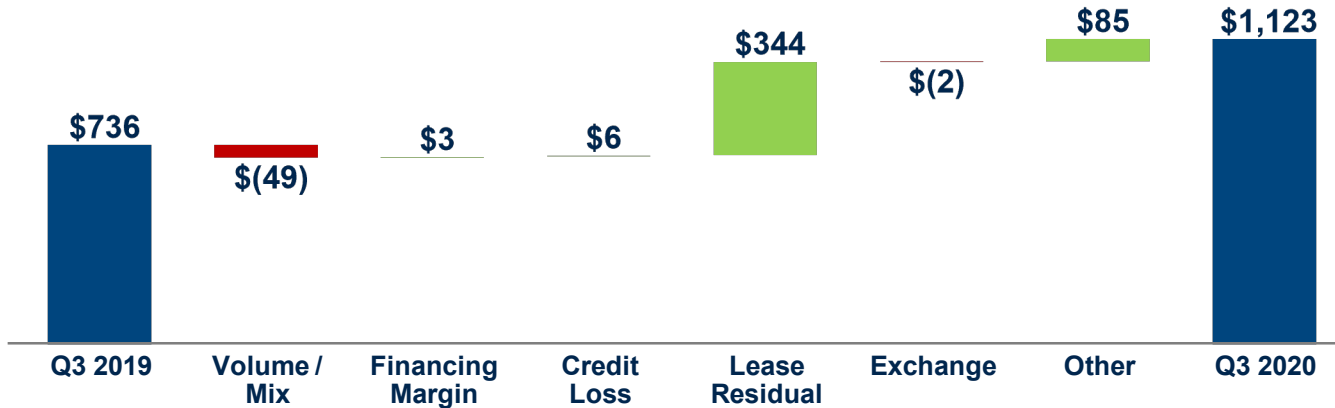


# Key Takeaways

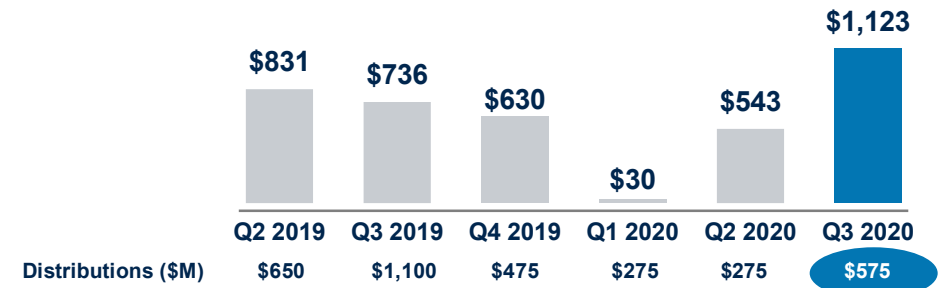
- **Strong Q3 EBT of \$1,123M (highest quarter since Q2 2005)**
- **Balance sheet remains strong with liquidity at \$31B; continue to access diverse funding sources**
- **Portfolio is performing well – charge-offs and loss-to-receivables (LTR) ratio remained significantly below year-ago levels. Credit loss reserve reflects lifetime losses at about the same level as Q2**
- **Off-lease auction values very strong through the third quarter and lease share remained below industry average**

# Key Metrics

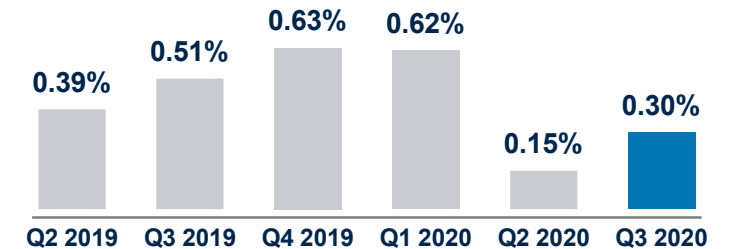
EBT YoY Bridge (\$M)



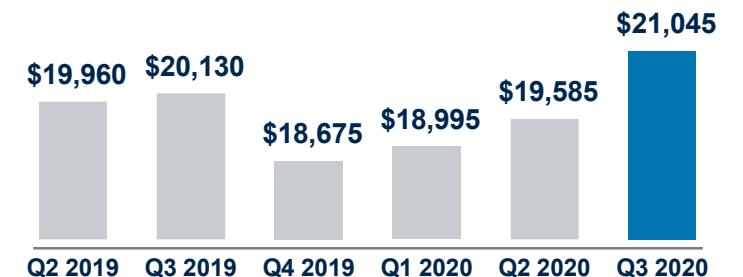
EBT (\$M)



U.S. Retail LTR Ratios (%)



Auction Values (Per Unit)\*



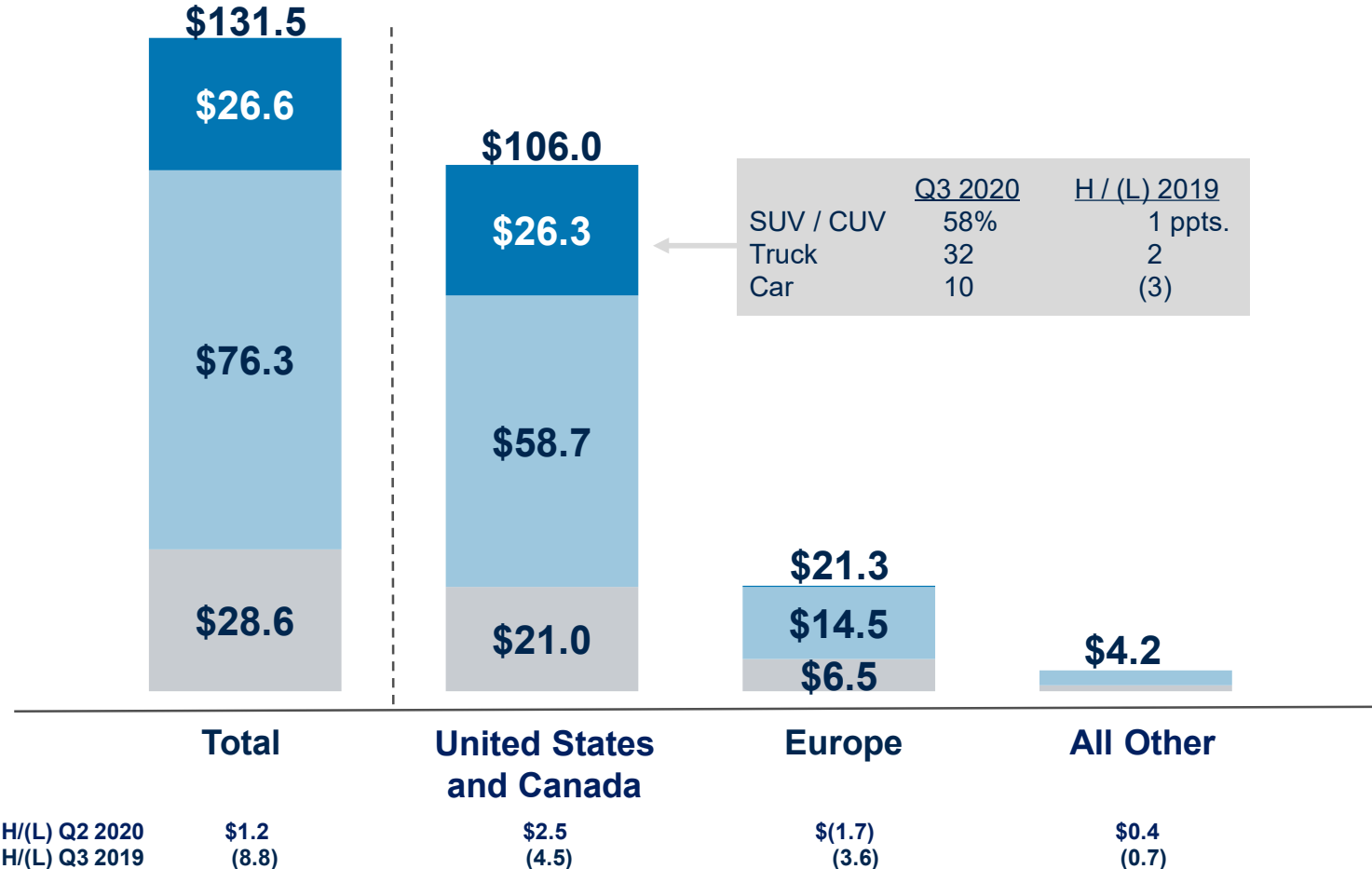
- Q3 EBT of \$1,123M is up \$387M, reflecting strong auction performance
- Portfolio performing well – loss-to-receivables (LTR) remains low and below year-ago levels; auction values improved significantly
- Balance sheet and liquidity remain strong

\* U.S. 36-month off-lease auction values at Q3 2020 mix



# Q3 2020 Net Receivables Mix (\$B)

- Net Investment in Operating Leases
- Consumer Financing
- Non-Consumer Financing

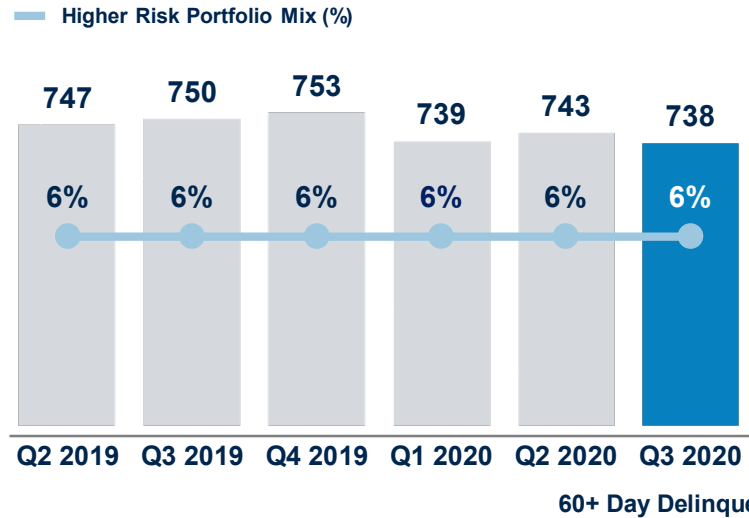


- Receivables declined \$9B YoY primarily reflecting lower wholesale receivables
- Operating lease portfolio was 20% of total net receivables

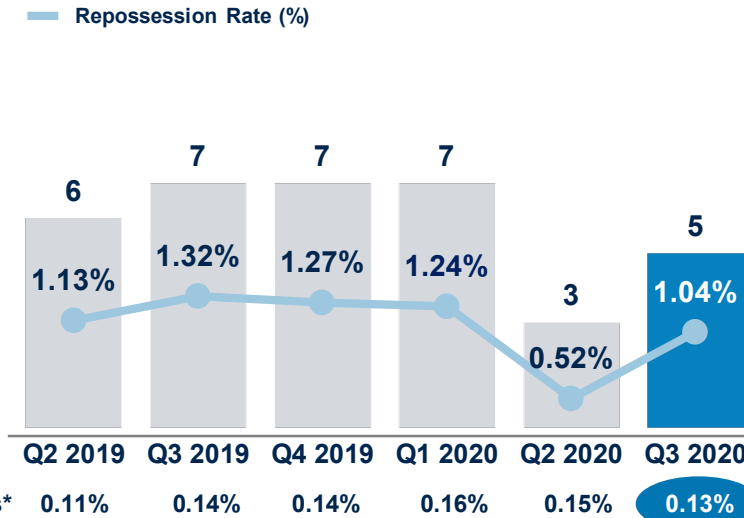


# U.S. Origination Metrics And Credit Loss Drivers

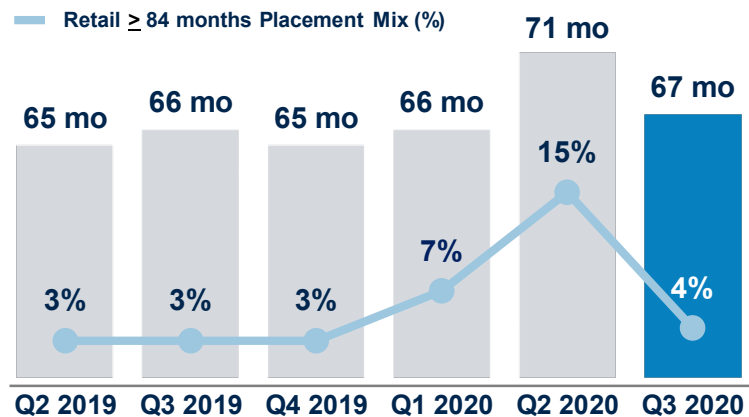
### Retail & Lease FICO and Higher Risk Mix (%)



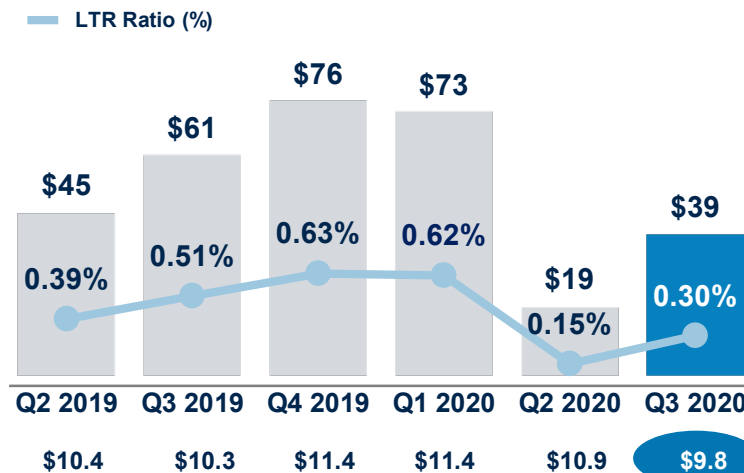
### Retail Repossessions (000) and Repossession Rate (%)



### Retail Contract Terms



### Retail Charge-Offs (\$M) and LTR Ratio (%)



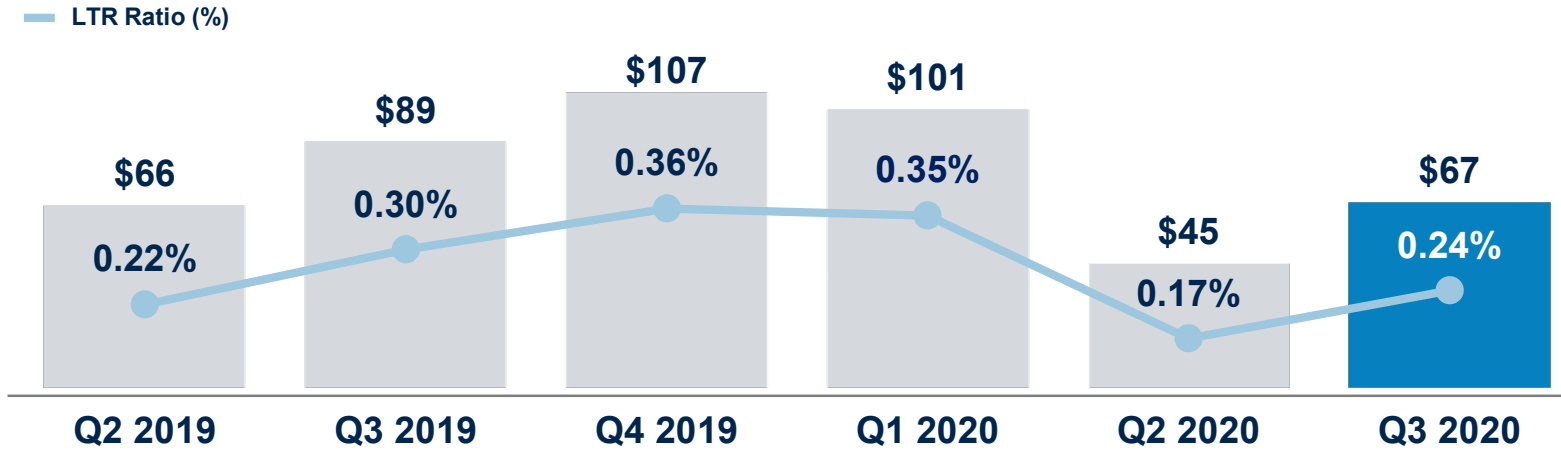
- Disciplined and consistent underwriting practices
- Portfolio quality evidenced by FICO scores and consistent risk mix
- Repossessions, charge-offs and LTR remained low and significantly below year-ago levels
- Longer-term contract mix returned to normal levels
- Extensions have returned to pre-pandemic levels; 99% of COVID-related extensions have made at least one payment



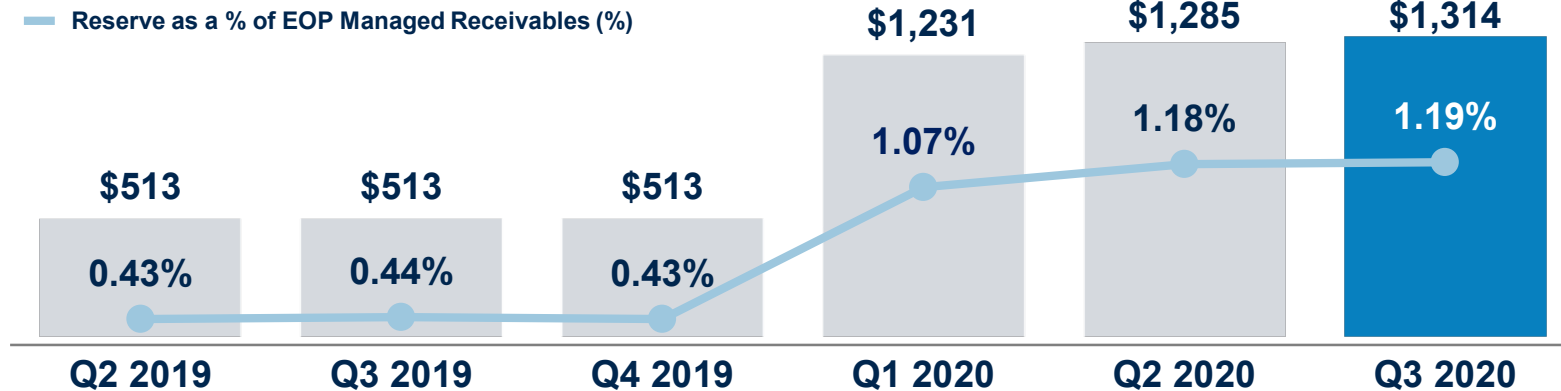
\* Excluding bankruptcies

# Worldwide Credit Loss Metrics

Charge-Offs (\$M) and LTR Ratio (%)



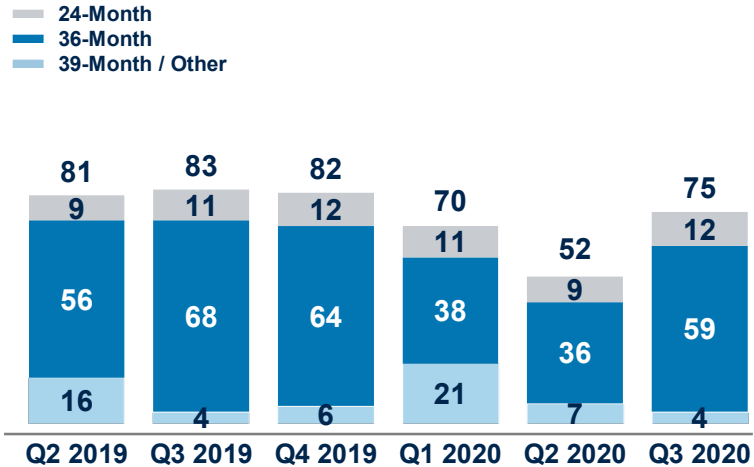
Credit Loss Reserve (\$M) and Reserve as a % of EOP Managed Receivables



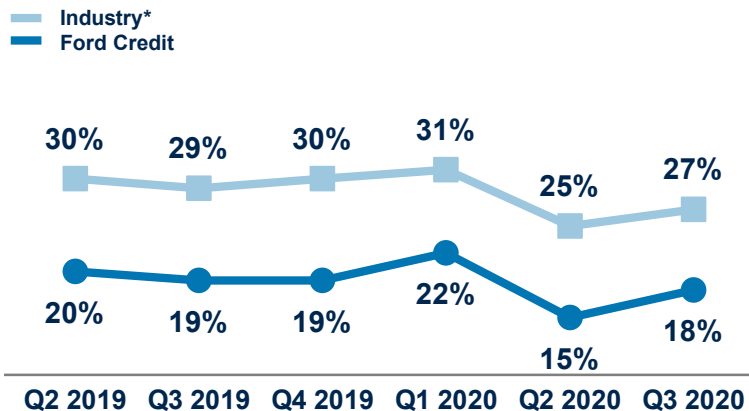
- Worldwide credit loss metrics remained strong and significantly below year-ago levels
- Credit loss reserve reflects lifetime losses at about the same level as Q2

# U.S. Lease Metrics

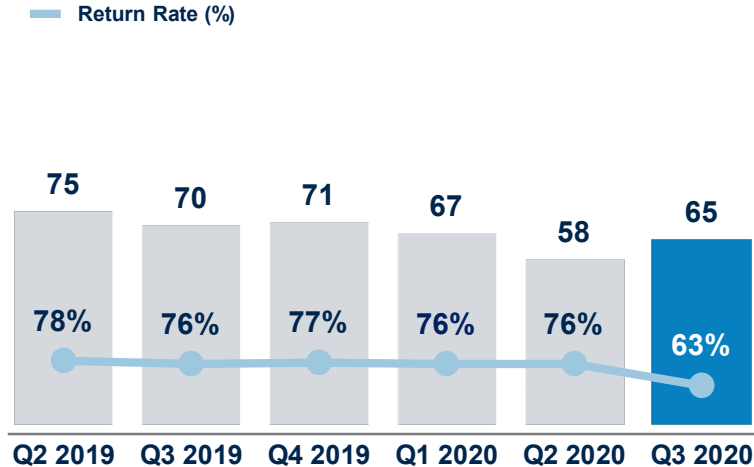
## Lease Placement Volume (000)



## Lease Share of Retail Sales (%)



## Lease Return Volume (000) and Return Rates (%)



## Off-Lease Auction Values (36-month, at Q3 2020 Mix)

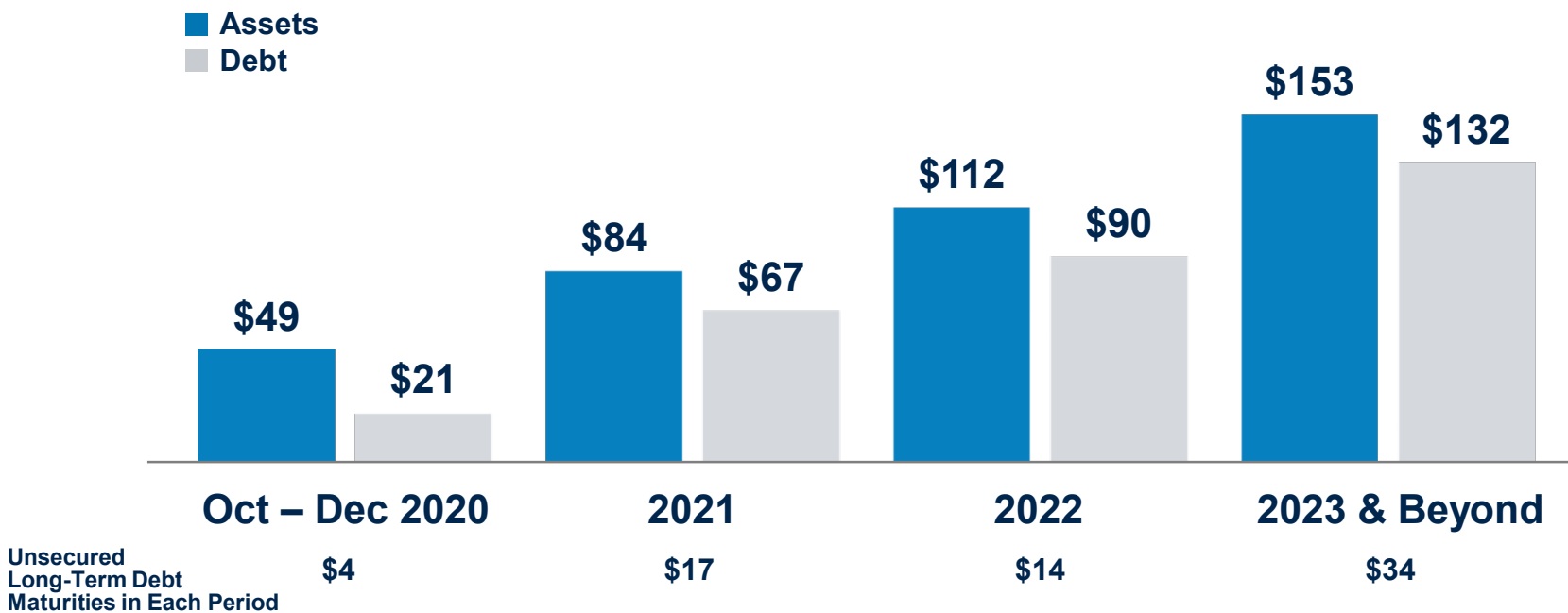


- Auction values rebounded strongly in the third quarter, up 7% from second quarter and 5% YoY
- Lease placement volume and share down YoY
- Lower lease return volume and return rate reflect auction values
- FY auction values now forecast to be up about 2%



\* Source: J.D. Power PIN

# Cumulative Maturities At September 30, 2020\* (\$B)



- Strong balance sheet is inherently liquid with cumulative debt maturities having a longer tenor than asset maturities
- As of September 30, \$77B of \$153B assets are unencumbered



\* See Appendix for assets and debt definitions



# Funding Structure – Managed Receivables\* (\$B)

	2019 Dec 31	2020 Sep 30
Term Debt (incl. Bank Borrowings)	\$ 73	\$ 73
Term Asset-Backed Securities	57	53
Commercial Paper	4	1
Ford Interest Advantage / Deposits	7	6
Other	9	9
Equity	14	14
Adjustments for Cash	(12)	(15)
<b>Total Managed Receivables</b>	<b>\$ 152</b>	<b>\$ 141</b>
Securitized Funding as Pct of Managed Receivables	38%	38%
Net Liquidity	\$ 33	\$ 31

- Well capitalized with a strong balance sheet; \$31B in net liquidity
- Funding is diversified across platforms and markets
- Expect ABS mix to increase modestly going forward



\* See Appendix for definitions and reconciliation to GAAP

# Public Term Funding Plan\* (\$B)

	<u>2018 Actual</u>	<u>2019 Actual</u>	<u>2020 Forecast</u>	<u>Through Oct 27</u>
Unsecured	\$ 13	\$ 17	\$ 8 - 11	\$ 8
Securitized <sup>**</sup>	14	14	12 - 13	11
<b>Total</b>	<u><u>\$ 27</u></u>	<u><u>\$ 31</u></u>	<u><u>\$ 21 - 24</u></u>	<u><u>\$ 20</u></u>

- Completed \$20B of public issuance year-to-date
- Strong balance sheet and substantial liquidity provide funding flexibility



\* Numbers may not sum due to rounding; see Appendix for definitions

\*\* Includes Rule 144A offerings

# Cautionary Note On Forward-Looking Statements

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:

- Ford and Ford Credit’s financial condition and results of operations have been and may continue to be adversely affected by public health issues, including epidemics or pandemics such as COVID-19;
- Ford’s long-term competitiveness depends on the successful execution of global redesign and fitness actions;
- Ford’s vehicles could be affected by defects that result in delays in new model launches, recall campaigns, or increased warranty costs;
- Ford may not realize the anticipated benefits of existing or pending strategic alliances, joint ventures, acquisitions, divestitures, or new business strategies;
- Operational systems, security systems, and vehicles could be affected by cyber incidents;
- Ford’s production, as well as Ford’s suppliers’ production, could be disrupted by labor issues, natural or man-made disasters, financial distress, production difficulties, or other factors;
- Ford’s ability to maintain a competitive cost structure could be affected by labor or other constraints;
- Ford’s ability to attract and retain talented, diverse, and highly skilled employees is critical to its success and competitiveness;
- Ford’s new and existing products and mobility services are subject to market acceptance;
- Ford’s results are dependent on sales of larger, more profitable vehicles, particularly in the United States;
- With a global footprint, Ford’s results could be adversely affected by economic, geopolitical, protectionist trade policies, or other events, including tariffs and Brexit;
- Industry sales volume in any of our key markets can be volatile and could decline if there is a financial crisis, recession, or significant geopolitical event;
- Ford may face increased price competition or a reduction in demand for its products resulting from industry excess capacity, currency fluctuations, competitive actions, or other factors;
- Fluctuations in commodity prices, foreign currency exchange rates, interest rates, and market value of our investments can have a significant effect on results;
- Ford and Ford Credit’s access to debt, securitization, or derivative markets around the world at competitive rates or in sufficient amounts could be affected by credit rating downgrades, market volatility, market disruption, regulatory requirements, or other factors;
- Ford’s receipt of government incentives could be subject to reduction, termination, or clawback;
- Ford Credit could experience higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles;
- Economic and demographic experience for pension and other postretirement benefit plans (e.g., discount rates or investment returns) could be worse than Ford has assumed;
- Pension and other postretirement liabilities could adversely affect Ford’s liquidity and financial condition;
- Ford could experience unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, perceived environmental impacts, or otherwise;
- Ford may need to substantially modify its product plans to comply with safety, emissions, fuel economy, autonomous vehicle, and other regulations that may change in the future;
- Ford and Ford Credit could be affected by the continued development of more stringent privacy, data use, and data protection laws and regulations as well as consumer expectations for the safeguarding of personal information; and
- Ford Credit could be subject to new or increased credit regulations, consumer protection regulations, or other regulations.

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, 2019, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.



# FORD CREDIT

## APPENDIX

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# EBT By Segment\* (\$M)

	Q3		YTD	
	2020	H / (L) 2019	2020	H / (L) 2019
<b>Results</b>				
United States and Canada segment	\$ 932	\$ 349	\$ 1,399	\$ (395)
Europe segment	73	(5)	155	(150)
All Other segment	14	(6)	38	(77)
Total segments	\$ 1,019	\$ 338	\$ 1,592	\$ (622)
Unallocated other	104	49	104	(50)
Earnings before taxes	\$ 1,123	\$ 387	\$ 1,696	\$ (672)
Taxes	(264)	(99)	(409)	172
Net income	\$ 859	\$ 288	\$ 1,287	\$ (500)
Distributions	\$ 575	\$ (525)	\$ 1,125	\$ (1,300)



\* See Appendix for definitions

# Financing Shares And Contract Placement Volume

	2019	2020	2019	2020
<b><u>Share of Ford Sales*</u></b>				
United States	57 %	55 %	52 %	63 %
Canada	57	75	63	69
U.K.	40	40	39	42
Germany	44	39	47	39
China	35	40	34	37
<b><u>Wholesale Share</u></b>				
United States	76 %	74 %	76 %	74 %
Canada	57	30	57	42
U.K.	100	100	100	100
Germany	93	93	93	93
China	59	64	61	60
<b><u>Contract Placement Volume - New and Used (000)</u></b>				
United States	277	259	697	761
Canada	36	53	106	101
U.K.	37	37	111	80
Germany	38	28	126	76
China	25	33	80	77



\* United States and Canada exclude Fleet sales, other markets include Fleet

# Total Net Receivables Reconciliation To Managed Receivables (\$B)

	2019 Sep 30	2019 Dec 31	2020 Sep 30
Finance receivables, net (GAAP)	\$ 112.8	\$ 114.3	\$ 104.9
Net investment in operating leases (GAAP)	27.5	27.7	26.6
<b>Total net receivables*</b>	<b>\$ 140.3</b>	<b>\$ 142.0</b>	<b>\$ 131.5</b>
Held-for-sale receivables (GAAP)	\$ -	\$ 1.5	\$ 0.0
Unearned interest supplements and residual support	6.8	6.7	6.7
Allowance for credit losses	0.5	0.5	1.3
Other, primarily accumulated supplemental depreciation	1.1	1.0	1.1
<b>Total managed receivables (Non-GAAP)</b>	<b>\$ 148.7</b>	<b>\$ 151.7</b>	<b>\$ 140.6</b>



\* See Appendix for definitions; numbers may not sum due to rounding

# Financial Statement Leverage Reconciliation To Managed Leverage\* (\$B)

	2019 Sep 30	2019 Dec 31	2020 Sep 30
<b><u>Leverage Calculation</u></b>			
Debt	\$ 139.3	\$ 140.0	\$ 133.1
Adjustments for cash	(14.3)	(11.7)	(14.6)
Adjustments for derivative accounting	(0.8)	(0.5)	(1.6)
Total adjusted debt	<u>\$ 124.2</u>	<u>\$ 127.8</u>	<u>\$ 116.9</u>
Equity	\$ 14.2	\$ 14.3	\$ 14.3
Adjustments for derivative accounting	(0.0)	(0.0)	0.1
Total adjusted equity	<u>\$ 14.2</u>	<u>\$ 14.3</u>	<u>\$ 14.4</u>
Financial statement leverage (to 1) (GAAP)	9.8	9.8	9.3
Managed leverage (to 1) (Non-GAAP)	8.8	8.9	8.2



\* See Appendix for definitions



# Liquidity Sources\* (\$B)

	<u>2019</u> <u>Sep 30</u>	<u>2019</u> <u>Dec 31</u>	<u>2020</u> <u>Sep 30</u>
<b><u>Liquidity Sources</u></b>			
Cash	\$ 14.3	\$ 11.7	\$ 14.6
Committed asset-backed facilities	35.2	36.6	37.4
Other unsecured credit facilities	2.6	3.0	2.4
Ford corporate credit facility allocation	3.0	3.0	-
<b>Total liquidity sources</b>	<b>\$ 55.1</b>	<b>\$ 54.3</b>	<b>\$ 54.4</b>
<b><u>Utilization of Liquidity</u></b>			
Securitization cash	\$ (2.9)	\$ (3.5)	\$ (3.3)
Committed asset-backed facilities	(14.4)	(17.3)	(17.4)
Other unsecured credit facilities	(0.5)	(0.8)	(0.5)
Ford corporate credit facility allocation	-	-	-
<b>Total utilization of liquidity</b>	<b>\$ (17.8)</b>	<b>\$ (21.6)</b>	<b>\$ (21.2)</b>
<b>Gross liquidity</b>	<b>\$ 37.3</b>	<b>\$ 32.7</b>	<b>\$ 33.2</b>
<b>Adjustments</b>	<b>(1.9)</b>	<b>0.4</b>	<b>(1.9)</b>
<b>Net liquidity available for use</b>	<b>\$ 35.4</b>	<b>\$ 33.1</b>	<b>\$ 31.3</b>



\* Numbers may not sum due to rounding; see Appendix for definitions

# Non-GAAP Financial Measures That Supplement GAAP Measures

We use both GAAP and non-GAAP financial measures for operational and financial decision making, and to assess Company and segment business performance. The non-GAAP measures listed below are intended to be considered by users as supplemental information to their equivalent GAAP measures, to aid investors in better understanding our financial results. We believe that these non-GAAP measures provide useful perspective on underlying business results and trends, and a means to assess our period-over-period results. These non-GAAP measures should not be considered as a substitute for, or superior to measures of financial performance prepared in accordance with GAAP. These non-GAAP measures may not be the same as similarly titled measures used by other companies due to possible differences in method and in items or events being adjusted.

- Ford Credit Managed Receivables – (Most Comparable GAAP Measure: Net Finance Receivables plus Net Investment in Operating Leases) – Measure of Ford Credit's Total net receivables and Held-for-sale receivables, excluding unearned interest supplements and residual support, allowance for credit losses, and other (primarily accumulated supplemental depreciation). The measure is useful to management and investors as it closely approximates the customer's outstanding balance on the receivables, which is the basis for earning revenue.
- Ford Credit Managed Leverage (Most Comparable GAAP Measure: Financial Statement Leverage) – Ford Credit's debt-to-equity ratio adjusted (i) to exclude cash, cash equivalents, and marketable securities (other than amounts related to insurance activities), and (ii) for derivative accounting. The measure is useful to investors because it reflects the way Ford Credit manages its business. Cash, cash equivalents, and marketable securities are deducted because they generally correspond to excess debt beyond the amount required to support operations and on-balance sheet securitization transactions. Derivative accounting adjustments are made to asset, debt, and equity positions to reflect the impact of interest rate instruments used with Ford Credit's term-debt issuances and securitization transactions. Ford Credit generally repays its debt obligations as they mature, so the interim effects of changes in market interest rates are excluded in the calculation of managed leverage.



# Definitions And Calculations

## Adjustments (as shown on the Liquidity Sources chart)

- Includes asset-backed capacity in excess of eligible receivables; cash related to the Ford Credit Revolving Extended Variable-utilization program (“FordREV”), which can be accessed through future sales of receivables

## Assets (as shown on the Cumulative Maturities chart)

- Includes gross finance receivables less the allowance for credit losses, investment in operating leases net of accumulated depreciation, cash and cash equivalents, and marketable securities (excluding amounts related to insurance activities). Amounts shown include the impact of expected prepayments

## Cash (as shown on the Funding Structure, Liquidity Sources and Leverage charts)

- *Cash and cash equivalents* and *Marketable securities* reported on Ford Credit’s balance sheet, excluding amounts related to insurance activities

## Debt (as shown on the Cumulative Maturities chart)

- All wholesale securitization transactions are shown maturing in the next 12 months, even if the maturities extend beyond third quarter 2021. Also, the chart reflects adjustments to debt maturities to match the asset-backed debt maturities with the underlying asset maturities

## Debt (as shown on the Leverage chart)

- *Debt* on Ford Credit’s balance sheet. Includes debt issued in securitizations 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

## Committed Asset-Backed Security (“ABS”) Facilities (as shown on the Liquidity Sources chart)

- Committed ABS facilities are subject to availability of sufficient assets, ability to obtain derivatives to manage interest rate risk, and exclude FCE Bank plc (“FCE”) access to the Bank of England’s Discount Window Facility

## Earnings Before Taxes (EBT)

- Reflects *Income before income taxes* as reported on Ford Credit’s income statement

## Securitization cash (as shown on the Liquidity Sources chart)

- Securitization cash is cash held for the benefit of the securitization investors (for example, a reserve fund)

## Securitizations (as shown on the Public Term Funding Plan chart)

- Public securitization transactions, Rule 144A offerings sponsored by Ford Credit, and widely distributed offerings by Ford Credit Canada

## Term Asset-Backed Securities (as shown on the Funding Structure chart)

- Obligations issued in securitization transactions that are payable only out of collections on the underlying securitized assets and related enhancements

## Total net receivables (as shown on the Total Net Receivables Reconciliation To Managed Receivables chart)

- Includes finance receivables (retail financing 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

## Unallocated other (as shown on the EBT By Segment chart)

- Items excluded in assessing segment performance because they are managed at the corporate level, including market valuation adjustments to derivatives and exchange-rate fluctuations on foreign currency-denominated transactions

