

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2021
or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 1-6368

Ford Motor Credit Company LLC

(Exact name of registrant as specified in its charter)

Delaware

(State of organization)

One American Road
Dearborn, Michigan

(Address of principal executive offices)

38-1612444

(I.R.S. employer identification no.)

48126

(Zip Code)

(313) 322-3000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
0.623% Notes due June 28, 2023*	F/23E	New York Stock Exchange
1.355% Notes due February 7, 2025*	F/25I	New York Stock Exchange
4.125% Notes due on June 20, 2024*	F/24O	New York Stock Exchange
3.021% Notes due March 6, 2024*	F/24M	New York Stock Exchange
4.535% Notes due March 6, 2025*	F/25K	New York Stock Exchange
3.350% Notes due Nine Months or More from the Date of Issue due August 20, 2026	F/26N	New York Stock Exchange
1.514% Notes due February 17, 2023*	F/23G	New York Stock Exchange
2.386% Notes due February 17, 2026*	F/26AB	New York Stock Exchange
1.744% Notes due July 19, 2024*	F/24R	New York Stock Exchange
2.330% Notes due on November 25, 2025*	F/25L	New York Stock Exchange
3.683% Notes due on December 3, 2024*	F/24Q	New York Stock Exchange
3.250% Notes due September 15, 2025*	F/25M	New York Stock Exchange
2.748% Notes due on June 14, 2024*	F/24S	New York Stock Exchange
Floating Rate Notes due May 14, 2021*	F/21C	New York Stock Exchange
Floating Rate Notes due December 1, 2021*	F/21AQ	New York Stock Exchange
Floating Rate Notes due December 7, 2022*	F/22T	New York Stock Exchange
Floating Rate Notes due November 15, 2023*	F/23D	New York Stock Exchange
Floating Rate Notes due December 1, 2024*	F/24L	New York Stock Exchange

*Issued under Euro Medium Term Notes due Nine Months or More from The Date of Issue Program

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
 Yes No

All of the limited liability company interests in the registrant ("Shares") are held by an affiliate of the registrant. None of the Shares are publicly traded.

REDUCED DISCLOSURE FORMAT

The registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

[Exhibit Index](#) begins on page [42](#)

FORD MOTOR CREDIT COMPANY LLC
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended March 31, 2021

Table of Contents

	Page
Part I. Financial Information	
Item 1	Financial Statements 1
	Consolidated Income Statements 1
	Consolidated Statements of Comprehensive Income 1
	Consolidated Balance Sheets 2
	Consolidated Statements of Shareholder's Interest 3
	Consolidated Statements of Cash Flows 4
	Notes to the Financial Statements 5
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations 24
	Recent Developments 24
	Definitions and Information Regarding Causal Factors 25
	Results of Operations 27
	Financing Shares and Contract Placement Volume 29
	Financial Condition 30
	Credit Risk 31
	Residual Risk 33
	Credit Ratings 34
	Funding and Liquidity 35
	Leverage 39
	Outlook 39
	Cautionary Note on Forward-Looking Statements 40
	Accounting Standards Issued But Not Yet Adopted 41
Item 3	Quantitative and Qualitative Disclosures About Market Risk 41
Item 4	Controls and Procedures 41
Part II. Other Information	
Item 1	Legal Proceedings 42
Item 5	Other Information 42
Item 6	Exhibits 42
	Signature 43

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

**FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
(in millions)**

	For the periods ended March 31,	
	2020	2021
	First Quarter (unaudited)	
Financing revenue		
Operating leases	\$ 1,459	\$ 1,380
Retail financing	976	990
Dealer financing	485	286
Other financing	22	14
Total financing revenue	2,942	2,670
Depreciation on vehicles subject to operating leases	(1,052)	(568)
Interest expense	(984)	(804)
Net financing margin	906	1,298
Other revenue		
Insurance premiums earned	47	27
Fee based revenue and other	43	20
Total financing margin and other revenue	996	1,345
Expenses		
Operating expenses	362	343
Provision for credit losses (Note 4)	586	(40)
Insurance expenses	6	5
Total expenses	954	308
Other income / (loss), net (Note 10)	(12)	(75)
Income before income taxes	30	962
Provision for income taxes	36	117
Net income / (loss)	<u>\$ (6)</u>	<u>\$ 845</u>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)**

	For the periods ended March 31,	
	2020	2021
	First Quarter (unaudited)	
Net income / (loss)	\$ (6)	\$ 845
Other comprehensive income / (loss), net of tax		
Foreign currency translation	(348)	(101)
Comprehensive income / (loss)	<u>\$ (354)</u>	<u>\$ 744</u>

The accompanying notes are part of the consolidated financial statements.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions)

	December 31, 2020	March 31, 2021
	(unaudited)	
ASSETS		
Cash and cash equivalents (Note 3)	\$ 14,349	\$ 10,869
Marketable securities (Note 3)	4,860	3,948
Finance receivables, net		
Retail installment contracts, dealer financing, and other financing	97,043	92,779
Finance leases	8,027	7,798
Total finance receivables, net of allowance for credit losses of \$1,305 and \$1,223 (Note 4)	105,070	100,577
Net investment in operating leases (Note 5)	26,655	26,561
Notes and accounts receivable from affiliated companies	853	529
Derivative financial instruments (Note 7)	2,601	1,685
Assets held-for-sale	36	14
Other assets (Note 8)	3,705	3,085
Total assets	\$ 158,129	\$ 147,268
LIABILITIES		
Accounts payable		
Customer deposits, dealer reserves, and other	\$ 1,087	\$ 1,136
Affiliated companies	490	844
Total accounts payable	1,577	1,980
Debt (Note 9)	137,677	126,792
Deferred income taxes	504	524
Derivative financial instruments (Note 7)	524	577
Other liabilities and deferred revenue (Note 8)	2,280	2,084
Total liabilities	142,562	131,957
SHAREHOLDER'S INTEREST		
Shareholder's interest	5,227	5,227
Accumulated other comprehensive income / (loss)	(478)	(579)
Retained earnings	10,818	10,663
Total shareholder's interest	15,567	15,311
Total liabilities and shareholder's interest	\$ 158,129	\$ 147,268

The following table includes assets to be used to settle the liabilities of the consolidated variable interest entities ("VIEs"). These assets and liabilities are included in the consolidated balance sheets above.

	December 31, 2020	March 31, 2021
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 2,822	\$ 4,794
Finance receivables, net	51,472	48,902
Net investment in operating leases	12,794	10,026
Derivative financial instruments	—	2
LIABILITIES		
Debt	\$ 46,770	\$ 43,387
Derivative financial instruments	56	30

The accompanying notes are part of the consolidated financial statements.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S INTEREST
(in millions, unaudited)

	Shareholder's Interest	Accumulated Other Comprehensive Income / (Loss)	Retained Earnings	Total Shareholder's Interest
Balance at December 31, 2019	\$ 5,227	\$ (850)	\$ 12,012	\$ 16,389
Adoption of accounting standards (Note 2)	—	—	(242)	(242)
Net income / (loss)	—	—	(6)	(6)
Other comprehensive income / (loss), net of tax	—	(348)	—	(348)
Distributions declared	—	—	(343)	(343)
Balance at March 31, 2020	\$ 5,227	\$ (1,198)	\$ 11,421	\$ 15,450
Balance at December 31, 2020	\$ 5,227	\$ (478)	\$ 10,818	\$ 15,567
Net income / (loss)	—	—	845	845
Other comprehensive income / (loss), net of tax	—	(101)	—	(101)
Distributions declared	—	—	(1,000)	(1,000)
Balance at March 31, 2021	\$ 5,227	\$ (579)	\$ 10,663	\$ 15,311

The accompanying notes are part of the consolidated financial statements.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	For the periods ended March 31,	
	2020	2021
	First Three Months (unaudited)	
Cash flows from operating activities		
Net income / (loss)	\$ (6)	\$ 845
Adjustments to reconcile net income to net cash provided in operations		
Provision for credit losses	586	(40)
Depreciation and amortization	1,250	738
Amortization of upfront interest supplements	(532)	(578)
Net change in finance and wholesale receivables held-for-sale	(74)	—
Net change in deferred income taxes	38	13
Net change in other assets	(322)	341
Net change in other liabilities	(758)	229
All other operating activities	63	114
Net cash provided by / (used in) operating activities	245	1,662
Cash flows from investing activities		
Purchases of finance receivables	(8,222)	(8,467)
Principal collections of finance receivables	10,258	10,315
Purchases of operating lease vehicles	(3,441)	(2,841)
Proceeds from termination of operating lease vehicles	2,768	2,488
Net change in wholesale receivables and other short-duration receivables	(881)	2,628
Proceeds from sale of business	1,340	—
Purchases of marketable securities	(680)	(3,701)
Proceeds from sales and maturities of marketable securities	1,535	4,598
Settlements of derivatives	159	56
All other investing activities	(22)	(10)
Net cash provided by / (used in) investing activities	2,814	5,066
Cash flows from financing activities		
Proceeds from issuances of long-term debt	11,623	4,631
Principal payments on long-term debt	(12,652)	(14,814)
Change in short-term debt, net	(904)	568
Cash distributions to parent	(343)	(1,000)
All other financing activities	(21)	(11)
Net cash provided by / (used in) financing activities	(2,297)	(10,626)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(252)	(67)
Net increase / (decrease) in cash, cash equivalents and restricted cash	\$ 510	\$ (3,965)
Cash, cash equivalents and restricted cash at beginning of period (Note 3)	\$ 9,268	\$ 14,996
Net increase / (decrease) in cash, cash equivalents and restricted cash	510	(3,965)
Cash, cash equivalents and restricted cash at end of period (Note 3)	\$ 9,778	\$ 11,031

The accompanying notes are part of the consolidated financial statements.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

Table of Contents

Footnote		Page
Note 1	Presentation	6
Note 2	Accounting Policies	6
Note 3	Cash, Cash Equivalents, and Marketable Securities	8
Note 4	Finance Receivables and Allowance for Credit Losses	9
Note 5	Net Investment in Operating Leases	13
Note 6	Transfers of Receivables and Variable Interest Entities	14
Note 7	Derivative Financial Instruments and Hedging Activities	17
Note 8	Other Assets and Other Liabilities and Deferred Revenue	19
Note 9	Debt	20
Note 10	Other Income / (Loss)	20
Note 11	Segment Information	21
Note 12	Commitments and Contingencies	22

**FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. PRESENTATION

Principles of Consolidation

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States (“GAAP”) for interim financial information, and instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, these unaudited financial statements include all adjustments considered necessary for a fair statement of the results of operations and financial condition for interim periods for Ford Motor Credit Company LLC, its consolidated subsidiaries, and its consolidated VIEs in which Ford Motor Credit Company LLC is the primary beneficiary (collectively referred to herein as “Ford Credit,” “we,” “our,” or “us”). Results for interim periods should not be considered indicative of results for any other interim period or for the full year. Reference should be made to the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 (“2020 Form 10-K Report”). We are an indirect, wholly owned subsidiary of Ford Motor Company (“Ford”). We reclassify certain prior period amounts in our consolidated financial statements to conform to current year presentation.

NOTE 2. ACCOUNTING POLICIES

Adoption of New Accounting Standards

ASU 2019-12 - Simplifying the Accounting for Income Taxes. Effective January 1, 2021, we adopted the amendments in this ASU to simplify the accounting for income taxes. The only amendment that had a material effect on our financial statements clarified that an entity may elect to, but is not required to, reflect an allocation of consolidated current and deferred tax expense for non-taxable legal entities that are treated as disregarded by taxing authorities in their separately issued financial statements.

With the adoption of the amendments, our financial statements no longer reflect an allocation of the Ford Motor Company consolidated United States current and deferred tax expense to us and certain of our United States subsidiaries that are treated as disregarded entities for United States tax purposes. These amendments reduce complexity in accounting for income taxes and better reflect our external obligations to tax authorities. Following the adoption, in April 2021, we entered into a Second Amended and Restated Tax Sharing Agreement with Ford.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. ACCOUNTING POLICIES (Continued)

The effect of the retrospective adoption of this amendment on our consolidated income statement, balance sheet, and statement of cash flows was as follows (in millions):

	For the Period Ended March 31, 2020		
	Previously Reported	Adjustments due to ASU 2019-12	As Revised
Income Statement			
Provision for income taxes	\$ 9	\$ 27	\$ 36
Net income / (loss)	21	(27)	(6)
As of December 31, 2020			
	Previously Reported	Adjustments due to ASU 2019-12	As Revised
Balance Sheet			
Other assets	\$ 4,593	\$ (888)	\$ 3,705
Deferred income taxes (a)	2,907	(2,403)	504
Other liabilities and deferred income	2,306	(26)	2,280
Accumulated other comprehensive income / (loss)	(413)	(65)	(478)
Retained earnings	9,212	1,606	10,818
For the Period Ended March 31, 2020			
	Previously Reported	Adjustments due to ASU 2019-12	As Revised
Statement of Cash Flows			
Cash flows from operating activities			
Net income / (loss)	\$ 21	\$ (27)	\$ (6)
Net change in deferred income taxes	(272)	310	38
Net change in other liabilities	(583)	(175)	(758)
All other operating activities	103	(40)	63
Cash flows from financing activities			
Cash distributions to parent	\$ (275)	\$ (68)	\$ (343)

- (a) Change reflects a reduction in U.S. deferred tax liabilities of \$3.4 billion (primarily leasing transactions of \$2.8 billion) and a reduction of U.S. deferred tax assets of \$1.0 billion (primarily associated with foreign tax credit carryforwards of \$0.7 billion).

Adoption of ASU 2019-12 also resulted in a revised impact of the cumulative effect of initially applying ASU 2016-13, Credit Losses – Measurement of Credit Losses on Financial Instruments. The adjustment to the January 1, 2020 opening balance of *Retained earnings* for the adoption of ASU 2016-13 was previously reported as \$202 million, and adjustments due to ASU 2019-12 were \$40 million. Accordingly, the revised amount is \$242 million.

We also adopted the following ASUs during 2021, none of which had a material impact to our consolidated financial statements or financial statement disclosures:

ASU	Effective Date
2020-06 Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	January 1, 2021
2021-01 Reference Rate Reform	January 1, 2021

Accounting Standards Issued But Not Yet Adopted

The Company considers the applicability and impacts of all ASUs. ASUs were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial statements.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. ACCOUNTING POLICIES (Continued)**Provision for Income Taxes**

For interim tax reporting, we estimate one single effective tax rate for subsidiaries that are subject to tax, which is applied to the year-to-date ordinary income / (loss). Tax effects of significant unusual or infrequently occurring items are excluded from the estimated annual effective tax rate calculation and recognized in the interim period in which they occur.

With the adoption of ASU 2019-12, the effective tax rate at December 31, 2020 has changed retrospectively from 26.2% to 9.7% reflecting income tax no longer allocated to disregarded entities.

NOTE 3. CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES

The fair values of cash, cash equivalents, and marketable securities measured at fair value on a recurring basis were as follows (in millions):

	Fair Value Level	December 31, 2020	March 31, 2021
Cash and cash equivalents			
United States government	1	\$ 3,255	\$ 16
United States government agencies	2	640	50
Non-United States government and agencies	2	717	1,345
Corporate debt	2	970	945
Total marketable securities classified as cash equivalents		5,582	2,356
Cash, time deposits, and money market funds		8,767	8,513
Total cash and cash equivalents		\$ 14,349	\$ 10,869
Marketable securities			
United States government	1	\$ 1,082	\$ 537
United States government agencies	2	485	600
Non-United States government and agencies	2	2,693	2,195
Corporate debt	2	308	342
Other marketable securities	2	292	274
Total marketable securities		\$ 4,860	\$ 3,948

Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash, as reported in the consolidated statements of cash flows, were as follows (in millions):

	December 31, 2020	March 31, 2021
Cash and cash equivalents	\$ 14,349	\$ 10,869
Restricted cash (a)	647	162
Total cash, cash equivalents, and restricted cash	\$ 14,996	\$ 11,031

(a) Restricted cash is included in *Other assets* on our consolidated balance sheets and is primarily held to meet certain local governmental and regulatory reserve requirements and cash held under the terms of certain contractual agreements. Restricted cash does not include required minimum balances or cash securing debt issued through securitization transactions.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

We manage finance receivables as “consumer” and “non-consumer” portfolios. The receivables are generally secured by the vehicles, inventory, or other property being financed.

Finance receivables are recorded at the time of origination or purchase at fair value and are subsequently reported at amortized cost, net of any allowance for credit losses.

For all finance receivables, we define “past due” as any payment, including principal and interest, that is at least 31 days past the contractual due date.

Total Finance Receivables, Net

Total finance receivables, net were as follows (in millions):

	December 31, 2020	March 31, 2021
Consumer		
Retail installment contracts, gross	\$ 73,726	\$ 72,078
Finance leases, gross	8,431	8,192
Retail financing, gross	82,157	80,270
Unearned interest supplements from Ford and affiliated companies	(3,987)	(3,696)
Consumer finance receivables	78,170	76,574
Non-Consumer		
Dealer financing	26,517	23,453
Other financing	1,688	1,773
Non-Consumer finance receivables	28,205	25,226
Total recorded investment	<u>\$ 106,375</u>	<u>\$ 101,800</u>
Recorded investment in finance receivables	\$ 106,375	\$ 101,800
Allowance for credit losses	(1,305)	(1,223)
Total finance receivables, net	<u>\$ 105,070</u>	<u>\$ 100,577</u>
Net finance receivables subject to fair value (a)	\$ 97,043	\$ 92,779
Fair value (b)	98,630	94,151

(a) Net finance receivables subject to fair value exclude finance leases.

(b) The fair value of finance receivables is categorized within Level 3 of the fair value hierarchy.

Finance leases are comprised of sales-type and direct financing leases. Financing revenue from finance leases for the first quarter of 2020 and 2021 was \$95 million and \$90 million, respectively, and is included in *Retail financing* on the consolidated income statements.

At December 31, 2020 and March 31, 2021, accrued interest was \$181 million and \$164 million, respectively, which we report in *Other assets* on the consolidated balance sheets.

Included in the recorded investment in finance receivables were consumer and non-consumer receivables that have been sold for legal purposes in securitization transactions but continue to be reported in our consolidated financial statements. See Note 6 for additional information.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)**Credit Quality**

Consumer Portfolio. Credit quality ratings for consumer receivables are based on our aging analysis. Consumer receivables credit quality ratings are as follows:

- *Pass* – current to 60 days past due;
- *Special Mention* – 61 to 120 days past due and in intensified collection status; and
- *Substandard* – greater than 120 days past due and for which the uncollectible portion of the receivables has already been charged off, as measured using the fair value of collateral less costs to sell.

The credit quality analysis of consumer receivables at December 31, 2020 was as follows (in millions):

	Amortized Cost Basis by Origination Year						Total	Percent
	Prior to 2016	2016	2017	2018	2019	2020		
Consumer								
31-60 days past due	\$ 45	\$ 62	\$ 103	\$ 162	\$ 166	\$ 143	\$ 681	0.9 %
61-120 days past due	7	12	24	44	45	31	163	0.2
Greater than 120 days past due	11	6	7	8	7	2	41	—
Total past due	63	80	134	214	218	176	885	1.1
Current	782	2,519	6,656	13,725	20,856	32,747	77,285	98.9
Total	\$ 845	\$ 2,599	\$ 6,790	\$ 13,939	\$ 21,074	\$ 32,923	\$ 78,170	100.0 %

The credit quality analysis of consumer receivables at March 31, 2021 was as follows (in millions):

	Amortized Cost Basis by Origination Year						Total	Percent
	Prior to 2017	2017	2018	2019	2020	2021		
Consumer								
31-60 days past due	\$ 57	\$ 64	\$ 106	\$ 117	\$ 117	\$ 5	\$ 466	0.6 %
61-120 days past due	9	14	25	31	30	1	110	0.1
Greater than 120 days past due	16	7	7	7	3	—	40	0.1
Total past due	82	85	138	155	150	6	616	0.8
Current	2,453	5,455	11,761	18,760	30,591	6,938	75,958	99.2
Total	\$ 2,535	\$ 5,540	\$ 11,899	\$ 18,915	\$ 30,741	\$ 6,944	\$ 76,574	100.0 %

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Non-Consumer Portfolio. The credit quality of dealer financing receivables is evaluated based on our internal dealer risk rating analysis. We use a proprietary model to assign each dealer a risk rating. This model uses historical dealer performance data to identify key factors about a dealer that we consider most significant in predicting a dealer's ability to meet its financial obligations. We also consider numerous other financial and qualitative factors of the dealer's operations, including capitalization and leverage, liquidity and cash flow, profitability, and credit history with ourselves and other creditors.

Dealers are assigned to one of four groups according to risk ratings as follows:

- *Group I* – strong to superior financial metrics;
- *Group II* – fair to favorable financial metrics;
- *Group III* – marginal to weak financial metrics; and
- *Group IV* – poor financial metrics, including dealers classified as uncollectible.

The credit quality analysis of dealer financing receivables at December 31, 2020 was as follows (in millions):

	Amortized Cost Basis by Origination Year							Wholesale Loans	Total	Percent
	Dealer Loans									
	Prior to 2016	2016	2017	2018	2019	2020	Total			
Group I	\$ 503	\$ 129	\$ 110	\$ 188	\$ 70	\$ 248	\$ 1,248	\$ 18,769	\$ 20,017	75.5 %
Group II	38	20	11	35	3	87	194	4,680	4,874	18.4
Group III	9	—	3	19	3	35	69	1,464	1,533	5.8
Group IV	2	—	—	—	2	6	10	83	93	0.3
Total (a)	\$ 552	\$ 149	\$ 124	\$ 242	\$ 78	\$ 376	\$ 1,521	\$ 24,996	\$ 26,517	100.0 %

(a) Total past due dealer financing receivables at December 31, 2020 were \$99 million.

The credit quality analysis of dealer financing receivables at March 31, 2021 was as follows (in millions):

	Amortized Cost Basis by Origination Year							Wholesale Loans	Total	Percent
	Dealer Loans									
	Prior to 2017	2017	2018	2019	2020	2021	Total			
Group I	\$ 582	\$ 108	\$ 178	\$ 55	\$ 146	\$ 124	\$ 1,193	\$ 16,210	\$ 17,403	74.2 %
Group II	31	11	40	3	23	63	171	4,358	4,529	19.3
Group III	17	—	9	2	13	24	65	1,380	1,445	6.2
Group IV	—	—	1	1	3	3	8	68	76	0.3
Total (a)	\$ 630	\$ 119	\$ 228	\$ 61	\$ 185	\$ 214	\$ 1,437	\$ 22,016	\$ 23,453	100.0 %

(a) Total past due dealer financing receivables at March 31, 2021 were \$70 million.

Non-Accrual of Revenue. The accrual of financing revenue is discontinued at the time a receivable is determined to be uncollectible or when it is 90 days past due. Accounts may be restored to accrual status only when a customer settles all past-due deficiency balances and future payments are reasonably assured. For receivables in non-accrual status, subsequent financing revenue is recognized only to the extent a payment is received. Payments are generally applied first to outstanding interest and then to the unpaid principal balance.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Troubled Debt Restructuring ("TDR"). A restructuring of debt constitutes a TDR if we grant a concession to a debtor for economic or legal reasons related to the debtor's financial difficulties that we otherwise would not consider. Consumer and non-consumer receivables that have a modified interest rate below market rate or that were modified in reorganization proceedings pursuant to the United States Bankruptcy Code, except non-consumer receivables that are current with minimal risk of loss, are considered to be TDRs. We do not grant concessions on the principal balance of our receivables. If a receivable is modified in a reorganization proceeding, all payment requirements of the reorganization plan need to be met before remaining balances are forgiven.

Allowance for Credit Losses

The allowance for credit losses represents our estimate of the lifetime expected credit losses inherent in finance receivables as of the balance sheet date.

Adjustments to the allowance for credit losses are made by recording charges to the *Provision for credit losses* on our consolidated income statements. The uncollectible portion of a finance receivable is charged to the allowance for credit losses at the earlier of when an account is deemed to be uncollectible or when an account is 120 days delinquent, taking into consideration the financial condition of the customer or borrower, the value of the collateral, recourse to guarantors, and other factors.

Charge-offs on finance receivables include uncollected amounts related to principal, interest, late fees, and other allowable charges. Recoveries on finance receivables previously charged off as uncollectible are credited to the allowance for credit losses. In the event we repossess the collateral, the receivable is charged off and we record the collateral at its estimated fair value less costs to sell and report it in *Other assets* on the consolidated balance sheets.

An analysis of the allowance for credit losses related to finance receivables for the periods ended March 31 was as follows (in millions):

	First Quarter 2020		
	Consumer	Non-Consumer	Total
Allowance for credit losses			
Beginning balance	\$ 496	\$ 17	\$ 513
Adoption of ASU 2016-13 (a)	247	5	252
Charge-offs	(145)	(1)	(146)
Recoveries	43	2	45
Provision for credit losses	534	52	586
Other (b)	(18)	(1)	(19)
Ending balance	<u>\$ 1,157</u>	<u>\$ 74</u>	<u>\$ 1,231</u>
	First Quarter 2021		
	Consumer	Non-Consumer	Total
Allowance for credit losses			
Beginning balance	\$ 1,245	\$ 60	\$ 1,305
Charge-offs	(97)	—	(97)
Recoveries	53	3	56
Provision for credit losses	(30)	(10)	(40)
Other (b)	(1)	—	(1)
Ending balance	<u>\$ 1,170</u>	<u>\$ 53</u>	<u>\$ 1,223</u>

(a) Cumulative pre-tax adjustments related to the adoption of ASU 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments, were recorded to retained earnings as of January 1, 2020.

(b) Primarily represents amounts related to translation adjustments.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The allowance for credit losses considers the economic conditions attributable to the COVID-19 pandemic. The allowance reflects economic uncertainty and an expectation of continued higher unemployment which increase the probability of default and loss given default rates used in our estimate of the lifetime expected credit losses for our consumer portfolio, especially in the United States.

During the first quarter of 2021, the allowance for credit losses decreased \$82 million primarily reflecting improvement in the economic outlook that caused us to lower our expectation of lifetime losses attributable to COVID-19. The full impact of COVID-19 on our credit losses depends on future developments, such as the ultimate duration and scope of the outbreak (including any potential future waves and the success of vaccination programs), resolution of macroeconomic uncertainty, and the extent to which our customers and dealers are able to utilize government relief and payment deferral programs. Although net charge-offs remained low in the quarter ended March 31, 2021, the future impact of COVID-19 on credit losses remains uncertain. We will continue to monitor economic trends and conditions and portfolio performance and will adjust the reserve accordingly.

NOTE 5. NET INVESTMENT IN OPERATING LEASES

Net investment in operating leases consists primarily of lease contracts for vehicles with individuals, daily rental companies, and fleet customers with terms of 60 months or less. Included in *Net investment in operating leases* are net investment in operating leases that have been sold for legal purposes in securitization transactions but continue to be reported in our consolidated financial statements. See Note 6 for additional information.

Net investment in operating leases was as follows (in millions):

	December 31, 2020	March 31, 2021
Vehicles, at cost (a)	\$ 32,495	\$ 32,266
Accumulated depreciation	(5,840)	(5,705)
Net investment in operating leases	<u>\$ 26,655</u>	<u>\$ 26,561</u>

(a) Includes interest supplements and residual support payments we receive on certain leasing transactions under agreements with Ford and affiliated companies, and other vehicle acquisition costs.

**FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6. TRANSFERS OF RECEIVABLES AND VARIABLE INTEREST ENTITIES

We securitize finance receivables and net investment in operating leases through a variety of programs using amortizing, variable funding, and revolving structures. We also sell finance receivables in structured financing transactions. Due to the similarities between securitization and structured financing, we refer to structured financings as securitization transactions. Our securitization programs are targeted to institutional investors in both public and private transactions in capital markets primarily in the United States, Canada, the United Kingdom, Germany, and China.

The finance receivables sold for legal purposes and net investment in operating leases included in securitization transactions 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 our other obligations or the claims of our other creditors. The debt is the obligation of our consolidated securitization entities and not the obligation of Ford Credit or our other subsidiaries.

We use special purpose entities ("SPEs") to issue asset-backed securities in our securitization transactions. We have deemed most of these special purpose entities to be VIEs of which we are the primary beneficiary, and therefore, are consolidated. The SPEs are established for the sole purpose of financing the securitized financial assets. The SPEs are generally financed through the issuance of notes or commercial paper into the public or private markets or directly with conduits.

We continue to recognize our financial assets related to our sales of receivables when the financial assets are sold to a consolidated VIE or a consolidated voting interest entity. We derecognize our financial assets when the financial assets are sold to a non-consolidated entity and we do not maintain control over the financial assets.

We have the power to direct significant activities of our special purpose entities when we have the ability to exercise discretion in the servicing of financial assets, issue additional debt, exercise a unilateral call option, add assets to revolving structures, or control investment decisions. We generally retain economic interests in the asset-backed securitization transactions, which are retained in the form of senior or subordinated interests, cash reserve accounts, residual interests, and servicing rights. For accounting purposes, we are precluded from recording the transfers of assets in securitization transactions as sales.

We have no obligation to repurchase or replace any securitized asset that subsequently becomes delinquent in payment or otherwise is in default, except when representations and warranties about the eligibility of the securitized assets are breached, or when certain changes are made to the underlying asset contracts. Securitization investors have no recourse to us or our other assets and have no right to require us to repurchase the investments. We generally have no obligation to provide liquidity or contribute cash or additional assets to the VIEs and do not guarantee any asset-backed securities. We may be required to support the performance of certain securitization transactions, however, by increasing cash reserves.

Certain of our securitization entities may enter into derivative transactions to mitigate interest rate exposure, primarily resulting from fixed-rate assets securing floating-rate debt. In certain instances, the counterparty enters into offsetting derivative transactions with us to mitigate its interest rate risk resulting from derivatives with our securitization entities. These related derivatives are not the obligations of our securitization entities. See Note 7 for additional information regarding derivatives.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. TRANSFERS OF RECEIVABLES AND VARIABLE INTEREST ENTITIES (Continued)

Most of these securitization transactions utilize VIEs. The following tables show the assets and debt related to our securitization transactions that were included in our consolidated financial statements (in billions):

	December 31, 2020				
	Finance Receivables and Net Investment in Operating Leases (a)				
	Cash and Cash Equivalents	Before Allowance for Credit Losses	Allowance for Credit Losses	After Allowance for Credit Losses	Related Debt (c)
VIE (b)					
Retail financing	\$ 2.0	\$ 35.8	\$ 0.4	\$ 35.4	\$ 28.4
Wholesale financing	0.2	16.1	—	16.1	10.7
Finance receivables	2.2	51.9	0.4	51.5	39.1
Net investment in operating leases	0.6	12.8	—	12.8	7.7
Total VIE	<u>\$ 2.8</u>	<u>\$ 64.7</u>	<u>\$ 0.4</u>	<u>\$ 64.3</u>	<u>\$ 46.8</u>
Non-VIE					
Retail financing	\$ 0.4	\$ 7.9	\$ 0.1	\$ 7.8	\$ 7.6
Wholesale financing	—	0.3	—	0.3	0.2
Finance receivables	0.4	8.2	0.1	8.1	7.8
Net investment in operating leases	—	—	—	—	—
Total Non-VIE	<u>\$ 0.4</u>	<u>\$ 8.2</u>	<u>\$ 0.1</u>	<u>\$ 8.1</u>	<u>\$ 7.8</u>
Total securitization transactions					
Retail financing	\$ 2.4	\$ 43.7	\$ 0.5	\$ 43.2	\$ 36.0
Wholesale financing (d)	0.2	16.4	—	16.4	10.9
Finance receivables	2.6	60.1	0.5	59.6	46.9
Net investment in operating leases	0.6	12.8	—	12.8	7.7
Total securitization transactions	<u>\$ 3.2</u>	<u>\$ 72.9</u>	<u>\$ 0.5</u>	<u>\$ 72.4</u>	<u>\$ 54.6</u>

(a) Unearned interest supplements and residual support are excluded from securitization transactions.

(b) Includes assets to be used to settle the liabilities of the consolidated VIEs.

(c) Includes unamortized discount and debt issuance costs.

(d) The global adjusted pool balance of the wholesale finance receivables included in the securitization trusts was \$16.4 billion and the required pool balance was \$14.1 billion. The global adjusted pool balance includes funds on deposit in the trust accounts. As of December 31, 2020, the adjusted pool balance was \$2.3 billion higher than the required pool balance.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. TRANSFERS OF RECEIVABLES AND VARIABLE INTEREST ENTITIES (Continued)

	March 31, 2021				
	Finance Receivables and Net Investment in Operating Leases (a)				
	Cash and Cash Equivalents	Before Allowance for Credit Losses	Allowance for Credit Losses	After Allowance for Credit Losses	Related Debt (c)
VIE (b)					
Retail financing	\$ 2.1	\$ 34.3	\$ 0.4	\$ 33.9	\$ 26.6
Wholesale financing	2.0	15.0	—	15.0	10.4
Finance receivables	4.1	49.3	0.4	48.9	37.0
Net investment in operating leases	0.7	10.0	—	10.0	6.4
Total VIE	<u>\$ 4.8</u>	<u>\$ 59.3</u>	<u>\$ 0.4</u>	<u>\$ 58.9</u>	<u>\$ 43.4</u>
Non-VIE					
Retail financing	\$ 0.4	\$ 6.9	\$ 0.1	\$ 6.8	\$ 6.6
Wholesale financing	—	0.3	—	0.3	0.2
Finance receivables	0.4	7.2	0.1	7.1	6.8
Net investment in operating leases	—	—	—	—	—
Total Non-VIE	<u>\$ 0.4</u>	<u>\$ 7.2</u>	<u>\$ 0.1</u>	<u>\$ 7.1</u>	<u>\$ 6.8</u>
Total securitization transactions					
Retail financing	\$ 2.5	\$ 41.2	\$ 0.5	\$ 40.7	\$ 33.2
Wholesale financing (d)	2.0	15.3	—	15.3	10.6
Finance receivables	4.5	56.5	0.5	56.0	43.8
Net investment in operating leases	0.7	10.0	—	10.0	6.4
Total securitization transactions	<u>\$ 5.2</u>	<u>\$ 66.5</u>	<u>\$ 0.5</u>	<u>\$ 66.0</u>	<u>\$ 50.2</u>

(a) Unearned interest supplements and residual support are excluded from securitization transactions.

(b) Includes assets to be used to settle the liabilities of the consolidated VIEs.

(c) Includes unamortized discount and debt issuance cost.

(d) The global adjusted pool balance of the wholesale finance receivables included in the securitization trusts was \$15.3 billion and the required pool balance was \$13.5 billion. The global adjusted pool balance includes funds on deposit in the trust accounts. As of March 31, 2021, the adjusted pool balance was \$1.8 billion higher than the required pool balance.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, our operations are exposed to global market risks, including the effect of changes in interest rates and foreign currency exchange rates. To manage these risks, we enter into highly effective derivative contracts. We have elected to apply hedge accounting to certain derivatives. Derivatives that are designated in hedging relationships are evaluated for effectiveness using regression analysis at the time they are designated and throughout the hedge period. Some derivatives do not qualify for hedge accounting; for others, we elect not to apply hedge accounting.

Income Effect of Derivative Financial Instruments

The gains / (losses), by hedge designation, reported in income for the periods ended March 31 were as follows (in millions):

	First Quarter	
	2020	2021
Fair value hedges		
Interest rate contracts		
Net interest settlements and accruals on hedging instruments	\$ 28	\$ 101
Fair value changes on hedging instruments	1,110	(641)
Fair value changes on hedged debt	(1,093)	590
Cross-currency interest rate swap contracts		
Net interest settlements and accruals on hedging instruments	—	(3)
Fair value changes on hedging instruments	—	(50)
Fair value changes on hedged debt	—	44
Derivatives not designated as hedging instruments		
Interest rate contracts	(74)	(31)
Foreign currency exchange contracts (a)	207	52
Cross-currency interest rate swap contracts	(151)	(245)
Total	<u>\$ 27</u>	<u>\$ (183)</u>

(a) Reflects forward contracts between us and an affiliated company.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)**Balance Sheet Effect of Derivative Financial Instruments**

Derivative assets and liabilities are reported on the balance sheets at fair value and are presented on a gross basis. The notional amounts of the derivative instruments do not necessarily represent amounts exchanged by the parties and are not a direct measure of our financial exposure. We also enter into master agreements with counterparties that may allow for netting of exposures in the event of default or breach of the counterparty agreement. Collateral represents cash received or paid under reciprocal arrangements that we have entered into with our derivative counterparties, which we do not use to offset our derivative assets and liabilities.

The fair value of our derivative instruments and the associated notional amounts were as follows (in millions):

	December 31, 2020			March 31, 2021		
	Notional	Fair Value of Assets	Fair Value of Liabilities	Notional	Fair Value of Assets	Fair Value of Liabilities
Fair value hedges						
Interest rate contracts	\$ 26,924	\$ 1,331	\$ 4	\$ 25,646	\$ 934	\$ 204
Cross-currency interest rate swap contracts	885	46	—	885	2	—
Derivatives not designated as hedging instruments						
Interest rate contracts	70,318	663	439	61,608	425	314
Foreign currency exchange contracts	4,378	4	80	5,098	49	34
Cross-currency interest rate swap contracts	6,849	557	1	6,822	275	25
Total derivative financial instruments, gross (a) (b)	\$ 109,354	\$ 2,601	\$ 524	\$ 100,059	\$ 1,685	\$ 577

(a) At December 31, 2020 and March 31, 2021, we held collateral of \$9 million and \$3 million, respectively, and we posted collateral of \$96 million and \$76 million, respectively.

(b) At December 31, 2020 and March 31, 2021, the fair value of assets and liabilities available for counterparty netting was \$204 million and \$396 million, respectively. All derivatives are categorized within Level 2 of the fair value hierarchy.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. OTHER ASSETS AND OTHER LIABILITIES AND DEFERRED REVENUE

Other assets and other liabilities and deferred revenue consist of various balance sheet items that are combined for financial statement presentation due to their respective materiality compared with other individual asset and liability items.

Other assets were as follows (in millions):

	December 31, 2020	March 31, 2021
Accrued interest and other non-finance receivables (a)	\$ 837	\$ 820
Prepaid reinsurance premiums and other reinsurance recoverables	708	719
Collateral held for resale, at net realizable value	675	577
Restricted cash	647	162
Property and equipment, net of accumulated depreciation (b)	219	220
Deferred charges - income taxes (a)	166	166
Investment in non-consolidated affiliates	132	140
Operating lease assets	98	88
Other	223	193
Total other assets (a)	<u>\$ 3,705</u>	<u>\$ 3,085</u>

(a) Prior period amounts have been updated as a result of our adoption of ASU 2019-12, Simplifying the Accounting for Income Taxes. See Note 2 for additional information.

(b) Accumulated depreciation was \$365 million and \$372 million at December 31, 2020 and March 31, 2021, respectively.

Other liabilities and deferred revenue were as follows (in millions):

	December 31, 2020	March 31, 2021
Unearned insurance premiums and fees	\$ 822	\$ 833
Interest payable	857	633
Income tax and related interest (a) (b)	121	191
Operating lease liabilities	100	91
Deferred revenue	87	77
Other	293	259
Total other liabilities and deferred revenue (a)	<u>\$ 2,280</u>	<u>\$ 2,084</u>

(a) Prior period amounts have been updated as a result of our adoption of ASU 2019-12, Simplifying the Accounting for Income Taxes. See Note 2 for additional information.

(b) Includes income tax and interest payable to affiliated companies of \$16 million and \$86 million at December 31, 2020 and March 31, 2021, respectively.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. DEBT

Debt outstanding and interest rates were as follows (in millions):

	Debt		Interest Rates			
			Average Contractual		Average Effective	
	December 31, 2020	March 31, 2021	2020	2021	2020	2021
Short-term debt						
Unsecured debt						
Floating rate demand notes	\$ 6,458	\$ 7,159				
Other short-term debt	3,940	3,635				
Asset-backed debt (a)	1,031	1,182				
Total short-term debt	11,429	11,976	1.5 %	1.3 %	1.6 %	1.3 %
Long-term debt						
Unsecured debt						
Notes payable within one year	17,185	16,222				
Notes payable after one year	54,197	48,880				
Asset-backed debt (a)						
Notes payable within one year	21,345	20,207				
Notes payable after one year	32,276	28,867				
Unamortized (discount) / premium	30	36				
Unamortized issuance costs	(252)	(243)				
Fair value adjustments (b)	1,467	847				
Total long-term debt	126,248	114,816	2.7 %	2.6 %	2.7 %	2.6 %
Total debt	\$ 137,677	\$ 126,792	2.6 %	2.5 %	2.6 %	2.5 %
Fair value of debt (c)	\$ 139,796	\$ 128,979				

- (a) Asset-backed debt issued in securitizations is the obligation of the consolidated securitization entity that issued the debt and is payable only out of collections on the underlying securitized assets and related enhancements. This asset-backed debt is not the obligation of Ford Credit or our other subsidiaries.
- (b) These adjustments are related to hedging activity and include discontinued hedging relationship adjustments of \$299 million and \$273 million at December 31, 2020 and March 31, 2021, respectively. The carrying value of hedged debt was \$45.5 billion and \$40.7 billion at December 31, 2020 and March 31, 2021, respectively.
- (c) At December 31, 2020 and March 31, 2021, the fair value of debt includes \$10.4 billion and \$10.8 billion of short-term debt, respectively, carried at cost, which approximates fair value. All other debt is categorized within Level 2 of the fair value hierarchy.

NOTE 10. OTHER INCOME / (LOSS)

Other income / (loss) consists of various line items that are combined on the consolidated income statements due to their respective materiality compared with other individual income and expense items.

The amounts included in *Other income / (loss), net* for the periods ended March 31 were as follows (in millions):

	First Quarter	
	2020	2021
Gains / (Losses) on derivatives	\$ (18)	\$ (265)
Currency revaluation gains / (losses)	(61)	183
Interest and investment income	63	(2)
Other	4	9
Total other income / (loss), net	\$ (12)	\$ (75)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11. SEGMENT INFORMATION

We conduct our financing operations directly and indirectly through our subsidiaries and affiliates. We offer substantially similar products and services throughout many different regions, subject to local legal restrictions and market conditions. In our consolidated financial statements, we have three reportable segments based on geographic regions: the United States and Canada, Europe, and All Other. Our All Other segment includes China, India, Mexico, Brazil, Argentina, and our joint venture in South Africa. 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, are reflected in Unallocated Other.

Key financial information for our business segments for the periods ended or at March 31 was as follows (in millions):

	United States and Canada	Europe	All Other	Total Segments	Unallocated Other (a)	Total
First Quarter 2020						
Total revenue	\$ 2,631	\$ 281	\$ 120	\$ 3,032	\$ —	\$ 3,032
Income before income taxes	22	17	7	46	(16)	30
Depreciation on vehicles subject to operating leases	1,039	13	—	1,052	—	1,052
Interest expense	845	90	65	1,000	(16)	984
Provision for credit losses	520	53	13	586	—	586
Net finance receivables and net investment in operating leases (b)	118,006	24,346	4,034	146,386	(8,610)	137,776
Total assets (c)	123,894	27,604	5,295	156,793	—	156,793
First Quarter 2021						
Total revenue	\$ 2,384	\$ 241	\$ 92	\$ 2,717	\$ —	\$ 2,717
Income before income taxes	996	66	(15)	1,047	(85)	962
Depreciation on vehicles subject to operating leases	562	6	—	568	—	568
Interest expense	638	80	56	774	30	804
Provision for credit losses	(52)	(1)	13	(40)	—	(40)
Net finance receivables and net investment in operating leases (b)	107,790	22,561	4,838	135,189	(8,051)	127,138
Total assets	116,720	25,110	5,438	147,268	—	147,268

(a) *Finance receivables, net* and *Net investment in operating leases* includes unearned interest supplements and residual support, allowance for credit losses, and other (primarily accumulated supplemental depreciation).

(b) Excludes held-for-sale finance receivables.

(c) Amounts have been updated as a result of our adoption of ASU 2019-12, Simplifying the Accounting for Income Taxes. See Note 2 for additional information.

**FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 12. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies primarily consist of guarantees and indemnifications, and litigation and claims.

Guarantees and Indemnifications

Guarantees and indemnifications are recorded at fair value at their inception. For financial guarantees, subsequent to initial recognition, the guarantee liability is adjusted at each reporting period to reflect the current estimate of expected payments resulting from possible default events over the remaining life of the guarantee. The probability of default is applied to the expected exposure at the time of default less recoveries to determine the expected payments. Factors to consider when estimating the probability of default include the obligor's financial position, forecasted economic environment, historical loss rates, and other communications. For non-financial guarantees, we regularly review our performance risk under these arrangements, and in the event it becomes probable we will be required to perform under a guarantee or indemnity, the amount of probable payment is recorded.

The maximum potential payments under these guarantees and limited indemnities totaled \$153 million and \$137 million at December 31, 2020 and March 31, 2021, respectively. Of these values, \$62 million and \$51 million at December 31, 2020 and March 31, 2021, respectively, were counter-guaranteed by Ford to us. There were no recorded liabilities related to guarantees and limited indemnities at December 31, 2020 or March 31, 2021.

In some cases, we have guaranteed debt and other financial obligations of outside third parties and unconsolidated affiliates, including Ford. Expiration dates vary, and guarantees will terminate on payment and / or cancellation of the underlying obligation. A payment by us would be triggered by the failure of the third party to fulfill its obligation covered by the guarantee. In some circumstances, we are entitled to recover from a third party amounts paid by us under the guarantee. However, our ability to enforce these rights is sometimes stayed until the guaranteed party is paid in full and may be limited in the event of insolvency of the third party or other circumstances.

In the ordinary course of business, we execute contracts involving indemnifications standard in the industry and indemnifications specific to a transaction. These indemnifications might include and are not limited to claims relating to any of the following: environmental, tax, and shareholder matters; intellectual property rights; governmental regulations and employment-related matters; dealer and other commercial contractual relationships; and financial matters, such as securitizations. Performance under these indemnities generally would be triggered by a breach of the contract brought by a counterparty or a third-party claim. While some of these indemnifications are limited in nature, many of them do not limit potential payment. Therefore, we are unable to estimate a maximum amount of future payments that could result from claims made under these unlimited indemnities.

**FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

Litigation and Claims

Various legal actions, proceedings, and claims (generally, “matters”) are pending or may be instituted or asserted against us. These include, but are not limited to, matters arising out of governmental regulations; tax matters; alleged illegal acts resulting in fines or penalties; financial services; employment-related matters; dealer and other contractual relationships; personal injury matters; investor matters; and financial reporting matters. Certain of the pending legal actions are, or purport to be, class actions. Some of the matters involve or may involve claims for compensatory, punitive, or antitrust or other treble damages in very large amounts, sanctions, assessments, or other relief, which, if granted, would require very large expenditures.

The extent of our financial exposure to these matters is difficult to estimate. Many matters do not specify a dollar amount for damages, and many others specify only a jurisdictional minimum. To the extent an amount is asserted, our historical experience suggests that in most instances the amount asserted is not a reliable indicator of the ultimate outcome.

We accrue for matters when losses are deemed probable and reasonably estimable. In evaluating matters for accrual and disclosure purposes, we take into consideration factors such as our historical experience with matters of a similar nature, the specific facts and circumstances asserted, the likelihood that we will prevail, and the severity of any potential loss. We reevaluate and update our accruals as matters progress over time.

For nearly all matters where our historical experience with similar matters is of limited value (i.e., “non-pattern matters”), we evaluate the matters primarily based on the individual facts and circumstances. For non-pattern matters, we evaluate whether there is a reasonable possibility of a material loss in excess of any accrual that can be estimated. It is reasonably possible that some of the matters for which accruals have not been established could be decided unfavorably and could require us to pay damages or make other expenditures. On January 9, 2019, FCE received a decision from the Italian Competition Authority (“ICA”), which included an assessment of a fine against FCE in the amount of €42 million (equivalent to \$50 million at March 31, 2021). On March 8, 2019, FCE appealed the decision and the fine to the Italian administrative court, and on November 24, 2020, the Italian administrative court ruled in favor of FCE. On December 23, 2020, the ICA filed an appeal of the Italian administrative court’s decision to the Italian Council of State. While we have determined that an adverse outcome is not probable, the reasonably possible loss could be up to the fine amount.

As noted, the litigation process is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Our assessments are based on our knowledge and experience, but the ultimate outcome of any matter could require payment substantially in excess of the amount that we have accrued and / or disclosed.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Recent Developments

Semiconductor Chip Shortage

The automotive industry continues to face a significant shortage of semiconductors, which has presented challenges and production disruptions globally, including at Ford's assembly plants. This shortage has led to lower dealer inventories of both new and used vehicles, resulting in lower non-consumer receivables and higher residual values, as discussed in more detail in the Financial Condition and Residual Risk sections in Item 2 of this Report. Based on the overall recovery rate we are seeing for the industry, we believe the automotive semiconductor shortage may not be fully resolved until 2022. For additional information regarding the semiconductor shortage, see the "Recent Developments" section in Item 2 of Ford Motor Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021.

Adoption of New Accounting Standards

Effective January 1, 2021, we adopted *Accounting Standards Update ("ASU") 2019-12*, which allows for the simplification of accounting for income taxes. This amendment will reduce our U.S. tax allocation and as a result we expect our net income and ROE to increase allowing us to support additional distributions to Ford. Also, as a result of the adoption, our leverage is lower this quarter. We continue to target managed leverage in the range of 8:1 to 9:1 and expect our managed leverage to return to this range later this year. For additional information on the tax accounting change, see Note 2 of our Notes to the Financial Statements.

Definitions and Information Regarding Causal Factors

In general, we measure year-over-year changes in EBT using the causal factors listed below:

- **Volume and Mix** – Volume and Mix are primarily reflected within *Net financing margin* on the consolidated income statements.
 - Volume primarily measures changes in net financing margin driven by changes in average managed receivables at prior period financing margin yield (defined below in financing margin) at prior period exchange rates. Volume changes are primarily driven by the volume of new and used vehicles sold and leased, the extent to which we purchase retail financing and operating lease contracts, the extent to which we provide wholesale financing, the sales price of the vehicles financed, the level of dealer inventories, Ford-sponsored special financing programs available exclusively through us, and the availability of cost-effective funding.
 - Mix primarily measures changes in net financing margin driven by period-over-period changes in the composition of our average managed receivables by product within each region.
- **Financing Margin** – Financing Margin is reflected within *Net financing margin* on the consolidated income statements.
 - Financing margin variance is the period-to-period change in financing margin yield multiplied by the present period average managed receivables at prior period exchange rates. This calculation is performed at the product and country level and then aggregated. Financing margin yield equals revenue, less interest expense and scheduled depreciation for the period, divided by average managed receivables for the same period.
 - Financing margin changes are driven by changes in revenue and interest expense. Changes in revenue are primarily driven by the level of market interest rates, cost assumptions in pricing, mix of business, and competitive environment. Changes in interest expense are primarily driven by the level of market interest rates, borrowing spreads, and asset-liability management.
- **Credit Loss** – Credit Loss is reflected within *Provision for credit losses* on the consolidated income statements.
 - Credit loss is the change in the provision for credit losses at prior period exchange rates. For analysis purposes, management splits the provision for credit losses into net charge-offs and the change in the allowance for credit losses.
 - Net charge-off changes are primarily driven by the number of repossessions, severity per repossession, and recoveries. Changes in the allowance for credit losses are primarily driven by changes in historical trends in credit losses and recoveries, changes in the composition and size of our present portfolio, changes in trends in historical used vehicle values, and changes in forward looking macroeconomic conditions. For additional information, refer to the “Critical Accounting Estimates - Allowance for Credit Losses” section of Item 7 of Part II of our 2020 Form 10-K Report.
- **Lease Residual** – Lease Residual is reflected within *Depreciation on vehicles subject to operating leases* on the consolidated income statements.
 - Lease residual measures changes to residual performance at prior period exchange rates. For analysis purposes, management splits residual performance primarily into residual gains and losses, and the change in accumulated supplemental depreciation.
 - Residual gain and loss changes are primarily driven by the number of vehicles returned to us and sold, and the difference between the auction value and the depreciated value (which includes both base and accumulated supplemental depreciation) of the vehicles sold. Changes in accumulated supplemental depreciation are primarily driven by changes in our estimate of the expected auction value at the end of the lease term and changes in our estimate of the number of vehicles that will be returned to us and sold. *Depreciation on vehicles subject to operating leases* reflects early termination losses on operating leases due to customer default events. For additional information, refer to the “Critical Accounting Estimates – Accumulated Depreciation on Vehicles Subject to Operating Leases” section of Item 7 of Part II of our 2020 Form 10-K Report.
- **Exchange** – Reflects changes in EBT driven by the effects of converting functional currency income to U.S. dollars.
- **Other** – Primarily includes *Operating expenses, Other revenue, Insurance expenses, and Other income / (Loss), net* on the consolidated income statements 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 income / (loss) 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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

In addition, the following definitions and calculations apply to the tables contained in Item 2 of this report:

- *Cash* (as shown in the Funding and Liquidity and Leverage sections) – *Cash and cash equivalents* and *Marketable securities* reported on Ford Credit's balance sheets, excluding amounts related to insurance activities.
- *Debt* (as shown in the Key Metrics and Leverage tables) – *Debt* on Ford Credit's balance sheets. 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.
- *Earnings Before Taxes ("EBT")* – Reflects *Income before income taxes* as reported on our consolidated income statements.
- *Return on Equity ("ROE")* (as shown in the Key Metrics table) – Reflects return on equity calculated by annualizing net income for the period and dividing by monthly average equity for the period.
- *Securitization and Restricted Cash* (as shown in the Liquidity table) – Securitization cash is held for the benefit of the securitization investors (for example, a reserve fund). Restricted cash is primarily held to meet certain local governmental and regulatory reserve requirements and cash held under the terms of certain contractual agreements.
- *Securitizations* (as shown in the Public Term Funding Plan table) – Public securitization transactions, Rule 144A offerings sponsored by Ford Credit, and widely distributed offerings by Ford Credit Canada.
- *Term Asset-Backed Securities* (as shown in the Funding Structure table) – 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 in the Key Metrics and Financial Condition tables) – 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 sheets 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 in the Segment Results table) – 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.

Results of Operations

Key Metrics

GAAP Financial Measures	First Quarter		
	2020	2021	H / (L)
Total Net Receivables (\$B)	\$ 137.8	\$ 127.1	(8)%
Loss-to-Receivables (bps) (a)	62	22	(40)
Auction values (b)	\$ 19,235	\$ 21,925	14 %
EBT (\$M)	\$ 30	\$ 962	\$ 932
ROE (%) (c)	— %	22 %	22 pts
Other Balance Sheet Metrics			
Debt (\$B)	\$ 136.8	\$ 126.8	(7)%
Net liquidity (\$B)	\$ 28.1	\$ 33.7	20 %
Financial statement leverage (to 1) (c)	8.9	8.3	(0.6)

(a) United States retail financing only.

(b) United States 36-month off-lease auction values at Q1 2021 mix.

(c) Prior period amounts have been updated as a result of our adoption of ASU 2019-12, Simplifying the Accounting for Income Taxes. See Note 2 of our Notes to the Financial Statements for additional information.

Non-GAAP Financial Measures	March 31, 2020	March 31, 2021	H / (L)
Managed Receivables (\$B) (a)	\$ 146.4	\$ 135.2	(8)%
Managed Leverage (to 1) (b) (c)	8.0	7.3	(0.7)

(a) See "Financial Condition" section for reconciliation to GAAP.

(b) See "Leverage" section for reconciliation to GAAP.

(c) Prior period amount has been updated as a result of our adoption of ASU 2019-12, Simplifying the Accounting for Income Taxes. See Note 2 of our Notes to the Financial Statements for additional information.

First Quarter 2021 Compared with First Quarter 2020

The following table shows the factors that contributed to the first quarter 2021 EBT (in millions):

Change in EBT by Causal Factor	
First quarter 2020 EBT	\$ 30
Volume / Mix	(48)
Financing margin	(3)
Credit loss	625
Lease residual	448
Exchange	17
Other	(107)
First quarter 2021 EBT	\$ 962

Our first quarter 2021 EBT was \$962 million, \$932 million higher than a year ago, primarily reflecting the non-recurrence of the first quarter 2020 increase to the credit loss reserve due to COVID-19 as well as favorable auction performance on off-lease vehicles, partially offset by unfavorable performance in market valuation adjustments to derivatives due to rising interest rates. ROE was 22%, 22 percentage points higher than a year ago as a result of higher EBT. Total net receivables were \$10.7 billion lower than a year ago, an 8% decline. The loss-to-receivables ratio remained at a low level in the first quarter, at 0.22%, 40 basis points lower than a year ago. First quarter 2021 United States auction values were 14% higher than a year ago.

Our balance sheet is strong and inherently liquid reflecting cumulative debt maturities having a longer tenor than asset maturities. This means we generate liquidity as our balance sheet size declines because of lower Ford volume. Managed receivables of \$135.2 billion at quarter end were \$11.2 billion lower year-over-year. At the end of the first quarter, we had \$33.7 billion in net liquidity.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Segment Results

Results of operations by segment and Unallocated Other for the periods ended March 31 are shown below (in millions):

	First Quarter		
	2020	2021	H / (L)
Results			
United States and Canada segment	\$ 22	\$ 996	\$ 974
Europe segment	17	66	49
All Other segment	7	(15)	(22)
Total segments earnings before taxes	\$ 46	\$ 1,047	\$ 1,001
Unallocated other	(16)	(85)	(69)
Earnings before taxes	\$ 30	\$ 962	\$ 932
Provision for income taxes (a)	36	117	81
Net Income / (loss) (a)	\$ (6)	\$ 845	\$ 851

(a) Prior period amounts have been updated as a result of our adoption of ASU 2019-12, Simplifying the Accounting for Income Taxes. See Note 2 of our Notes to the Financial Statements for additional information.

For additional information, see Note 11 of our Notes to the Financial Statements.

United States and Canada Segment

The United States and Canada segment first quarter 2021 EBT of \$996 million was \$974 million higher than first quarter 2020, explained primarily by non-recurrence of the first quarter 2020 increase to the credit loss reserve due to COVID-19 as well as favorable auction performance on off-lease vehicles.

Europe Segment

The Europe segment first quarter 2021 EBT of \$66 million was \$49 million higher than first quarter 2020, explained primarily by non-recurrence of the first quarter 2020 increase to the credit loss reserve due to COVID-19, partially offset by lower volume driven by the impact of COVID-19 and global semiconductor shortage impacting receivables.

All Other Segment

The All Other segment first quarter 2021 loss of \$15 million was \$22 million lower than first quarter 2020, explained primarily by restructuring.

Unallocated Other

Unallocated Other was a \$85 million loss for first quarter 2021, a \$69 million higher loss than first quarter 2020, reflecting unfavorable performance in market valuation adjustments to derivatives due to rising interest rates.

Financing Shares and Contract Placement Volume

Our focus is on supporting Ford and Lincoln dealers and customers. This includes going to market with Ford and our dealers to support vehicle sales with financing products and marketing programs. Ford's marketing programs may encourage or require Ford Credit financing and influence the financing choices customers make. As a result, our financing share, volume, and contract characteristics vary from period to period as Ford's marketing programs change.

The following table shows our retail financing and operating lease share of new Ford and Lincoln brand sales, wholesale financing share of new Ford and Lincoln brand vehicles acquired by dealers (in percent), and contract placement volume for new and used vehicles (in thousands) in several key markets:

	First Quarter	
	2020	2021
Share of Ford and Lincoln Sales (a)		
United States	56 %	47 %
Canada	63	60
United Kingdom	44	35
Germany	44	37
China	34	41
Wholesale Share		
United States	74 %	72 %
Canada	47	13
United Kingdom	100	100
Germany	93	91
China	51	66
Contract Placement Volume - New and Used (000)		
United States	205	196
Canada	23	25
United Kingdom	30	25
Germany	29	18
China	16	32

(a) United States and Canada exclude Fleet sales, other markets include Fleet.

United States and United Kingdom contract placement volumes in the first quarter of 2021 were lower than a year ago, reflecting decreased share. Germany contract placement volume in the first quarter of 2021 was also lower than a year ago, reflecting lower Ford sales and lower share. China contract placement volume in the first quarter of 2021 was higher than a year ago, primarily reflecting higher Ford sales and higher share.

Financial Condition

Our receivables, including finance receivables and operating leases, were as follows (in billions):

	March 31, 2020	December 31, 2020	March 31, 2021
Net Receivables			
United States and Canada Segment			
Consumer financing	\$ 52.8	\$ 58.4	\$ 57.4
Non-Consumer financing	30.6	19.5	16.8
Net investment in operating leases	26.8	26.4	26.3
Total United States and Canada Segment	\$ 110.2	\$ 104.3	\$ 100.5
Europe Segment			
Consumer financing	\$ 14.2	\$ 15.1	\$ 14.3
Non-Consumer financing	9.3	7.4	7.3
Net investment in operating leases	0.2	0.3	0.3
Total Europe Segment	\$ 23.7	\$ 22.8	\$ 21.9
All Other Segment			
Consumer financing	\$ 2.8	\$ 3.4	\$ 3.6
Non-Consumer financing	1.1	1.2	1.1
Net investment in operating leases	—	—	—
Total Other Segment	\$ 3.9	\$ 4.6	\$ 4.7
Total net receivables	\$ 137.8	\$ 131.7	\$ 127.1
Managed Receivables			
Total net receivables (GAAP)	\$ 137.8	\$ 131.7	\$ 127.1
Unearned interest supplements and residual support	6.3	6.5	6.0
Allowance for credit losses	1.2	1.3	1.2
Other, primarily accumulated supplemental depreciation	1.1	1.0	0.9
Total managed receivables (Non-GAAP)	\$ 146.4	\$ 140.5	\$ 135.2

At March 31, 2020, December 31, 2020, and March 31, 2021, total net receivables includes consumer receivables before allowance for credit losses of \$37.0 billion, \$43.7 billion, and \$41.2 billion, respectively, and non-consumer receivables before allowance for credit losses of \$25.7 billion, \$16.4 billion, and \$15.3 billion, respectively, that have been sold for legal purposes in securitization transactions but continue to be reported in our consolidated financial statements. In addition, at March 31, 2020, December 31, 2020, and March 31, 2021, total net receivables includes net investment in operating leases of \$14.4 billion, \$12.8 billion, and \$10.0 billion, respectively, that have been included in securitization transactions but continue to be reported in our consolidated financial statements. The receivables and net investment in operating leases 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 or the claims of our other creditors. We hold 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. For additional information on our securitization transactions, refer to the "Securitization Transactions" and "On-Balance Sheet Arrangements" sections of Item 7 of Part II of our 2020 Form 10-K Report and Note 6 of our Notes to the Financial Statements for the period ended March 31, 2021.

Total net receivables at March 31, 2021 were \$10.7 billion lower compared with March 31, 2020 and \$4.6 billion lower compared with December 31, 2020, primarily reflecting lower wholesale receivables due to the semiconductor shortage.

Our operating lease portfolio was 21% of total net receivables at March 31, 2021. Leasing is an important product, and our leasing strategy balances sales, share, residuals, and long-term profitability. Operating leases in the United States and Canada represent 99% of our total operating lease portfolio.

Credit Risk

Credit risk is the possibility of loss from a customer's or dealer's failure to make payments according to contract terms. Credit losses are a normal part of a lending business, and credit risk has a significant impact on our business. We manage the credit risk of our consumer (retail financing) and non-consumer (dealer financing) receivables to balance our level of risk and return using our consistent underwriting standards, effective proprietary scoring system (discussed below), and world-class servicing. The allowance for credit losses (also referred to as the credit loss reserve) represents our estimate of the expected credit losses inherent in our finance receivables for the lifetime of those receivables as of the balance sheet date. The allowance for credit losses is estimated using a combination of models and management judgment and is based on such factors as historical loss performance, portfolio quality, receivable levels, and forward-looking macroeconomic scenarios. The adequacy of our allowance for credit losses is assessed quarterly and the assumptions and models used in establishing the allowance are evaluated regularly.

Most of our charge-offs are related to retail financing. Charge-offs are affected by the number of vehicle repossessions, the unpaid balance outstanding at the time of repossession, the auction price of repossessed vehicles, and other amounts owed. We also incur credit losses on our dealer financing, but default rates for these receivables historically have been substantially lower than those for retail financing.

In purchasing retail financing contracts, we use a proprietary scoring system that measures credit quality using information in the credit application, proposed contract terms, credit bureau data, and other information. After a proprietary risk score is generated, we decide whether to purchase a contract using a decision process based on a judgmental evaluation of the applicant, the credit application, the proposed contract terms, credit bureau information (e.g., FICO score), proprietary risk score, and other information. Our evaluation emphasizes the applicant's ability to pay and creditworthiness focusing on payment, affordability, applicant credit history, and stability as key considerations. While FICO is a part of our scoring system, our models enable us to more effectively determine the probability that a customer will pay than using credit scores alone. When we originate business, our models project expected losses and we price accordingly. We ensure the business fits our risk appetite.

For additional information on the quality of our receivables, and COVID-19 impacts, see Note 4 of our Notes to the Financial Statements.

United States Origination Metrics

The following table shows United States retail financing and operating lease average placement FICO and higher risk portfolio mix metrics. Also shown are extended term mix and United States retail financing average placement terms.

	First Quarter	
	2020	2021
Origination Metrics		
Average placement FICO	739	748
Higher risk portfolio mix	6 %	6 %
Greater than or equal to 84 months placement mix	7 %	4 %
Average placement term (months)	66	64

Our first quarter 2021 average placement FICO score increased compared with the same period a year ago, and remained strong. We support customers across the credit spectrum. Our higher risk business, as classified at contract inception, consistently represents 6% of our portfolio and has been stable for over 15 years.

During the first quarter of 2021, our average retail financing placement term decreased by two months from a year ago, and retail financing contracts of 84 months and longer decreased from a year ago, and have returned to normal levels and continue to be a small part of our business. We remain focused on managing the trade cycle—building customer relationships and loyalty while offering financing products and terms customers want. Our origination and risk management processes deliver robust portfolio performance.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

United States Retail Financing Credit Losses

The following table shows the primary drivers of credit losses in the United States retail financing business, which comprised 64% of our worldwide consumer finance receivables at March 31, 2021.

	First Quarter	
	2020	2021
Credit Loss Drivers		
Over-60-Day delinquencies (excl. bankruptcies)	0.16 %	0.13 %
Repossessions (000)	7	5
Repossession ratio	1.24 %	0.92 %
Loss severity (000) (a)	\$ 11.4	\$ 10.6
Charge-offs (\$M)	\$ 73	\$ 29
LTR ratio (%) (b)	0.62 %	0.22 %

(a) The expected difference between the amount a customer owes when the finance contract is charged off and the amount received, net of expenses, from selling the repossessed vehicle.

(b) Loss-to-Receivables ("LTR") ratios are charge-offs divided by average managed receivables.

Delinquencies and charge-offs remained at low levels in the quarter. The first quarter 2021 repossession ratio and LTR ratio were lower than a year ago. Our favorable LTR ratio and charge-offs in the first quarter of 2021 reflect government relief programs and changes in consumer spending behavior. The impact of COVID-19 has created significant volatility in the economy and the full impact of COVID-19 on our retail customers is uncertain.

Worldwide Credit Losses

The following table shows key metrics related to worldwide credit losses:

	First Quarter	
	2020	2021
Charge-offs (\$M)	\$ 101	\$ 41
LTR ratio (%)	0.35 %	0.16 %
Credit loss reserve (\$M)	\$ 1,231	\$ 1,223
Reserve as percent of EOP Managed Receivables	1.07 %	1.17 %

Our worldwide credit loss metrics remain strong. The worldwide LTR ratio in the first quarter of 2021 improved from a year ago reflecting government stimulus in response to the COVID-19 pandemic. Our credit loss reserve is based on such factors as historical loss performance, portfolio quality, receivables level, and forward-looking macroeconomic scenarios. The credit loss reserve was lower than a year ago, but the reserve as a percent of managed receivables was higher than a year ago reflecting portfolio mix of lower wholesale receivables. The credit loss reserve at March 31, 2021 considers the economic conditions attributable to COVID-19 and assumes that higher levels of retail delinquencies and charge-offs will occur in future periods as economic stimulus ends and rent and mortgage forbearance programs expire. The full impact of COVID-19 on our worldwide credit losses depends on future developments, such as the ultimate duration and scope of the outbreak (including any potential future waves and the success of vaccination programs), resolution of macroeconomic uncertainty, and the extent to which our customers and dealers are able to utilize government relief and payment deferral programs. Our credit loss reserve reflects lifetime expected losses as of the balance sheet date and is adjusted accordingly based on our assessment of the portfolio and economic trends and conditions. During the first quarter 2021 we reduced our reserve primarily due to improvements in the economic outlook that caused us to lower our expectation of lifetime losses attributable to COVID-19. See Note 4 of our Notes to the Financial Statements for more information.

Residual Risk

Leasing is an important product that many customers want and value, and operating lease customers also are more likely to buy or lease another Ford or Lincoln vehicle. We manage our lease share with an enterprise view to support sales, protect residual values, and manage the trade cycle. Ford Credit and Ford work together under a leasing strategy that considers share, term, model mix, geography, and other factors.

We are exposed to residual risk on operating leases and similar balloon payment products where the customer may return the financed vehicle to us. Residual risk is the possibility that the amount we obtain from returned vehicles will be less than our estimate of the expected residual value for the vehicle. We estimate the expected residual value by evaluating recent auction values, return volumes for our leased vehicles, industry wide used vehicle prices, marketing incentive plans, and vehicle quality data. For operating leases, changes in expected residual values impact depreciation expense, which is recognized on a straight-line basis over the life of the lease.

For additional information on our residual risk on operating leases, refer to the "Critical Accounting Estimates – Accumulated Depreciation on Vehicles Subject to Operating Leases" section of Item 7 of Part II of our 2020 Form 10-K Report.

United States Ford and Lincoln Brand Operating Leases

The following table shows share of Ford and Lincoln brand retail financing and operating lease sales, placement volume, and residual performance metrics for our United States operating lease portfolio, which represents 85% of our total net investment in operating leases at March 31, 2021.

	First Quarter	
	2020	2021
Lease Share of Retail Sales		
Ford Credit	22 %	16 %
Industry (a)	31 %	26 %
Placement Volume (000)		
24-Month	11	10
36-Month	38	41
39-Month / Other	21	11
Total	70	62
Residual Performance		
Return rates	76 %	61 %
Return volume (000)	67	51
Off-lease auction values (b)	\$ 19,235	\$ 21,925

(a) Source: J.D. Power PIN.

(b) 36-month off-lease auction values; quarterly amounts at Q1 2021 mix.

Our United States operating lease share of retail sales in the first quarter of 2021 was lower compared with a year ago and remains well below the industry average, reflecting the Ford sales mix. Our first quarter 2021 total lease placement volume was down compared with a year ago, primarily reflecting lower lease share and lower Ford share, partially offset by higher industry volume.

Lease return volume and return rate in the first quarter of 2021 were down from a year ago, reflecting improved auction values, as a result of lower dealer inventories due to the semiconductor shortage. Our first quarter 2021 36-month off-lease auction values were up 14% year-over-year, and up 7% compared with fourth quarter 2020, performing better than expected. We are now forecasting 2021 full-year 36-month off-lease auction values to be higher than 2020, consistent with third party estimates.

Credit Ratings

Our short-term and long-term debt is rated by four credit rating agencies designated as nationally recognized statistical rating organizations ("NRSROs") by the United States Securities and Exchange Commission: DBRS, Fitch, Moody's, and S&P.

In several markets, locally recognized rating agencies also rate us. A credit rating reflects an assessment by the rating agency of the credit risk associated with a corporate entity or particular securities issued by that entity. Rating agencies' ratings of us are based on information provided by us and other sources. Credit ratings assigned to us from all of the NRSROs are closely associated with their opinions on Ford. Credit ratings are not recommendations to buy, sell, or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. Each rating agency may have different criteria for evaluating company risk and, therefore, ratings should be evaluated independently for each rating agency.

The following rating actions were taken by these NRSROs since the filing of our 2020 Form 10-K Report:

- On March 29, 2021, Moody's affirmed the credit rating for Ford Credit at Ba2 and revised the outlook to stable, from negative.

The following table summarizes certain of the credit ratings and outlook presently assigned by these four NRSROs:

	NRSRO RATINGS			NRSROs Minimum Long-Term Investment Grade Rating
	Ford Credit			
	Long-Term Senior Unsecured	Short -Term Unsecured	Outlook/Trend	
DBRS	BB (high)	R-4	Negative	BBB (low)
Fitch	BB+	B	Negative	BBB-
Moody's	Ba2	NP	Stable	Baa3
S&P	BB+	B	Negative	BBB-

Funding and Liquidity

We ended the first quarter of 2021 with \$33.7 billion of liquidity. During the quarter, we completed \$5 billion of public term funding.

Key elements of our funding strategy include:

- Maintain strong liquidity; continue to renew and expand committed ABS capacity
- Prudently access public markets
- Flexibility to increase ABS mix as needed; preserving assets and committed capacity
- Target managed leverage of 8:1 to 9:1
- Maintain self-liquidating balance sheet

Our liquidity profile continues to be diverse, robust, and focused on maintaining liquidity levels that meet our business and funding requirements. We regularly stress test our balance sheet and liquidity to ensure that we continue to meet our financial obligations through economic cycles.

The following table shows funding for our managed receivables (in billions):

Funding Structure	March 31, 2020	December 31, 2020	March 31, 2021
Term unsecured debt	\$ 75.4	\$ 76.6	\$ 69.4
Term asset-backed securities	55.7	54.6	50.2
Ford Interest Advantage / Deposits	5.7	6.5	7.2
Other (a)	5.4	5.7	7.2
Equity (a)	15.5	15.6	15.3
Adjustments for cash	(11.3)	(18.5)	(14.1)
Total Managed Receivables (b)	\$ 146.4	\$ 140.5	\$ 135.2
Securitized Funding as a percent of Managed Receivables	38.1 %	38.8 %	37.1 %

(a) Prior period amounts have been updated as a result of our adoption of ASU 2019-12, Simplifying the Accounting for Income Taxes. See Note 2 of our Notes to the Financial Statements for additional information.

(b) Reconciliation to GAAP provided in the Financial Condition section.

Managed receivables of \$135.2 billion as of March 31, 2021, were funded primarily with term unsecured debt and term asset-backed securities. Securitized funding as a percent of managed receivables was 37.1% at the end of the first quarter. The calendarization of the funding plan will result in quarterly fluctuations of the securitized funding percentage.

Public Term Funding Plan

The following table shows our issuances for full year 2019 and 2020, planned issuances for full year 2021, and our global public term funding issuances through April 27, 2021, excluding short-term funding programs (in billions):

	2019 Actual	2020 Actual	2021 Forecast	Through April 27
Unsecured	\$ 17	\$ 14	\$ 5 - 9	\$ 1
Securitized	14	13	7 - 10	5
Total public	\$ 31	\$ 27	\$ 12 - 19	\$ 6

For 2021, we now project full year public term funding in the range of \$12 billion to \$19 billion. Through April 27, 2021, we have completed \$6 billion of public term issuances.

Liquidity

We define gross liquidity as cash, cash equivalents, and marketable securities (excluding amounts related to insurance activities) and committed capacity (which includes our asset-backed facilities and unsecured credit facilities), less utilization of liquidity. Utilization of liquidity is the amount funded under our liquidity sources and also includes the cash required to support securitization transactions and restricted cash. Net liquidity available for use is defined as gross liquidity less certain adjustments as described below. While not included in available liquidity, these adjustments represent additional funding sources for future originations.

The following table shows our liquidity sources and utilization (in billions):

	March 31, 2020	December 31, 2020	March 31, 2021
Liquidity Sources			
Cash	\$ 11.3	\$ 18.5	\$ 14.1
Committed asset-backed facilities	35.9	38.1	38.2
Other unsecured credit facilities	2.8	2.5	2.5
Total liquidity sources	\$ 50.0	\$ 59.1	\$ 54.8
Utilization of Liquidity			
Securitization and restricted cash	\$ (3.1)	\$ (3.9)	\$ (5.4)
Committed asset-backed facilities	(18.6)	(16.7)	(11.9)
Other unsecured credit facilities	(0.5)	(0.5)	(0.6)
Total utilization of liquidity	\$ (22.2)	\$ (21.1)	\$ (17.9)
Gross liquidity	\$ 27.8	\$ 38.0	\$ 36.9
Asset-backed capacity in excess of eligible receivables and other adjustments	0.3	(2.6)	(3.2)
Net liquidity available for use	\$ 28.1	\$ 35.4	\$ 33.7

Liquidity (Continued)

Our net liquidity available for use will fluctuate quarterly based on factors including near-term debt maturities, receivable growth and decline, and timing of funding transactions. At March 31, 2021, our net liquidity available for use was \$33.7 billion, \$1.7 billion lower than year-end 2020. At March 31, 2021, our liquidity sources including cash totaled \$54.8 billion, down \$4.3 billion from year-end 2020.

Cash. At March 31, 2021, our Cash totaled \$14.1 billion, compared with \$18.5 billion at year-end 2020. In the normal course of our funding activities, we may generate more proceeds than are required for our immediate funding needs. These excess amounts are held primarily in highly liquid investments, which provide liquidity for our anticipated and unanticipated cash needs and give us flexibility in the use of our other funding programs. Our Cash primarily includes United States Department of Treasury obligations, federal agency securities, bank time deposits with investment-grade institutions, investment-grade commercial paper, debt obligations of a select group of non-U.S. governments, non-U.S. governmental agencies, supranational institutions, non-U.S. central banks, and money market funds that carry the highest possible ratings.

The average maturity of these investments ranges from approximately three to six months and is adjusted based on market conditions and liquidity needs. We monitor our cash levels and average maturity on a daily basis. Cash includes restricted cash and amounts to be used only to support our securitization transactions of \$3.9 billion and \$5.4 billion at December 31, 2020 and March 31, 2021, respectively. The increase is primarily due to cash required to support our United States wholesale trust as a result of the decline in the receivable balance.

Committed Capacity. At March 31, 2021, our committed capacity totaled \$40.7 billion, compared with \$40.6 billion at December 31, 2020. Our committed capacity is primarily comprised of committed ABS facilities from bank-sponsored commercial paper conduits and other financial institutions and committed unsecured credit facilities with financial institutions.

Committed Asset-Backed Facilities. We and our subsidiaries have entered into agreements with a number of bank-sponsored asset-backed commercial paper conduits and other financial institutions. Such counterparties are contractually committed, at our option, to purchase from us eligible retail financing receivables or to purchase or make advances under asset-backed securities backed by retail financing or wholesale finance receivables or operating leases for proceeds of up to \$38.2 billion (\$22.0 billion of retail financing, \$4.8 billion of wholesale financing, and \$11.4 billion of operating leases) at March 31, 2021. In the United States, we are able to obtain funding within two days of our unutilized capacity in some of our committed asset-backed facilities. These committed facilities have varying maturity dates, with \$14.2 billion having maturities within the next twelve months and the remaining balance having maturities through first quarter 2023. We plan capacity renewals to protect our global funding needs and to optimize capacity utilization.

Our ability to obtain funding under these facilities is subject to having a sufficient amount of eligible assets as well as our ability to obtain interest rate hedging arrangements for certain facilities. At March 31, 2021, \$11.9 billion of these commitments were in use and we had \$3.9 billion of asset-backed capacity that was in excess of eligible receivables primarily due to the decline in wholesale asset balances. These facilities are free of material adverse change clauses, restrictive financial covenants (for example, debt-to-equity limitations and minimum net worth requirements), and generally, credit rating triggers that could limit our ability to obtain funding. However, the unused portion of these commitments may be terminated if the performance of the underlying assets deteriorates beyond specified levels. Based on our experience and knowledge as servicer of the related assets, we do not expect any of these commitments to be terminated due to such events.

As of March 31, 2021, Ford Bank GmbH ("Ford Bank") had liquidity in the form of €123 million (equivalent to \$144 million) of senior ABS notes eligible for collateral in the European Central Bank's monetary policy programs.

Unsecured Credit Facilities. At March 31, 2021, we and our majority-owned subsidiaries had \$2.5 billion of contractually committed unsecured credit facilities with financial institutions, including the FCE Credit Agreement and the Ford Bank Credit Agreement. At March 31, 2021, \$1.9 billion was available for use.

Liquidity (Continued)

FCE's £780 million (equivalent to \$1,074 million at March 31, 2021) syndicated credit facility (the "FCE Credit Agreement") and Ford Bank's €240 million (equivalent to \$282 million at March 31, 2021) syndicated credit facility (the "Ford Bank Credit Agreement") both mature in 2023, except for £95 million of the FCE Credit Agreement that matures in 2022. At March 31, 2021, all £780 million under the FCE Credit Agreement and all €240 million under the Ford Bank Credit Agreement were available for use.

Both the FCE Credit Agreement and Ford Bank Credit Agreement contain certain covenants, including an obligation for FCE and Ford Bank to maintain their ratio of regulatory capital to risk-weighted assets at no less than the applicable regulatory minimum. The FCE Credit Agreement requires the support agreement between FCE and Ford Credit to remain in effect (and enforced by FCE to ensure that its net worth is maintained at no less than \$500 million). The Ford Bank Credit Agreement requires a guarantee of Ford Bank's obligations under the agreement, provided by Ford Credit, to remain in effect.

Balance Sheet Liquidity Profile

We define our balance sheet liquidity profile as the cumulative maturities, including the impact of expected prepayments and allowance for credit losses, of our finance receivables, investment in operating leases, and cash, less the cumulative debt maturities over upcoming annual periods. Our balance sheet is inherently liquid because of the short-term nature of our finance receivables, investment in operating leases, and cash. We ensure our cumulative debt maturities have a longer tenor than our cumulative asset maturities. This positive maturity profile is intended to provide additional liquidity after all of our assets have been funded and is in addition to our liquidity stress test.

The following table shows our cumulative maturities for assets and total debt for the periods presented and unsecured long-term debt maturities in the individual periods presented (in billions):

	April - December 2021	2022	2023	2024 & Beyond
Balance Sheet Liquidity Profile				
Assets (a)	\$ 64	\$ 95	\$ 120	\$ 147
Total debt (b)	46	74	92	126
Memo: Unsecured long-term debt maturities	10	14	11	30

(a) Includes gross finance receivables less the allowance for credit losses, investment in operating leases net of accumulated depreciation, and cash. Amounts shown include the impact of expected prepayments.

(b) Excludes unamortized debt (discount) / premium, unamortized issuance costs, and fair value adjustments.

Maturities of investment in operating leases consist primarily of the portion of rental payments attributable to depreciation over the remaining life of the lease and the expected residual value at lease termination. Maturities of finance receivables and investment in operating leases in the table above include expected prepayments for our retail installment sale contracts and investment in operating leases. The table above also reflects adjustments to debt maturities to match the asset-backed debt maturities with the underlying asset maturities.

All wholesale securitization transactions and wholesale receivables are shown maturing in the next 12 months, even if the maturities extend beyond first quarter 2022. The retail securitization transactions under certain committed asset-backed facilities are assumed to amortize immediately rather than amortizing after the expiration of the commitment period. As of March 31, 2021, we had \$147 billion of assets, \$76 billion of which were unencumbered. For additional information on finance receivables, investment in operating leases, and debt, see Notes 4, 5, and 9 of our Notes to the Financial Statements.

Funding and Liquidity Risks

Our funding plan is subject to risks and uncertainties, many of which are beyond our control, including disruption in the capital markets, that could impact both unsecured debt and asset-backed securities issuance and the effects of regulatory changes on the financial markets. Refer to the "Funding and Liquidity Risks" section of Item 7 of Part II of our 2020 Form 10-K Report for more information.

Leverage

We use leverage, or the debt-to-equity ratio, to make various business decisions, including evaluating and establishing pricing for finance receivable and operating lease financing, and assessing our capital structure. We refer to our shareholder's interest as equity.

The following table shows the calculation of our financial statement leverage and managed leverage (in billions):

	March 31, 2020	December 31, 2020	March 31, 2021
Leverage Calculation			
Debt	\$ 136.8	\$ 137.7	\$ 126.8
Adjustments for cash	(11.3)	(18.5)	(14.1)
Adjustments for derivative accounting	(1.6)	(1.5)	(0.8)
Total adjusted debt	<u>\$ 123.9</u>	<u>\$ 117.7</u>	<u>\$ 111.9</u>
Equity (a)	\$ 15.5	\$ 15.6	\$ 15.3
Adjustments for derivative accounting	—	0.1	—
Total adjusted equity (a)	<u>\$ 15.4</u>	<u>\$ 15.7</u>	<u>\$ 15.3</u>
Financial statement leverage (to 1) (GAAP) (a)	8.9	8.8	8.3
Managed leverage (to 1) (Non-GAAP) (a)	8.0	7.5	7.3

(a) Prior period amounts have been updated as a result of our adoption of ASU 2019-12, Simplifying the Accounting for Income Taxes. See Note 2 of our Notes to the Financial Statements for additional information.

Note: Numbers may not sum due to rounding.

We plan our managed leverage by considering market conditions and the risk characteristics of our business. At March 31, 2021, our financial statement leverage was 8.3:1, and managed leverage was 7.3:1. We target managed leverage in the range of 8:1 to 9:1 and expect our managed leverage to return to our target range later in 2021.

Outlook

We continue to expect full-year 2021 EBT to be improved compared to 2020.

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 is highly dependent on its suppliers to deliver components in accordance with Ford's production schedule, and a shortage of key components, such as semiconductors, can disrupt Ford's production of vehicles;
- Ford's long-term competitiveness depends on the successful execution of its Plan;
- 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 and other disruptions;
- 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 and face significant competition from existing and new entrants in the automotive and mobility industries;
- 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;
- Industry sales volume in any of Ford's 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 Ford or Ford Credit's 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;
- 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 consumers' heightened expectations to safeguard their 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 2020 Form 10-K Report, as updated by our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Accounting Standards Issued But Not Yet Adopted

None.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

In our Annual Report on Form 10-K for the year ended December 31, 2020, we discuss in greater detail our market risk, counterparty risk, credit risk, residual risk, liquidity risk, and operating risk.

To provide a quantitative measure of the sensitivity of our pre-tax cash flow to changes in interest rates, we use interest rate scenarios that assume a hypothetical, instantaneous increase or decrease of one percentage point in all interest rates across all maturities (a "parallel shift"), as well as a base case that assumes that all interest rates remain constant at existing levels. The differences in pre-tax cash flow between these scenarios and the base case over a 12 month period represent an estimate of the sensitivity of our pre-tax cash flow. Under this model, we estimate that at March 31, 2021, all else constant, such an increase in interest rates would increase our pre-tax cash flow by \$1 million over the next 12 months, compared with a decrease of \$3 million at December 31, 2020. In reality, interest rate changes are rarely instantaneous or parallel and rates could move more or less than the one percentage point assumed in our analysis. As a result, the actual impact to pre-tax cash flow could be higher or lower than the results detailed above.

Transition from LIBOR to Alternative Reference Rates

We have been working to transition from the London Interbank Offered Rate ("LIBOR") to alternative reference rates. We have developed a total company inventory of affected financial instruments and contracts, have been working to transition legacy contracts linked to LIBOR to alternative reference rates, and intend to rely exclusively on alternative reference rates for new contracts after 2021.

ITEM 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. Marion B. Harris, our President and Chief Executive Officer ("CEO"), and Brian E. Schaaf, our Chief Financial Officer ("CFO") and Treasurer, have performed an evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of March 31, 2021, and each has concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by SEC rules and forms, and that such information is accumulated and communicated to the CEO and CFO to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting. There were no changes in internal control over financial reporting during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

We have no legal proceedings arising under any federal, state, or local provisions that have been enacted or adopted regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment, in which (i) a governmental authority is a party, and (ii) we believe there is the possibility of monetary sanctions (exclusive of interest and costs) in excess of \$1 million.

ITEM 5. Other Information.

None.

ITEM 6. Exhibits.

Designation	Description	Method of Filing
Exhibit 10	Second Amended and Restated Tax Sharing Agreement Between Ford Motor Company and Ford Motor Credit Company LLC.	Filed with this Report.
Exhibit 31.1	Rule 15d-14(a) Certification of CEO.	Filed with this Report.
Exhibit 31.2	Rule 15d-14(a) Certification of CFO.	Filed with this Report.
Exhibit 32.1	Section 1350 Certification of CEO.	Furnished with this Report.
Exhibit 32.2	Section 1350 Certification of CFO.	Furnished with this Report.
Exhibit 101.INS	Interactive Data Files pursuant to Rule 405 of Regulation S-T formatted in Inline Extensible Business Reporting Language ("Inline XBRL").	*
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document.	*
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	*
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	*
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	*
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	*
Exhibit 104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).	*

* Submitted electronically with this Report in accordance with the provisions of Regulation S-T.

Instruments defining the rights of holders of certain issues of long-term debt of Ford Credit have not been filed as exhibits to this Report because the authorized principal amount of any one of such issues does not exceed 10% of the total assets of Ford Credit. Ford Credit will furnish a copy of each such instrument to the SEC upon request.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, Ford Motor Credit Company LLC has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FORD MOTOR CREDIT COMPANY LLC

By: /s/ Brian E. Schaaf
Brian E. Schaaf
Chief Financial Officer and Treasurer

Date: April 28, 2021

**SECOND AMENDED AND RESTATED
TAX SHARING AGREEMENT
BETWEEN FORD MOTOR COMPANY AND
FORD MOTOR CREDIT COMPANY LLC**

THIS TAX SHARING AGREEMENT (this "Agreement") amended April 27, 2021, is made and entered into by Ford Motor Company ("Ford"), a Delaware corporation, and Ford Motor Credit Company LLC ("Ford Credit"), a Delaware Limited Liability Company.

RECITALS

WHEREAS, Ford is the common parent corporation of an affiliated group of corporations within the meaning of Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code") and of combined groups as defined under similar laws of other jurisdictions and certain Ford Credit subsidiaries are members of such groups; and

WHEREAS, the groups of which Ford is the common parent and certain Ford Credit subsidiaries are members file or intend to file Consolidated Returns and Combined Returns; and

WHEREAS, Ford and Ford Credit desire to provide for the allocation of liabilities and procedures to be followed with respect to certain tax matters arising on and after January 1, 2021.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Section 1. Definitions

1.1. "**Adjusted Tax Asset Balance**" means Ford Credit's aggregate Tax Assets adjusted to reflect only the portion of such assets that Ford determines to have resulted in an actual cash tax benefit to the Ford Group.

1.2. "**Audit**" includes any audit, assessment of Taxes, other examination by any Tax Authority, proceeding, or appeal of such proceeding relating to Taxes, whether administrative or judicial.

1.3. "**Combined Group**" means, for each Non-Federal Combined Tax, the group of corporations or other entities that files the Combined Return.

1.4. "**Combined Return**" means any Tax Return with respect to Non-Federal Taxes filed on a consolidated, combined (including nexus combination, worldwide combination, domestic combination, line of business combination or any other form of combination) or unitary basis wherein Ford Credit Taxable Entities join in the filing of such Tax Return (for any taxable period or portion thereof) with Ford or one or more Ford Affiliates.

1.5. **"Consolidated Group"** means an affiliated group of corporations within the meaning of Section 1504(a) of the Code of which Ford is the common parent and that files a consolidated return.

1.6. **"Consolidated Return"** means any Tax Return with respect to Federal Income Taxes filed on a consolidated basis wherein Ford Credit Taxable Entities join in the filing of such Tax Return (for any taxable period or portion thereof) with Ford or one or more Ford Affiliates.

1.7. **"Contingent Tax Liability"** means Ford's estimate of an expected Redetermination Amount.

1.8. **"Estimated Tax Installment Date"** means the installment due dates prescribed in Section 6655(c) of the Code (generally April 15, June 15, September 15 and December 15).

1.9. **"Federal Income Tax"** means any tax imposed under Subtitle A of the Code (including the taxes imposed by Sections 11, 55, 59A, and 1201(a) of the Code) and any other income based United States Federal Tax which is hereinafter imposed upon corporations.

1.10. **"Federal Tax"** means any Tax imposed or required to be withheld by any Tax Authority of the United States.

1.11. **"Final Determination"** means any of (a) the final resolution of any Tax (or other matter) for a taxable period that, under applicable law, is not subject to further appeal, review or modification through proceedings or otherwise, including (1) by the expiration of a statute of limitations (giving effect to any extension, waiver or mitigation thereof) or a period for the filing of claims for refunds, amending Tax Returns, appealing from adverse determinations, or recovering any refund (including by offset), (2) by a decision, judgment, decree, or other order by a court of competent jurisdiction, which has become final and unappealable, (3) by a closing agreement or an accepted offer in compromise under Section 7121 or 7122 of the Code, or comparable agreements under laws of other jurisdictions, (4) by execution of an Internal Revenue Service Form 870AD, or by a comparable form under the laws of other jurisdictions (excluding, however, with respect to a particular Tax Item for a particular taxable period any such form that reserves (whether by its terms or by operation of law) the right of the taxpayer to file a claim for refund and/or the right of the Taxing Authority to assert a further deficiency with respect to such Tax Item for such period), or (5) by any allowance of a refund or credit, but only after the expiration of all periods during which such refund or credit may be recovered (including by way of offset) or (b) the payment of Tax by any member of the Consolidated Group or Combined Group with respect to any Tax Item disallowed or adjusted by a Taxing Authority provided that Ford determines that no action should be taken to recoup such payment.

1.12. **"Ford Credit Combined Tax Liability"** means, with respect to any taxable period, Ford Credit's liability for Non-Federal Combined Taxes as determined under Section 3.3 of this Agreement.

1.13. **"Ford Credit Federal Income Tax Liability"** means, with respect to any taxable period, Ford Credit's liability for Federal Income Taxes as determined under Section 3.2 of this Agreement.

1.14. **"Ford Credit Taxable Entity"** means any Ford Credit subsidiary that is recognized as a separate taxable entity for U.S. income tax purposes.

1.15. **"Ford Affiliate"** means any corporation or other entity directly or indirectly controlled by Ford, but excluding Ford Credit and its subsidiaries.

1.16. **"Ford Group"** means the affiliated group of corporations as defined in Section 1504(a) of the Code, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Ford is the common parent, and any corporation or other entity which may be,

may have been or may become a member of such group from time to time, but excluding Ford Credit Taxable Entities.

1.17. **“Non-Federal Combined Tax”** means any Non-Federal Tax with respect to which a Combined Return is filed.

1.18. **“Non-Federal Separate Tax”** means any Non-Federal Tax other than a Non-Federal Combined Tax.

1.19. **“Non-Federal Tax”** means any Tax other than a Federal Tax.

1.20. **“Pro Forma Ford Credit Combined Return”** means a pro forma Non-Federal Combined Tax return or other schedule prepared pursuant to Section 3.3 of this Agreement.

1.21. **“Pro Forma Ford Credit Federal Return”** means a pro forma Federal Income Tax return or other schedule prepared pursuant to Section 3.2 of this Agreement.

1.22. **“Redetermination Amount”** means, with respect to any Tax for any taxable period, the amount determined under Section 4.7 of this Agreement.

1.23. **“Tax”** means any charges, fees, levies, imposts, duties, or other assessments of a similar nature, including income, alternative or add-on minimum, gross receipts, profits, lease, service, service use, wage, wage withholding, employment, workers compensation, business occupation, occupation, premiums, environmental, estimated, excise, employment, sales, use, transfer, license, payroll, franchise, severance, stamp, collection, windfall profits, withholding, social security, unemployment, disability, ad valorem, highway use, commercial rent, capital stock, paid up capital, recording, registration, property, real property gains, value added, business license, customs duties, or other tax or governmental fee of any kind whatsoever, imposed or required to be withheld by any Tax Authority.

1.24. **“Tax Asset”** means any Tax Item that could reduce a Tax, including a net operating loss, net capital loss, investment tax credit, foreign tax credit, charitable deduction or credit related to alternative minimum tax.

1.25. **“Tax Authority”** means any governmental authority or any subdivision, agency, commission or authority thereof or any quasi-governmental or private body having jurisdiction over the assessment, determination, collection or Imposition of any Tax (including the Internal Revenue Service).

1.26. **“Tax Item”** means any item of income, gain, loss, deduction or credit, or other attribute than may have the effect of increasing or decreasing any Tax.

1.27. **“Tax Return”** means any return, report, schedule, certificate, form or similar statement or document (including any related or supporting information or schedule attached thereto and any information return, amended tax return, claim for refund or declaration of estimated tax) required to be supplied to, or filed with, a Tax Authority in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

Section 2. In General

2.1. Preparation and Filing of Tax Returns. Ford shall have the sole and exclusive responsibility for the preparation and filing of all Consolidated Returns and all Combined Returns. Ford shall have the exclusive right, in its sole discretion, with respect to any such Tax Return to determine (a) the manner in which such Tax Return shall be prepared and filed, including the elections, methods of accounting, positions, conventions and principles of taxation to be used and the manner in which any Tax Item shall be reported, (b) whether any extensions may be requested, (c) the elections that will be made by Ford, any Ford Affiliate, Ford Credit, and any Ford Credit subsidiary in such Tax Return, (d) whether any amended Tax Returns shall be filed, (e) whether any claims for refund shall be made, (f) whether any refunds shall be paid by way of refund or credited against any liability for the related Tax, and (g) whether to retain outside specialists to prepare such Tax Return, whom to retain for such purpose and the scope of any such retainer; provided, however, that Ford shall consult with Ford Credit senior management prior to making any determination that would have a material effect on Ford Credit operations.

2.2. Audits. Ford shall have the exclusive right, in its sole discretion, to control, contest, and represent the interests of Ford, any Ford Affiliate, Ford Credit and any Ford Credit subsidiary in any Audit relating to any Tax Return described in Section 2.1 of this Agreement and to resolve, settle, or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Audit; provided, however, that Ford shall consult Ford Credit senior management with respect to any issue that would reasonably be expected to have a material effect on Ford Credit.

2.3. Agent. Ford Credit hereby irrevocably designates Ford as its sole and exclusive agent and attorney-in-fact to take such action (including execution of documents) as Ford, in its sole discretion, may deem appropriate in any and all matters (including Audits) relating to any Tax Return described in Section 2.1 of this Agreement.

2.4. Provision of Information. Ford Credit shall (a) furnish to Ford in a timely manner such information and documents as Ford may reasonably request for purposes of (1) preparing any Tax Return described in Section 2.1 of this Agreement, (2) contesting or defending any Audit of any Tax Return described in Section 2.1 of this Agreement, and (3) making any determination or computation necessary or appropriate under this Agreement, (b) cooperate in any Audit of any Tax Return described in Section 2.1 of this Agreement, (c) retain and provide on demand books, records, documentation or other information relating to any Tax Return until the later of (1) the expiration of the applicable statute of limitations (giving effect to any extension, waiver, or mitigation thereof) and (2) in the event any claim is made under this Agreement for which such information is relevant, until a Final Determination with respect to such claim, and (d) take such action as Ford may deem appropriate in connection with any of the foregoing.

Section 3. Tax Sharing

3.1. Ford Credit Liability for Federal Income Taxes and Non-Federal Combined Taxes. For each taxable period, Ford Credit shall be liable for an amount equal to the sum of the Ford Credit Federal Income Tax Liability and the Ford Credit Combined Tax Liability for such taxable period.

3.2. Ford Credit Federal Income Tax Liability. With respect to each taxable period, the Ford Credit Federal Income Tax Liability shall be Ford Credit's liability for Federal Income Taxes for such period as determined on a Pro Forma Ford Credit Federal Return prepared:

(a) on the basis of the Consolidated Return for such period, determined by including only Tax Items of Ford Credit Taxable Entities which are included in the Consolidated Return, and

(b) without regard to graduated rates of tax.

3.3. Ford Credit Combined Tax Liability. (a) **In General.** With respect to each taxable period, the Ford Credit Combined Tax Liability shall be the sum, for such taxable period, of Ford Credit's liability for each Non-Federal Combined Tax, as determined on a Pro Forma Ford Credit Combined Return.

(b) **Pro Forma Ford Credit Combined Return.** For each taxable period, Ford shall prepare or cause to be prepared a Pro Forma Ford Credit Combined Return for each Non-Federal Combined Tax by reference to:

(1) the taxable income (or loss) for such taxable period determined from a Pro Forma Ford Credit Federal Return including Tax Items only from Ford Credit Taxable Entities which are included in the applicable Combined Return;

(2) material adjustments necessary, in Ford's sole discretion, to reflect the laws of the applicable jurisdiction;

(3) (i) the apportionment factors of the Combined Group that includes Ford and Ford Credit for Non-Federal Combined Taxes calculated as if the Combined Group were a single taxpayer, or (ii) for all other Non-Federal Combined Taxes, the individual apportionment factors of Ford Credit Taxable Entities that are included in the applicable Combined Group; and

(4) without regard to graduated rates of tax.

3.4. Ford Credit Unused Tax Assets. (a) **In General.** With respect to Tax Assets of Ford Credit Taxable Entities not otherwise taken into account under Section 3.2 or 3.3 of this Agreement, Ford shall pay Ford Credit, at expiration of the relevant statutory carryforward period; provided, however, that for any Tax Asset other than foreign tax credits, Ford's payment to Ford Credit shall be limited to an amount determined by comparing (i) the Consolidated (or Combined) Group's liability for Federal Income Taxes (or Non-Federal Combined Taxes) computed by taking into account such Tax Assets to (ii) the Consolidated (or Combined) Group's liability for Federal Income Taxes (or Non-Federal Combined Taxes) computed without taking into account such Tax Assets. Ford shall pay Ford Credit the full amount of its foreign tax credits generated by Ford Credit Taxable Entities.

Section 4. Payment of Taxes and Tax Sharing Amounts

4.1. Federal Income Taxes. Ford shall pay to the Internal Revenue Service all Federal Income Taxes, if any, of the Consolidated Group due and payable for all taxable periods.

4.2. Non-Federal Combined Taxes. Ford shall pay to the appropriate Tax Authorities all Non-Federal Combined Taxes, if any, of the Combined Group due and payable for all taxable periods.

4.3. Non-Federal Separate Taxes. Ford Credit shall pay (or cause to be paid) to the appropriate Tax Authorities all Non-Federal Separate Taxes, if any, of Ford Credit and its subsidiaries due and payable for all taxable periods.

4.4. Other Federal Taxes. The parties shall each pay (or cause to be paid) to the appropriate Tax Authorities all of their respective Federal Taxes (excluding Federal Income Taxes which are governed by Section 4.1 of this Agreement), if any, due and payable for all taxable periods.

4.5. Tax Sharing Installment Payments. (a) **Federal Income Taxes.** Ford may, in its sole discretion, deliver to Ford Credit a schedule, not later than five business days prior to any Estimated Tax Installment Date with respect to any taxable period, setting forth the estimated amount of the related installment of the Ford Credit Federal Income Tax Liability determined under the principles of Section 6655 of the Code. Ford Credit shall pay Ford in accordance with their customary intercompany settlement procedure.

(b) **Non-Federal Combined Taxes.** Not later than September 30 of each taxable year, Ford shall deliver to Ford Credit an estimate of the Ford Credit Combined Tax Liability for the taxable year. Ford Credit shall then pay to Ford, in accordance with their customary intercompany settlement procedure, the amount thus determined.

4.6. Tax Sharing True-up Payments. (a) **Federal Income Taxes.** Not later than 45 business days after the Consolidated Return is filed with respect to any taxable period, Ford shall deliver to Ford Credit a Pro Forma Ford Credit Federal Return reflecting the Ford Credit Federal Income Tax Liability. Upon receipt, Ford Credit shall pay to Ford, or Ford shall pay to Ford Credit, as appropriate, in accordance with their customary intercompany settlement procedure, an amount equal to the difference, if any, between the Ford Credit Federal Income Tax Liability for the taxable period and the aggregate amount, if any, paid by Ford Credit with respect to such taxable period under Section 4.5(a) of this Agreement.

(b) **Non-Federal Taxes.** Not later than 45 business days after the last Combined Return is filed with respect to any taxable period, Ford shall deliver to Ford Credit a schedule based upon the Pro Forma Ford Credit Combined Returns for such period reflecting the Ford Credit Combined Tax Liability. Upon receipt, Ford Credit shall pay to Ford, or Ford shall pay to Ford Credit, as appropriate, in accordance with their customary intercompany settlement procedure, an amount equal to the difference, if any, between the Ford Credit Combined Tax Liability for the taxable period and the amount paid by Ford Credit with respect to such taxable period under Section 4.5(b) of this Agreement.

4.7. Redetermination Amounts. (a) **In General.** Ford shall deliver to Ford Credit a schedule reflecting the computation of a Redetermination Amount for any affected tax year at such time as Ford and Ford Credit may agree; provided, however, that in the event of any redetermination as a result of a Final Determination Ford shall deliver such schedule to Ford Credit within 120 days of the date of the Final Determination. Ford Credit shall pay Ford or Ford shall pay Ford Credit, as the case may be, in accordance with their customary intercompany settlement procedure, the Redetermination Amount.

(b) **Computation.** A Redetermination Amount for a Tax for a taxable period shall be the difference between the net amount of all amounts previously determined under Section 3 of this Agreement for such taxable period and the net amount of all amounts that would have been determined under Section 3 of this Agreement taking such redetermination into account.

4.8. Interest on Contingent Tax Liabilities/Tax Assets. (a) **Net Contingent Tax Liability.** If Ford Credit's Contingent Tax Liabilities exceed its Adjusted Tax Asset Balance, Ford Credit shall pay Ford interest on the excess at the rate established under 6621(a)(2) of the Code.

(b) **Net Adjusted Tax Asset Balance.** If Ford Credit's Adjusted Tax Asset Balance exceeds its Contingent Tax Liabilities, Ford shall pay Ford Credit interest on the excess at a rate equal to Ford Credit's weighted average after-tax cost of capital.

(c) **Payment.** Ford shall deliver to Ford Credit a schedule reflecting the interest on the net Contingent Tax Liabilities or net Adjusted Tax Asset Balance no later than one month prior to the end of each calendar year quarter. Ford Credit shall pay Ford or Ford shall pay Ford Credit, as the case may be, in accordance with their customary intercompany settlement procedure, the interest amount.

4.9. **Deferred Payment.** Ford and Ford credit may agree that payments under Sections 4.5 through 4.7 of this Agreement may be made after the period prescribed. Payments that are not made within the prescribed period shall thereafter bear interest at a rate to be agreed upon by Ford and Ford Credit.

Section 5. Miscellaneous

5.1. **Effectiveness; Term.** This Agreement shall apply to tax matters arising on and after January 1, 2021 and all rights and obligations arising hereunder shall survive until the later of (a) when they are fully effectuated or performed or (b) the expiration of all applicable statutes of limitation (giving effect to any extension, waiver or mitigation thereof).

5.2. **Changes in Law.** Any reference to a provision of the Code or a law of another jurisdiction shall include a reference to any applicable successor provision or law.

5.3. **Confidentiality.** Each party shall hold and cause its advisors and consultants to hold in strict confidence, unless compelled to disclose by judicial or administrative process or, in the opinion of its counsel, by other requirements of law, all information (other than any such information relating solely to the business or affairs of such party) concerning the other parties hereto furnished it by such other party or its representatives pursuant to this Agreement (except to the extent that such information can be shown to have been (a) previously known by the party to which it was furnished, (b) in the public domain through no fault of such party, or (c) later lawfully acquired from other sources not under a duty of confidentiality by the party to which it was furnished), and each party shall not release or disclose such information to any other person, except its auditors, attorneys, financial advisors, bankers and other consultants who shall be advised of and agree to be bound by the provisions of this Section 5.3. Each party shall be deemed to have satisfied its obligation to hold confidential information concerning or supplied by the other party if it exercises the same care as it takes to preserve confidentiality for its own similar information.

5.4. **Successors.** This Agreement shall be binding on and inure to the benefit of any successor, by merger, acquisition of assets or otherwise, to any of the parties hereto, to the same extent as if such successor had been an original party.

5.5. **Authorization, etc.** Each of the parties hereto hereby represents and warrants that it has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such party, that this Agreement constitutes a legal, valid and binding obligation of each such party and that the execution, delivery and performance of this Agreement by such party does not contravene or conflict with any provision of law or of its charter or bylaws or any agreement, instrument or order binding on such party.

5.6. **Section Captions.** Section captions used in this Agreement are for convenience and reference only and shall not affect the construction of this Agreement.

5.7. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to laws and principles relating to conflicts of law.

5.8. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

5.9. **Waivers and Amendments.** This Agreement shall not be waived, amended or otherwise modified except in writing, duly executed by all of the parties hereto.

5.10. **Severability.** If any provision of this Agreement is held to be invalid, void, illegal or unenforceable, the remaining provisions hereof shall remain in full force and effect, and shall in no way be affected, impaired or invalidated. In the event any provision is held to be invalid, void, illegal or unenforceable, the parties hereto shall use their best efforts to find and employ an alternate means to achieve the same or substantially the same result as that contemplated by such provision.

5.11. **No Third Party Beneficiaries.** This Agreement is solely for the benefit of Ford, the Ford Affiliates and Ford Credit and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other rights in excess of those existing without this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by a duly authorized officer as of the date first above written.

FORD MOTOR COMPANY

By /s/ Ron Lang
Name: Ron Lang
Title: Chief Tax Officer

FORD MOTOR CREDIT COMPANY LLC

By /s/ Brian Schaaf
Name: Brian Schaaf
Title: Chief Financial Officer and Treasurer

CERTIFICATION

I, Marion B. Harris, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 of Ford Motor Credit Company LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 28, 2021

/s/ Marion B. Harris

Marion B. Harris

President and Chief Executive Officer

CERTIFICATION

I, Brian E. Schaaf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 of Ford Motor Credit Company LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 28, 2021

/s/ Brian E. Schaaf _____
Brian E. Schaaf
Chief Financial Officer and Treasurer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Marion B. Harris, President and Chief Executive Officer of Ford Motor Credit Company LLC (the "Company"), hereby certify pursuant to Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, to which this statement is furnished as an exhibit (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 28, 2021

/s/ Marion B. Harris

Marion B. Harris

President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Brian E. Schaaf, Chief Financial Officer and Treasurer of Ford Motor Credit Company LLC (the "Company"), hereby certify pursuant to Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, to which this statement is furnished as an exhibit (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 28, 2021

/s/ Brian E. Schaaf
Brian E. Schaaf
Chief Financial Officer and Treasurer