

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

(Mark One)

☒ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended **December 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)

38-1612444
(I.R.S. employer identification no.)

**One American Road
Dearborn, Michigan**
(Address of principal executive offices)

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	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 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

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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, a 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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 I(1)(a) and (b) of Form 10-K and is therefore filing this Form with the reduced disclosure format.

[Exhibit Index](#) begins on page [59](#)

FORD MOTOR CREDIT COMPANY LLC
ANNUAL REPORT ON FORM 10-K
For the Year Ended December 31, 2021

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PART I

ITEM 1. *Business.*

Overview

Ford Motor Credit Company LLC was incorporated in Delaware in 1959 and converted to a limited liability company in 2007. We are an indirect, wholly owned subsidiary of Ford Motor Company ("Ford"). Our principal executive offices are located at One American Road, Dearborn, Michigan 48126, and our telephone number is (313) 322-3000.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K filed with the Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act are available free of charge through our website located at www.fordcredit.com/investor-center. These reports can also be found on the SEC's website located at www.sec.gov.

Our website and its content are not deemed to be incorporated by reference into this Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Form 10-K Report" or "Report") nor filed with the SEC.

Products and Services. We offer a wide variety of automotive financing products to and through automotive dealers throughout the world. The predominant share of our business consists of financing Ford and Lincoln vehicles and supporting the dealers of those brands. We earn our revenue primarily from:

- Payments made under retail installment sale and finance lease (retail financing) and operating lease contracts that we originate and purchase;
- Interest rate supplements and other support payments from Ford and affiliated companies; and
- Payments made under dealer financing programs.

As a result of our financing activities, we have a large portfolio of finance receivables and operating leases which we classify into two portfolios – "consumer" and "non-consumer".

Finance receivables and operating leases in the consumer portfolio include products offered to individuals and businesses that finance the acquisition of Ford and Lincoln vehicles from dealers for personal and commercial use. Retail financing includes retail installment sale contracts for new and used vehicles and finance leases (comprised of sales-type and direct financing leases) for new vehicles to retail and commercial customers, including leasing companies, government entities, daily rental companies, and fleet customers.

Finance receivables in the non-consumer portfolio include products offered to automotive dealers and receivables related to Ford and its affiliates. We make wholesale loans to dealers to finance the purchase of vehicle inventory, also known as floorplan financing, as well as loans to dealers to finance working capital and improvements to dealership facilities, finance the purchase of dealership real estate, and finance other dealer vehicle programs. We also purchase receivables from Ford and its affiliates, primarily related to the sale of parts and accessories to dealers and certain used vehicles from daily rental fleet companies. In addition, we provide financing to Ford for vehicles that Ford leases to its employees.

We also service the finance receivables and operating leases we originate and purchase, make loans to Ford affiliates, and provide insurance services related to our financing programs.

Geographic Scope of Operations and 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. We segment our business based on geographic regions: the United States and Canada, Europe, and All Other. Items excluded in assessing segment performance because they are managed at the corporate level, i.e., market valuation adjustments to derivatives and exchange-rate fluctuations on foreign currency-denominated transactions, are reflected in Unallocated Other. For additional financial information regarding our operations by business segment and operations by geographic region, see Note 15 of our Notes to the Financial Statements.

Item 1. Business (Continued)

United States and Canada Segment

Our United States and Canada segment represented 80% and 81% of total managed receivables at year-end 2020 and 2021, respectively. Our United States operations accounted for 87% of the United States and Canada segment total managed receivables at both year-end 2020 and 2021. For additional information on how we review our business performance, including on a managed basis, refer to the “Overview” section of Item 7. Managed receivables are defined further in the “Financial Condition” section of Item 7.

Under the Ford Credit and Lincoln Automotive Financial Services brand names, we provide financing services to and through dealers of Ford and Lincoln vehicles. Operations in some markets may also include joint ventures with local financial institutions and other third parties. In addition, other private label operations and alternative business arrangements exist in some markets.

Europe Segment

Our operations in Europe are managed primarily through a United Kingdom-based subsidiary, FCE Bank plc (“FCE”), along with affiliates in Poland, the Netherlands, and Belgium. This segment represented 17% and 15% of total managed receivables at year-end 2020 and 2021, respectively. FCE operates in the United Kingdom, has branches in eight other European countries, and it has operating subsidiaries in Germany, Italy, Switzerland, the Czech Republic, and Hungary that provide a variety of retail and dealer financing. The United Kingdom and Germany are our largest markets in Europe, representing 62% and 64% of Europe segment managed receivables at year-end 2020 and 2021, respectively. Customers and dealers in Italy, France, and Spain were 27% and 29% of Europe segment managed receivables at year-end 2020 and 2021, respectively. FCE, through its Worldwide Trade Financing (“WWTF”) division, provides financing to distributors and importers in about 70 countries where Ford has no national sales company presence representing 1% of Europe segment managed receivables at both year-end 2020 and 2021. In addition, other private label operations and alternative business arrangements exist in some markets.

All Other Segment

Our All Other segment includes operations in Mexico, Brazil, Argentina, China, India, and a joint venture in South Africa. This segment represented 3% and 4% of total managed receivables at year-end 2020 and 2021, respectively. In addition, other private label operations and alternative business arrangements exist in some markets. In June 2021, we announced that our subsidiaries in Brazil and Argentina had committed to a plan to cease originating receivables by the end of 2021 and would begin the process of selling or otherwise winding down operations in those markets. We have also begun to cease operations in India.

Dependence on Ford

The predominant share of our business consists of financing Ford and Lincoln vehicles and supporting Ford and Lincoln dealers. Any extended reduction or suspension of Ford’s production or sale of vehicles due to a decline in consumer demand, work stoppage, governmental action, negative publicity, or other event, or significant changes to marketing programs sponsored by Ford, would have an adverse effect on our business. Additional information about Ford’s business, operations, production, sales, and risks can be found in Ford’s Annual Report on Form 10-K for the year ended December 31, 2021 (“Ford’s 2021 Form 10-K Report”), filed separately with the SEC.

Ford has sponsored special financing programs available only through us. Under these programs, Ford makes interest supplements or other support payments to us. These programs increase our financing volume and share of financing sales and operating leases of Ford and Lincoln vehicles. Similar programs may be offered in the future. For additional information regarding interest supplements and other support costs received from affiliated companies, see Notes 4 and 5 of our Notes to the Financial Statements.

Competition

The automotive financing business is highly competitive, due in part to credit aggregation systems that permit dealers to send credit applications to multiple finance sources to evaluate financing options offered by these finance sources. Our principal competitors are:

- Banks;
- Independent finance companies;
- Credit unions;
- Leasing companies; and
- Other automobile manufacturers' affiliated finance companies.

We compete mainly on the basis of service and financing rate programs, including those sponsored by Ford. A key foundation of our service is providing broad and consistent purchasing policies for retail financing and operating lease contracts, and consistent support for dealer financing requirements across economic cycles. These policies have helped us build strong relationships with Ford's dealer network that enhance our competitiveness. Our ability to provide competitive financing rates depends on effectively and efficiently originating, purchasing, and servicing our receivables, and efficiently accessing the capital markets. We routinely monitor the capital markets and develop funding plans to optimize our competitive position. Ford-sponsored special financing programs available only through us give us a competitive advantage in providing financing to Ford dealers and their customers.

Seasonal Variations

As a finance company, we own and manage a large portfolio of receivables that are generated throughout the year and are collected over a number of years, primarily in fixed monthly payments. As a result, our overall financing revenues do not exhibit seasonal variations.

Consumer Financing

Overview and Purchasing Process

We provide financing services to customers for personal and commercial use through automotive dealers that have established relationships with us. Our primary business consists of originating and purchasing retail financing and operating lease contracts for new and used vehicles from Ford and Lincoln dealers. We report in our financial statements the receivables from customers under retail financing contracts as finance receivables. We report in our financial statements most of our retail leases as net investment in operating leases with the capitalized cost of the vehicles recorded as depreciable assets.

In general, we purchase from dealers retail financing and operating lease contracts that meet our purchase standards. These contracts primarily relate to the purchase or lease of new vehicles, but some are for used vehicles. Dealers typically submit customer applications electronically. We automatically obtain information on the applicant including a credit bureau score, if available. We use a proprietary scoring system that measures credit quality using information from sources including the credit application, proposed contract terms, and credit bureau data. 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. Purchase decisions are made within a framework of Ford Credit's purchase quality and risk factor guidelines. Credit applications are typically evaluated by our electronic decisioning process, which may approve or reject applications.

Retail Financing

The amount we pay for a retail installment sale contract is based on a negotiated vehicle purchase price agreed to between the dealer and the retail customer, less vehicle trade-in allowance or down payment from the customer and special marketing cash payments offered by Ford Credit and Ford, plus any additional products, such as insurance and extended service plans, that are included in the contract. The net purchase price owed by the customer typically is paid over a specified number of months with interest at a fixed rate negotiated between the dealer and the retail customer. The dealer may retain a limited portion of the finance charge.

Item 1. Business (Continued)

We offer a variety of retail installment sale financing products. The average original term of our retail installment sale contracts in the United States was 68 months and 63 months for contracts purchased in 2020 and 2021, respectively. The term decrease is explained by marketing programs limiting the most popular incentive rates to 48-months or less compared to the 2020 programs that offered 0% financing for 84-months in response to COVID-19. A small portion of our retail installment sale contracts have non-uniform payment periods and payment amounts to accommodate special cash flow situations.

In most markets, we hold a security interest in the vehicles purchased through retail installment sale contracts. This security interest provides us certain rights and protections. As a result, if our collection efforts fail to bring a delinquent customer's payments current, we generally can repossess the customer's vehicle, after satisfying local legal requirements, and sell it at auction. The customer typically remains liable for any deficiency between net auction proceeds and the defaulted contract obligations, including any repossession-related expenses. We generally require retail customers to carry fire, theft, and collision insurance on financed vehicles.

We offer vehicle-financing programs to retail and commercial customers including leasing companies, government entities, daily rental companies, and fleet customers through sales-type and direct financing leases. These financings include primarily lease plans for terms of 24 to 60 months. We hold a security interest in financed vehicles in almost all instances. At the end of the finance term, a lease customer may be required to pay any shortfall between the fair market value and the specified end of term value of the vehicle. If the fair market value of the vehicle at the end of the finance term exceeds the specified end of term value, the lease customer may be paid the excess amount. These financings are included in our consumer segment and reported as retail financing. We also offer a retail balloon product in the United States and Europe under which the retail customer may finance a vehicle with an installment sale contract with a series of monthly payments followed by paying the amount remaining in a single balloon payment. The customer can satisfy the balloon payment obligation by payment in full of the amount owed, by refinancing the amount owed, or by returning the vehicle and paying any contractually agreed additional charges for excess mileage or excess wear and use. Generally, we sell vehicles returned to us to Ford dealers and non-Ford dealers through auctions.

Net Investment in Operating Leases

We offer leasing plans to retail customers through our dealers. Our highest volume retail-leasing plan is called Red Carpet Lease, which is offered in the United States and Canada through dealers of Ford and Lincoln brands. Under these plans, dealers originate the leases and offer them to us for purchase. Upon our purchase of a lease, we take ownership of the lease and title to the leased vehicle from the dealer. After we purchase a lease from a dealer, the dealer generally has no further obligation to us in connection with the lease. The customer is responsible for properly maintaining the vehicle and is obligated to pay for excess wear and use as well as excess mileage, if any. At the end of the lease, the customer has the option to purchase the vehicle for the price specified in the lease contract, or return the vehicle to the dealer. If the customer returns the vehicle to the dealer, the dealer may buy the vehicle from us or return it to us. We generally sell vehicles returned to us to Ford and non-Ford dealers through auctions.

The amount we pay to a dealer for a lease, also called the acquisition cost, is based on the negotiated vehicle price agreed to between the dealer and the retail customer, less any vehicle trade-in allowance or down payment from the customer and special marketing cash payments offered by Ford Credit and Ford, plus any additional products, such as insurance and extended service plans, that are included in the contract. The customer makes monthly lease payments based on the purchase price less the contractual residual value of the vehicle, plus lease charges. Some of our lease programs, such as our Red Carpet Lease Advance Payment Plan, provide certain pricing advantages to customers who make all or some monthly payments at lease inception or purchase refundable higher mileage allowances. We generally require lease customers to carry fire, theft, liability, and collision insurance on leased vehicles. In the case of a contract default and repossession, the customer typically remains liable for any deficiency between net auction proceeds and the defaulted contract obligations, including any repossession-related expenses.

In the United States, operating lease terms for new vehicles range primarily from 24 to 39 months. The average original lease term for contracts purchased was 34 months for both 2020 and 2021.

Non-Consumer Financing

Overview

We extend credit to franchised dealers selling Ford and Lincoln vehicles primarily in the form of approved lines of credit to purchase new and used vehicles. Each lending request is evaluated, taking into consideration the borrower's financial condition, supporting security, and numerous other financial and qualitative factors. Generally, receivables are secured by the related vehicle or the related property and may also be secured by other dealer assets. Asset verification processes are in place and generally include physical audits of vehicle inventories with increased audit frequency for higher-risk dealers.

Dealer Financing

Wholesale Financing. We offer a wholesale financing program for qualifying dealers to finance new and used vehicles held in inventory (also known as floorplan financing). We generally finance the vehicle's wholesale invoice price for new vehicles and up to 100% of the dealer's purchase price for used vehicles. Dealers generally pay a floating interest rate on wholesale loans. In the United States, the average new wholesale receivable, excluding the time the vehicle was in transit from the assembly plant to the dealership, was outstanding for 85 days in 2020 compared with 50 days in 2021, primarily due to the semiconductor shortage. Our wholesale financing program includes financing of large multi-brand dealer groups.

When a dealer uses our wholesale financing program to purchase vehicles, we obtain a security interest in the vehicles and, in many instances, other assets of the dealer. In the United States and Canada, our wholly owned subsidiary, The American Road Insurance Company ("TARIC"), generally provides insurance for vehicle damage and theft of vehicles held in dealer inventory that are financed by us.

Dealer Loans. We make loans to dealers to finance the purchase of dealership real estate, to make improvements to dealership facilities, and to provide working capital. These loans are typically secured by mortgages on dealership real estate and/or by security interests in other dealership assets. In addition, these loans are generally supported by personal guarantees from the individual owners of the dealership.

Other Dealer Financing. We also provide financing to qualified dealers for vehicles to be utilized for service replacement and retail rental use. In addition, we provide financing to qualified daily rental companies for new and used vehicles used in their operations.

Other Financing

We also purchase receivables from Ford and its affiliates, primarily related to the sale of parts and accessories to dealers and certain used vehicles from daily rental fleet companies. In addition, we provide financing to Ford for vehicles that Ford leases to its employees. These receivables are excluded from our credit quality reporting since the performance of this group of receivables is generally guaranteed by Ford.

Marketing and Special Programs

We actively market our financing products and services to automotive dealers and customers. We demonstrate to dealers the value of a business relationship with us through personal sales contacts, targeted advertisements in trade publications, and participation in dealer-focused conventions and organizations. Our marketing strategy is based on our belief that we can better assist dealers in achieving their sales, financial, and customer satisfaction goals by being a reliable finance source with knowledgeable automotive and financial professionals offering personal attention and interaction. We demonstrate our commitment to dealer relationships with a variety of materials, measurements, and analyses showing the advantages of a full range of automotive financing products that allows consistent and predictable single source financing. We promote increased dealer transactions through incentives, bonuses, contests, and selected program and rate adjustments.

We promote our retail financing products primarily through pre-approved credit offers to prospective customers, point-of-sale information, and ongoing communications with existing customers. Our communications to these customers promote the advantages of our financing products, the availability of special plans and programs, and the benefits of affiliated products, such as extended warranties, service plans, insurance coverage, gap protection, and excess wear and use waivers. We also emphasize the quality of our customer service and the ease of making payments and transacting business with us. For example, through our website located at www.ford.com/finance and www.lincoln.com/finance or via our FordPass mobile application, a customer can make inquiries, review an account balance, examine current incentives, schedule an electronic payment, or qualify for a pre-approved credit offer.

We also market our non-consumer financing services with a specialized group of employees who make direct sales calls on dealers and, often at the request of such dealers, on potential high-volume commercial customers. This group also uses various materials to explain our flexible programs and services specifically directed at the needs of commercial and fleet vehicle customers.

Servicing

Consumer Financing

After we purchase retail financing contracts and operating leases from dealers and other customers, we manage the contracts during their contract terms. This management process is called servicing. We service the finance receivables and operating leases we originate and purchase. Our servicing duties include the following:

- Applying monthly payments from customers;
- Maintaining a security interest in the financed vehicle;
- Providing billing statements to customers;
- Responding to customer inquiries;
- Releasing our security interest on paid-off finance contracts;
- Contacting delinquent customers for payment;
- Arranging for the repossession of vehicles; and
- Selling repossessed and returned vehicles.

Customer Payment Operations. Customers may make payments by mailing checks to a bank for deposit in a lockbox account, through electronic payment services, a direct debit program, or a telephonic payment system.

Collections. We design our collection strategies and procedures to keep accounts current and to collect on delinquent accounts. We employ a combination of proprietary and non-proprietary tools to assess the probability and severity of default for all of our finance receivables and operating leases and implement our collection efforts based on our determination of the credit risk associated with each customer. As each customer develops a payment history, we use an internally developed behavioral scoring model to assist in determining the best collection strategies. Based on data from this scoring model, contracts are categorized by collection risk. Our centralized collection operations are supported by auto-dialing technology and proprietary collection and workflow operating systems. Through our auto-dialer program and our monitoring and call log systems, we target our efforts on contacting customers about missed payments and developing satisfactory solutions to bring accounts current.

Supplier Operations. We engage vendors to perform some of our servicing processes. These processes include depositing monthly payments from customers, monitoring, processing, and storing documents and certificates of title that reflect the perfection of security interests and ownership in financed and leased vehicles, imaging of contracts and electronic data file maintenance, storing and processing paper and electronic contracts, generating and sending billing statements and other written communications to customers, providing telephonic payment systems for retail customers, handling of some inbound and outbound collections calls, and recovering deficiencies for selected accounts.

Payment Extensions. A payment extension defers one or more past due payments and moves the scheduled maturity date by the number of months extended. Our guidelines for offering a payment extension generally require that the customer's payment problem is temporary, the customer has an income source for making the next payment, and the customer has made at least one payment since the contract's origination. Payment extensions are reviewed regularly by our servicing managers. When allowed by state law, we usually collect a fee on extensions.

Repossessions and Off-Lease Vehicles. We view repossession of a financed or leased vehicle as a final step that we undertake only after all other collection efforts have failed. Our United States and Canada systems also employ a web-based network of outside contractors who support the repossession process. In all of our markets, we sell repossessed vehicles and apply the proceeds to the amount owed on the customer's account. We continue to attempt collection of any deficient amounts until the account is paid in full, we obtain mutually satisfactory payment arrangements with the debtor, or we determine that the account is uncollectible. Repossessed vehicles are reported in *Other assets* on our balance sheets at the lower of their carrying value or values that approximate expected net auction proceeds.

We manage the sale of returned leased vehicles and repossessed vehicles. We inspect and recondition the vehicle to maximize the net auction value of the vehicle. Returned leased vehicles are predominantly sold through an online auction, closed auctions in which only Ford and Lincoln dealers may participate, or at open auctions in which any licensed dealer can participate. Typically, repossessed vehicles are sold at open auctions.

Non-Consumer Financing

In the United States and Canada, we require dealers to submit monthly financial statements that we monitor for potential credit deterioration. We assign an evaluation rating to each dealer, which, among other things, determines the frequency of physical audits of vehicle inventory. We electronically audit vehicle inventory utilizing integrated systems allowing us to access information from Ford reported sales. We monitor dealer inventory financing payoffs to detect deviations from typical repayment patterns and take appropriate actions. If a dealer fails to make principal or interest payments when due and remediation steps are unsuccessful, we will classify the dealer as "status" and may take one or more of the following actions: demand payment of all or a portion of the related receivables; suspend the dealer's credit lines; place Ford Credit employees or security personnel at the dealership; secure the dealer's inventory; require certified funds for all vehicles sold by the dealer; initiate legal actions to exercise rights under the floorplan financing agreement; or increase the dealer's floorplan interest rate. If a loss appears imminent, we will attempt to redistribute new vehicle inventory, liquidate all remaining collateral, enforce any third-party guarantees, and charge off any remaining amounts as uncollectible.

We also provide financing to fleet purchasers, leasing companies, daily rental companies, and other commercial customers. We generally review our exposure under these credit arrangements at least annually.

In addition, we may service wholesale receivables that have been sold to third parties or wholesale receivables that are originated by a third party.

Outside of the United States and Canada, non-consumer financing is managed by the respective regional offices, executed within the local markets, and similar risk management principles are applied.

Insurance

We conduct insurance underwriting operations primarily through TARIC in the United States and Canada. TARIC offers a variety of products and services, including:

- Physical damage insurance coverage for Ford Credit financed vehicles at dealer locations;
- Physical damage insurance coverage for non-affiliated company financed vehicles, serviced by Ford Credit, at dealer locations;
- Physical damage insurance coverage for Ford and Lincoln vehicles in transit between final assembly plants and dealer locations;
- Contractual liability insurance on extended service contracts for Ford and its affiliates; and
- Commercial automobile and general liability insurance and surety bonds for Ford in the United States.

TARIC invests premiums, other revenue, and its capital and surplus to fund future claims, and has established investment guidelines and strategies to reflect its risk tolerance, regulatory requirements, and rating agency considerations, among other factors. TARIC is rated by A.M. Best Company on its financial strength and issuer credit rating. Since 2012, TARIC's rating has been A (Excellent) for its financial strength and "a" (Excellent) on its issuer credit rating and has a "stable" outlook.

We also offer various Ford-branded insurance products throughout the world underwritten by non-affiliated insurance companies from which we receive fee income, but the underwriting risk remains with the non-affiliated insurance companies. Premiums from our insurance business generated 1% of our total revenue in both 2020 and 2021.

Human Capital Resources

People Strategy and Governance

Caring for each other through valuing diversity, embracing inclusion, celebrating success, encouraging new thinking, supporting each other through change, and winning as a team is a key element of our plan to drive long-term business success. Our ultimate parent, Ford Motor Company, maintains an Executive People Forum consisting of the CEO and top leadership team that meets monthly with a specific focus on people and organizational topics that will enable and accelerate delivery of the business plan. Key topic areas include our Enterprise People Strategy, Organization Design & Workforce Planning, Talent Planning & Development, and Leadership Development & Culture.

Diversity, Equity, and Inclusion

At Ford and Ford Credit, we believe that creating a Culture of Belonging for all our employees is both foundational to achieving our Ford+ plan and the right thing to do. We offer 11 Employee Resource Groups ("ERGs") that represent various dimensions of our employee population, including racial, ethnic, gender, religious, sexual orientation and gender identity, ability, and generational communities with chapters throughout the world, in addition to Ford Advocacy for Belonging ("FAB") Councils in every region. The ERGs and FAB Councils are instrumental in providing a voice to our globally diverse workforce as well as sharing valuable insights into the development of products, services, and experiences. Our holistic DEI strategy includes a strong focus on racial equity and DEI education.

Talent Attraction and Capability Assessment

In an environment where many employees are no longer bound to physical locations, where and how we source our talent is evolving. From a capability perspective, we are leveraging best practices in assessments and talent management to strengthen our current capabilities and future pipeline while reinforcing a culture of belonging, empowerment, and innovation. Further, we are also creating targeted learning experiences, democratizing learning and career development opportunities across the organization, and empowering employees to design their own career paths with skill development targeted for the roles of today and the future. Finally, the extent to which our People Leaders are equipped to care for, inspire, and empower our people plays a vital role in our strategy, and we are committed to helping our leaders strengthen these capabilities with dedicated learning paths and non-traditional learning opportunities. In 2021, we established Leadership+, a new mechanism for developing People Leaders and delivering key messages related to that role, including demonstrating care, fostering psychological safety, instilling a challenger mindset, and leading through the evolution of work. Through Leadership+, we have activated People Leaders - quickly and at scale - to help deliver Ford+.

Item 1. Business (Continued)

Employee Health and Safety

Nothing is more important than the health, safety, and well-being of our people, and we consistently strive to achieve world-class levels of safety, through the application of policies and best practices. We maintain a robust safety culture to reduce workplace injuries, supported by effective communication, reporting, and external benchmarking.

Ford and Ford Credit continue to address the complexity of the global COVID-19 pandemic, including how we support and protect our employees, the communities in which we operate, and our Company assets. The COVID-19 Business Resumption Plan, i.e., "The Return-To-Work Playbook," continues to guide our efforts to protect our employees as the pandemic continues. The Return-To-Work Playbook is our corporate guideline and aligns with recommendations from the World Health Organization, the Centers for Disease Control and Prevention, and country and local health departments. The Playbook's core objective is to protect our employees and provide a safe work environment. The main elements of the Playbook include:

- Guidelines and requirements for completion of a daily health check survey
- Guidelines for temperature scanning prior to entering certain facilities
- Guidelines for appropriate use and application of Personal Protective Equipment
- Guidelines and recommendations for social distancing inside and outside of workstations
- Cleaning and disinfecting workstations and common areas
- Guidelines supporting handwashing methods and frequency
- Placement strategy for hand sanitizer stations

We will continue to be vigilant and proactive in our efforts to effectively manage the COVID-19 pandemic.

Employee Wellbeing Initiatives

Our global, holistic approach to wellbeing encompasses the financial, social, mental/emotional, physical, and professional needs of our employees. Foundational to our wellbeing philosophy is providing a broad array of resources and solutions to educate employees and build capability and support for meeting individual wellbeing needs and goals. Wellbeing is an integral part of our total rewards strategy as we work to address business and employee challenges through a multi-channel approach that provides our diverse populations and global regions flexibility and choice to meet their specific needs.

We use data driven insights gathered through surveys, focus groups, and claims data to understand employee needs and prioritize our wellbeing efforts. Through our wellbeing offerings, e.g., work from home support and enhanced childcare and parental resources, we provide employees with experiences, self-guided tools, and access to the professional support and resources they need to achieve their own sense of wellbeing. We are committed to creating an environment where employees and People Leaders care for each other as we deliver Ford+.

Employee Sentiment Strategy

We leverage our ask/listen/observe framework to understand employee sentiment at Ford and Ford Credit. This approach is a holistic and consistent methodology that enables us to understand how employees are feeling in real time and act accordingly. Our measurement focuses on several areas that are key to our business: Employee Mental and Emotional Wellbeing, Health & Safety (including our COVID-19 safety protocols), Employee Experience, Culture, DEI, Leadership, and Strategic Alignment. A critical element of our measurement program is ensuring that data ends up in the hands of those who are best positioned to drive meaningful change. To this end, leaders at all levels have access to dashboards with data from their teams and organizations, as well as personalized next step recommendations embedded into action planning tools. Our measurement approach is also used to inform our areas of focus as an organization and to evaluate the effectiveness of talent initiatives across the enterprise.

Employee Data

We employed approximately 6,400 and 5,600 full-time employees worldwide at year-end 2020 and 2021, respectively. The reduction in employees in 2021 is primarily a result of efficiencies in North America, and the restructuring of our operations in South America. Most of our employees are salaried and are not represented by a union.

Governmental Regulations

As a finance company, we are highly regulated by the governmental authorities in the locations where we operate.

United States

Within the United States, our operations are subject to regulation and supervision under various federal, state, and local laws.

Federal Regulation. We are subject to federal regulation, including the Truth-in-Lending Act, the Consumer Leasing Act, the Equal Credit Opportunity Act, and the Fair Credit Reporting Act. These laws require us to provide certain disclosures to prospective purchasers and lessees in consumer retail financing and operating lease transactions and prohibit discriminatory credit practices. The principal disclosures required under the Truth-in-Lending Act for retail financing transactions include the terms of repayment, the amount financed, the total finance charge, and the annual percentage rate. For operating lease transactions, under the Consumer Leasing Act, we are required to disclose the amount due at lease inception, the terms for payment, and information about lease charges, insurance, excess mileage, wear and use charges, and liability on early termination. The Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants and customers on a variety of factors, including race, color, sex, age, or marital status. Pursuant to the Equal Credit Opportunity Act, creditors are required to make certain disclosures regarding consumer rights and advise consumers whose credit applications are not approved of the reasons for being denied. In addition, any of the credit scoring systems we use during the application process or other processes must comply with the requirements for such systems under the Equal Credit Opportunity Act. The Fair Credit Reporting Act requires us to provide certain information to consumers whose credit applications are not approved on the basis of a consumer credit report obtained from a national credit bureau and sets forth requirements related to identity theft, privacy, and accuracy in credit reporting. In addition, under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), it is unlawful for us to engage in any unfair, deceptive, or abusive act or practice. We are also subject to the Servicemembers Civil Relief Act that provides additional protections for certain customers in the military such as prohibiting us from charging interest in excess of 6% on transactions with those customers, limiting our ability to collect future payments from those operating lease customers who terminate their lease early, and limiting our use of self-help repossession of the vehicle for those customers. We are subject to other federal regulation, including the Gramm-Leach-Bliley Act, which requires us to maintain confidentiality and safeguard certain consumer data in our possession and to communicate periodically with consumers on privacy matters. In addition, the Consumer Financial Protection Bureau ("CFPB") has broad rule-making and enforcement authority for a wide range of consumer financial protection laws that regulate consumer finance businesses, such as Ford Credit's financing business. For additional discussion of the CFPB, see "Item 1A. Risk Factors".

We are also subject to regulation in our funding and securitization activities, including requirements under federal securities laws and specific rules and requirements for asset-backed securities. Derivative activities are regulated under the Commodities Exchange Act and Dodd-Frank Act. These regulations also impose operational and reporting requirements for these funding transactions.

State Regulation - Licensing. In most states, a consumer credit regulatory agency regulates and enforces laws relating to finance companies. Rules and regulations generally provide for licensing of finance companies, limitations on the amount, duration, and charges, including interest rates, that can be included in finance contracts, requirements as to the form and content of finance contracts and other documentation, and restrictions on collection practices and creditors' rights. We must renew these licenses periodically. In periods of high interest rates, rate limitations could have an adverse effect on our operations if we were unable to purchase retail installment sale contracts with finance charges that reflect our increased costs. In certain states, we are subject to periodic examination by state regulatory authorities.

State Regulation - Repossessions. To mitigate our credit losses, sometimes we repossess a financed or leased vehicle. Repossessions are subject to prescribed legal procedures, including peaceful repossession, one or more customer notifications, a prescribed waiting period prior to disposition of the repossessed vehicle, and return of personal items to the customer. Some states provide the customer with reinstatement rights that require us to return a repossessed vehicle to the customer in certain circumstances. Our ability to repossess and sell a repossessed vehicle is restricted if a customer declares bankruptcy.

International

In some countries outside the United States, some of our subsidiaries, including FCE and Ford Bank GmbH ("Ford Bank"), are regulated and/or licensed banking institutions and are required, among other things, to maintain minimum capital and liquidity. FCE is authorized by the U.K. Prudential Regulation Authority ("PRA") and regulated by the U.K. Financial Conduct Authority ("FCA") and the PRA to carry on a range of regulated activities within the United Kingdom. Ford Bank is authorized by the European Central Bank and regulated by both the German Bundesbank and the German Federal Supervisory Authority ("BaFin"). In many locations where we operate, governmental authorities require us to obtain equivalent banking licenses to conduct our business.

Regulatory Compliance Status

Based on our compliance management processes and procedures, we believe that we maintain all material licenses and permits required for our current operations and are in material compliance with all laws and regulations applicable to us and our operations. Failure to satisfy those legal and regulatory requirements could have a material adverse effect on our operations, financial condition, reputation, and/or liquidity. Further, the adoption of new laws or regulations, or the revision of existing laws and regulations, could have a material adverse effect on our operations, financial condition, and/or liquidity.

We actively monitor proposed changes to relevant legal and regulatory requirements in order to maintain our compliance. Through our governmental relations efforts, we also attempt to participate in the legislative and administrative rule-making process on regulatory initiatives that impact finance companies. The cost of our ongoing compliance efforts has not had a material adverse effect on our operations, financial condition, or liquidity.

For additional information on new or increased credit regulations, consumer or data protection regulations, or other regulations, refer to "Item 1A. Risk Factors."

Certain Agreements with Ford and Affiliates

We and Ford are parties to a Second Amended and Restated Relationship Agreement (the "Relationship Agreement") relating to our long-standing business practices with Ford. A copy of the Relationship Agreement was filed as an exhibit to our [Current Report on Form 8-K dated March 19, 2020](#), and is incorporated by reference herein as an exhibit. Pursuant to the Relationship Agreement, if our managed leverage for a calendar quarter were to be higher than 11.5 to 1 (as reported in our most recent Form 10-Q Report or Form 10-K Report), we can require Ford to make or cause to be made a capital contribution to us in an amount sufficient to have caused such managed leverage to have been 11.5 to 1. No capital contributions have been made to us pursuant to the Relationship Agreement.

In addition to the foregoing, the other principal terms of the Relationship Agreement include the following:

- Any extension of credit from us to Ford or any of Ford's automotive affiliates will be on arm's length terms and will be enforced by us in a commercially reasonable manner;
- We will not guarantee more than \$500 million of the indebtedness of, make any investments in, or purchase any real property or manufacturing equipment classified as an automotive asset from Ford or any of Ford's automotive affiliates;
- We will not be required by Ford or any of Ford's automotive affiliates to accept credit or residual risk beyond what we would be willing to accept acting in a prudent and commercially reasonable manner (taking into consideration any interest rate supplements or residual value support payments, guarantees, or other subsidies that are provided to us by Ford or any of Ford's automotive affiliates); and
- We and Ford are separate, legally distinct companies, and we will continue to maintain separate books and accounts. We will prevent our assets from being commingled with Ford's assets, and hold ourselves out as a separate and distinct company from Ford and Ford's automotive affiliates.

We also have an agreement to maintain FCE's net worth in excess of \$500 million. No payments have been made to FCE pursuant to the agreement during the 2001 through 2021 periods.

More information about agreements between us and Ford and other affiliates is contained in our Notes to the Financial Statements, "Business - Overview," "Business - Consumer Financing - Retail Financing," "Business - Non-Consumer Financing - Other Financing," and the description of Ford's business in Ford's 2021 Form 10-K Report.

ITEM 1A. Risk Factors.

We have listed below the material risk factors applicable to Ford or Ford Credit grouped into the following categories: Operational Risks; Macroeconomic, Market, and Strategic Risks; Financial Risks; and Legal and Regulatory Risks.

Operational Risks

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 and Ford Credit face various risks related to public health issues, including epidemics, pandemics, and other outbreaks, including the global outbreak of COVID-19. The impact of COVID-19, including changes in consumer behavior, pandemic fears and market downturns, and restrictions on business and individual activities, has periodically created significant volatility in the global economy. There have been extraordinary actions taken by international, federal, state, and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19 in regions throughout the world, including travel bans, quarantines, "stay-at-home" orders, and similar mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations. For example, in 2020, consistent with the actions taken by governmental authorities, Ford idled its manufacturing operations in regions around the world before ultimately resuming its manufacturing operations taking a phased approach and after introducing new safety protocols at their plants. To the extent cases surge in any locations, stringent limitations on daily activities that may have been eased previously could be reinstated in those areas. Further, if new strains or variants of COVID-19 develop or sufficient amounts of vaccines or treatments are not available, not widely administered for a significant period of time, or otherwise prove ineffective, the impact of COVID-19 on the global economy, and, in turn, Ford and Ford Credit's financial condition, liquidity, and results of operations could be material.

The predominant share of Ford Credit's business consists of financing Ford and Lincoln vehicles, and the duration or resurgence of COVID-19 or similar public health issues may negatively impact the level of originations at Ford Credit. For example, Ford's suspension of manufacturing operations, a significant decline in dealer showroom traffic, and/or a reduction of operations at dealers may lead to a significant decline in Ford Credit's consumer and non-consumer originations. Moreover, COVID-19 has had a significant negative impact on many businesses and unemployment rates increased from pre-COVID-19 levels. Economic uncertainty and higher unemployment may result in higher defaults in Ford Credit's consumer portfolio, and prolonged unemployment may have a negative impact on both new and used vehicle demand.

The global economic slowdown and stay-at-home orders enacted across the United States disrupted auction activity in many locations, which adversely impacted and caused delays in realizing the resale value for off-lease and repossessed vehicles. Although auction values have increased significantly, future or additional restrictions could have a similar adverse impact on Ford Credit. For more information about the impact of higher credit losses and lower residual values on Ford Credit's business, see "*Ford Credit could experience higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles*" below.

As described in more detail below under "*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*," the volatility created by COVID-19 adversely affected Ford Credit's access to the debt and securitization markets and its cost of funding, and any volatility in the capital markets as a result of a surge in cases of COVID-19, new outbreaks or variants, or for any other reason could have an adverse impact on Ford Credit's access to those markets and its cost of funding.

The full impact of COVID-19 on Ford and Ford Credit's financial condition and results of operations remains uncertain and will depend on future developments, such as the ultimate duration and scope of the outbreak (including any potential future waves, the emergence or re-emergence of variants and their transmissibility and the success of vaccination programs and treatments), its impact on our customers, dealers, and suppliers, how quickly normal economic conditions, operations, and the demand for Ford's products can resume, and any permanent behavioral changes that the pandemic may cause. For example, in the event manufacturing operations are again suspended, fully ramping up Ford's production schedule to prior levels may take longer than the prior resumption and will depend, in part, on whether Ford's suppliers and dealers have resumed normal operations. Ford's automotive operations generally do not realize revenue while its manufacturing operations are suspended, but Ford continues to incur operating and non-operating expenses, resulting in a deterioration of its cash flow. Accordingly, any significant future disruption to Ford's production schedule, regionally or globally, whether as a result of Ford's or a supplier's suspension of operations, could have a substantial adverse effect on its financial condition, liquidity, and results of operations. Further, government-sponsored liquidity or stimulus programs in response to COVID-19 may not be available to our customers, suppliers, dealers, or us, and if available, may nevertheless be insufficient to address the impacts of COVID-19. Moreover, Ford's supply and distribution chains may be disrupted by supplier or dealer bankruptcies or their permanent discontinuation of operations.

The COVID-19 pandemic may also exacerbate other risks disclosed in Ford Motor Company's 2021 Form 10-K Report, including, but not limited to, Ford's competitiveness, demand or market acceptance for its products and services, and shifting consumer preferences, and its ability to successfully execute its strategy.

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 or raw materials, can disrupt Ford's production of vehicles. Ford's products contain components that it sources globally from suppliers who, in turn, source components from their suppliers. If there is a shortage of a key component in Ford's supply chain, and the component cannot be easily sourced from a different supplier, the shortage may disrupt Ford's production. For example, the automotive industry continues to face a significant shortage of semiconductors, which has a complex supply chain with long lead times required to increase production and capacity. The shortage is due in large part to strong cross-industry demand, which has presented challenges and production disruptions globally, including at Ford's assembly plants. In addition, Renesas Electronics Corporation, a key supplier of semiconductors for all of the automotive industry and for Ford in particular, experienced a significant fire at its Naka factory in March 2021, and COVID-related work restrictions in Southeast Asia have further impacted semiconductor production. With up to fifty modules on a vehicle, Ford and its competitors who need integrated circuits are experiencing various levels of semiconductor impact. A shortage of key components or raw materials as a result of disruptions in the supply chain, capacity constraints, competition for those items within the automotive industry and other sectors, or otherwise can cause a significant disruption to Ford's production schedule and have a substantial adverse effect on Ford's financial condition or results of operations.

Ford's long-term competitiveness depends on the successful execution of Ford+. Ford previously announced its plan for growth and value creation — Ford+. Ford+ is focused on delivering distinctive and increasingly electric products plus "Always-On" customer relationships and user experiences. The Ford+ plan is designed to leverage its foundational strengths to build new capabilities enriching customer experiences and deepening loyalty. As Ford undertakes this transformation of its business, it must integrate its strategic initiatives into a cohesive business model and balance competing priorities, or it will not be successful. To facilitate this transformation, Ford is making substantial investments, recruiting new talent, and optimizing its business model, management system, and organization. Accordingly, maintaining discipline in its capital allocation continues to be important, as a strong core business and a balance sheet that provides the flexibility to invest in these new growth opportunities is critical to the success of the Ford+ plan. If Ford is unable to optimize its capital allocation among vehicles, services, technology, and other calls on capital, or is otherwise not successful in executing Ford+ (or is delayed for reasons outside of its control), Ford may not be able to realize the full benefits of the plan, which could have an adverse effect on Ford's financial condition or results of operations. Furthermore, if Ford fails to make progress on the plan at the pace that shareholders expect, it may lead to an increase in shareholder activism, which may disrupt the conduct of Ford's business and divert management's attention and resources.

Ford's vehicles could be affected by defects that result in delays in new model launches, recall campaigns, or increased warranty costs.

Government safety standards require manufacturers to remedy defects related to vehicle safety through safety recall campaigns, and a manufacturer is obligated to recall vehicles if it determines that the vehicles do not comply with a safety standard. The National Highway Traffic Safety Administration's ("NHTSA") enforcement strategy has resulted in significant civil penalties being levied and the use of consent orders requiring direct oversight by NHTSA of certain manufacturers' safety processes, a trend that could continue. Should Ford or government safety regulators determine that a safety or other defect or a noncompliance exists with respect to certain of Ford's vehicles prior to the start of production, the launch of such vehicle could be delayed until such defect is remedied. The cost of recall and customer satisfaction actions to remedy defects in vehicles that have been sold could be substantial, particularly if the actions relate to global platforms or involve defects that are identified years after production. For example, NHTSA and the automotive industry are currently engaged in a study of the safety of approximately 56 million Takata desiccated airbag inflators in the United States. Of these, approximately three and a half million of the inflators are in Ford's vehicles. Should NHTSA determine that the inflators contain a safety defect, Ford and other manufacturers could potentially face significant incremental recall costs. Further, to the extent recall and customer satisfaction actions relate to defective components Ford receives from suppliers, Ford's ability to recover from the suppliers may be limited by the suppliers' financial condition. Ford accrues the estimated cost of both base warranty coverage and field service actions at the time a vehicle is sold, and it reevaluates the adequacy of its accruals on a regular basis. In addition, from time to time, Ford issues extended warranties at its expense, the estimated cost of which is accrued at the time of issuance. For additional information regarding warranty and field service action costs, including Ford's process for establishing its reserves, see "Critical Accounting Estimates" Item 7 and Note 25 of the Notes to the Financial Statements in Ford Motor Company's 2021 10-K. If warranty costs are greater than anticipated as a result of increased vehicle and component complexity, the adoption of new technologies, or otherwise, such costs could have an adverse effect on Ford's financial condition or results of operations. Furthermore, launch delays, recall actions, and increased warranty costs could adversely affect Ford's reputation or market acceptance of its products as discussed below under *"Ford's new and existing products, digital and physical services, and mobility services are subject to market acceptance and face significant competition from existing and new entrants in the automotive, mobility, and digital services industries."*

Ford may not realize the anticipated benefits of existing or pending strategic alliances, joint ventures, acquisitions, divestitures, or new business strategies. Ford has invested in, formed strategic alliances with, and announced or formed joint ventures with a number of companies, and it may expand those relationships or enter into similar relationships with additional companies. These initiatives typically involve enormous complexity and may involve a lengthy regulatory approval process. As a result, Ford may not be able to complete anticipated transactions, the anticipated benefits of these transactions may not be realized, or the benefits may be delayed. For example, Ford may not successfully integrate an alliance or joint venture with its operations, including the implementation of its controls, systems, procedures, and policies, or unforeseen expenses or liabilities may arise that were not discovered during due diligence prior to an investment or entry into a strategic alliance, or a misalignment of interests may develop between Ford and the other party. Further, to the extent Ford shares ownership, control, or management with another party in a joint venture, Ford's ability to influence the joint venture may be limited, and Ford may be unable to prevent misconduct or implement its compliance or internal control systems. In addition, implementation of a new business strategy may lead to the disruption of Ford's existing business operations, including distracting management from current operations. Results of operations from new activities may be lower than Ford's existing activities, and, if a strategy is unsuccessful, Ford may not recoup its investments, which may be significant, in that strategy. Moreover, Ford may continue to have financial exposure following a strategic divestiture or cessation of operations in a market, and restructuring actions may subject Ford to potential claims from employees, suppliers, dealers, or governmental authorities or harm its reputation. Failure to successfully and timely realize the anticipated benefits of these transactions or strategies could have an adverse effect on Ford's financial condition or results of operations.

Operational systems, security systems, vehicles, and services could be affected by cyber incidents, ransomware attacks, and other disruptions. Ford and Ford Credit rely on information technology networks and systems, including in-vehicle systems and mobile devices, some of which are managed by suppliers, to process, transmit, and store electronic information that is important to the operation of their businesses, Ford's vehicles, and the services Ford offers. Despite security measures, Ford and Ford Credit are at risk for interruptions, outages, and compromises of: (i) operational systems (including business, financial, accounting, product development, consumer receivables, data processing, or manufacturing processes); (ii) facility security systems; and/or (iii) in-vehicle systems or mobile devices, whether caused by a ransomware or other cyber attack, security breach, or other reasons, e.g., a natural disaster, fire, or overburdened infrastructure system. Such incidents could materially disrupt operational systems; result in loss of trade secrets or other proprietary or competitively sensitive information; compromise the privacy of personal information of consumers, employees, or others; jeopardize the security of Ford and/or Ford Credit's facilities; affect the performance of in-vehicle systems or services Ford offers; and/or impact the safety of Ford's vehicles. This risk exposure rises as Ford continues to develop and produce vehicles with increased connectivity. Moreover, Ford, Ford Credit, its suppliers, and dealers have been the target of cyber attacks in the past, and such attacks will continue and evolve in the future, which may cause cyber incidents to be more difficult to detect for periods of time. Ford and Ford Credit's networks and Ford's in-vehicle systems, sharing similar architectures, could also be impacted by, or a data breach may result from, the negligence or misconduct of insiders or third parties who have access to Ford and Ford Credit's networks and systems. Ford and Ford Credit continually employ capabilities, processes, and other security measures designed to reduce and mitigate the risk of cyber attacks; however, such preventative measures cannot provide absolute security and may not be sufficient in all circumstances or mitigate all potential risks. Moreover, a cyber incident could harm Ford and Ford Credit's reputation, cause customers to lose trust in its security measures, and/or subject Ford and Ford Credit to regulatory actions or litigation, and a cyber incident involving Ford or one of its suppliers could impact production, Ford's internal operations, or its ability to deliver products and services to its customers.

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, capacity limitations, or other factors. A work stoppage or other limitation on production could occur at Ford's or its suppliers' facilities for any number of reasons, including as a result of labor issues, including disputes under existing collective bargaining agreements with labor unions or in connection with negotiation of new collective bargaining agreements, absenteeism, public health issues (e.g., COVID-19), stay-at-home orders, or in response to potential restructuring actions (e.g., plant closures); as a result of supplier financial distress or other production constraints, such as limited quantities of components, including but not limited to semiconductors, or raw materials, quality issues, capacity limitations, or other difficulties; as a result of a natural disaster (including climate-related physical risk); cyber incidents; or for other reasons. Many components used in Ford's vehicles are available only from a single or limited number of suppliers and, therefore, cannot be re-sourced quickly or inexpensively to another supplier (due to long lead times, new contractual commitments that may be required by another supplier before ramping up to provide the components or materials, etc.). Such suppliers also could threaten to disrupt Ford's production as leverage in negotiations. In addition, when Ford undertakes a model changeover, significant downtime at one or more of its production facilities may be required, and Ford's ability to return to full production may be delayed if it experiences production difficulties at one of its facilities or a supplier's facility. Moreover, as vehicles, components, and their integration become more complex, Ford may face an increased risk of a delay in production of new vehicles. Regardless of the cause, Ford's ability to recoup lost production volume may be limited. Accordingly, a significant disruption to Ford's production schedule could have a substantial adverse effect on its financial condition or results of operations and may impact its strategy to comply with fuel economy standards as discussed below under "*Ford may need to substantially modify its product plans to comply with safety, emissions, fuel economy, autonomous vehicle, and other regulations.*"

Ford's ability to maintain a competitive cost structure could be affected by labor or other constraints. Substantially all of the hourly employees in Ford's Automotive operations in the United States and Canada are represented by unions and covered by collective bargaining agreements. These agreements provide guaranteed wage and benefit levels throughout the contract term and some degree of income security, subject to certain conditions. These agreements may restrict Ford's ability to close plants and divest businesses. A substantial number of Ford's employees in other regions are represented by unions or government councils, and legislation or custom promoting retention of manufacturing or other employment in the state, country, or region may constrain as a practical matter Ford's ability to sell or close manufacturing or other facilities.

Ford's ability to attract and retain talented, diverse, and highly skilled employees is critical to its success and competitiveness. Ford's success depends on its ability to continue to recruit and retain talented and diverse employees who are highly skilled in engineering, software, technology (including digital capabilities and connectivity), and marketing and finance, among other areas. Competition for such employees is intense, which has led to an increase in compensation throughout the labor market, and, accordingly, may increase costs for employers. In addition to compensation considerations, however, potential employees are increasingly placing a premium on various intangibles, such as working for companies with a clear purpose, flexible work arrangements, and other considerations. If Ford is not perceived as an employer of choice, we may be unable to recruit highly skilled employees. Further, if Ford loses existing employees with needed skills or are unable to upskill and develop existing employees, particularly with the introduction of new technologies, it could have a substantial adverse effect on Ford's business.

Macroeconomic, Market, and Strategic Risks

Ford's new and existing products, digital and physical services, and mobility services are subject to market acceptance and face significant competition from existing and new entrants in the automotive, mobility, and digital services industries. Although Ford conducts extensive market research before launching new or refreshed vehicles and introducing new services, many factors both within and outside Ford's control affect the success of new or existing products and services in the marketplace, and Ford may not be able to accurately predict or identify emerging trends or the success of new products or services in the market. It takes years to design and develop a new vehicle or change an existing vehicle. Because customers' preferences may change quickly, Ford's new and existing products may not generate sales in sufficient quantities and at costs low enough to be profitable and recoup investment costs. Offering vehicles and services that customers want and value can mitigate the risks of increasing price competition and declining demand, but products and services that are perceived to be less desirable (whether in terms of price, quality, styling, safety, overall value, fuel efficiency, or other attributes) can exacerbate these risks. For example, if Ford is unable to differentiate its products and services from those of its competitors, develop innovative new products and services, or sufficiently tailor its products and services to customers in other markets, there could be insufficient demand for Ford's products and services, which could have an adverse impact on Ford's financial condition or results of operations.

With increased consumer interconnectedness through the internet, social media, and other media, mere allegations relating to quality, safety, fuel efficiency, corporate social responsibility, or other key attributes can negatively impact Ford's reputation or market acceptance of its products or services, even where such allegations prove to be inaccurate or unfounded. Further, Ford's ability to successfully grow through capacity expansion and investments in the areas of electrification, connectivity, digital and physical services, and mobility depends on many factors, including advancements in technology, regulatory changes, infrastructure development (e.g., a widespread vehicle charging network), and other factors that are difficult to predict, that may significantly affect the future of electric and autonomous vehicles, digital and physical services, and mobility services. The automotive, mobility, and digital service businesses are very competitive and are undergoing rapid changes. Traditional competitors are expanding their offerings, and new types of competitors (particularly in Ford's areas of strength, e.g., pick-up trucks and utilities) that may possess superior technology, may have business models with certain aspects that are more efficient, and are not subject to the same level of fixed costs as Ford, are entering the market. This level of competition increases the importance that Ford is able to anticipate, develop, and deliver products and services that customers desire on a timely basis, in quantities in line with demand, and at costs low enough to be profitable.

Ford has announced its intent to continue making multi-billion dollar investments in electrification and mobility. Ford's plans include offering electrified versions of many of its vehicles, including the F-150 Lightning and E-Transit. If the market for electrified vehicles does not develop at the rate Ford expects, even if the regulatory framework encourages a rapid adoption of electrified vehicles, there is a negative perception of Ford's vehicles or about electric vehicles in general, or if consumers prefer its competitors' vehicles, there could be an adverse impact on Ford's financial condition or results of operations. Further, as discussed below under "*Ford may need to substantially modify its product plans to comply with safety, emissions, fuel economy, autonomous vehicle, and other regulations,*" lower than planned market acceptance of Ford's vehicles may impact its strategy to comply with fuel economy standards. Moreover, new offerings, including those related to electric and autonomous vehicles, may present technological challenges that could be costly to implement and overcome and may subject Ford to customer claims if the vehicles do not operate as anticipated. In addition, since new technologies are subject to market acceptance, a malfunction involving any manufacturer's autonomous vehicle may negatively impact the perception of autonomous vehicles and erode customer trust.

Ford's near-term results are dependent on sales of larger, more profitable vehicles, particularly in the United States. A shift in consumer preferences away from larger, more profitable vehicles with internal combustion engines (including trucks and utilities) to battery electric or other vehicles in Ford's portfolio that may be less profitable could result in an adverse effect on Ford's financial condition or results of operations in the near term. In the longer term, if demand for battery electric vehicles grows at a rate greater than our ability to increase our production capacity for those vehicles, lower market share and revenue, as well as facility and other asset-related charges (e.g., accelerated depreciation) associated with the production of internal combustion vehicles, may result.

With a global footprint, Ford's results could be adversely affected by economic, geopolitical, protectionist trade policies, or other events, including tariffs. With the interconnectedness of the global economy, the challenges of a pandemic, a financial crisis, economic downturn or recession, natural disaster, geopolitical crisis, or other significant event in one area of the world can have an immediate and material adverse impact on markets around the world. Changes in international trade policy can also have a substantial adverse effect on Ford's financial condition or results of operations. Steps taken by the U.S. government to apply or consider applying tariffs on automobiles, parts, and other products and materials have the potential to disrupt existing supply chains, impose additional costs on Ford's business, and may lead to other countries attempting to retaliate by imposing tariffs, which would make Ford's products more expensive for customers in other markets, and, in turn, could make Ford's products less competitive. China presents unique risks to U.S. automakers due to the strain in U.S.-China relations and China's unique regulatory landscape.

Ford has operations in various markets with volatile economic or political environments. This may expose Ford to heightened risks of economic, geopolitical, or other events, including governmental takeover (i.e., nationalization) of Ford's manufacturing facilities or intellectual property, restrictive exchange or import controls, disruption of operations as a result of systemic political or economic instability, outbreak of war or expansion of hostilities, and acts of terrorism, each of which could have a substantial adverse effect on Ford's financial condition or results of operations. Further, the U.S. government, other governments, and international organizations could impose additional sanctions that could restrict Ford and Ford Credit from doing business directly or indirectly in or with certain countries or parties, which could include affiliates.

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. Because Ford, like other manufacturers, has a high proportion of relatively fixed structural costs, relatively small changes in industry sales volume can have a substantial effect on its cash flow and results of operations. Industry vehicle sales are affected by overall economic and market conditions and developing trends such as shared vehicle ownership and the transportation as a service model, e.g., ridesharing services. If industry vehicle sales were to decline to levels significantly below Ford's planning assumption for key markets including the United States, Europe, or China, the decline could have a substantial adverse effect on Ford's financial condition, results of operations, and cash flow. For a discussion of economic trends, see Item 7 of Ford Motor Company's 2021 10-K.

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. The global automotive industry is intensely competitive, with manufacturing capacity generally far exceeding current demand (the recent capacity constraints being a temporary exception). Historically, industry overcapacity has resulted in many manufacturers offering marketing incentives on vehicles in an attempt to maintain and grow market share; these incentives historically have included a combination of subsidized financing or leasing programs, price rebates, and other incentives. As a result, Ford is not necessarily able to set its prices to offset higher marketing incentives, commodity or other cost increases, tariffs, or the impact of adverse currency fluctuations, including cost advantages foreign competitors may have because of their weaker home market currencies, which may, in turn, enable those competitors to offer their products at lower prices. As the automotive industry transitions to battery electric vehicles, excess capacity, particularly for internal combustion engine trucks and utilities, may continue or increase. This excess capacity may further increase price competition in that segment of the market, which could have a substantial adverse effect on Ford's financial condition or results of operations.

Inflationary pressure and fluctuations in commodity prices, foreign currency exchange rates, interest rates, and market value of Ford or Ford Credit's investments, including marketable securities, can have a significant effect on results. Ford and Ford Credit are exposed to inflationary pressure and a variety of market risks, including the effects of changes in commodity prices, foreign currency exchange rates, and interest rates. Ford and Ford Credit monitor and manage these exposures as an integral part of our overall risk management program, which recognizes the unpredictability of markets and seeks to reduce potentially adverse effects on our business. Changes in commodity prices (from tariffs, as discussed above under “*With a global footprint, Ford's results could be adversely affected by economic, geopolitical, protectionist trade policies, or other events, including tariffs,*” or otherwise), currency exchange rates, and interest rates cannot always be predicted, hedged, or offset with price increases to eliminate earnings volatility. As a result, significant changes in commodity prices, foreign currency exchange rates, or interest rates could have a substantial adverse effect on Ford's and/or Ford Credit's financial condition or results of operations. See Item 7 and Item 7A, in Ford Motor Company's 2021 10-K, for additional discussion of currency, commodity price, and interest rate risks. In addition, Ford's results are impacted by fluctuations in the market value of its investments, including its Rivian marketable securities, with unrealized gains and losses that could be material in any period.

Financial Risks

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 and Ford Credit's ability to obtain unsecured funding at a reasonable cost is dependent on their credit ratings or their perceived creditworthiness. Further, Ford Credit's ability to obtain securitized funding under its committed asset-backed liquidity programs and certain other asset-backed securitization transactions is subject to having a sufficient amount of assets eligible for these programs, as well as Ford Credit's ability to obtain appropriate credit ratings and, for certain committed programs, derivatives to manage the interest rate risk. Over time, and particularly in the event of credit rating downgrades, market volatility, market disruption, or other factors, Ford Credit may reduce the amount of receivables it purchases or originates because of funding constraints. The discontinuance of LIBOR is one such risk that could cause market volatility or disruption and could adversely affect Ford Credit's access to the debt, securitization, or derivative markets and increase its cost of funding and hedging. In addition, Ford Credit may reduce the amount of receivables it purchases or originates if there is a significant decline in the demand for the types of securities it offers or Ford Credit is unable to obtain derivatives to manage the interest rate risk associated with its securitization transactions. A significant reduction in the amount of receivables Ford Credit purchases or originates would significantly reduce its ongoing results of operations and could adversely affect its ability to support the sale of Ford vehicles.

Ford's receipt of government incentives could be subject to reduction, termination, or clawback. Ford receives economic benefits from national, state, and local governments in various regions of the world in the form of incentives designed to encourage manufacturers to establish, maintain, or increase investment, workforce, or production. These incentives may take various forms, including grants, loan subsidies, or tax abatements or credits. The impact of these incentives can be significant in a particular market during a reporting period. A decrease in, expiration without renewal of, or other cessation or clawback of government incentives for any of Ford's business units, as a result of administrative decision or otherwise, could have a substantial adverse impact on Ford's financial condition or results of operations. Until 2021, most of Ford's manufacturing facilities in South America were located in Brazil, where the state or federal governments historically offered significant incentives to manufacturers to encourage capital investment, increase manufacturing production, and create jobs. As a result, the performance of Ford's South American operations had been impacted favorably by government incentives to a substantial extent. The federal government in Brazil has levied assessments against Ford concerning the federal incentives it previously received, and the State of São Paulo has challenged the grant to Ford of tax incentives by the State of Bahia. See Note 2 of the Notes to the Financial Statements in Ford's 2021 Form 10-K Report for discussion of Ford's accounting for government incentives, and “Item 3. Legal Proceedings” in Ford's 2021 Form 10-K Report for a discussion of tax proceedings in Brazil and the potential requirement for Ford to post collateral.

Ford Credit could experience higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles. Credit risk is the possibility of loss from a customer's or dealer's failure to make payments according to contract terms. Credit risk (which is heavily dependent upon economic factors including unemployment, consumer debt service burden, personal income growth, dealer profitability, and used car prices) has a significant impact on Ford Credit's business. The level of credit losses Ford Credit may experience could exceed its expectations and adversely affect its financial condition or results of operations. In addition, Ford Credit projects expected residual values (including residual value support payments from Ford) and return volumes for the vehicles it leases. Actual proceeds realized by Ford Credit upon the sale of returned leased vehicles at lease termination may be lower than the amount projected, which would reduce Ford Credit's return on the lease transaction. Among the factors that can affect the value of returned lease vehicles are the volume and mix of vehicles returned industry-wide, economic conditions, marketing programs, and quality or perceived quality, safety, fuel efficiency, or reliability of the vehicles, or changes in propulsion technology and related legislative changes. Actual return volumes may be influenced by these factors, as well as by contractual lease-end values relative to auction values. In 2021, Ford Credit experienced lower-than-expected return volumes. If auction values decrease significantly in the future, return volumes could exceed Ford Credit's expectations. Each of these factors, alone or in combination, has the potential to adversely affect Ford Credit's results of operations if actual results were to differ significantly from Ford Credit's projections. See "Critical Accounting Estimates" in Item 7 for additional discussion.

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. The measurement of Ford's obligations, costs, and liabilities associated with benefits pursuant to its pension and other postretirement benefit plans requires that Ford estimate the present value of projected future payments to all participants. Ford uses many assumptions in calculating these estimates, including assumptions related to discount rates, investment returns on designated plan assets, and demographic experience (e.g., mortality and retirement rates). Ford generally remeasures these estimates at each year end and recognizes any gains or losses associated with changes to its plan assets and liabilities in the year incurred. To the extent actual results are less favorable than Ford's assumptions, Ford may recognize a remeasurement loss in its results, which could be substantial. For additional information regarding Ford's assumptions, see "Critical Accounting Estimates" in Item 7 and Note 17 of the Notes to the Financial Statements in Ford's 2021 Form 10-K Report.

Pension and other postretirement liabilities could adversely affect Ford's liquidity and financial condition. Ford has defined benefit retirement plans in the United States that cover many of its hourly and salaried employees. Ford also provides pension benefits to non-U.S. employees and retirees, primarily in Europe. In addition, Ford sponsors plans to provide other postretirement benefits ("OPEB") for retired employees (primarily health care and life insurance benefits). See Note 17 of the Notes to the Financial Statements, in Ford's 2021 10-K Report, for more information about these plans. These benefit plans impose significant liabilities on Ford and could require Ford to make additional cash contributions, which could impair Ford's liquidity. If Ford's cash flows and capital resources were insufficient to meet any pension or OPEB obligations, Ford could be forced to reduce or delay investments and capital expenditures, suspend dividend payments, seek additional capital, or restructure or refinance its indebtedness.

Legal and Regulatory Risks

Ford and Ford Credit could experience unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, services, perceived environmental impacts, or otherwise. Ford and Ford Credit spend substantial resources ensuring that they comply with governmental safety regulations, mobile and stationary source emissions regulations, consumer and automotive financial regulations, and other standards, but they cannot ensure that employees or other individuals affiliated with Ford and/or Ford Credit will not violate such laws or regulations. In addition, as discussed below under "*Ford may need to substantially modify its product plans to comply with safety, emissions, fuel economy, autonomous vehicle, and other regulations,*" and "*Ford Credit could be subject to new or increased credit regulations, consumer protection regulations, or other regulations,*" regulatory standards and interpretations may change on short notice and impact Ford and/or Ford Credit's compliance status. Moreover, compliance with governmental standards does not necessarily prevent individual or class action lawsuits, which can entail significant cost and risk. In certain circumstances, courts may permit civil actions even where Ford's vehicles, services, and Ford Credit's financial products comply with federal and/or other applicable law. Furthermore, simply responding to actual or threatened litigation or government investigations of Ford's compliance with regulatory standards, whether related to Ford's products, services, or business or commercial relationships, requires significant expenditures of time and other resources. Litigation also is inherently uncertain, and Ford and/or Ford Credit could experience significant adverse results, which could have an adverse effect on Ford and/or Ford Credit's financial condition or results of operations. In addition, adverse publicity surrounding an allegation may cause significant reputational harm that could have a significant adverse effect on Ford's sales.

Ford may need to substantially modify its product plans to comply with safety, emissions, fuel economy, autonomous vehicle, and other regulations. The automotive industry is subject to regulations worldwide that govern product characteristics and that differ by global region, country, and sometimes within national boundaries. Further, additional and new regulations continue to be proposed to address concerns regarding the environment (including concerns about global climate change and its impact), vehicle safety, and energy independence, and the regulatory landscape can change on short notice. In the United States, legal and policy debates are continuing, with a primary focus on reducing greenhouse gas (“GHG”) emissions and increasing vehicle electrification. The Trump administration rolled back Obama administration GHG standards through the 2026 model year and sought to block California’s authority to adopt its own regulations as well as other states’ authority to opt in to California’s standards. States, environmental groups, and others challenged both of those Trump administration actions in court. The Biden administration has completed actions to reverse the rollback of GHG emissions standards and repeal a NHTSA rule blocking California and other states’ authority, and the administration is expected to reverse NHTSA’s rollback of fuel economy standards and EPA’s action blocking California and other states’ authority. California has an ambitious plan to reduce overall GHG emissions to 40% below 1990 levels by 2030 and EPA is also developing new and more stringent GHG emissions standards after the 2026 model year. Court rulings and actions by federal, California, and other state regulators create regulatory uncertainty and the potential for applicable regulatory standards to change quickly. In addition, many governments regulate local product content and/or impose import requirements with the aim of creating jobs, protecting domestic producers, and influencing the balance of payments.

Ford is continuing to make changes to its product cycle plan to improve the fuel economy of its petroleum-powered vehicles and to offer more propulsion choices, such as electrified vehicles, with lower GHG emissions. There are limits on Ford’s ability to achieve fuel economy improvements over a given time frame, however, primarily relating to the cost and effectiveness of available technologies, consumer acceptance of new technologies and changes in vehicle mix (as described in more detail above under “*Ford’s new and existing products, digital and physical services, and mobility services are subject to market acceptance and face significant competition from existing and new entrants in the automotive, mobility, and digital services industries*”), willingness of consumers to absorb the additional costs of new technologies, the appropriateness (or lack thereof) of certain technologies for use in particular vehicles, the widespread availability (or lack thereof) of supporting infrastructure for new technologies, and the human, engineering, and financial resources necessary to deploy new technologies across a wide range of products and powertrains in a short time. If fuel prices are relatively low and market conditions do not drive consumers to purchase electric vehicles and other highly fuel-efficient vehicles in large numbers, it may be difficult to meet applicable environmental standards without compromising results. Moreover, a production disruption, stop ship, limited availability of necessary components, e.g., batteries, lower than planned market acceptance of Ford’s vehicles, or other intervening events may cause Ford to modify its product plans, or, in some cases, purchase credits, in order to comply with fuel economy standards, which could have an adverse effect on Ford’s financial condition or results of operations and/or cause reputational harm.

Increased scrutiny of automaker emission testing by regulators around the world has led to new regulations, more stringent enforcement programs, requests for field actions, demands for reporting on the field performance of emissions components and higher scrutiny of field data, and/or delays in regulatory approvals. The cost to comply with existing government regulations (in addition to the cost of any field service actions that may result from regulatory actions) is substantial and additional regulations, changes in regulatory interpretations, or changes in consumer preferences that affect vehicle mix could have a substantial adverse impact on Ford’s financial condition or results of operations. In addition, a number of governments, as well as non-governmental organizations, publicly assess vehicles to their own protocols. The protocols could change, and any negative perception regarding the performance of Ford’s vehicles subjected to such tests could reduce future sales. Court decisions arising out of consumer and investor litigation could give rise to *de facto* changes in the interpretation of existing emission laws and regulations, thereby imposing new burdens on manufacturers. For more discussion of the impact of standards on Ford’s global business, see the “Governmental Standards” discussion in “Item 1. Business” in Ford’s 2021 10-K Report.

Ford and other companies continue to develop autonomous vehicle technologies, and the U.S. and foreign governments are continuing to develop the regulatory framework that will govern autonomous vehicles. The evolution of the regulatory framework for autonomous vehicles, and the pace of the development of such regulatory framework, may subject Ford to increased costs and uncertainty, and may ultimately impact Ford’s ability to deliver autonomous vehicles and related services that customers want.

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. Ford and Ford Credit are subject to laws, rules, guidelines from privacy regulators, and regulations in the United States and other countries (such as the European Union's General Data Protection Regulation and the California Consumer Privacy Act) relating to the collection, use, cross-border data transfer, and security of personal information of consumers, employees, or others, including laws that may require Ford or Ford Credit to notify regulators and affected individuals of a data security incident. Existing and newly developed laws and regulations may contain broad definitions of personal information, are subject to change and uncertain interpretations by courts and regulators, and may be inconsistent from state to state or country to country. Accordingly, complying with such laws and regulations may lead to a decline in consumer engagement or cause Ford and/or Ford Credit to incur substantial costs or modify their operations or business practices. Moreover, regulatory actions seeking to impose significant financial penalties for noncompliance and/or legal actions (including pursuant to laws providing for private rights of action by consumers) could be brought against Ford or Ford Credit in the event of a data compromise, misuse of consumer information, or perceived or actual non-compliance with data protection or privacy requirements. Further, any unauthorized release of personal information could harm Ford and/or Ford Credit's reputation, disrupt their businesses, cause them to expend significant resources, and lead to a loss of consumer confidence resulting in an adverse impact on Ford and/or Ford Credit's business and/or consumers deciding to withhold or withdraw consent for Ford or Ford Credit's collection or use of data.

Ford Credit could be subject to new or increased credit regulations, consumer protection regulations, or other regulations. As a finance company, Ford Credit is highly regulated by governmental authorities in the locations in which it operates, which can impose significant additional costs and/or restrictions on its business. In the United States, for example, Ford Credit's operations are subject to regulation and supervision under various federal, state, and local laws, including the federal Truth-in-Lending Act, Consumer Leasing Act, Equal Credit Opportunity Act, and Fair Credit Reporting Act.

The Dodd-Frank Act directs federal agencies to adopt rules to regulate the finance industry and the capital markets and gives the Consumer Financial Protection Bureau ("CFPB") broad rule-making and enforcement authority for a wide range of consumer financial protection laws that regulate consumer finance businesses, such as Ford Credit's automotive financing business. Exercise of these powers by the CFPB may increase the costs of, impose additional restrictions on, or otherwise adversely affect companies in the automotive finance business. The CFPB has authority to supervise and examine the largest nonbank automotive finance companies, such as Ford Credit, for compliance with consumer financial protection laws.

Failure to comply with applicable laws and regulations could subject Ford Credit to regulatory enforcement actions, including consent orders or similar orders where Ford Credit may be required to revise practices, remunerate customers, or pay fines. An enforcement action against Ford Credit could harm Ford Credit's reputation or lead to further litigation.

ITEM 1B. Unresolved Staff Comments.

None.

ITEM 2. Properties.

We own our world headquarters in Dearborn, Michigan. Most of our automotive finance operations are located in leased properties. The continued use of any of these leased properties is not material to our operations. At December 31, 2021, our total future rental commitment under leases of real property was \$84 million.

ITEM 3. Legal Proceedings.

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. At this time, 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 \$1,000,000.

Our significant pending matter is summarized below:

European Competition Law Matter. On October 5, 2018, FCE Bank plc (“FCE”) received a notice from the Italian Competition Authority (the “ICA”) concerning an alleged violation of Article 101 of the Treaty on the Functioning of the European Union. The ICA alleged that FCE and other parties engaged in anti-competitive practices in relation to the automotive finance market in Italy. On January 9, 2019, FCE received a decision from the ICA, which included an assessment of a fine against FCE in the amount of €42 million. 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, and a hearing on the appeal was held on January 13, 2022. On February 1, 2022, the Italian Council of State dismissed the ICA’s appeal.

In addition, any litigation, investigation, proceeding, or claim against Ford that results in Ford incurring significant liability, expenditures, or costs could also have a material adverse effect on our operations, financial condition, or liquidity. For a discussion of pending significant cases against Ford, see Item 3 in Ford’s 2021 Form 10-K Report.

ITEM 4. Mine Safety Disclosures.

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

At December 31, 2021, all of our Shares were owned by Ford Holdings LLC, a wholly owned subsidiary of Ford. We did not issue or sell any equity interests during 2021, and there is no market for our Shares. We paid cash distributions to our parent of \$3.3 billion and \$7.5 billion in 2020 and 2021, respectively.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Our primary focus is to be a reason customers choose and stay with Ford. We work with Ford to maximize customer and dealer satisfaction and loyalty, offering a wide variety of financing products and outstanding service. We strive to continually improve processes focusing on the customer and the dealer to manage costs and ensure the efficient use of capital. As a result, Ford Credit is uniquely positioned to drive incremental sales, improve customer satisfaction and owner loyalty to Ford, and direct profits and distributions back to Ford to support its overall business, including vehicle development.

We leverage three fundamental strategies in the management of our operations:

- To employ prudent origination practices while maintaining a managed level of risk;
- To have efficient and effective servicing and collection practices; and
- To fund the business efficiently while managing our balance sheet risk.

Generation of Revenue, Income, and Cash

The principal factors that influence our earnings are the amount and mix of finance receivables, operating leases, and financing margins. The performance of these receivables and operating leases over time, mainly through the impact of credit losses and variations in the residual value of leased vehicles, also affects our earnings.

The amount of our finance receivables and operating leases depends on many factors, including:

- The volume of new and used vehicle sales and leases;
- The extent to which we purchase retail financing and operating lease contracts and 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.

For finance receivables, financing margin equals the difference between revenue earned on finance receivables and the cost of borrowed funds. For operating leases, financing margin equals revenue earned on operating leases, less depreciation expense and the cost of borrowed funds. Interest rates earned on most receivables and rental charges on operating leases generally are fixed at the time the contracts are originated. On some receivables, primarily dealer wholesale financing, we charge interest at a floating rate that varies with changes in short-term interest rates.

Business Performance

We review our business performance by segment (United States and Canada, Europe, and All Other) on a managed basis. Receivables are presented on a managed basis, as it closely approximates the customer's outstanding balance on the receivables, which is the basis for earning revenue. Our managed receivables equal net finance receivables, net investment in operating leases, and held-for-sale receivables, excluding unearned interest supplements and residual support, allowance for credit losses, and other (primarily accumulated supplemental depreciation). To evaluate our performance we monitor a number of measures, such as delinquencies, repossession statistics, losses on repossessions, and the number of bankruptcy filings.

We measure the performance of our segments primarily on an income before income taxes basis, after excluding market valuation adjustments to derivatives and exchange-rate fluctuations on foreign currency-denominated transactions, which are reflected in Unallocated Other. These adjustments are excluded when assessing our segment performance because they are carried out at the corporate level. We also adjust segment performance to reallocate interest expense among the segments reflecting debt and equity levels proportionate to their product risk. For additional information regarding our segments, see Note 15 of our Notes to the Financial Statements.

Semiconductor Shortage

The automotive industry has faced a significant shortage of semiconductors since early 2021 due in large part to strong cross-industry demand, 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 receivables and higher residual values, as discussed in more detail in the Financial Condition and Residual Risk sections in Item 7 of this Report. We expect supply constraints to remain fluid in 2022 reflecting a variety of factors, including semiconductor availability and COVID-19 impacts. For additional information regarding the semiconductor shortage, see the "Key Trends and Economic Factors Affecting Ford and the Automotive Industry" section in Item 7 of Ford Motor Company's Annual Report on Form 10-K for the year ended December 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. As a result, ROE, net income, distributions, leverage, and equity have been updated for the prior comparator periods to reflect the adoption. This amendment reduces our U.S. tax allocation and, as a result, increases our net income and ROE, which allows us to support additional distributions to Ford. For additional information on the tax accounting change, see Note 2 of our Notes to the Financial Statements.

COVID-19

The impact of COVID-19, including changes in consumer behavior, pandemic fears and market downturns, and restrictions on business and individual activities, has created significant volatility in the global economy. The remote work arrangements that we implemented in 2020 remain in place in most locations. Our remote work arrangements have been designed to allow for continued operation of business functions. Our controls and procedures have incorporated remote work arrangements using appropriate digital tools.

The full impact of COVID-19 on future results depends on future developments, such as the ultimate duration and scope of outbreaks (including any potential future waves due to variants or otherwise, and the success of vaccination programs) and their impact on Ford and Ford Credit's customers, dealers, and suppliers. For additional information on the impact and potential impact of COVID-19 on us, see "Item 1A. Risk Factors".

Definitions and Information Regarding Causal Factors

In general, we measure period-to-period changes in earnings before taxes ("EBT") using the causal factors listed below:

- **Volume and Mix** – Volume and Mix are primarily reflected within *Net financing margin* on the 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 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 the *Provision for/(Benefit from) credit losses* on the 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.
- **Lease Residual** – Lease Residual is reflected within *Depreciation on vehicles subject to operating leases* on the 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. For additional information, refer to the "Critical Accounting Estimates - Accumulated Depreciation on Vehicles Subject to Operating Leases" section.
- **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 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 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.

In addition, the following definitions and calculations apply to the charts contained in Item 7 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 Ford Credit's 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 primarily includes cash 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

The following table shows our full year 2021 key metrics compared with full year 2020:

GAAP Financial Measures	Full Year		
	2020	2021	H / (L)
Total net receivables (\$B)	\$ 131.7	\$ 117.5	(11)%
Loss-to-receivables (bps) (a)	36	6	(30)
Auction values (b)	\$ 20,600	\$ 25,800	25 %
EBT (\$M)	\$ 2,608	\$ 4,731	\$ 2,123
ROE (%) (c)	14.7 %	32.4 %	17.7 pts
Other Balance Sheet Metrics			
Debt (\$B)	\$ 137.7	\$ 117.7	(14.5)%
Net liquidity (\$B)	\$ 35.4	\$ 32.0	(10)%
Financial statement leverage (to 1) (c)	8.8	9.5	0.7

(a) United States retail financing only.

(b) United States 36-month off-lease auction values at full year 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	December 31, 2020	December 31, 2021	H / (L)
Managed receivables (\$B) (a)	\$ 140.5	\$ 123.4	(12.2)%
Managed leverage (to 1) (b) (c)	7.5	8.4	0.9

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

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

(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.

Full Year 2021 Compared with Full Year 2020

The following table shows the factors that contributed to the strong full year 2021 EBT (in millions):

Change in EBT by Causal Factor	
Full year 2020 EBT	\$ 2,608
Volume / mix	(243)
Financing margin	(206)
Credit loss	1,136
Lease residual	1,494
Exchange	27
Other	(85)
Full year 2021 EBT	\$ 4,731

Our 2021 EBT of \$4,731 million was \$2,123 million higher than a year ago, explained primarily by favorable operating lease residual performance, the non-recurrence of the 2020 increase to the credit loss reserve due to deterioration in macroeconomic conditions related to COVID-19, and reductions in the credit loss reserve in 2021, partially offset by lower volume driven by the impact of the global semiconductor shortages and lower financing margin. Total net receivables at December 31, 2021 were \$14.2 billion lower than a year ago, primarily reflecting lower wholesale receivables as a result of lower dealer inventories due to the semiconductor shortage. Consumer credit metrics were healthy and stable in the United States, with the loss-to-receivables ratio at 0.06%, 30 basis points lower than a year ago. United States auction values were up 25% compared with 2020. ROE was 32.4%, 17.7 percentage points higher than a year ago, primarily reflecting higher EBT.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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 \$123.4 billion at year end were \$17.1 billion lower year-over-year. At December 31, 2021, we had \$32.0 billion in net liquidity.

Segment Results

Results of operations by segment and Unallocated Other for full year 2020 and 2021 are shown below (in millions):

	Full Year		
	2020	2021	H / (L)
Results			
United States and Canada segment	\$ 2,241	\$ 4,393	\$ 2,152
Europe segment	196	254	58
All Other segment	38	98	60
Total segments	\$ 2,475	\$ 4,745	\$ 2,270
Unallocated Other	133	(14)	(147)
Earnings before taxes	\$ 2,608	\$ 4,731	\$ 2,123
Taxes (a)	(270)	(210)	60
Net Income (a)	\$ 2,338	\$ 4,521	\$ 2,183

(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 15 of our Notes to the Financial Statements.

United States and Canada Segment

The United States and Canada segment EBT of \$4,393 million for full year 2021 was \$2,152 million higher than 2020, explained primarily by favorable operating lease residual performance, the non-recurrence of the 2020 increase to the credit loss reserve due to deterioration in macroeconomic conditions related to COVID-19, and reductions in the credit loss reserve in 2021, partially offset by lower financing margin and lower volume driven by the impact of the global semiconductor shortages.

Europe Segment

The Europe segment EBT of \$254 million for full year 2021 was \$58 million higher than 2020, explained primarily by the non-recurrence of a credit loss reserve increase due to COVID-19 and 2020 restructuring effects, partially offset by lower volume driven by the impact of the global semiconductor shortages.

All Other Segment

The All Other segment EBT of \$98 million for full year 2021 was \$60 million higher than 2020, explained primarily by restructuring.

Unallocated Other

Unallocated Other was a \$14 million loss for full year 2021, a \$147 million deterioration from 2020, primarily reflecting the non-recurrence of positive market valuation adjustments.

Results of Operations - 2020

The following chart shows our full year 2020 key metrics compared with full year 2019:

GAAP Financial Measures	Full Year		
	2019	2020	H / (L)
Total net receivables (\$B)	\$ 142.0	\$ 131.7	(7)%
Loss-to-receivables (bps) (a)	52	36	(16)
Auction values (b)	\$ 19,955	\$ 20,600	3.2 %
EBT (\$M)	\$ 2,998	\$ 2,608	\$ (390)
ROE (%) (c)	15.7 %	14.7 %	(1) ppt
Other Balance Sheet Metrics			
Debt (\$B)	\$ 140.1	\$ 137.7	(1.7)%
Net liquidity (\$B)	\$ 33.0	\$ 35.4	6 %
Financial statement leverage (to 1) (c)	8.5	8.8	0.3

(a) United States retail financing only.

(b) United States 36-month off-lease auction values at full year 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	December 31, 2019	December 31, 2020	H / (L)
Managed receivables (\$B) (a)	\$ 151.7	\$ 140.5	(7.0)%
Managed leverage (to 1) (b) (c)	7.8	7.5	(0.3)

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

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

(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.

Full Year 2020 Compared with Full Year 2019

The following table shows the factors that contributed to the strong full year 2020 EBT:

Change in EBT by Causal Factor	
Full year 2019 EBT	\$ 2,998
Volume / mix	(173)
Financing margin	20
Credit loss	(539)
Lease residual	304
Exchange	(9)
Other	7
Full year 2020 EBT	\$ 2,608

Our 2020 EBT of \$2,608 million was \$390 million lower than 2019, driven primarily by an increase to the credit loss reserve due to COVID-19 and unfavorable volume and mix resulting from lower receivables, partially offset by favorable lease residual performance driven by improved auction values. Total net receivables at December 31, 2020 were lower than 2019. Consumer credit metrics were healthy and stable in the United States, with the loss-to-receivables ratio at 0.36%, 16 basis points lower than 2019. United States auction values were up 3% compared with 2019. ROE was 14.7%, 1 percentage point lower than 2019, primarily reflecting lower EBT.

Segment Results - 2020

Results of operations by segment and Unallocated Other for full year 2019 and 2020 are shown below (in millions):

	Full Year		
	2019	2020	H / (L)
Results			
United States and Canada segment	\$ 2,365	\$ 2,241	\$ (124)
Europe segment	352	196	(156)
All Other segment	143	38	(105)
Total segments	\$ 2,860	\$ 2,475	\$ (385)
Unallocated Other	138	133	(5)
Earnings before taxes	\$ 2,998	\$ 2,608	\$ (390)
Taxes (a)	(378)	(270)	108
Net Income (a)	\$ 2,620	\$ 2,338	\$ (282)

(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 15 of our Notes to the Financial Statements.

United States and Canada Segment

The United States and Canada segment EBT of \$2,241 million for full year 2020 was \$124 million lower than 2019, explained by an increase to the credit loss reserve due to COVID-19 and higher supplemental depreciation on operating leases, partially offset by favorable auction performance on off-lease vehicles, lower borrowing costs, and lower year-over-year credit losses.

Europe Segment

The Europe segment EBT of \$196 million for full year 2020 was \$156 million lower than 2019, primarily due to the impact of COVID-19, which has resulted in lower receivables, increased credit loss reserves, and reduced margins.

All Other Segment

The All Other segment EBT of \$38 million for full year 2020 was \$105 million lower than 2019, explained primarily by lower receivables, weakening currency exchange in Argentina and Brazil, and unfavorable credit loss performance.

Unallocated Other

Unallocated Other was a \$133 million gain for full year 2020, was \$5 million lower than 2019, reflecting a lower gain in market valuation adjustments to derivatives.

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 vehicle sales, wholesale financing share of new Ford and Lincoln vehicles acquired by dealers (in percent), and contract placement volume for new and used vehicles (in thousands) in several key markets:

	For the Years Ended December 31,		
	2019	2020	2021
Share of Ford and Lincoln Sales (a)			
United States	51 %	56 %	48 %
Canada	66	74	70
United Kingdom	39	40	33
Germany	47	41	39
China	35	39	44
Wholesale Share			
United States	75 %	74 %	72 %
Canada	57	40	10
United Kingdom	100	100	100
Germany	93	92	91
China	60	62	66
Contract Placement Volume - New and Used (000)			
United States	952	954	749
Canada	141	137	131
United Kingdom	139	101	81
Germany	165	107	69
China	108	119	146

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

In 2021, China contract placement volume was up compared with a year ago, primarily reflecting higher financing share. In 2021, the United States, Canada, the United Kingdom, and Germany contract volumes were down compared with a year ago, explained by lower Ford sales.

Financial Condition

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

	For the Years Ended December 31,		
	2019	2020	2021
Net Receivables			
United States and Canada Segment			
Consumer financing	\$ 55.4	\$ 58.4	\$ 55.6
Non-Consumer financing	29.4	19.5	13.7
Net investment in operating leases	27.3	26.4	25.0
Total United States and Canada Segment	\$ 112.1	\$ 104.3	\$ 94.3
Europe Segment			
Consumer financing	\$ 14.8	\$ 15.1	\$ 12.7
Non-Consumer financing	9.8	7.4	4.7
Net investment in operating leases	0.4	0.3	0.2
Total Europe Segment	\$ 25.0	\$ 22.8	\$ 17.6
All Other Segment			
Consumer financing	\$ 3.3	\$ 3.4	\$ 4.3
Non-Consumer financing	1.6	1.2	1.3
Net investment in operating leases	—	—	—
Total All Other Segment	\$ 4.9	\$ 4.6	\$ 5.6
Total net receivables	\$ 142.0	\$ 131.7	\$ 117.5
Managed Receivables			
Total net receivables (GAAP)	\$ 142.0	\$ 131.7	\$ 117.5
Held-for-sale receivables (GAAP)	1.5	—	—
Unearned interest supplements and residual support	6.7	6.5	4.6
Allowance for credit losses	0.5	1.3	0.9
Other, primarily accumulated supplemental depreciation	1.0	1.0	0.4
Total managed receivables (Non-GAAP)	\$ 151.7	\$ 140.5	\$ 123.4

At December 31, 2019, 2020, and 2021, total net receivables includes consumer receivables before allowance for credit losses of \$38.3 billion, \$43.7 billion, and \$39.0 billion, respectively, and non-consumer receivables before allowance for credit losses of \$26.8 billion, \$16.4 billion, and \$12.0 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 December 31, 2019, 2020, and 2021, total net receivables includes net investment in operating leases of \$14.9 billion, \$12.8 billion, and \$7.5 billion, respectively, that have been included in securitization transactions but continue to be reported in our consolidated financial statements. These net receivables 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 Ford Credit's other creditors. 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. For additional information on our securitization transactions, refer to the "Securitization Transactions" and "On-Balance Sheet Arrangements" sections and Note 6 of our Notes to the Financial Statements.

Total net receivables at December 31, 2021 were \$14.2 billion lower compared with December 31, 2020 and \$24.5 billion lower compared with December 31, 2019, primarily reflecting lower wholesale receivables as a result of lower dealer inventories due to the semiconductor shortage.

Our operating lease portfolio was 21% of total net receivables at December 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. A description of our allowance setting process is provided in the "Critical Accounting Estimates - Allowance for Credit Losses" section.

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 from sources including the credit application, proposed contract terms, and credit bureau data. 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 that the business fits our risk appetite.

For additional information on our allowance for credit losses and the quality of our receivables, 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.

	2019	2020	2021
Origination Metrics			
Average placement FICO	748	739	750
Higher risk portfolio mix	6 %	6 %	5 %
Greater than or equal to 84 months placement mix	3 %	9 %	4 %
Average placement term (months)	65	68	63

The 2021 average placement FICO score remained strong. We support customers across the credit spectrum. Our higher risk business, as classified at contract inception, represents 5% of our portfolio and has been stable for over 15 years.

In 2021, our average retail financing placement term was down by five months compared with a year ago. The term decrease is explained by marketing programs limiting the most popular incentive rates to 48-months or less. Retail financing contracts of 84 months and longer decreased by five percentage points compared with a year ago as a result of decreases in marketing campaigns, primarily in the second quarter of 2020, that offered 0% financing for 84 months in response to COVID-19. We remain focused on managing the trade cycle, building customer relationships and loyalty, while offering financing products and terms customers want. Ford Credit's origination and risk management processes deliver robust portfolio performance.

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 69% of our worldwide consumer finance receivables at December 31, 2021.

	2019	2020	2021
Credit Loss Drivers			
Over-60-Day delinquencies (excl. bankruptcies)	0.13 %	0.15 %	0.11 %
Repossessions (000)	27	21	14
Repossession ratio	1.24 %	0.95 %	0.74 %
Loss severity (000) (a)	\$ 10.7	\$ 10.7	\$ 8.5
Charge-offs (\$M)	\$ 247	\$ 180	\$ 28
LTR ratio (b)	0.52 %	0.36 %	0.06 %

(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-Receiveables ("LTR") ratios are charge-offs divided by average managed receivables.

Compared with a year ago, the repossession rate, delinquencies, and severity have all improved. Our lower levels of 2021 net charge-offs and LTR ratio reflect government support programs, changes in consumer spending behavior, and high vehicle auction values that contributed to historically low losses. The impact of COVID-19 has created significant volatility in the economy. Government programs in response to the pandemic, including economic stimulus, mortgage, and student loan forbearance programs, have resulted in increased liquidity for consumers. While the macroeconomic outlook has improved since the onset of the pandemic, the future impact on credit losses remains uncertain. This remaining uncertainty includes the impact to consumers once economic support programs end, and the pandemic's effect on the labor market and unemployment.

Worldwide Credit Losses

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

	2019	2020	2021
Charge-offs (\$M)	\$ 371	\$ 301	\$ 65
LTR ratio	0.31 %	0.27 %	0.07 %
Credit loss reserve (\$M)	\$ 513	\$ 1,305	\$ 925
Reserve as percent of EOP managed receivables	0.43 %	1.18 %	0.96 %

Our worldwide credit loss metrics remain strong. Net charge-offs and the worldwide LTR ratio in 2021 improved from a year ago reflecting government support programs in response to the COVID-19 pandemic and high vehicle auction values.

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 and reserve as a percent of managed receivables were both lower than a year ago, reflecting an improved macroeconomic outlook since the onset of the pandemic. The credit loss reserve at December 31, 2021 considers the remaining economic uncertainty attributable to COVID-19, and assumes that higher levels of retail delinquencies and charge-offs will occur in future periods consistent with elevated unemployment levels, and the impact of the end of economic support programs as well as the end of rent and mortgage forbearance programs. The full impact of COVID-19 on our worldwide credit losses depends on future developments, such as the ultimate course of the pandemic, and the resolution of macroeconomic uncertainty in the labor market and supply chain. 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. The credit loss reserve decreased \$380 million during 2021 primarily due to improvements in the economic outlook that caused us to lower our expectation of lifetime losses attributable to macroeconomic assumptions driven by 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, industrywide 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 and Note 5 of our Notes to the Financial Statements.

United States Ford and Lincoln Operating Leases

The following table shows our share of Ford and Lincoln retail financing and operating lease sales, placement volume, and residual performance metrics for our United States operating lease portfolio, which represents 82% of our total net investment in operating leases at December 31, 2021.

	2019	2020	2021
Lease Share of Retail Sales			
Ford Credit	20 %	17 %	15 %
Industry (a)	30 %	28 %	20 %
Placement Volume (000)			
24-Month	41	43	48
36-Month	236	180	141
39-Month / other	52	35	28
Total	329	258	217
Residual Performance			
Return rates	78 %	69 %	34 %
Return volume (000)	290	243	124
Off-lease auction values (b)	\$ 19,955	\$ 20,600	\$ 25,800

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

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

Our United States operating lease share of retail sales in 2021 was lower compared with a year ago and remains below the industry, reflecting the Ford sales mix.

Our total 2021 lease placement volume was down compared with a year ago, reflecting lower Ford sales and lower Ford Credit share as the result of Ford marketing programs.

Lease return rates and return volume in 2021 were lower than a year ago, reflecting improved auction values. Our 2021 36-month off-lease auction values were up 25% from the prior year, reflecting strong demand for used vehicles, including the impact of lower new vehicle production due to the semiconductor shortage. We are planning for full-year 2022 auction values to remain strong.

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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2021.

- On November 18, 2021, S&P affirmed the credit rating for Ford Credit at BB+ and revised the outlook to positive, from negative.

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

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

Funding and Liquidity

We ended 2021 with \$32.0 billion of liquidity. During the year, we completed \$14 billion of public term funding.

Key elements of our funding strategy include:

- Maintain strong liquidity;
- Prudently access public markets, including retail deposits in Europe;
- 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 can continue to meet our financial obligations through economic cycles.

Funding Sources

Our funding sources include primarily unsecured debt and securitization transactions (including other structured financings). We issue both short-term and long-term debt that is held by both institutional and retail investors, with long-term debt having an original maturity of more than 12 months.

We sponsor a number of securitization programs that can be structured to provide both short-term and long-term funding through institutional investors and other financial institutions in the United States and international capital markets. For additional information on our securitization transactions, refer to the "Securitization Transactions" section.

We obtain unsecured funding from the sale of demand notes under our Ford Interest Advantage program and through retail deposit programs at FCE and Ford Bank. At December 31, 2021, the principal amount outstanding of Ford Interest Advantage notes, which may be redeemed at any time at the option of the holders thereof without restriction, FCE and Ford Bank deposits was \$12.9 billion.

We maintain multiple sources of readily available liquidity to fund the payment of our unsecured short-term debt obligations.

In addition, in 2021 Ford and Ford Credit introduced a sustainable financing framework, which covers a variety of potential unsecured and securitization funding transactions, including ESG bonds issued by both Ford and Ford Credit to finance environmental and social projects. Net proceeds from sustainable financing transactions issued by Ford Credit will be invested and expended in two areas: Clean Transportation and Making Lives Better.

Cost of Funding Sources

The cost of securitization transactions and unsecured debt funding is based on a margin or spread over a benchmark interest rate. Spreads are typically measured in basis points. Our asset-backed funding and unsecured long-term debt costs are based on spreads over United States Treasury securities of similar maturities, a comparable London Interbank Offered Rate ("LIBOR"), Secured Overnight Funding Rate ("SOFR"), or other comparable benchmark rates. Certain securitization funding costs are based on a spread over bank-sponsored commercial paper costs. The funding costs of our floating rate demand notes change depending on market conditions. For additional information on funding, see Note 9 of our Notes to the Financial Statements.

Funding and Liquidity

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

Funding Structure	December 31, 2019	December 31, 2020	December 31, 2021
Term unsecured debt	\$ 75.5	\$ 73.3	\$ 59.4
Term asset-backed securities	56.6	54.6	45.4
Ford Interest Advantage/Retail deposits	8.0	9.8	12.9
Other (a)	6.9	5.7	5.7
Equity (a)	16.4	15.6	12.4
Adjustments for cash	(11.7)	(18.5)	(12.4)
Total managed receivables (b)	\$ 151.7	\$ 140.5	\$ 123.4
Securitized funding as a percent of managed receivables	37.3 %	38.8 %	36.7 %

(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 \$123.4 billion at December 31, 2021, were funded primarily with term debt and term asset-backed securities. Securitized funding as a percent of managed receivables was 36.7%.

Public Term Funding Plan

The following table shows our issuances for full year 2019, 2020, and 2021, and planned issuances for full year 2022, excluding short-term funding programs (in billions):

	2019 Actual	2020 Actual	2021 Actual	2022 Forecast
Unsecured	\$ 17	\$ 14	\$ 5	\$ 8 - 11
Securitizations	14	13	9	6 - 9
Total public	\$ 31	\$ 27	\$ 14	\$ 14 - 20

In 2021, we completed \$14 billion of public term funding. For 2022, we project full-year public term funding in the range of \$14 billion - \$20 billion. Through February 2, 2022, we have completed \$3 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):

	December 31, 2019	December 31, 2020	December 31, 2021
Liquidity Sources			
Cash	\$ 11.7	\$ 18.5	\$ 12.4
Committed asset-backed facilities	36.6	38.1	37.1
Other unsecured credit facilities	3.0	2.5	2.7
Ford corporate credit facility allocation	3.0	—	—
Total liquidity sources	\$ 54.3	\$ 59.1	\$ 52.2
Utilization of Liquidity			
Securitization and restricted cash	\$ (3.6)	\$ (3.9)	\$ (3.9)
Committed asset-backed facilities	(17.3)	(16.7)	(12.5)
Other unsecured credit facilities	(0.8)	(0.5)	(1.0)
Ford corporate credit facility allocation	—	—	—
Total utilization of liquidity	\$ (21.7)	\$ (21.1)	\$ (17.4)
Gross liquidity	\$ 32.6	\$ 38.0	\$ 34.8
Asset-backed capacity in excess of eligible receivables and other adjustments	0.4	(2.6)	(2.8)
Net liquidity available for use	\$ 33.0	\$ 35.4	\$ 32.0

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 December 31, 2021, our net liquidity available for use was \$32.0 billion, \$3.4 billion lower than year-end 2020. At December 31, 2021, our liquidity sources totaled \$52.2 billion, down \$6.9 billion from year-end 2020.

Cash. At December 31, 2021, our cash totaled \$12.4 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 at both December 31, 2020 and 2021.

Material Cash Requirements. Our material cash requirements include: (1) the purchase of retail financing and operating lease contracts from dealers and providing wholesale financing for dealers to finance new and used vehicles; and (2) debt repayments (for additional information on debt, see the "Balance Sheet Liquidity Profile" section below and Note 9 of our Notes to the Financial Statements). In addition, subject to approval by our Board of Directors, shareholder distributions may require the expenditure of a material amount of cash. Moreover, we may be subject to additional material cash requirements that are contingent upon the occurrence of certain events, e.g., legal contingencies, uncertain tax positions, and other matters.

We are party to certain contractual obligations involving commitments to make payments to others. Most of these are debt obligations, which are recorded on our balance sheets and disclosed in our Notes to the Financial Statements. Long-term debt may have fixed or variable interest rates. For long-term debt with variable rate interest, we estimate the future interest payments based on projected market interest rates for various floating rate benchmarks received from third parties. In addition, we may enter into contracts with suppliers for purchases of certain services, including operating lease commitments. These arrangements may contain minimum levels of service requirements. Our aggregate contractual obligations at December 31, 2021 are shown below (in millions):

	Payments Due by Period				
	2022	2023 - 2024	2025 - 2026	2027 and Thereafter	Total
On-balance sheet					
Long-term debt (a)	\$ 31,709	\$ 39,047	\$ 22,976	\$ 8,968	\$ 102,700
Interest payments relating to long-term debt	2,408	3,212	1,415	838	7,873
Operating lease	19	33	23	10	85
Off-balance sheet					
Purchase obligations	31	29	3	—	63
Total	<u>\$ 34,167</u>	<u>\$ 42,321</u>	<u>\$ 24,417</u>	<u>\$ 9,816</u>	<u>\$ 110,721</u>

(a) Excludes unamortized discounts, unamortized issuance costs, and fair value adjustments.

We plan to utilize our liquidity (as described above) and our cash flows from business operations to fund our material cash requirements.

Committed Capacity. At December 31, 2021, our committed capacity totaled \$39.8 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 \$37.1 billion (\$20.6 billion of retail financing, \$3.9 billion of wholesale financing, and \$12.6 billion of operating leases) at December 31, 2021. In the United States, we are able to obtain funding within two days for our unutilized capacity in some of our committed asset-backed facilities. These committed facilities have varying maturity dates, with \$11.6 billion having maturities within the next twelve months and the remaining balance having maturities through first quarter 2024. 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 December 31, 2021, \$12.5 billion of these commitments were in use and we had \$3.4 billion of asset-backed capacity that was in excess of eligible receivables primarily due to the decline in wholesale asset balances. These programs 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 programs to be terminated due to such events.

As of December 31, 2021, Ford Bank had liquidity of €208 million (equivalent to \$235 million) and FCE had liquidity of £174 million (equivalent to \$234 million) in the form of eligible collateral available for use in the monetary policy programs of the European Central Bank and the Bank of England respectively.

Unsecured Credit Facilities. At December 31, 2021, we and our majority-owned subsidiaries had \$2.7 billion of contractually committed unsecured credit facilities with financial institutions, including the FCE Credit Agreement and the Ford Bank Credit Agreement. At December 31, 2021, \$1.7 billion was available for use.

FCE's £690 million (equivalent to \$930 million at December 31, 2021) syndicated credit facility (the "FCE Credit Agreement") and Ford Bank's €240 million (equivalent to \$272 million at December 31, 2021) syndicated credit facility (the "Ford Bank Credit Agreement") both mature in 2024. At December 31, 2021, £190 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. In addition, both the FCE Credit Agreement and the Ford Bank Credit Agreement include certain sustainability-linked targets, pursuant to which the applicable margin may be adjusted if Ford Motor Company achieves, or fails to achieve, the specified targets related to global manufacturing facility greenhouse gas emissions, renewable electricity consumption, and Ford Europe CO₂ tailpipe emissions.

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 liquidity available to protect for stress scenarios.

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):

	2022		2023		2024		2025 & Beyond	
Balance Sheet Liquidity Profile								
Assets (a)	\$	64	\$	92	\$	113	\$	135
Total debt (b)		53		76		92		118
Memo: Unsecured long-term debt maturities		14		11		11		22

(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 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 December 31, 2021, we had \$135 billion of assets, \$74 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 (such as from the impact of COVID-19) that could impact both unsecured debt and asset-backed securities issuance and the effects of regulatory changes on the financial markets.

Despite our diverse sources of funding and liquidity, our ability to maintain liquidity may be affected by, among others, the following factors (not necessarily listed in order of importance or probability of occurrence):

- Prolonged disruption of the debt and securitization markets;
- Global capital markets volatility;
- Credit ratings assigned to Ford and us;
- Market capacity for Ford- and Ford Credit-sponsored investments;
- General demand for the type of securities we offer;
- Our ability to continue funding through asset-backed financing structures;
- Performance of the underlying assets within our asset-backed financing structures;
- Inability to obtain hedging instruments;
- Accounting and regulatory changes (including LIBOR); and
- Our ability to maintain credit facilities and committed asset-backed facilities.

Stress Tests

We regularly conduct stress testing on funding and liquidity sources to ensure we can continue to meet our financial obligations and support the sale of Ford and Lincoln vehicles during firm-specific and market-wide stress events. Stress tests are intended to quantify the potential impact of various adverse scenarios on the balance sheet and liquidity. These scenarios include assumptions on access to unsecured and secured debt markets, runoff of short-term funding, and ability to renew expiring liquidity commitments and are measured over various time periods, including 30 days, 90 days, and longer term. Our stress test does not assume any additional funding, liquidity, or capital support from Ford. We routinely develop contingency funding plans as part of our liquidity stress testing.

Securitization Transactions

Overview

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 or pledge them as collateral, in certain transactions outside of the United States, in other types of 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 and other financial institutions in both public and private transactions. We completed our first securitization transaction in 1988, and participate in a number of securitization markets primarily in the United States, Canada, the United Kingdom, Germany, and China.

Securitization provides us with a lower cost source of funding compared with other alternatives, diversifies our funding among different markets and investors, and provides additional liquidity. In the United States, we are able to obtain funding within two days for our unutilized capacity in some of our committed asset-backed facilities.

Our securitization transactions involve sales to consolidated entities or we maintain control over the assets. As a result, the securitized assets and related debt remain on our balance sheets and affect our financial condition, operating results, and liquidity.

Use of Special Purpose Entities

In a securitization transaction, the securitized assets are generally held by a bankruptcy-remote special purpose entity ("SPE") in order to isolate the securitized assets from the claims of our creditors and ensure that the cash flows on the securitized assets are available for the benefit of securitization investors. Payments to securitization investors are made from cash flows on the securitized assets and any enhancements in the SPE, and not by Ford Credit and are not based on our creditworthiness. Senior asset-backed securities issued by the SPEs generally receive the highest credit ratings from the rating agencies that rate them.

Securitization SPEs have limited purposes and generally are only permitted to purchase the securitized assets, issue asset-backed securities, and make payments on the securities. Some SPEs, such as certain trusts that issue securities backed by retail installment sale contracts, only issue a single series of securities and are dissolved when those securities have been paid in full. Other SPEs, such as the trust that issues securities backed by wholesale receivables, issue multiple series of securities from time to time and may not be dissolved until the last series of securities is paid in full.

Our use of SPEs in our securitization transactions is consistent with conventional practices in the consumer asset-backed securitization industry. We sponsor the SPEs used in all of our securitization programs with the exception of bank-sponsored conduits. None of our officers, directors, or employees holds any equity interests in our SPEs or receives any direct or indirect compensation from the SPEs. These SPEs do not own our Shares or shares of any of our affiliates.

Selection of Assets, Enhancements, and Retained Interests

In order to be eligible for inclusion in a securitization transaction, each asset must satisfy certain eligibility criteria designed for the specific transaction. For example, for securitization transactions of retail installment sale contracts, the selection criteria may be based on factors such as location of the obligor, contract term, payment schedule, interest rate, financing program, the type of financed vehicle, and whether the contracts are active and in good standing (e.g., when the obligor is not more than 30-days delinquent or bankrupt). Subject to regulatory or rating agency requirements, it is our preferred practice to satisfy the applicable eligibility criteria by randomly selecting the assets to be included in a particular securitization from our entire portfolio of assets.

We provide various forms of credit and payment enhancement to increase the likelihood of receipt by securitization investors of the full amount of interest and principal due on their asset-backed securities. Credit enhancement includes (i) over-collateralization (when the principal amount of the securitized assets exceeds the principal amount of related asset-backed securities), (ii) segregated cash reserve funds, (iii) subordinated securities, and (iv) excess spread (when interest collections on the securitized assets exceed the related fees and expenses, including interest payments on the related asset-backed securities). Payment enhancement includes interest rate swaps and other hedging arrangements, liquidity facilities, and certain cash deposits.

We retain interests in our securitization transactions, including in the form of subordinated securities issued by the SPE, rights to cash held for the benefit of the securitization investors, and residual interests. Residual interests represent the right to receive collections on the securitized assets in excess of amounts needed to pay securitization investors and to pay other transaction participants and expenses. We retain credit risk in securitization transactions, including the most subordinated interests in the securitized assets, which are structured to absorb expected credit losses on the securitized assets before any losses would be experienced by investors. Based on past experience, we expect that any losses in the pool of securitized assets would likely be limited to our retained interests. Our retention of credit risk is legally required in certain jurisdictions, including the United States, to be at least 5% of the credit risk of the securitized assets and is typically required to be retained for at least two years.

Our Continuing Obligations

We are engaged as servicer to service the securitized assets and securitization transactions. Our servicing duties include collecting payments on the securitized assets, preparing monthly investor reports on the performance of the securitized assets and the securitization transaction, and facilitating payments to securitization investors. While servicing securitized assets, we apply the same servicing policies and procedures that we apply to our owned assets and maintain our normal relationship with our financing customers.

We generally have no obligation to repurchase or replace any securitized asset that becomes delinquent in payment or otherwise is in default. As the seller and servicer of the securitized assets and as the administrator of the securitization SPE, we are obligated to provide certain kinds of support to our securitization transactions, which are customary in the securitization industry. These obligations include performing administrative duties for the SPE and some transaction parties, indemnifications, repurchase obligations on assets that do not meet representations or warranties on eligibility criteria or that have been materially modified, the mandatory sale of additional assets in some revolving transactions, the payment or reimbursement of transaction party expenses, and, in some cases, servicer advances of certain amounts. Securitization investors have no recourse to us or our other assets and have no right to require us to repurchase the asset-backed securities. We generally have no obligation to provide liquidity or contribute cash or additional assets to our SPEs either due to the performance of the securitized assets or the credit rating of our short-term or long-term debt. We do not guarantee any asset-backed securities. We may be required to support the performance of certain securitization transactions, however, by increasing cash reserves.

For certain public offerings of asset-backed securities, we have obligations to report certain information, including asset-level data on the securitized assets, ensure the engagement of an independent asset representations reviewer, cooperate and provide access to information necessary for an asset representations review, and participate in dispute resolution proceedings for unresolved asset repurchase requests.

Structural Features Under Certain Securitization Programs

The following securitization programs contain structural features that could prevent us from using these sources of funding in certain circumstances:

- *Revolving Retail Program.* Asset-backed securities under the FordREV program may be supported by a combination of a revolving pool of United States retail installment sale contracts and cash collateral. Cash generated by the receivables during the revolving period in excess of what is needed to pay certain expenses of the trust and interest on the notes may be used to purchase additional receivables provided that certain tests are met after the purchase. The revolving period ends upon the occurrence of certain events that include if credit losses or delinquencies on the pool of assets supporting the securities exceed specified levels, if certain segregated account balances are below their required levels, or if interest is not paid on the securities.
- *Retail Committed Facilities.* If credit losses or delinquencies on a pool of assets held by a facility exceed specified levels, or if the level of over-collateralization or other credit enhancement for that pool decreases below a specified level, we will not have the right to sell additional pools of assets to that facility.
- *Lease Facility Program.* If delinquencies in our portfolio of retail operating lease contracts exceed specified levels, we will be unable to obtain additional funding from the securitization of retail lease contracts through our committed lease facilities.
- *Wholesale Program.* If the payment rates on wholesale receivables in the securitization trust are lower than specified levels or if there are significant dealer defaults, we will be unable to obtain additional funding and any existing funding would begin to amortize.

On-Balance Sheet Arrangements

Our securitization transactions involve sales to consolidated entities or we maintain control over the assets and, therefore, the securitized assets and related debt remain on our balance sheets. The securitized assets 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. 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. This debt is the obligation of our consolidated securitization entities and not the obligation of Ford Credit or our other subsidiaries. For additional information on our on-balance sheet arrangements, see Note 6 of our Notes to the Financial Statements.

The following table shows worldwide cash and cash equivalents, receivables, and related debt by segment and product for our on-balance sheet securitization transactions at December 31 (in billions):

	2020			2021		
	Cash and Cash Equivalents	Finance Receivables and Net Investment in Operating Leases (a)	Related Debt (b)	Cash and Cash Equivalents	Finance Receivables and Net Investment in Operating Leases (a)	Related Debt (b)
Finance Receivables						
United States and Canada Segment						
Retail financing	\$ 2.0	\$ 36.1	\$ 32.0	\$ 1.8	\$ 32.4	\$ 29.0
Wholesale financing (c)	0.1	14.2	10.2	1.2	10.5	8.4
Total United States and Canada Segment	2.1	50.3	42.2	3.0	42.9	37.4
Europe Segment						
Retail financing	0.4	6.9	3.5	0.3	5.5	1.5
Wholesale financing (c)	0.1	2.0	0.5	0.1	1.3	0.4
Total Europe Segment	0.5	8.9	4.0	0.4	6.8	1.9
All Other Segment						
Retail financing	—	0.7	0.5	—	1.1	0.9
Wholesale financing (c)	—	0.2	0.2	—	0.2	0.1
Total All Other Segment	—	0.9	0.7	—	1.3	1.0
Total finance receivables	2.6	60.1	46.9	3.4	51.0	40.3
Net investment in operating leases	0.6	12.8	7.7	0.4	7.5	5.1
Total on-balance sheet arrangements	\$ 3.2	\$ 72.9	\$ 54.6	\$ 3.8	\$ 58.5	\$ 45.4

(a) Finance receivables, before allowances for credit losses. Unearned interest supplements and residual support are excluded from securitization transactions.

(b) Includes unamortized discount and debt issuance costs.

(c) The global adjusted pool balance of the wholesale finance receivables owned by the securitization trusts was \$16.4 billion and \$12.0 billion and the required pool balance was \$14.1 billion and \$11.4 billion at December 31, 2020 and 2021, respectively. As of December 31, 2020 and 2021, the adjusted pool balance was \$2.3 billion and \$0.6 billion higher, respectively, than the required pool balance. The global adjusted pool balance includes funds on deposit in the trust accounts.

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):

	December 31, 2019	December 31, 2020	December 31, 2021
Leverage Calculation			
Debt	\$ 140.1	\$ 137.7	\$ 117.7
Adjustments for cash	(11.7)	(18.5)	(12.4)
Adjustments for derivative accounting	(0.5)	(1.5)	(0.4)
Total adjusted debt	<u>\$ 127.9</u>	<u>\$ 117.7</u>	<u>\$ 104.9</u>
Equity (a)	\$ 16.4	\$ 15.6	\$ 12.4
Adjustments for derivative accounting	—	0.1	0.1
Total adjusted equity (a)	<u>\$ 16.4</u>	<u>\$ 15.7</u>	<u>\$ 12.5</u>
Financial statement leverage (to 1) (GAAP) (a)	8.5	8.8	9.5
Managed leverage (to 1) (Non-GAAP) (a)	7.8	7.5	8.4

(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.

We believe that managed leverage is useful to our investors. For our managed leverage calculation, we deduct cash because it generally corresponds to excess debt beyond the amount required to support our operations and amounts to support on-balance sheet securitization transactions. We make derivative accounting adjustments to our assets, debt, and equity positions to reflect the impact of interest rate instruments we use in connection with our term-debt issuances and securitization transactions. The derivative accounting adjustments vary over the term of the underlying debt and securitized funding obligations based on changes in market interest rates. We generally repay our debt obligations as they mature. As a result, we exclude the impact of these derivative accounting adjustments on both the numerator and denominator in order to exclude the interim effects of changes in market interest rates. For additional information on our use of interest rate instruments and other derivatives, refer to Item 7A.

We plan our managed leverage by considering market conditions and the risk characteristics of our business. At December 31, 2020 and 2021, our financial statement leverage was 8.8:1 and 9.5:1, respectively, and managed leverage was 7.5:1 and 8.4:1, respectively. We target managed leverage in the range of 8:1 to 9:1.

Critical Accounting Estimates

We consider an accounting estimate to be critical if (1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made; and (2) changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

The accounting estimates that are most important to our business involve:

- Allowance for credit losses; and
- Accumulated depreciation on vehicles subject to operating leases.

Management has discussed the development and selection of these critical accounting estimates with Ford's and our audit committees, and these audit committees have reviewed these estimates and disclosures.

Allowance for Credit Losses

The allowance for credit losses represents our estimate of the expected lifetime credit losses inherent in finance receivables as of the balance sheet date. The adequacy of the allowance for credit losses is assessed quarterly and the assumptions and models used in establishing the allowance are evaluated regularly. Because credit losses can vary substantially over time, estimating credit losses requires a number of assumptions about matters that are uncertain. Changes in our assumptions affect *Provision for/(Benefit from) credit losses* on our income statements and the allowance for credit losses contained within *Total finance receivables, net* on our balance sheets. For additional information regarding our allowance for credit losses, see Note 4 of our Notes to the Financial Statements.

Nature of Estimates Required. We estimate the allowance for credit losses for receivables that share similar risk characteristics based on a collective assessment using a combination of measurement models and management judgment. The models consider factors such as historical trends in credit losses, recent portfolio performance, and forward-looking macroeconomic conditions. The models vary by portfolio and receivable type including consumer finance receivables, wholesale loans, and dealer loans. If management does not believe the models reflect lifetime expected credit losses for the portfolio, an adjustment is made to reflect management judgment regarding qualitative factors including economic uncertainty, observable changes in portfolio performance, and other relevant factors.

Assumptions Used. Our allowance for credit losses is based on our assumptions regarding:

- **Probability of default.** The expected probability of payment and time to default which include assumptions about macroeconomic factors and recent performance.
- **Loss given default.** The percentage of the expected balance due at default that is not recoverable. The loss given default takes into account the expected collateral value and future recoveries.

Macroeconomic factors used in our models are country specific and include variables such as unemployment rates, housing prices, and gross domestic product.

Sensitivity Analysis. Changes in the probability of default and loss given default assumptions would affect the allowance for credit losses. The effect of the indicated increase/decrease in the assumptions for our United States Ford and Lincoln retail financing is as follows (in millions):

Assumption	Basis Point Change	Increase/(Decrease)
Probability of default (lifetime)	+ / - 100	\$200/(200)
Loss given default	+ / - 100	\$10/(10)

Accumulated Depreciation on Vehicles Subject to Operating Leases

Accumulated depreciation on vehicles subject to operating leases reduces the value of the leased vehicles in our operating lease portfolio from their original acquisition value to their expected residual value at the end of the lease term. For additional information on net investment in operating leases, including the amount of accumulated depreciation, see Note 5 of our Notes to the Financial Statements.

We monitor residual values each month, and we review the adequacy of our accumulated depreciation on a quarterly basis. If we believe that the expected residual values for our vehicles have changed, we revise depreciation to ensure that our net investment in operating leases (equal to our acquisition value of the vehicles less accumulated depreciation) will be adjusted to reflect our revised estimate of the expected residual value at the end of the lease term. Such adjustments to depreciation expense would result in a change in the depreciation rates of the vehicles subject to operating leases and are recorded prospectively on a straight-line basis.

Each lease customer has the option to buy the leased vehicle at the end of the lease or to return the vehicle to the dealer. For additional information on our residual risk on operating leases, refer to the "Residual Risk" section.

Nature of Estimates Required. Each operating lease in our portfolio represents a vehicle we own that has been leased to a customer. At the time we purchase a lease, we establish an expected residual value for the vehicle. We estimate the expected residual value by evaluating recent auction values, return volumes for our leased vehicles, industrywide used vehicle prices, marketing incentive plans, and vehicle quality data.

Assumptions Used. Our accumulated depreciation on vehicles subject to operating leases is based on our assumptions regarding:

- **Auction value.** Our projection of the market value of the vehicles when sold at the end of the lease; and
- **Return volume.** Our projection of the number of vehicles that will be returned at lease end.

Sensitivity Analysis. For returned vehicles, we face a risk that the amount we obtain from the vehicle sold at auction will be less than our estimate of the expected residual value for the vehicle. The impact of the change in assumptions on future auction values and return volumes would increase or decrease accumulated supplemental depreciation and depreciation expense over the remaining terms of the operating leases. A change in the assumption for an auction value will impact our estimate of accumulated supplemental depreciation if the future auction value is lower than the purchase price specified in the lease contract. The effect of the indicated increase/decrease in the assumptions for our United States Ford and Lincoln brand operating lease portfolio is as follows (in millions):

Assumption	Basis Point Change	Increase/(Decrease)
Future auction values	+ / - 100	\$(20)/\$20
Return volumes	+ / - 100	5/(5)

Adjustments to the amount of accumulated supplemental depreciation on operating leases would be reflected on our balance sheets as *Net investment in operating leases* and on the income statements in *Depreciation on vehicles subject to operating leases*.

Accounting Standards Issued But Not Yet Adopted

The Financial Accounting Standards Board has issued the following Accounting Standards Updates ("ASU") which are not expected to have a material impact to our financial statements or financial statement disclosures. For additional information, see Note 2 of the Notes to the Financial Statements.

Standard	Effective Date (a)
2021-05 Lessors - Certain Leases with Variable Lease Payments	January 1, 2022
2021-10 Government Assistance: Disclosures by Business Entities about Government Assistance	January 1, 2022
2021-08 Business Combinations: Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	January 1, 2023

(a) Early adoption for each of the standards is permitted.

Outlook

We expect full year 2022 EBT to be strong but lower than 2021.

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, or raw materials can disrupt Ford's production of vehicles;
- Ford's long-term competitiveness depends on the successful execution of Ford+;
- 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, vehicles, and services could be affected by cyber incidents, ransomware attacks, 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, capacity limitations, 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, digital and physical services, and mobility services are subject to market acceptance and face significant competition from existing and new entrants in the automotive, mobility, and digital services industries;
- Ford's near-term 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;
- Inflationary pressure and fluctuations in commodity prices, foreign currency exchange rates, interest rates, and market value of Ford or Ford Credit's investments, including marketable securities, 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 and Ford Credit could experience unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, services, 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" above.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk.

Overview

We are exposed to a variety of risks in the normal course of our business. Our financial condition depends on the extent to which we effectively identify, assess, monitor, and manage these risks. The principal types of risk to our business include:

- *Market risk* - the possibility that changes in interest and currency exchange rates will adversely affect our cash flow and economic value;
- *Counterparty risk* - the possibility that a counterparty may default on a derivative contract or investment;
- *Credit risk* - the possibility of loss from a customer's failure to make payments according to contract terms;
- *Residual risk* - the possibility that the actual proceeds we receive at lease termination will be lower than our projections or return volumes will be higher than our projections;
- *Liquidity risk* - the possibility that we may be unable to meet all of our current and future obligations in a timely manner; and
- *Operating risk* - the possibility of: errors relating to transaction processing and systems; actions that could result in compliance deficiencies with regulatory standards or contractual obligations; and fraud by our employees or third parties.

We manage each of these types of risk in the context of its contribution to our overall global risk. We make business decisions on a risk-adjusted basis and price our services consistent with these risks.

Credit, residual, and liquidity risks are discussed in Item 7. A discussion of market risk (including currency and interest rate risk), counterparty risk, and operating risk follows.

Market Risk

Given the unpredictability of financial markets, we seek to reduce volatility in our cash flow and economic value from changes in interest rates and currency exchange rates. We use various financial instruments, commonly referred to as derivatives, to manage market risks. We do not engage in any trading, market-making, or other speculative activities in the derivative markets.

Our strategies to manage market risks are approved by our Asset Liability Committee ("ALCO") and the Ford Global Risk Management Committee ("GRMC"). The ALCO is co-chaired by our Chief Financial Officer and the Treasurer of Ford. The GRMC is chaired by the Chief Financial Officer of Ford.

The Ford Treasurer's Office is responsible for the execution of our market risk management strategies. These strategies are governed by written policies and procedures. Separation of duties is maintained between the strategy and approval of derivatives trades, the execution of derivatives trades, and the settlement of cash flows. Regular audits are conducted to ensure that appropriate controls are in place and that these controls are effective. In addition, the ALCO, GRMC, Ford's Audit Committee, and Ford Credit's Board of Directors review our market risk exposures and use of derivatives to manage these exposures.

Interest Rate Risk

Nature of Exposure. Generally, our assets and the related debt have different re-pricing periods, and consequently, respond differently to changes in interest rates.

Our assets consist primarily of fixed-rate retail financing and operating lease contracts and floating-rate wholesale receivables. Fixed-rate retail financing and operating lease contracts generally require customers to make equal monthly payments over the life of the contract. Wholesale receivables are originated to finance new and used vehicles held in dealers' inventory and generally require dealers to pay a floating rate.

Debt consists primarily of short-term and long-term unsecured debt and securitization debt. In the case of unsecured term debt, to support our positive maturity profile, we may borrow at terms longer than the terms of our assets, in most instances with maturities up to ten years. These debt instruments are principally fixed-rate and require fixed and equal interest payments over the life of the instrument and a single principal payment at maturity.

Risk Management. Our interest rate risk management objective is to reduce volatility in our cash flows and volatility in our economic value from changes in interest rates based on an established risk tolerance that may vary by market. We use economic value sensitivity analysis and re-pricing gap analysis to evaluate potential long-term effects of changes in interest rates. We then enter into interest rate swaps to convert portions of our floating-rate debt to fixed or our fixed-rate debt to floating to ensure that our exposure falls within the established tolerances. We also use pre-tax cash flow sensitivity analysis to monitor the level of near-term cash flow exposure. The pre-tax cash flow sensitivity analysis measures the changes in expected cash flows associated with our interest-rate-sensitive assets, liabilities, and derivative financial instruments from hypothetical changes in interest rates over a twelve-month horizon. Interest rate swaps are placed to maintain exposure within approved thresholds and the Asset-Liability Committee reviews the re-pricing mismatch monthly.

Quantitative Disclosure. 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. 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 in the table below. These interest rate scenarios are purely hypothetical and do not represent our view of future interest rate movements.

Under these interest rate scenarios, we expect more debt and liabilities than assets to re-price in the next twelve months. Other things being equal, this means that during a period of rising interest rates, the interest received on our assets will increase less than the interest paid on our debt, thereby initially decreasing our pre-tax cash flow. During a period of falling interest rates, we would expect our pre-tax cash flow to initially increase. Our pre-tax cash flow sensitivity to interest rate movement is highlighted in the table below.

Pre-tax cash flow sensitivity at December 31 was as follows (in millions):

Pre-Tax Cash Flow Sensitivity	2020	2021
One percentage point instantaneous <i>increase</i> in interest rates	\$ (3)	\$ (76)
One percentage point instantaneous <i>decrease</i> in interest rates (a)	3	76

(a) Pre-tax cash flow sensitivity given a one percentage point decrease in interest rates requires an assumption of negative interest rates in markets where existing interest rates are below one percent.

Additional Model Assumptions. While the sensitivity analysis presented is our best estimate of the impacts of the specified assumed interest rate scenarios, our actual results could differ from those projected. The model we use to conduct this analysis is heavily dependent on assumptions. Embedded in the model are assumptions regarding the reinvestment of maturing asset principal, refinancing of maturing debt, replacement of maturing derivatives, exercise of options embedded in debt and derivatives, and predicted repayment of retail financing and operating lease contracts ahead of contractual maturity. Our repayment projections ahead of contractual maturity are based on historical experience. If interest rates or other factors change, our actual prepayment experience could be different than projected.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk (Continued)

Currency Exchange Rate Risk. Our policy is to minimize exposure to changes in currency exchange rates. To meet funding objectives, we borrow in a variety of currencies, principally U.S. dollars, Canadian dollars, euros, pound sterling, and renminbi. We face exposure to currency exchange rates if a mismatch exists between the currency of our receivables and the currency of the debt funding those receivables. When possible, receivables are funded with debt in the same currency, minimizing exposure to exchange rate movements. When a different currency is used, we may use foreign currency swaps and foreign currency forwards to convert substantially all of our foreign currency debt obligations to the local country currency of the receivables. As a result of this policy, we believe our market risk exposure relating to changes in currency exchange rates at December 31, 2021 is insignificant.

Derivative Notional Values

The outstanding notional value of our derivatives at December 31 was as follows (in billions):

	2020	2021
Interest rate derivatives		
Pay-fixed, receive-floating, excluding securitization swaps, including basis swaps	\$ 25	\$ 18
Pay-floating, receive-fixed, excluding securitization swaps	46	38
Securitization swaps	26	19
Total interest rate derivatives	97	75
Other derivatives		
Cross-currency swaps	8	7
Foreign currency forwards	4	4
Total notional value	\$ 109	\$ 86

Derivative Fair Values

The net fair value of our derivative financial instruments was an asset of \$2,077 million and \$553 million at December 31, 2020 and 2021, respectively. For additional information regarding our derivatives, see Note 7 of our Notes to the Financial Statements.

Transition from LIBOR to Alternative Reference Rates

We have been working to transition from 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 are no longer utilizing LIBOR for new contracts.

Counterparty Risk

Counterparty risk relates to the loss we could incur if an obligor or counterparty defaulted on an investment or a derivative contract. We enter into master agreements with counterparties that allow netting of certain exposures in order to manage this risk. Exposures primarily relate to investments in fixed income instruments and derivative contracts used for managing interest rate and foreign currency exchange rate risk. We, together with Ford, establish exposure limits for each counterparty to minimize risk and provide counterparty diversification.

Our approach to managing counterparty risk is forward-looking and proactive, allowing us to take risk mitigation actions before risks become losses. Exposure limits are established based on our overall risk tolerance, which is calculated from counterparty credit ratings and market-based credit default swap ("CDS") spreads. The exposure limits are lower for smaller and lower-rated counterparties, counterparties that have relatively higher CDS spreads, and for longer-dated exposures. Our exposures are monitored on a regular basis and are included in periodic reports to Ford's Treasurer and our Chief Financial Officer.

Substantially all of our counterparty exposures are with counterparties that have an investment grade rating. Investment grade is our guideline for minimum counterparty long-term ratings. For additional information on our derivatives, see Note 7 of our Notes to the Financial Statements.

Operating Risk

We operate in many locations and rely on the abilities of our employees and computer systems to process a large number of transactions. Improper employee actions, improper operation of systems, or unforeseen business interruptions could result in financial loss, regulatory action, damage to our reputation, and breach of contractual obligations. To address this risk, we maintain internal control processes that identify transaction authorization requirements, safeguard assets from misuse or theft, protect the reliability of financial and other data, and minimize the impact of a business interruption on our customers. We also maintain system controls to maintain the accuracy of information about our operations. These controls are designed to manage operating risk throughout our operation.

ITEM 8. Financial Statements and Supplementary Data.

Our Report of Independent Registered Public Accounting Firm, Consolidated Financial Statements, and the accompanying Notes that are filed as part of this Report are listed under "Item 15. Exhibits and Financial Statement Schedules" and are set forth beginning on page [61](#) immediately following the signature pages of this Report.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

ITEM 9A. 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"), Treasurer and Strategy, 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 (the "Exchange Act"), as of December 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.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2021. The assessment was based on criteria established in the framework *Internal Control - Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021, has been audited by PricewaterhouseCoopers LLP ("PwC") (PCAOB ID 238), an independent registered public accounting firm, as stated in its report which appears herein.

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

ITEM 9B. Other Information.

None.

ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

ITEM 10. *Directors, Executive Officers and Corporate Governance.*

Not required.

ITEM 11. *Executive Compensation.*

Not required.

ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.*

Not required.

ITEM 13. *Certain Relationships and Related Transactions, and Director Independence.*

Not required.

ITEM 14. *Principal Accounting Fees and Services.*

Our principal accounting fees and services for the years ended December 31 were as follows (in millions):

	2020	2021
<u>Nature of Services</u>		
<i>Audit fees</i> - for audit of the financial statements included in our Annual Report on Form 10-K, reviews of the financial statements included in our quarterly reports on Form 10-Q, attestation of the effectiveness of the Company's internal controls over financial reporting, preparation of statutory audit reports, and providing comfort letters in connection with our funding transactions	\$ 12.0	\$ 9.9
<i>Audit-related fees</i> - for support of funding transactions, due diligence for mergers, acquisitions and divestitures, attestation services, internal control reviews, and assistance with interpretation of accounting standards	2.3	2.2
<i>Tax fees</i> - for tax compliance and the preparation of tax returns, tax consultation, planning and implementation services, assistance in connection with tax audits, and tax advice related to mergers, acquisitions and divestitures	0.4	0.4
<i>All other fees</i> - for support in business and regulatory reviews and research analysis regarding new strategies	—	—
Total fees	<u>\$ 14.7</u>	<u>\$ 12.5</u>

Pre-Approval Policies and Procedures

Ford's Audit Committee has established pre-approval policies and procedures that govern the engagement of PwC, and the services provided by PwC to Ford Credit are pre-approved in accordance with Ford's policies and procedures. The policies and procedures are detailed as to the particular services and Ford Credit's Audit Committee is informed of the services provided to us by PwC, including the audit fee requests for these services that have been submitted to and approved by Ford's Audit Committee. The pre-approval policies and procedures do not include delegation of the Ford or Ford Credit Audit Committees' responsibilities under the Exchange Act to management.

PART IV

ITEM 15. *Exhibits and Financial Statement Schedules.*

(a) 1. Financial Statements

Report of Independent Registered Public Accounting Firm

Ford Motor Credit Company LLC and Subsidiaries

- Consolidated Income Statements for the Years Ended December 31, 2019, 2020, and 2021
- Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2019, 2020, and 2021
- Consolidated Balance Sheets at December 31, 2020 and 2021
- Consolidated Statements of Shareholder's Interest for the Years Ended December 31, 2019, 2020, and 2021
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2020, and 2021
- Notes to the Financial Statements

The Report of Independent Registered Public Accounting Firm, Consolidated Financial Statements, and the Notes to the Financial Statements listed above are filed as part of this Report and are set forth beginning on page [61](#) immediately following the signature pages of this Report.

(a) 2. Financial Statement Schedules

Schedules have been omitted because they are not applicable, the information required to be contained in them is disclosed elsewhere in the Consolidated Financial Statements, or the amounts involved are not sufficient to require submission.

(a) 3. Exhibits

Designation	Description	Method of Filing
Exhibit 3-A	Certificate of Formation of Ford Motor Credit Company LLC.	Filed as Exhibit 99.3 to Ford Motor Credit Company LLC Current Report on Form 8-K dated May 1, 2007 and incorporated herein by reference. File No. 1-6368.
Exhibit 3-B	Limited Liability Company Agreement of Ford Motor Credit Company LLC dated as of April 30, 2007.	Filed as Exhibit 99.4 to Ford Motor Credit Company LLC Current Report on Form 8-K dated May 1, 2007 and incorporated herein by reference. File No. 1-6368.
Exhibit 4-A	Form of Indenture dated as of February 1, 1985 between Ford Motor Credit Company and Manufacturers Hanover Trust Company relating to Unsecured Debt Securities.	Filed as Exhibit 4-A to Ford Motor Credit Company Registration Statement No. 2-95568 and incorporated herein by reference.
Exhibit 4-A-1	Form of First Supplemental Indenture dated as of April 1, 1986 between Ford Motor Credit Company and Manufacturers Hanover Trust Company supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4-B to Ford Motor Credit Company Current Report on Form 8-K dated April 29, 1986 and incorporated herein by reference. File No. 1-6368.
Exhibit 4-A-2	Form of Second Supplemental Indenture dated as of September 1, 1986 between Ford Motor Credit Company and Manufacturers Hanover Trust Company supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4-B to Ford Motor Credit Company Current Report on Form 8-K dated August 28, 1986 and incorporated herein by reference. File No. 1-6368.
Exhibit 4-A-3	Form of Third Supplemental Indenture dated as of March 15, 1987 between Ford Motor Credit Company and Manufacturers Hanover Trust Company supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4-E to Ford Motor Credit Company Registration Statement No. 33-12928 and incorporated herein by reference.
Exhibit 4-A-4	Form of Fourth Supplemental Indenture dated as of April 15, 1988 between Ford Motor Credit Company and Manufacturers Hanover Trust Company supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4-F to Post-Effective Amendment No. 1 to Ford Motor Credit Company Registration Statement No. 33-20081 and incorporated herein by reference.
Exhibit 4-A-5	Form of Fifth Supplemental Indenture dated as of September 1, 1990 between Ford Motor Credit Company and Manufacturers Hanover Trust Company supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4-G to Ford Motor Credit Company Registration Statement No. 33-41060 and incorporated herein by reference.
Exhibit 4-A-6	Form of Sixth Supplemental Indenture dated as of June 1, 1998 between Ford Motor Credit Company and The Chase Manhattan Bank supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4.1 to Ford Motor Credit Company Current Report on Form 8-K dated June 15, 1998 and incorporated herein by reference. File No. 1-6368.
Exhibit 4-A-7	Form of Seventh Supplemental Indenture dated as of January 15, 2002 between Ford Motor Credit Company and JPMorgan Chase Bank supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4-I to Amendment No. 1 to Ford Motor Credit Company Registration Statement No. 333-75234 and incorporated herein by reference.
Exhibit 4-A-8	Form of Eighth Supplemental Indenture dated as of June 5, 2006 between Ford Motor Credit Company and JPMorgan Chase Bank N.A. supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4 to Ford Motor Credit Company Current Report on Form 8-K dated May 25, 2006 and incorporated herein by reference. File No. 1-6368.
Exhibit 4-A-9	Form of Ninth Supplemental Indenture dated as of September 18, 2012 between Ford Motor Credit Company LLC and The Bank of New York Mellon supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4 to Ford Motor Credit Company LLC Current Report on Form 8-K dated September 18, 2012 and incorporated herein by reference. File No. 1-6368.
Exhibit 4-B	Form of Indenture dated as of March 16, 2015 between Ford Motor Credit Company LLC and The Bank of New York Mellon relating to Unsecured Debt Securities.	Filed as Exhibit 4-A to Ford Motor Credit Company LLC Registration Statement No. 333-202789 and incorporated by reference herein.
Exhibit 4-C	Description of Securities.	Filed with this Report.
Exhibit 10-A	Second Amended and Restated Relationship Agreement dated as of March 19, 2020 between Ford Motor Company and Ford Motor Credit Company LLC.	Filed as Exhibit 10 to Ford Motor Credit Company LLC Current Report on Form 8-K dated March 19, 2020 and incorporated herein by reference. File No. 1-6368.
Exhibit 10-B	Amended and Restated Support Agreement dated as of September 20, 2004 between Ford Motor Credit Company and FCE Bank plc.	Filed as Exhibit 10 to Ford Motor Credit Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference. File No. 1-6368.
Exhibit 10-C	Second Amended and Restated Tax Sharing Agreement Between Ford Motor Company and Ford Motor Credit Company LLC.	Filed as Exhibit 10 to Ford Motor Credit Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 and incorporated herein by reference. File No. 1-6368.
Exhibit 23	Consent of Independent Registered Public Accounting Firm.	Filed with this Report.
Exhibit 24	Powers of Attorney.	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.

<u>Designation</u>	<u>Description</u>	<u>Method of Filing</u>
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.

ITEM 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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
Executive Vice President, Chief Financial Officer, Treasurer,
and Strategy

Date: February 3, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of Ford Motor Credit Company LLC and in the capacities and on the dates indicated.

Signature	Title	Date
<u>MARION B. HARRIS*</u> Marion B. Harris	Director, President and Chief Executive Officer (principal executive officer)	February 3, 2022
<u>DAVID W. MCCLELLAND*</u> David W. McClelland	Director, Chairman of the Board	February 3, 2022
<u>N. JOY FALOTICO*</u> N. Joy Falotico	Director and Audit Committee Member	February 3, 2022
<u>DAVID A. WEBB*</u> David A. Webb	Director and Chairman of the Audit Committee	February 3, 2022
<u>NARPAL S. AHLUWALIA*</u> Narpal S. Ahluwalia	Director, Executive Vice President, Chief Risk Officer and China	February 3, 2022
<u>BRIAN E. SCHAAF*</u> Brian E. Schaaf	Director, Executive Vice President, Chief Financial Officer, Treasurer, and Strategy (principal financial officer and principal accounting officer)	February 3, 2022
<u>* By /s/ LANI M. DUFFY</u> Lani M. Duffy	Attorney-in-Fact	February 3, 2022

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder of Ford Motor Credit Company LLC

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Ford Motor Credit Company LLC and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of income, of comprehensive income, of shareholder's interest and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for income taxes in 2021 and for credit losses in 2020.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Consumer Finance Receivables Allowance for Credit Losses

As described in Note 4 to the consolidated financial statements, the Company had consumer finance receivables of \$73,545 million, for which a consumer allowance for credit losses of \$903 million was recorded as of December 31, 2021. The consumer allowance for credit losses represents management's estimate of the lifetime expected credit losses inherent in the consumer finance receivables as of the balance sheet date. For consumer receivables that share similar risk characteristics, management estimates the lifetime expected credit losses based on a collective assessment using measurement models and management judgment. The lifetime expected credit losses for the receivables is determined by applying probability of default and loss given default assumptions to monthly expected exposures, then discounting these cash flows to present value using the receivable's original effective interest rate or the current effective interest rate for a variable rate receivable. If management does not believe the models reflect lifetime expected credit losses for the portfolio, an adjustment is made to reflect management judgment regarding qualitative factors including economic uncertainty, observable changes in portfolio performance, and other relevant factors.

The principal considerations for our determination that performing procedures relating to the consumer finance receivables allowance for credit losses is a critical audit matter are (i) the significant judgment by management in determining the consumer finance receivables allowance for credit losses; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the probability of default and loss given default assumptions and management's judgment regarding qualitative factors; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's determination of the consumer finance receivables allowance for credit losses. These procedures also included, among others (i) testing management's process for determining the consumer finance receivables allowance for credit losses; (ii) evaluating the appropriateness of the models used to determine the allowance; (iii) evaluating the reasonableness of the probability of default and loss given default assumptions; (iv) testing the data used in the models; and (v) evaluating the reasonableness of management's judgment regarding qualitative factors related to economic uncertainty, observable changes in portfolio performance, and other relevant factors. Professionals with specialized skill and knowledge were used to assist in performing the procedures described in (i) through (v).

/s/ PricewaterhouseCoopers LLP
Detroit, Michigan
February 3, 2022

We have served as the Company's auditor since 1959.

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

	For the Years Ended December 31,		
	2019	2020	2021
Financing revenue			
Operating leases	\$ 5,899	\$ 5,653	\$ 5,291
Retail financing	3,958	3,927	3,888
Dealer financing	2,265	1,474	774
Other financing	96	88	46
Total financing revenue	12,218	11,142	9,999
Depreciation on vehicles subject to operating leases	(3,635)	(3,235)	(1,626)
Interest expense	(4,389)	(3,402)	(2,790)
Net financing margin	4,194	4,505	5,583
Other revenue			
Insurance premiums earned (Note 11)	182	143	75
Fee based revenue and other	223	177	176
Total financing margin and other revenue	4,599	4,825	5,834
Expenses			
Operating expenses	1,416	1,330	1,325
Provision for/(Benefit from) credit losses (Note 4)	296	828	(310)
Insurance expenses (Note 11)	103	82	10
Total expenses	1,815	2,240	1,025
Other income/(loss), net (Note 13)	214	23	(78)
Income before income taxes	2,998	2,608	4,731
Provision for/(Benefit from) income taxes (Note 10)	378	270	210
Net income	<u>\$ 2,620</u>	<u>\$ 2,338</u>	<u>\$ 4,521</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	For the Years Ended December 31,		
	2019	2020	2021
Net income	\$ 2,620	\$ 2,338	\$ 4,521
Other comprehensive income/(loss), net of tax			
Foreign currency translation gains/(losses)	44	339	(198)
Reclassification of accumulated foreign currency translation (gains)/losses to net income	—	33	(14)
Comprehensive income	<u>\$ 2,664</u>	<u>\$ 2,710</u>	<u>\$ 4,309</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	December 31, 2021
ASSETS		
Cash and cash equivalents (Note 3)	\$ 14,349	\$ 10,963
Marketable securities (Note 3)	4,860	2,173
Finance receivables, net		
Retail installment contracts, dealer financing, and other financing	97,043	85,347
Finance leases	8,027	7,003
Total finance receivables, net of allowance for credit losses of \$1,305 and \$925 (Note 4)	105,070	92,350
Net investment in operating leases (Note 5)	26,655	25,167
Notes and accounts receivable from affiliated companies	853	703
Derivative financial instruments (Note 7)	2,601	1,065
Assets held-for-sale (Note 12)	36	—
Other assets (Note 8)	3,705	2,524
Total assets	\$ 158,129	\$ 134,945
LIABILITIES		
Accounts payable		
Customer deposits, dealer reserves, and other	\$ 1,087	\$ 1,051
Affiliated companies	490	425
Total accounts payable	1,577	1,476
Debt (Note 9)	137,677	117,717
Deferred income taxes	504	676
Derivative financial instruments (Note 7)	524	512
Other liabilities and deferred revenue (Note 8)	2,280	2,166
Total liabilities	142,562	122,547
SHAREHOLDER'S INTEREST		
Shareholder's interest	5,227	5,227
Accumulated other comprehensive income/(loss)	(478)	(690)
Retained earnings	10,818	7,839
Shareholder's interest attributable to Ford Motor Credit Company	15,567	12,376
Shareholder's interest attributable to noncontrolling interests	—	22
Total shareholder's interest	15,567	12,398
Total liabilities and shareholder's interest	\$ 158,129	\$ 134,945

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. See Note 6 for additional information on our VIEs.

	December 31, 2020	December 31, 2021
ASSETS		
Cash and cash equivalents	\$ 2,822	\$ 3,407
Finance receivables, net	51,472	43,001
Net investment in operating leases	12,794	7,540
Derivative financial instruments	—	39
LIABILITIES		
Debt	\$ 46,770	\$ 38,274
Derivative financial instruments	56	6

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)

	Shareholder's Interest Attributable to Ford Motor Credit Company				Shareholder's Interest Attributable to Non-controlling Interests	Total Shareholder's Interest
	Shareholder's Interest	Accumulated Other Comprehensive Income/(Loss)	Retained Earnings	Total Shareholder's Interest		
Balance at December 31, 2018	\$ 5,227	\$ (894)	\$ 12,292	\$ 16,625	\$ —	\$ 16,625
Net income	—	—	2,620	2,620	—	2,620
Other comprehensive income/(loss), net of tax	—	44	—	44	—	44
Distributions declared	—	—	(2,900)	(2,900)	—	(2,900)
Balance at December 31, 2019	\$ 5,227	\$ (850)	\$ 12,012	\$ 16,389	\$ —	\$ 16,389
Balance at December 31, 2019	\$ 5,227	\$ (850)	\$ 12,012	\$ 16,389	\$ —	\$ 16,389
Net income	—	—	2,338	2,338	—	2,338
Other comprehensive income/(loss), net of tax	—	372	—	372	—	372
Adoption of accounting standards (Note 2)	—	—	(242)	(242)	—	(242)
Distributions declared	—	—	(3,290)	(3,290)	—	(3,290)
Balance at December 31, 2020	\$ 5,227	\$ (478)	\$ 10,818	\$ 15,567	\$ —	\$ 15,567
Balance at December 31, 2020	\$ 5,227	\$ (478)	\$ 10,818	\$ 15,567	\$ —	\$ 15,567
Net income	—	—	4,521	4,521	—	4,521
Other comprehensive income/(loss), net of tax	—	(212)	—	(212)	—	(212)
Distributions declared	—	—	(7,500)	(7,500)	—	(7,500)
Other (Note 12)	—	—	—	—	22	22
Balance at December 31, 2021	<u>\$ 5,227</u>	<u>\$ (690)</u>	<u>\$ 7,839</u>	<u>\$ 12,376</u>	<u>\$ 22</u>	<u>\$ 12,398</u>

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 Years Ended December 31,		
	2019	2020	2021
Cash flows from operating activities			
Net income	\$ 2,620	\$ 2,338	\$ 4,521
Provision for/(Benefit From) credit losses	296	828	(310)
Depreciation and amortization	4,427	3,984	2,349
Amortization of upfront interest supplements	(2,147)	(2,222)	(2,249)
Net change in finance and wholesale receivables held-for-sale	(300)	(74)	—
Net change in deferred income taxes	89	61	147
Net change in other assets	32	(64)	522
Net change in other liabilities	(207)	(321)	(185)
All other operating activities	103	94	168
Net cash provided by/(used in) operating activities	4,913	4,624	4,963
Cash flows from investing activities			
Purchases of finance receivables	(38,881)	(41,218)	(35,283)
Principal collections of finance receivables	42,011	40,102	41,382
Purchases of operating lease vehicles	(12,990)	(11,331)	(11,216)
Proceeds from termination of operating lease vehicles	9,332	9,508	11,469
Net change in wholesale receivables and other short-duration receivables	1,752	12,752	7,693
Proceeds from sale of business (Note 12)	—	1,340	—
Purchases of marketable securities	(5,883)	(10,976)	(8,014)
Proceeds from sales and maturities of marketable securities	3,931	9,436	10,676
Settlements of derivatives	(221)	(152)	(17)
All other investing activities	(56)	71	(190)
Net cash provided by/(used in) investing activities	(1,005)	9,532	16,500
Cash flows from financing activities			
Proceeds from issuances of long-term debt	44,522	41,743	23,101
Principal payments on long-term debt	(44,665)	(44,558)	(44,260)
Change in short-term debt, net	(1,278)	(2,495)	3,460
Cash distributions to parent	(2,900)	(3,290)	(7,500)
All other financing activities	(116)	(107)	(41)
Net cash provided by/(used in) financing activities	(4,437)	(8,707)	(25,240)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	50	279	(128)
Net increase/(decrease) in cash, cash equivalents, and restricted cash	\$ (479)	\$ 5,728	\$ (3,905)
Cash, cash equivalents and restricted cash at beginning of period (Note 3)	\$ 9,747	\$ 9,268	\$ 14,996
Net increase/(decrease) in cash, cash equivalents and restricted cash	(479)	5,728	(3,905)
Cash, cash equivalents and restricted cash at end of period (Note 3)	\$ 9,268	\$ 14,996	\$ 11,091

The accompanying notes are part of the consolidated financial statements.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. PRESENTATION

Principles of Consolidation

The accompanying consolidated financial statements include Ford Motor Credit Company LLC, its controlled domestic and foreign subsidiaries and joint ventures, and consolidated VIEs in which Ford Motor Credit Company LLC is the primary beneficiary (collectively referred to herein as "Ford Credit," "we," "our," or "us"). Affiliates that we do not consolidate, but for which we have significant influence over operating and financial policies, are accounted for using the equity method. We are an indirect, wholly owned subsidiary of Ford Motor Company ("Ford"). We prepare our financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"). We reclassify certain prior period amounts in our consolidated financial statements to conform to current year presentation.

Nature of Operations

We offer a wide variety of automotive financing products to and through automotive dealers throughout the world. Our portfolio consists of finance receivables and net investment in operating leases. We also service the finance receivables and net investment in operating leases we originate and purchase, make loans to Ford affiliates, and provide insurance services related to our financing programs. See Notes 4, 5, and 11 for additional 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. See Note 15 for key operating data on our business segments and for geographic information on our regions.

The predominant share of our business consists of financing Ford and Lincoln vehicles and supporting Ford and Lincoln dealers. Any extended reduction or suspension of Ford's production or sale of vehicles due to a decline in consumer demand, work stoppage, governmental action, negative publicity or other event, or significant changes to marketing programs sponsored by Ford, would have an adverse effect on our business.

Certain subsidiaries are subject to regulatory capital requirements that may limit the ability of those subsidiaries to pay dividends.

NOTE 2. ACCOUNTING POLICIES

For each accounting topic that is addressed in its own note, the description of the accounting policy may be found in the related note. Other significant remaining accounting policies are described below.

Use of Estimates

The preparation of financial statements requires us to make estimates and assumptions that affect our results. The accounting estimates that are most important to our business involve the allowance for credit losses related to finance receivables, and accumulated depreciation on vehicles subject to operating leases. Estimates are based on assumptions that we believe are reasonable under the circumstances. Due to the inherent uncertainty involved with estimates, actual results may differ.

Foreign Currency

When an entity has monetary assets and liabilities denominated in a currency that is different from its functional currency, we remeasure those assets and liabilities from the transactional currency to the legal entity's functional currency. The effect of this remeasurement process and the results of our related foreign currency hedging activities are reported in *Other income/(loss), net*.

Generally, our foreign subsidiaries use the local currency as their functional currency. We translate the assets and liabilities of our foreign subsidiaries from their respective functional currencies to U.S. dollars using end-of-period exchange rates. Changes in the carrying value of these assets and liabilities attributable to fluctuations in exchange rates are recognized in *Foreign currency translation*, a component of *Other comprehensive income/(loss), net of tax*. Upon sale or upon complete or substantially complete liquidation of an investment in a foreign subsidiary, the amount of accumulated foreign currency translation related to the entity is reclassified to income and recognized as part of the gain or loss on the investment.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. ACCOUNTING POLICIES *(Continued)*

Fair Value Measurements

Cash equivalents, marketable securities, and derivative financial instruments are remeasured and presented on our financial statements on a recurring basis at fair value, while other assets and liabilities are measured at fair value on a nonrecurring basis.

In measuring fair value, we use various valuation methods and prioritize the use of observable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy.

- Level 1 – inputs include quoted prices for identical instruments and are the most observable
- Level 2 – inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates, and yield curves
- Level 3 – inputs include data not observable in the market and reflect management judgment about the assumptions market participants would use in pricing the instruments

Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

Adoption of New Accounting Standards

Accounting Standards Update ("ASU") 2019-12 - Income Taxes - 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, 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 December 31,					
	2019			2020		
	Previously Reported	Adjustments due to ASU 2019-12	As Revised	Previously Reported	Adjustments due to ASU 2019-12	As Revised
Income Statement						
Provision for/(Benefit from) income taxes	\$ 770	\$ (392)	\$ 378	\$ 684	\$ (414)	\$ 270
Net income	2,228	392	2,620	1,924	414	2,338

	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 December 31, 2019			For the Period Ended December 31, 2020		
	Previously Reported	Adjustments due to ASU 2019-12	As Revised	Previously Reported	Adjustments due to ASU 2019-12	As Revised
Statement of Cash Flows						
Cash flows from operating activities						
Net income	\$ 2,228	\$ 392	\$ 2,620	\$ 1,924	\$ 414	\$ 2,338
Net change in deferred income taxes	37	52	89	379	(318)	61
Net change in other assets	132	(100)	32	(930)	866	(64)
Net change in other liabilities	137	(344)	(207)	(228)	(93)	(321)
All other operating activities	103	—	103	88	6	94
Cash flows from financing activities						
Cash distributions to parent	(2,900)	—	(2,900)	(2,415)	(875)	(3,290)

(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).

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. ACCOUNTING POLICIES (Continued)

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.

Accounting Standards Update (“ASU”) 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments. On January 1, 2020, we adopted the new credit loss standard and all of the related amendments, which replaced the incurred loss impairment method with a method that reflects lifetime expected credit losses. We adopted the changes in accounting for credit losses by recognizing the cumulative effect of initially applying the new credit loss standard as an adjustment to the opening balance of *Retained earnings*. The comparative information has not been restated and continues to be reported under the accounting standard in effect for those periods.

The cumulative effect of the changes made to our consolidated balance sheet at January 1, 2020, for the adoption of ASU 2016-13 was as follows (in millions):

	Balance at December 31, 2019	Adjustments due to ASU 2016-13	Balance at January 1, 2020
Assets			
Retail installment contracts, dealer financing, and other financing	\$ 106,131	\$ (230)	\$ 105,901
Finance leases	8,186	(22)	8,164
Other assets	3,398	(8)	3,390
Liabilities			
Deferred income taxes	2,593	(58)	2,535
Equity			
Retained earnings	9,905	(202)	9,703

We also adopted the following ASU’s during 2021, which did not have 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.

NOTE 3. CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES

Cash and Cash Equivalents. Included in *Cash and cash equivalents* are highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. A debt security is classified as a cash equivalent if it meets these criteria and if it has a remaining time to maturity of three months or less from the date of purchase. Amounts on deposit and available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as *Cash and cash equivalents*. Time deposits, certificates of deposit, and money market accounts that meet the above criteria are reported at par value on our consolidated balance sheets.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES (Continued)

Marketable Securities. Investments in securities with a maturity date greater than three months at the date of purchase and other securities for which there is more than an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal are classified as *Marketable securities*. These investments are reported at fair value. We generally measure fair value using prices obtained from pricing services. Pricing methods and inputs to valuation models used by the pricing services depend on the security type (i.e., asset class). Where possible, fair values are generated using market inputs including quoted prices (the closing price in an exchange market), bid prices (the price at which a buyer stands ready to purchase), and other market information. For fixed income securities that are not actively traded, the pricing services use alternative methods to determine fair value for the securities, including quotes for similar fixed income securities, matrix pricing, discounted cash flow using benchmark curves, or other factors. In certain cases, when market data are not available, we may use broker quotes to determine fair value.

An annual review is performed on the security prices received from our pricing services, which includes discussion and analysis of the inputs used by the pricing services to value our securities. We also compare the price of certain securities sold close to the quarter end to the price of the same security at the balance sheet date to ensure the reported fair value is reasonable.

Realized and unrealized gains and losses and interest income on our marketable securities are recorded in *Other income/(loss), net*. Realized gains and losses are measured using the specific identification method.

The following table categorizes the fair values of cash, cash equivalents, and marketable securities measured at fair value on a recurring basis on our balance sheets at December 31 (in millions):

	Fair Value Level	2020	2021
Cash and cash equivalents			
United States government	1	\$ 3,255	\$
United States government agencies	2	640	
Non-United States government and agencies	2	717	
Corporate debt	2	970	
Total marketable securities classified as cash equivalents		5,582	2,
Cash, time deposits and money market funds		8,767	8,
Total cash and cash equivalents		\$ 14,349	\$ 10,
Marketable securities			
United States government	1	\$ 1,082	\$
United States government agencies	2	485	
Non-United States government and agencies	2	2,693	
Corporate debt	2	308	
Other marketable securities	2	292	
Total marketable securities		\$ 4,860	\$ 2,

Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash as reported in the consolidated statements of cash flows are presented separately on our consolidated balance sheets as follows (in millions):

	December 31, 2020	December 31, 2021
Cash and cash equivalents	\$ 14,349	\$ 10,963
Restricted cash (a)	647	128
Total cash, cash equivalents, and restricted cash	\$ 14,996	\$ 11,091

(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.

Consumer Portfolio. Receivables in this portfolio include products offered to individuals and businesses that finance the acquisition of Ford and Lincoln vehicles from dealers for personal or commercial use. Retail financing includes retail installment contracts for new and used vehicles and finance leases with retail customers, government entities, daily rental companies, and fleet customers.

Non-Consumer Portfolio. Receivables in this portfolio include products offered to automotive dealers and receivables purchased from Ford and its affiliates. The products include:

- *Dealer financing* – includes wholesale loans to dealers to finance the purchase of vehicle inventory, also known as floorplan financing, as well as loans to dealers to finance working capital and improvements to dealership facilities, to finance the purchase of dealership real estate, and to finance other dealer programs. Wholesale financing is approximately 93% of our dealer financing.
- *Other financing* – includes purchased receivables from Ford and its affiliates, primarily related to the sale of parts and accessories to dealers and certain used vehicles from daily rental fleet companies. In addition, we provide financing to Ford for vehicles that Ford leases to its employees. These receivables are excluded from our credit quality reporting since the performance of this group of receivables is generally guaranteed by Ford.

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.

Revenue from finance receivables is recognized using the interest method and includes the accretion of certain direct origination costs that are deferred and interest supplements received from Ford and affiliated companies. The unearned interest supplements on finance receivables are included in *Total finance receivables, net* on the balance sheets, and the earned interest supplements are included in *Total financing revenue* on the income statements.

We measure finance receivables at fair value using internal valuation models. These models project future cash flows of financing contracts based on scheduled contract payments (including principal and interest). The projected cash flows are discounted to present value based on assumptions regarding expected credit losses, pre-payment speed, and applicable spreads to approximate current rates. The fair value of finance receivables is categorized within Level 3 of the hierarchy.

On a nonrecurring basis, we also measure at fair value retail contracts greater than 120 days past due or deemed to be uncollectible, and individual dealer loans probable of foreclosure. We use the fair value of collateral, adjusted for estimated costs to sell, to determine the fair value of these receivables. The collateral for a retail financing or wholesale receivable is the vehicle financed, and for dealer loans is real estate or other property.

The fair value of collateral for retail financing receivables is calculated as the outstanding receivable balances multiplied by the average recovery value percentage. The fair value of collateral for wholesale receivables is based on the wholesale market value or liquidation value for new and used vehicles. The fair value of collateral for dealer loans is determined by reviewing various appraisals, which include total adjusted appraised value of land and improvements, alternate use appraised value, broker’s opinion of value, and purchase offers.

Notes and accounts receivable from affiliated companies are presented separately on the balance sheets. These receivables are based on intercompany relationships and the balances are settled regularly. We do not assess these receivables for potential credit losses, nor are they subjected to aging analysis, credit quality reviews, or other formal assessments. As a result, *Notes and accounts receivable from affiliated companies* are not subject to the following disclosures contained herein.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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

Finance Receivables Classification

Finance receivables are accounted for as held-for-investment ("HFI") if we have the intent and ability to hold the receivables for the foreseeable future or until maturity or payoff. The determination of intent and ability to hold for the foreseeable future is highly judgmental and requires us to make good faith estimates based on all information available at the time of origination or purchase. If we do not have the intent and ability to hold the receivables, then the receivables are classified as held-for-sale ("HFS").

Each quarter, we make a determination of whether it is probable that finance receivables originated or purchased during the quarter will be held for the foreseeable future based on historical receivables sale experience, internal forecasts and budgets, as well as other relevant, reliable information available through the date of evaluation. For purposes of this determination, probable means at least 70% likely and, consistent with our budgeting and forecasting period, we define foreseeable future to mean twelve months. We classify receivables as HFI or HFS on a receivable-by-receivable basis. Specific receivables included in off-balance sheet sale transactions are generally not identified until the month in which the sale occurs.

Held-for-Investment. Finance receivables classified as HFI 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. Cash flows from finance receivables that were originally classified as HFI are recorded as an investing activity since GAAP requires the statement of cash flows presentation to be based on the original classification of the receivables.

Held-for-Sale. Finance receivables classified as HFS are carried at the lower of cost or fair value. Cash flows resulting from the origination or purchase and sale of HFS receivables are recorded as an operating activity. Once a decision has been made to sell receivables that were originally classified as HFI, the receivables are reclassified as HFS and carried at the lower of cost or fair value. The valuation adjustment, if applicable, is recorded in *Other income/(loss), net* to recognize the receivables at the lower of cost or fair value.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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

Finance Receivables, Net

Total finance receivables, net at December 31 were as follows (in millions):

	2020	2021
Consumer		
Retail installment contracts, gross	\$ 73,726	\$ 69,247
Finance leases, gross	8,431	7,318
Retail financing, gross	82,157	76,565
Unearned interest supplements from Ford and affiliated companies	(3,987)	(3,020)
Consumer finance receivables	78,170	73,545
Non-Consumer		
Dealer financing (a)	26,517	18,197
Other financing (b)	1,688	1,533
Non-Consumer finance receivables	28,205	19,730
Total recorded investment (c)	\$ 106,375	\$ 93,275
Recorded investment in finance receivables	\$ 106,375	\$ 93,275
Allowance for credit losses	(1,305)	(925)
Total finance receivables, net	\$ 105,070	\$ 92,350
Net finance receivables subject to fair value (d)	\$ 97,043	\$ 85,347
Fair value	98,630	86,199

- (a) Includes \$5.1 billion and \$6.4 billion at December 31, 2020 and 2021, respectively, of receivables generated by divisions and affiliates of Ford in connection with vehicle inventories released from Ford and in transit to the destination dealers. Interest earned from Ford and affiliated companies associated with receivables from gate-released vehicles in transit to dealers for the years ended December 31, 2019, 2020, and 2021 was \$229 million, \$137 million, and \$97 million, respectively. Balances at December 31, 2020 and 2021, also include \$515 million and \$503 million, respectively, of dealer financing receivables with entities (primarily dealers) that are reported as consolidated subsidiaries of Ford. For the years ended December 31, 2019, 2020, and 2021, the interest earned on receivables from consolidated subsidiaries of Ford to which we provide dealer financing was \$10 million, \$13 million, and \$4 million, respectively.
- (b) Primarily represents other financing receivables with Ford, which includes amounts associated with purchased receivables and receivables associated with the financing of vehicles that Ford leases to employees. Interest earned from Ford and affiliated companies associated with these other financing receivables totaled \$96 million, \$88 million, and \$46 million for the years ended December 31, 2019, 2020, and 2021, respectively.
- (c) Earned interest supplements on consumer and non-consumer receivables from Ford and affiliated companies totaled \$2.5 billion, \$2.4 billion, and \$2.4 billion for the years ended December 31, 2019, 2020, and 2021, respectively. Cash received from interest supplements totaled \$2.6 billion, \$2.8 billion, and \$1.5 billion for the years ended December 31, 2019, 2020, and 2021, respectively.
- (d) Net finance receivables subject to fair value exclude finance leases.

At December 31, 2020 and 2021, accrued interest was \$181 million and \$125 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)

Finance Leases

Finance leases are comprised of sales-type and direct financing leases. These financings include primarily lease plans for terms of 24 to 60 months. In limited cases, a customer may extend the lease term. Early terminations of leases may also occur at the customer's request subject to approval. We offer financing products in which the customer may be required to pay any shortfall, or may receive as payment any excess amount between the fair market value and the contractual vehicle value at the end of the term, which are classified as finance leases. In some markets, we finance a vehicle with a series of monthly payments followed by a single balloon payment or the option for the customer to return the vehicle to Ford Credit; these arrangements containing a purchase option are classified as finance leases.

The amounts contractually due on finance leases at December 31, 2021 were as follows (in millions):

	Finance Lease Receivables					Total
	2022	2023	2024	2025	2026	
Contractual maturity	\$ 2,190	\$ 1,376	\$ 897	\$ 322	\$ 52	\$ 4,837
Less: Present value discount						206
Total finance lease receivables						\$ 4,631

The reconciliation from finance lease receivables to finance leases, gross and finance leases, net at December 31 is as follows (in millions):

	2020	2021
Finance lease receivables	\$ 5,436	\$ 4,631
Unguaranteed residual assets	2,893	2,605
Initial direct costs	102	82
Finance leases, gross	8,431	7,318
Unearned interest supplements from Ford and affiliated companies	(337)	(274)
Allowance for credit losses	(67)	(41)
Finance leases, net	\$ 8,027	\$ 7,003

Financing revenue from finance leases was \$380 million, \$357 million, and \$345 million for the years ended December 31, 2019, 2020, and 2021, respectively, and is included in *Retail financing* on the consolidated income statements.

Credit Quality

Consumer Portfolio. When originating consumer receivables, 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.

After origination, we review the credit quality of retail financing based on customer payment activity. As each customer develops a payment history, we use an internally developed behavioral scoring model to assist in determining the best collection strategies, which allows us to focus collection activity on higher-risk accounts. These models are used to refine our risk-based staffing model to ensure collection resources are aligned with portfolio risk. Based on data from this scoring model, contracts are categorized by collection risk. Our collection models evaluate several factors, including origination characteristics, updated credit bureau data, and payment patterns.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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

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 December 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	\$ 39	\$ 52	\$ 98	\$ 120	\$ 186	\$ 91	\$ 586	0.8 %
61-120 days past due	7	10	20	29	40	21	127	0.2
Greater than 120 days past due	10	6	6	9	11	1	43	—
Total past due	56	68	124	158	237	113	756	1.0
Current	812	2,608	6,568	12,717	22,730	27,354	72,789	99.0
Total	\$ 868	\$ 2,676	\$ 6,692	\$ 12,875	\$ 22,967	\$ 27,467	\$ 73,545	100.0 %

Non-Consumer Portfolio. We extend credit to dealers primarily in the form of lines of credit to purchase new Ford and Lincoln vehicles as well as used vehicles. Payment is required when the dealer has sold the vehicle. Each non-consumer lending request is evaluated by considering the borrower's financial condition and the underlying collateral securing the loan. 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.

We generally suspend credit lines and extend no further funding to dealers classified in Group IV.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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

We regularly review our model to confirm the continued business significance and statistical predictability of the model and may make updates to improve the performance of the model. In addition, we regularly audit dealer inventory and dealer sales records to verify that the dealer is in possession of the financed vehicles and is promptly paying each receivable following the sale of the financed vehicle. The frequency of on-site vehicle inventory audits depends primarily on the dealer's risk rating. Under our policies, on-site vehicle inventory audits of low-risk dealers are conducted only as circumstances warrant. On-site vehicle inventory audits of higher-risk dealers are conducted with increased frequency based primarily on the dealer's risk rating, but also considering the results of our electronic monitoring of the dealer's performance, including daily payment verifications and monthly analyses of the dealer's financial statements, payoffs, aged inventory, over credit line, and delinquency reports. We typically perform a credit review of each dealer annually and more frequently review certain dealers based on the dealer's risk rating and total exposure. We adjust the dealer's risk rating, if necessary. The credit quality of dealer financing receivables is evaluated based on our internal dealer risk rating analysis. A dealer has the same risk rating for its entire dealer financing regardless of the type of financing.

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 December 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	\$ 391	\$ 68	\$ 151	\$ 45	\$ 109	\$ 345	\$ 1,109	\$ 13,670	\$ 14,779	81.2 %
Group II	11	7	26	2	4	54	104	2,689	2,793	15.3
Group III	8	—	1	—	1	20	30	529	559	3.1
Group IV	—	—	4	—	—	6	10	56	66	0.4
Total (a)	\$ 410	\$ 75	\$ 182	\$ 47	\$ 114	\$ 425	\$ 1,253	\$ 16,944	\$ 18,197	100.0 %

(a) Total past due dealer financing receivables at December 31, 2021 were \$62 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 fees and then to the unpaid principal balance.

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 U.S. 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.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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

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. The adequacy of the allowance for credit losses is assessed quarterly.

Adjustments to the allowance for credit losses are made by recording charges to the *Provision for/(Benefit from) 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 the collateral is recorded at its estimated fair value less costs to sell and reported in *Other assets* on the consolidated balance sheets.

Consumer Portfolio

For consumer receivables that share similar risk characteristics such as product type, initial credit risk, term, vintage, geography, and other relevant factors, we estimate the lifetime expected credit loss allowance based on a collective assessment using measurement models and management judgment. The lifetime expected credit losses for the receivables is determined by applying probability of default and loss given default assumptions to monthly expected exposures then discounting these cash flows to present value using the receivable's original effective interest rate or the current effective interest rate for a variable rate receivable. Probability of default models are developed from internal risk scoring models taking into account the expected probability of payment and time to default, adjusted for macroeconomic outlook and recent performance. The models consider factors such as risk evaluation at the time of origination, historical trends in credit losses (which include the impact of TDRs), and the composition and recent performance of the present portfolio (including vehicle brand, term, risk evaluation, and new/used vehicles). The loss given default is the percentage of the expected balance due at default that is not recoverable, taking into account the expected collateral value and trends in recoveries (including key metrics such as delinquencies, repossessions, and bankruptcies). Monthly exposures are equal to the receivables' expected outstanding principal and interest balance.

The allowance for credit losses incorporates forward-looking macroeconomic conditions for baseline, upturn, and downturn scenarios. Three separate credit loss allowances are calculated from these scenarios. They are then probability-weighted to determine the quantitative estimate of the credit loss allowance recognized in the financial statements. We use forecasts from a third party that revert to a long-term historical average after a reasonable and supportable forecasting period which is specific to the particular macroeconomic variable and which varies by market. We update the forward-looking macroeconomic forecasts quarterly. If management does not believe the models reflect lifetime expected credit losses for the portfolio, an adjustment is made to reflect management judgment regarding qualitative factors, including economic uncertainty, observable changes in portfolio performance, and other relevant factors. On an ongoing basis, we review our models, including macroeconomic factors, the selection of macroeconomic scenarios, and their weighting, to ensure they reflect the risk of the portfolio.

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

Dealer financing is evaluated on an individual dealer basis by segmenting dealers by risk characteristics (such as the amount of the loans, the nature of the collateral, the financial status of the dealer, and any TDR modifications) to determine if an individual dealer requires a specific allowance for credit loss. If required, the allowance is based on the present value of the expected future cash flows of the dealer's receivables discounted at the loans' original effective interest rate or the fair value of the collateral adjusted for estimated costs to sell. For the remaining dealer financing, we estimate an allowance for credit losses on a collective basis.

Wholesale Loans. We estimate the allowance for credit losses for wholesale loans based on historical loss-to-receivable ("LTR") ratios, expected future cash flows, and the fair value of collateral. For wholesale loans with similar risk characteristics, the allowance for credit losses is estimated on a collective basis using the LTR model and management judgment. The LTR model is based on the most recent years of history. An LTR ratio is calculated by dividing credit losses (i.e., charge-offs net of recoveries) by average net finance receivables, excluding unearned interest supplements and allowance for credit losses. The average LTR ratio is multiplied by the end-of-period balances, representing the lifetime expected credit loss reserve.

Dealer Loans. We use a weighted-average remaining maturity method to estimate the lifetime expected credit loss reserve for dealer loans. The loss model is based on the industry-wide commercial real estate credit losses, adjusted to factor in the historical credit losses for our dealer loans portfolio. The expected credit loss is calculated under different macroeconomic scenarios that are weighted to provide the total lifetime expected credit loss.

After establishing the collective and specific allowance for credit losses, if management believes the allowance does not reflect all losses inherent in the portfolio due to changes in recent economic trends and conditions, or other relevant forward-looking economic factors, an adjustment is made based on management judgment.

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

	2020			2021		
	Consumer	Non-Consumer	Total	Consumer	Non-Consumer	Total
Allowance for credit losses						
Beginning balance	\$ 496	\$ 17	\$ 513	\$ 1,245	\$ 60	\$ 1,305
Adoption of ASU 2016-13 (a)	247	5	252	—	—	—
Charge-offs	(441)	(29)	(470)	(272)	(3)	(275)
Recoveries	161	8	169	202	8	210
Provision for/(Benefit from) credit losses	771	57	828	(270)	(40)	(310)
Other (b)	11	2	13	(2)	(3)	(5)
Ending balance	\$ 1,245	\$ 60	\$ 1,305	\$ 903	\$ 22	\$ 925

(a) Cumulative pre-tax adjustments recorded to retained earnings as of January 1, 2020. See Note 2 for additional information.

(b) Primarily represents amounts related to translation adjustments.

The allowance for credit loss at December 31, 2021 considers the remaining economic uncertainty attributable to COVID-19, including the negative impact to consumer liquidity once economic support programs end, and the pandemic's effect on the labor market and unemployment.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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

For the year ended December 31, 2021, the allowance for credit losses decreased \$380 million, primarily reflecting improvement in the economic outlook that caused us to lower our expectation of lifetime losses attributable to macroeconomic assumptions driven by COVID-19. Although net charge-offs for the year ended December 31, 2021 remained low, due in part to government support programs, changes in consumer spending behavior, and high vehicle auction values, the impact of COVID-19 on future 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. Payment extensions may be requested by the customer and are generally limited to a maximum of six months over the term of the lease. Term extensions may also be requested by the customer. Term and payment extensions in total generally do not exceed twelve months. A lease can be terminated at any time by satisfying the obligations under the lease agreement. Early termination programs may be occasionally offered to eligible lessees. At the end of the lease, the customer returns the vehicle to the dealer or may have the option to buy the leased vehicle. In the case of a contract default and repossession, the customer typically remains liable for any deficiency between net auction proceeds and the defaulted contract obligations, including any repossession-related expenses. 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.

Revenue from rental payments received on operating leases is recognized on a straight-line basis over the term of the lease. The accrual of revenue on operating leases is discontinued at the time an account is determined to be uncollectible.

We receive interest supplements and residual support payments on certain leasing transactions under agreements with Ford. We recognize these upfront collections from Ford and other vehicle acquisition costs as part of *Net investment in operating leases*, which are amortized to *Depreciation on vehicles subject to operating leases* over the term of the lease contract. Unearned interest supplements and residual support included in *Net investment in operating leases* at December 31, 2020 and 2021 was \$2.5 billion and \$1.6 billion, respectively. Earned interest supplements and residual support costs included in *Depreciation on vehicles subject to operating leases* for the years ended December 31, 2019, 2020, and 2021 was \$2.6 billion, \$2.3 billion, and \$1.9 billion, respectively. Interest supplements and residual support cash received totaled \$2.5 billion, \$1.7 billion, and \$1.1 billion for the years ended December 31, 2019, 2020, and 2021, respectively.

Depreciation expense on vehicles subject to operating leases is recognized on a straight-line basis in an amount necessary to reduce the leased vehicle value to its estimated residual value at the end of the scheduled lease term. Our policy is to promptly sell returned off-lease vehicles. We evaluate our depreciation for leased vehicles on a regular basis taking into consideration various assumptions, such as expected residual values at lease termination (including residual value support payments from Ford), the estimated number of vehicles that will be returned to us, and historical experience on early terminations due to customer defaults. Adjustments to depreciation expense reflecting revised estimates of expected residual values at the end of the lease terms are recorded prospectively on a straight-line basis. Upon disposition of the vehicle, the difference between net book value and actual proceeds, along with fees assessed to a customer at lease termination such as excess wear and use and excess mileage that are considered variable lease payments, are recorded as adjustments to *Depreciation on vehicles subject to operating leases*.

Accumulated depreciation reduces the value of the vehicles from their initial acquisition value to their expected residual value at the end of the lease, with the associated depreciation expense recognized on a straight-line basis over the scheduled lease term. At the time of purchase, we establish the expected residual value for the vehicle based on recent auction values, return volumes for our leased vehicles, industry-wide used vehicle prices, marketing incentive plans, and vehicle quality data. We monitor residual values each month and review the accuracy of our accumulated depreciation on a quarterly basis.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. NET INVESTMENT IN OPERATING LEASES (Continued)

We evaluate the carrying value of held-and-used long-lived asset groups (such as vehicles subject to operating leases) for potential impairment when we determine a triggering event has occurred. When a triggering event occurs, a test for recoverability is performed by comparing projected undiscounted future cash flows to the carrying value of the asset group. If the test for recoverability identifies a possible impairment, the asset group's fair value is measured in accordance with the fair value measurement framework. An impairment charge is recognized for the amount by which the carrying value of the asset group exceeds its estimated fair value. For the periods presented, we have not recorded any impairment charges.

Net investment in operating leases at December 31 was as follows (in millions):

	2020	2021
Vehicles, at cost (a)	\$ 32,495	\$ 29,982
Accumulated depreciation	(5,840)	(4,815)
Net investment in operating leases	\$ 26,655	\$ 25,167

(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.

We have a sale-leaseback agreement with Ford primarily for vehicles that Ford leases to employees of Ford and its subsidiaries. The financing we provide under this agreement is reflected on our balance sheets in *Total finance receivables, net*. The revenue related to these agreements is reflected in *Other financing*.

The amounts contractually due on our operating leases at December 31, 2021 were as follows (in millions):

	2022	2023	2024	2025	2026	Total
Operating lease payments	\$ 3,848	\$ 2,278	\$ 855	\$ 138	\$ 7	\$ 7,126

Operating leases are generally pre-payable without penalty which may result in actual amounts paid to differ from amounts contractually due.

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, or pledge them as collateral in certain transactions outside of the United States, in other types of 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 SPEs 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.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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

A VIE is an entity that either (i) has insufficient equity to finance its activities without additional subordinated financial support, or (ii) has equity investors who lack the characteristics of a controlling financial interest. We consolidate VIEs of which we are the primary beneficiary. We consider ourselves the primary beneficiary of a VIE when we have both the power to direct the activities that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE. Assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against our general assets. Liabilities recognized as a result of consolidating these VIEs do not represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIEs.

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 a portion of the economic interests in the asset-backed securitization transactions, which could be retained in the form of a portion of the senior interests, the subordinated interests, cash reserve accounts, residual interests, and servicing rights. The transfers of assets in our securitization transactions do not qualify for accounting sale treatment.

The transactions create and pass along risks to the variable interest holders, depending on the assets securing the debt and the specific terms of the transactions. We aggregate and analyze the asset-backed securitization transactions based on the risk profile of the product and the type of funding structure, including:

- Retail financing – consumer credit risk and pre-payment risk;
- Wholesale financing – dealer credit risk and Ford risk, as the receivables owned by the VIEs primarily arise from the financing provided by us to Ford-franchised dealers; therefore, the collections depend upon the sale of Ford vehicles; and
- Net investment in operating leases – vehicle residual value risk, consumer credit risk, and pre-payment risk.

As residual interest holder, we are exposed to the underlying residual and credit risk of the collateral and are exposed to interest rate risk in some transactions. The amount of risk absorbed by our residual interests generally is represented by and limited to the amount of overcollateralization of the assets securing the debt and any cash reserves.

From time to time in Europe, we may retain all of the economic interests in some of our public asset-backed securitization transactions. The most senior retained notes are held as, or with the intent to become, eligible collateral to access central bank liquidity facilities in Europe. In addition, we regularly pledge receivables that are not securitized as eligible collateral for these facilities. In accordance with applicable regulatory guidance, the underlying assets in these transactions are considered unencumbered if they are not being used as security for a central bank funding. At December 31, 2020 and 2021, the value of unencumbered assets related to these transactions was \$1.1 billion and \$0.9 billion, respectively.

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.

Although not contractually required, we regularly support our wholesale securitization programs by repurchasing receivables of a dealer from a VIE when the dealer's performance is at risk, which transfers the corresponding risk of loss from the VIE to us. In order to continue to fund the wholesale receivables, we also may contribute additional cash or wholesale receivables if the collateral falls below the required levels. The balance of cash related to these contributions was \$25 million and \$1,150 million at December 31, 2020 and 2021, respectively and ranged from zero to \$524 million during 2020 and from \$25 million to \$3,700 million during 2021. Cash contributions were higher than a year ago primarily related to lower wholesale receivables as a result of lower dealer inventories due to the semiconductor shortage.

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 financial statements at December 31 (in billions):

	2020				
	Finance Receivables and Net Investment in Operating Leases				Related Debt (c)
	Cash and Cash Equivalents	Before Allowance for Credit Losses	Allowance for Credit Losses	After Allowance for Credit Losses	
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	\$ 2.8	\$ 64.7	\$ 0.4	\$ 64.3	\$ 46.8
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	\$ 0.4	\$ 8.2	\$ 0.1	\$ 8.1	\$ 7.8
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	\$ 3.2	\$ 72.9	\$ 0.5	\$ 72.4	\$ 54.6

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

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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

	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	\$ 1.7	\$ 31.6	\$ 0.3	\$ 31.3	\$ 24.5
Wholesale financing	1.3	11.7	—	11.7	8.7
Finance receivables	3.0	43.3	0.3	43.0	33.2
Net investment in operating leases	0.4	7.5	—	7.5	5.1
Total VIE	\$ 3.4	\$ 50.8	\$ 0.3	\$ 50.5	\$ 38.3
Non-VIE					
Retail financing	\$ 0.4	\$ 7.4	\$ 0.1	\$ 7.3	\$ 6.9
Wholesale financing	—	0.3	—	0.3	0.2
Finance receivables	0.4	7.7	0.1	7.6	7.1
Net investment in operating leases	—	—	—	—	—
Total Non-VIE	\$ 0.4	\$ 7.7	\$ 0.1	\$ 7.6	\$ 7.1
Total securitization transactions					
Retail financing	\$ 2.1	\$ 39.0	\$ 0.4	\$ 38.6	\$ 31.4
Wholesale financing (d)	1.3	12.0	—	12.0	8.9
Finance receivables	3.4	51.0	0.4	50.6	40.3
Net investment in operating leases	0.4	7.5	—	7.5	5.1
Total securitization transactions	\$ 3.8	\$ 58.5	\$ 0.4	\$ 58.1	\$ 45.4

(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 owned by the securitization trusts was \$12.0 billion and the required pool balance was \$11.4 billion. As of December 31, 2021, the adjusted pool balance was \$0.6 billion higher than the required pool balance. The global adjusted pool balance includes funds on deposit in the trust accounts.

Interest expense related to securitization debt for the years ended December 31 was as follows (in millions):

	2019	2020	2021
VIE	\$ 1,373	\$ 1,050	\$ 829
Non-VIE	201	152	114
Total securitization transactions	\$ 1,574	\$ 1,202	\$ 943

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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

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 the accounting for derivatives. Our exposures based on the fair value of derivative instruments with external counterparties related to securitization programs at December 31 were as follows (in millions):

	2020		2021	
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
Derivatives of the VIEs	\$ —	\$ 56	\$ 39	\$ 6
Derivatives related to the VIEs	5	—	—	13
Other securitization related derivatives	—	79	16	19
Total exposures related to securitization	<u>\$ 5</u>	<u>\$ 135</u>	<u>\$ 55</u>	<u>\$ 38</u>

Derivative expense/(income) related to our securitization transactions for the years ended December 31 was as follows (in millions):

	2019	2020	2021
Derivatives of the VIEs	\$ 41	\$ 130	\$ (34)
Derivatives related to the VIEs	(5)	(9)	15
Other securitization related derivatives	39	113	(22)
Total derivative expense/(income) related to securitization	<u>\$ 75</u>	<u>\$ 234</u>	<u>\$ (41)</u>

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:

- Interest rate contracts, including swaps, that are used to manage the effects of interest rate fluctuations;
- Foreign currency exchange contracts, including forwards, that are used to manage foreign exchange exposure; and
- Cross-currency interest rate swap contracts that are used to manage foreign currency and interest rate exposures on foreign-denominated debt.

We review our hedging program, derivative positions, and overall risk management strategy on a regular basis.

Derivative Financial Instruments and Hedge Accounting. Derivative assets and derivative liabilities are reported in *Derivative financial instruments* on our balance sheets.

Our derivatives are over-the-counter customized derivative transactions and are not exchange traded. We estimate the fair value of these instruments using industry-standard valuation models such as a discounted cash flow. These models project future cash flows and discount the future amounts to a present value using market-based expectations for interest rates, foreign exchange rates, and the contractual terms of the derivative instruments. The discount rate used is the relevant benchmark interest rate (e.g., LIBOR, SONIA) plus an adjustment for nonperformance risk. The adjustment reflects the full credit default swap ("CDS") spread applied to a net exposure, by counterparty, considering the master netting agreements and any posted collateral. We use our counterparty's CDS spread when we are in a net asset position and our own CDS spread when we are in a net liability position.

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.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

Fair Value Hedges. We use derivatives to reduce the risk of changes in the fair value of debt. We have designated certain receive-fixed, pay-float interest rate and cross-currency interest rate swaps as fair value hedges of fixed-rate debt. The risk being hedged is the risk of changes in the fair value of the hedged debt attributable to changes in the benchmark interest rate and foreign exchange. We report the change in fair value of the hedged debt related to the change in benchmark interest rate in *Debt* and *Interest expense*. We report the change in fair value of the hedged debt and hedging instrument related to foreign currency in *Other income/(loss), net*. Net interest settlements and accruals, and fair value changes on hedging instruments due to the benchmark interest rate change are reported in *Interest expense*. The cash flows associated with fair value hedges are reported in *Net cash provided by/(used in) operating activities* on our statements of cash flows.

When a fair value hedge is de-designated, or when the derivative is terminated before maturity, the fair value adjustment to the hedged debt continues to be reported as part of the carrying value of the debt and is recognized in *Interest expense* over its remaining life.

Derivatives Not Designated as Hedging Instruments. We report net interest settlements and accruals and changes in the fair value of interest rate swaps not designated as hedging instruments in *Other income/(loss), net*. Foreign currency revaluation on accrued interest along with gains and losses on foreign exchange contracts and cross-currency interest rate swaps are reported in *Other income/(loss), net*. Cash flows associated with non-designated or de-designated derivatives are reported in *Net cash provided by/(used in) investing activities* on our statements of cash flows.

Income Effect of Derivative Financial Instruments

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

	2019	2020	2021
Fair value hedges			
Interest rate contracts			
Net interest settlements and accruals on hedging instruments	\$ (16)	\$ 290	\$ 393
Fair value changes on hedging instruments	706	986	(1,001)
Fair value changes on hedged debt	(694)	(985)	957
Cross-currency interest rate swap contracts			
Net interest settlements and accruals on hedging instruments	—	(2)	(8)
Fair value changes on hedging instruments	—	38	(93)
Fair value changes on hedged debt	—	(37)	82
Derivatives not designated as hedging instruments			
Interest rate contracts	(13)	(100)	(3)
Foreign currency exchange contracts (a)	52	(82)	145
Cross-currency interest rate swap contracts	(229)	486	(507)
Total	<u>\$ (194)</u>	<u>\$ 594</u>	<u>\$ (35)</u>

(a) Reflects forward contracts between Ford Credit 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 at December 31 were as follows (in millions):

	2020			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	\$ 23,893	\$ 544	\$ 274
Cross-currency interest rate swaps	885	46	—	885	—	49
Derivatives not designated as hedging instruments						
Interest rate contracts	70,318	663	439	50,060	338	126
Foreign currency exchange contracts	4,378	4	80	4,407	66	2
Cross-currency interest rate swap contracts	6,849	557	1	6,533	117	61
Total derivative financial instruments, gross (a) (b)	<u>\$ 109,354</u>	<u>\$ 2,601</u>	<u>\$ 524</u>	<u>\$ 85,778</u>	<u>\$ 1,065</u>	<u>\$ 512</u>

(a) At December 31, 2020 and 2021, we held collateral of \$9 million and \$26 million, and we posted collateral of \$96 million and \$71 million, respectively.

(b) At December 31, 2020 and 2021, the fair value of assets and liabilities available for counterparty netting was \$204 million and \$415 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 at December 31 were as follows (in millions):

	2020	2021
Prepaid reinsurance premiums and other reinsurance recoverables	\$ 708	\$ 743
Accrued interest and other non-finance receivables (a)	837	584
Collateral held for resale, at net realizable value	675	258
Property and equipment, net of accumulated depreciation (b)	219	224
Deferred charges – income taxes (a)	166	190
Investment in non-consolidated affiliates (c)	132	133
Restricted cash	647	128
Operating lease assets	98	76
Other	223	188
Total other assets (a)	\$ 3,705	\$ 2,524

(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 \$397 million at December 31, 2020 and 2021, respectively.

(c) December 31, 2020 includes the adoption of ASU 2016-13, reducing investment in non-consolidated affiliates by \$8 million. See Note 2 for additional information.

Other liabilities and deferred revenue at December 31 were as follows (in millions):

	2020	2021
Unearned insurance premiums and fees	\$ 822	\$ 857
Interest payable	857	667
Income tax and related interest (a) (b)	121	229
Operating lease liabilities	100	78
Deferred revenue	87	62
Other	293	273
Total other liabilities and deferred revenue (a)	\$ 2,280	\$ 2,166

(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 tax and interest payable to affiliated companies of \$16 million and \$101 million at December 31, 2020 and 2021, respectively.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. DEBT AND COMMITMENTS

We obtain short-term funding from the issuance of demand notes to retail investors through our Ford Interest Advantage and retail deposit programs. We have certain securitization programs that issue short-term asset-backed debt securities that are sold to institutional investors. Bank borrowings by several of our international affiliates in the ordinary course of business are an additional source of short-term funding. We obtain long-term debt funding through the issuance of a variety of unsecured and asset-backed debt securities in the United States and international capital markets.

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.

Debt is reported on our consolidated balance sheets at par value adjusted for unamortized discount or premium, unamortized issuance costs, and adjustments related to designated fair value hedging (see Note 7 for additional information). Debt due within one year at issuance is classified as short-term. Debt due after one year at issuance is classified as long-term. Discounts, premiums, and costs directly related to the issuance of debt are capitalized and amortized over the life of the debt or to the put date and are recorded in *Interest expense* using the effective interest method. Gains and losses on the extinguishment of debt are recorded in *Other income/(loss), net*.

Debt outstanding and interest rates at December 31 were as follows (in millions):

	Debt		Interest Rates			
	2020	2021	Average Contractual		Average Effective	
			2020	2021	2020	2021
Short-term debt						
Unsecured debt						
Floating rate demand notes	\$ 6,458	\$ 9,400				
Other short-term debt	3,940	4,701				
Asset-backed debt	1,031	709				
Total short-term debt	11,429	14,810	1.5 %	1.2 %	1.6 %	1.3 %
Long-term debt						
Unsecured debt						
Notes payable within one year	17,185	13,660				
Notes payable after one year	54,197	44,337				
Asset-backed debt						
Notes payable within one year	21,345	18,049				
Notes payable after one year	32,276	26,654				
Unamortized (discount)/premium	30	29				
Unamortized issuance costs	(252)	(212)				
Fair value adjustments (a)	1,467	390				
Total long-term debt	126,248	102,907	2.7 %	2.6 %	2.7 %	2.6 %
Total debt	\$ 137,677	\$ 117,717	2.6 %	2.4 %	2.6 %	2.4 %
Fair value of debt	\$ 139,796	\$ 120,204				
Interest rate characteristics of debt payable after one year						
Fixed interest rate	71,515	60,411				
Variable interest rate (generally based on LIBOR or other short-term rates)	14,958	10,580				
Total payable after one year	\$ 86,473	\$ 70,991				

(a) These adjustments are related to hedging activity and include discontinued hedging relationship adjustments of \$299 million and \$257 million at December 31, 2020 and 2021, respectively. The carrying value of hedged debt was \$45.5 billion and \$37.5 billion at December 31, 2020 and 2021, respectively.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. DEBT AND COMMITMENTS (Continued)

The average contractual rates reflect the stated contractual interest rate. Average effective rates reflect the average contractual interest rate plus amortization of discounts, premiums, and issuance fees.

We measure debt at fair value for purposes of disclosure using quoted prices for our own debt with approximately the same remaining maturities. Where quoted prices are not available, we estimate fair value using discounted cash flows and market-based expectations for interest rates, credit risk, and the contractual terms of the debt instruments. For certain short-term debt with an original maturity date of one year or less, we assume that book value is a reasonable approximation of the debt's fair value. The fair value of debt is categorized within Level 2 of the hierarchy. The fair value of debt includes \$10.4 billion and \$14.1 billion of short-term debt at December 31, 2020 and 2021, respectively, carried at cost, which approximates fair value. We paid interest of \$4.1 billion, \$3.4 billion, and \$2.8 billion in 2019, 2020, and 2021, respectively, on debt.

Maturities

Debt maturities at December 31, 2021 were as follows (in millions):

	2022 (a)	2023	2024	2025	2026	Thereafter (b)	Total
Unsecured debt	\$ 27,761	\$ 11,319	\$ 10,730	\$ 8,870	\$ 5,150	\$ 8,268	\$ 72,098
Asset-backed debt	18,758	11,791	5,207	6,736	2,220	700	45,412
Total	46,519	23,110	15,937	15,606	7,370	8,968	117,510
Unamortized (discount)/premium							29
Unamortized issuance costs							(212)
Fair value adjustments							390
Total debt							\$ 117,717

(a) Includes \$14,810 million for short-term and \$31,709 million for long-term debt.

(b) Matures between 2027 and 2031.

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 \$37.1 billion (\$20.6 billion of retail financing, \$3.9 billion of wholesale financing, and \$12.6 billion of operating leases) at December 31, 2021. In the United States, we are able to obtain funding within two days for our unutilized capacity in some of our committed asset-backed facilities. These committed facilities have varying maturity dates, with \$11.6 billion having maturities within the next twelve months and the remaining balance having maturities through first quarter 2024. We plan capacity renewals to protect our global funding needs and to optimize capacity utilization.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. DEBT AND COMMITMENTS *(Continued)*

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 December 31, 2021, \$12.5 billion of these commitments were in use and we had \$3.4 billion of asset-backed capacity that was in excess of eligible receivables primarily due to the decline in wholesale asset balances. These programs 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 programs to be terminated due to such events.

As of December 31, 2021, Ford Bank had liquidity of €208 million (equivalent to \$235 million), and FCE Bank plc ("FCE") had liquidity of £174 million (equivalent to \$234 million) in the form of eligible collateral available for use in the monetary policy programs of the central banks.

Unsecured Credit Facilities

At December 31, 2021, we and our majority-owned subsidiaries had \$2.7 billion of contractually committed unsecured credit facilities with financial institutions, including the FCE Credit Agreement and the Ford Bank Credit Agreement. At December 31, 2021, \$1.7 billion was available for use.

FCE's £690 million (equivalent to \$930 million at December 31, 2021) syndicated credit facility (the "FCE Credit Agreement") and Ford Bank's €240 million (equivalent to \$272 million at December 31, 2021) syndicated credit facility (the "Ford Bank Credit Agreement") both mature in 2024. At December 31, 2021, £190 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.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. INCOME TAXES

Ford Motor Credit Company LLC and certain of its subsidiaries are disregarded entities for United States income tax purposes. Ford's consolidated United States federal and state income tax returns include certain of our domestic subsidiaries. In accordance with the adoption of ASU 2019-12, United States income tax liabilities are only recognized for Ford Credit taxable entities. Certain United States minimum taxes, such as global intangible low-taxed income tax, are generally allocated to us on a separate return basis calculated as if we were a taxable entity. The net minimum tax liability allocated to us will not exceed the net liability as determined on a consolidated basis. All prior periods presented have been adjusted to reflect the adoption of ASU 2019-12.

We account for United States tax on global intangible low-taxed income in the period incurred.

Components of Income Taxes

	2019	2020	2021
Income before income taxes (in millions)			
United States	\$ 2,160	\$ 2,085	\$ 3,736
Non-United States	838	523	995
Total	\$ 2,998	\$ 2,608	\$ 4,731

Provision for/(Benefit from) income taxes for the years ended December 31 was estimated as follows (in millions):

	2019	2020	2021
Current			
Federal	\$ 107	\$ 94	\$ 47
Non-United States	165	98	21
State and local	17	17	(5)
Total current	289	209	63
Deferred			
Federal	—	—	(16)
Non-United States	89	61	163
State and local	—	—	—
Total deferred	89	61	147
Provision for/(Benefit from) income taxes	\$ 378	\$ 270	\$ 210

Reconciliation of effective tax rate

	2019	2020	2021
United States statutory tax rate	21.0 %	21.0 %	21.0 %
Effect of (in percentage points):			
United States Disregarded Entities (ASU 2019-12)	(11.4)	(13.5)	(15.2)
Non-United States tax rates under United States rate	1.3	1.1	1.1
State and local income taxes	0.6	0.6	(0.1)
Prior year settlements and claims	0.9	—	(1.7)
Other	0.2	1.2	(0.7)
Effective tax rate	12.6 %	10.4 %	4.4 %

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. INCOME TAXES (Continued)

At December 31, 2021, \$4.7 billion of non-United States earnings are considered indefinitely reinvested in operations outside the United States, for which deferred taxes have not been provided. Quantification of the deferred tax liability, if any, associated with indefinitely reinvested basis differences is not practicable.

Valuation of Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences that exist between the financial statement carrying value of assets and liabilities and their respective tax bases, and net operating loss and tax credit carryforwards on a taxing jurisdiction basis. We measure deferred tax assets and liabilities using enacted tax rates that will apply in the years in which we expect the temporary differences to be recovered or paid.

Our accounting for deferred tax consequences represents our best estimate of the likely future tax consequences of events that have been recognized in our financial statements or tax returns and their future probability. In assessing the need for a valuation allowance, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets. If, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be realized, we record a valuation allowance.

Components of Deferred Tax Assets and Liabilities

Components of deferred tax assets and liabilities at December 31 were as follows (in millions):

	2020	2021
Deferred tax assets		
Net operating loss carryforwards	\$ 282	\$ 293
Provision for/(Benefit from) credit losses	65	58
Other foreign	218	199
Employee benefit plans	22	20
Other	1	42
Total gross deferred tax assets	588	612
Less: Valuation allowance	(65)	(65)
Total net deferred tax assets	523	547
Deferred tax liabilities		
Leasing transactions	451	597
Other foreign	405	428
Other	5	8
Total deferred tax liabilities	861	1,033
Net deferred tax liability	\$ 338	\$ 486

At December 31, 2021, we have a valuation allowance of \$65 million for deferred tax assets primarily related to our South American operations.

Net operating loss carryforwards for tax purposes were \$761 million at December 31, 2021, resulting in a deferred tax asset of \$293 million. A substantial portion of these losses will begin to expire beyond 2028. Tax benefits of net operating loss and tax credit carryforwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carryforward period, and other circumstances.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. INCOME TAXES (Continued)

Other

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31 was as follows (in millions):

	2020	2021
Beginning balance	\$ 70	\$ 70
Increase - tax positions in prior periods	17	17
Increase - tax positions in current period	2	1
Decrease - tax positions in prior periods	(20)	(17)
Settlements	—	—
Lapse of statute of limitations	—	(7)
Foreign currency translation adjustments	1	(5)
Ending balance	\$ 70	\$ 59

The amount of unrecognized tax benefits that would affect the effective tax rate if recognized was \$70 million and \$59 million as of December 31, 2020 and 2021, respectively.

Examinations by tax authorities have been completed through 2012 in Germany, 2016 in Canada and the United States, and 2019 in the United Kingdom. We have settled our United States federal income tax matters related to tax years prior to 2014 in accordance with our intercompany tax sharing agreement with Ford.

We recognize income tax-related penalties in *Provision for/(Benefit from) income taxes* on our consolidated income statements. We recognize accrued interest expense related to unrecognized tax benefits in jurisdictions where we file tax returns separate from Ford in *Other income/(loss), net* on our consolidated income statements. For the years ended December 31, 2019, 2020, and 2021, we recorded net tax related interest expense of \$1 million, \$1 million, and net tax related interest income of \$1 million, respectively, in our consolidated income statements. At December 31, 2020 and 2021, we recorded a net receivable of \$3 million and \$6 million, respectively, for tax related interest in *Other Assets*.

Cash paid for income taxes was \$524 million, \$583 million, and \$133 million in 2019, 2020, and 2021, respectively.

NOTE 11. INSURANCE

We conduct insurance underwriting operations primarily through The American Road Insurance Company ("TARIC"). TARIC is a wholly owned subsidiary of Ford Credit operating in the United States and Canada. TARIC provides physical damage insurance coverage for Ford Credit financed vehicles at dealer locations and Ford and Lincoln vehicles in transit between final assembly plants and dealer locations. TARIC also provides physical damage insurance coverage for non-affiliated company financed vehicles, serviced by Ford Credit, at dealer locations. In addition, TARIC provides a variety of other insurance products and services to Ford and its affiliates, including contractual liability insurance on extended service contracts. TARIC provides commercial automobile and general liability insurance and surety bonds for Ford in the United States.

Insurance premiums earned are reported net of reinsurance as *Insurance premiums earned*. These premiums are earned over their respective policy periods. Physical damage insurance premiums, including premiums on vehicles financed at wholesale by us, are recognized as income on a monthly basis. Premiums from extended service plan contracts and other contractual liability coverages are earned over the life of the policy based on historical loss experience. Commissions and premium taxes are deferred and amortized over the term of the related policies on the same basis on which premiums are earned.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11. INSURANCE (Continued)

Reserves for insurance losses and loss adjustment expenses are established based on actuarial estimates and historical loss development patterns, which represents management's best estimate. If management believes the reserves do not reflect all losses due to changes in conditions, or other relevant factors, an adjustment is made based on management judgment.

Reinsurance activity primarily consists of ceding a majority of the contractual liability insurance business related to automotive extended service plan contracts for a ceding commission. Commissions on ceded amounts are earned on the same basis as related premiums. Reinsurance contracts do not relieve TARIC from its obligations to its policyholders. Failure of reinsurers to honor their obligations could result in losses to TARIC. Therefore, TARIC requires all of its reinsurers to hold collateral and monitors the underlying business and financial performance of its reinsurers to mitigate risk.

Insurance Assets

Cash, cash equivalents, and marketable securities related to insurance activities at December 31 were as follows (in millions):

	2020	2021
Cash and cash equivalents	\$ 22	\$ 28
Marketable securities	703	696
Total cash, cash equivalents, and marketable securities	<u>\$ 725</u>	<u>\$ 724</u>

TARIC is required by law to maintain deposits with regulatory authorities. These deposited securities totaled \$12 million at both December 31, 2020 and 2021 and were included in *Marketable securities*.

Amounts paid to reinsurers relating to the unexpired portion of the underlying automotive service contracts, and amounts recoverable from reinsurers on unpaid losses, including incurred but not reported losses are reported in *Other assets*. Prepaid reinsurance premiums and other reinsurance recoverables were \$708 million and \$743 million at December 31, 2020 and 2021, respectively. This includes amounts ceded to Ford affiliates of \$97 million and \$103 million at December 31, 2020 and 2021, respectively.

Insurance Liabilities

Other liabilities and deferred income includes unearned insurance premiums and fees of \$822 million and \$857 million at December 31, 2020 and 2021, respectively. This includes amounts from Ford and its affiliates of \$711 million and \$742 million at December 31, 2020 and 2021, respectively.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11. INSURANCE (Continued)

The reserve for reported insurance losses and an estimate of unreported insurance losses, based on past experience, was \$12 million and \$15 million at December 31, 2020 and 2021, respectively, and was included in *Other liabilities and deferred income*.

Insurance Premiums

Insurance premiums written and earned for the years ended December 31 were as follows (in millions):

	2019		2020		2021	
	Written	Earned	Written	Earned	Written	Earned
Direct	\$ 406	\$ 377	\$ 366	\$ 350	\$ 324	\$ 293
Assumed	—	—	—	—	—	—
Ceded	(223)	(195)	(229)	(207)	(252)	(218)
Net premiums	<u>\$ 183</u>	<u>\$ 182</u>	<u>\$ 137</u>	<u>\$ 143</u>	<u>\$ 72</u>	<u>\$ 75</u>

The direct premiums earned with Ford and its affiliates were \$207 million, \$213 million, and \$223 million for the years ended December 31, 2019, 2020, and 2021, respectively.

Insurance Expenses

Insurance underwriting losses and expenses are reported as *Insurance expenses*. The components of insurance expenses for the years ended December 31 were as follows (in millions):

	2019	2020	2021
Insurance losses	\$ 128	\$ 110	\$ 45
Loss adjustment expenses	7	5	2
Reinsurance income and other expenses, net	(32)	(33)	(37)
Insurance expenses	<u>\$ 103</u>	<u>\$ 82</u>	<u>\$ 10</u>

Insurance expenses with Ford and its affiliates were \$84 million, \$88 million, and \$92 million for the years ended December 31, 2019, 2020, and 2021, respectively.

Insurance expenses were reduced by ceded insurance expenses of \$127 million, \$130 million, and \$150 million for the years ended December 31, 2019, 2020, and 2021, respectively.

NOTE 12. EMPLOYEE SEPARATION AND RESTRUCTURING ACTIONS

We record costs associated with voluntary separations at the time of employee acceptance, unless the acceptance requires explicit approval by Ford Credit. We record costs associated with involuntary separation programs when management has approved the plan for separation, the affected employees are identified, and it is unlikely that actions required to complete the separation plan will change significantly. Costs associated with benefits that are contingent on the employee continuing to provide service are accrued over the required service period.

We executed separation and restructuring actions associated with our plans to transform our business. The impact of these actions was a loss of \$55 million and \$18 million, primarily separation costs, for the years ended December 31, 2020 and 2021, respectively. The 2021 loss is largely due to our actions in South America as detailed below.

Related to these restructuring actions, we determined that it was not probable that we would hold certain assets for more than the following twelve months, and these assets were reported as held-for-sale. The total value of our *Assets held-for-sale* presented at fair value at December 31, 2020 was \$36 million. There were no *Assets held-for-sale* at December 31, 2021.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. EMPLOYEE SEPARATION AND RESTRUCTURING ACTIONS (Continued)

Forso. In the first quarter of 2020, we completed the sale of Forso Nordic AB ("Forso"), a wholly owned subsidiary, which provided retail and dealer financing in Denmark, Finland, Norway, and Sweden. Upon completion of the sale we recognized a pre-tax loss of \$4 million in *Other income/(loss), net* and cash proceeds of \$1,340 million. As a result of the sale, we liquidated the entity which held our investment and recognized a \$33 million loss on the reclassification of accumulated foreign currency translation in *Other income/(loss), net*.

South America. In June 2021, we announced that our subsidiaries in Brazil and Argentina had committed to a plan to cease originating receivables by the end of 2021 and would begin the process of selling or otherwise winding down operations in those markets. During the fourth quarter of 2021, we completed the sale of our wholesale and dealer receivables portfolio in Brazil ceased originations of wholesale and dealer receivables in Argentina.

In December 2021, we received a capital contribution from a subsidiary of Ford Motor Company in exchange for a minority interest share in one of our Argentina-based subsidiaries. As a result, we recorded \$22 million in *Shareholder's interest attributable to noncontrolling interests* on our consolidated balance sheet. During the first quarter of 2022, we expect to reacquire Ford Motor Company's minority interest share in exchange for a transfer of assets at which time we will recognize an incremental loss in our consolidated income statement.

Accumulated foreign currency translation losses associated with our investments in Brazil and Argentina included in *Accumulated other comprehensive income/(loss)* at December 31, 2021 were \$454 million. We expect to reclassify these losses to income upon sale, transfer, or substantially complete liquidation of our investments, which may occur over multiple reporting periods. During the fourth quarter of 2021, we recognized a \$14 million gain on the liquidation of a dormant subsidiary in Brazil, in *Other income/(loss), net*. Although the timing for the completion of our remaining actions is uncertain, as they may be subject to regulatory approval, we expect the majority of losses to be recognized in 2022. About \$100 million of losses related to holding companies in Brazil and Argentina is expected to remain on our consolidated balance sheet for a number of years.

NOTE 13. OTHER INCOME/(LOSS), NET

Other income/(loss) consists of various line items that are combined on the 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 years ended December 31 were as follows (in millions):

	2019	2020	2021
Gains/(Losses) on derivatives	\$ (190)	\$ 341	\$ (437)
Currency revaluation gains/(losses)	70	(437)	298
Interest and investment income (a)	318	119	32
Other (a)	16	—	29
Total other income/(loss), net	\$ 214	\$ 23	\$ (78)

(a) Includes interest income primarily on notes receivable from affiliated companies of \$5 million, \$13 million, and \$10 million for the years ended December 31, 2019, 2020, and 2021, respectively.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. RETIREMENT BENEFITS

We are a participating employer in certain retirement plans that are sponsored by Ford. As described below, Ford allocates costs to us under these plans based on the total number of participating or eligible employees at Ford Credit. Further information about these sponsored plans is available in Ford's Annual Report on Form 10-K for the year ended December 31, 2021, filed separately with the Securities and Exchange Commission.

Employee Retirement Plans

Benefits earned under certain Ford-sponsored retirement plans are generally based on an employee's length of service, salary, and contributions. The allocation amount can be impacted by key assumptions (e.g., discount rate and average rate of increase in compensation) that Ford uses in determining its retirement plan obligations.

Retirement plan costs allocated to Ford Credit for our employees participating in the Ford-sponsored defined benefit plans were \$47 million, \$59 million, and \$61 million for the years ended December 31, 2019, 2020, and 2021, respectively. Allocated costs for defined contribution and savings plans was \$8 million, for each of the years ended December 31, 2019, 2020, and 2021, and were charged to *Operating expenses*.

Postretirement Health Care and Life Insurance Benefits

Postretirement health care and life insurance benefits are provided under certain Ford plans, which provide benefits to retired salaried employees in North America. Our employees generally may become eligible for these benefits if they retire while working for us; however, benefits and eligibility rules may be modified from time to time.

Postretirement health care and life insurance costs allocated to Ford Credit for our employees participating in the Ford-sponsored plans was \$3 million, for each of the years ended December 31, 2019, 2020, and 2021, and were charged to *Operating expenses*.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. SEGMENT AND GEOGRAPHIC 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. As of January 1, 2020, we updated our reportable segments in our consolidated financial statements to align with our new management reporting structure and reflect the manner in which our Chief Operating Decision Maker manages our business, including resource allocation and performance assessment. These segments are: 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.

We review our business performance by segment on a managed basis. Receivables are presented on a managed basis, as it closely approximates the customer's outstanding balance on the receivables, which is the basis for earning revenue. Our managed receivables equal net finance receivables, net investment in operating leases, and held-for-sale receivables, excluding unearned interest supplements and residual support, allowance for credit losses, and other (primarily accumulated supplemental depreciation).

We measure the performance of our segments primarily on an income before income taxes basis, after excluding market valuation adjustments to derivatives and exchange-rate fluctuations on foreign currency-denominated transactions, which are reflected in Unallocated Other. These adjustments are excluded when assessing our segment performance because they are carried out at the corporate level. We also adjust segment performance to reallocate interest expense among the segments reflecting debt and equity levels proportionate to their product risk.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. SEGMENT AND GEOGRAPHIC INFORMATION (Continued)

Key operating data for our business segments for the years ended or at December 31 was as follows (in millions):

	United States and Canada	Europe	All Other	Total Segments	Unallocated Other (a)	Total
2019						
Total revenue	\$ 10,795	\$ 1,183	\$ 645	\$ 12,623	\$ —	\$ 12,623
Income before income taxes	2,365	352	143	2,860	138	2,998
Other disclosures:						
Depreciation on vehicles subject to operating leases	3,592	43	—	3,635	—	3,635
Interest expense	3,685	340	346	4,371	18	4,735
Provision for/(Benefit from) credit losses	260	25	11	296	—	296
Net finance receivables and net investment in operating leases	119,498	25,630	5,062	150,190	(8,214)	141,976
Total assets (c)	125,624	30,050	5,729	161,403	—	161,403
2020						
Total revenue	\$ 10,020	\$ 1,012	\$ 430	\$ 11,462	\$ —	\$ 11,462
Income before income taxes	2,241	196	38	2,475	133	2,608
Other disclosures:						
Depreciation on vehicles subject to operating leases	3,237	(2)	—	3,235	—	3,235
Interest expense	2,892	347	223	3,462	(60)	3,709
Provision for/(Benefit from) credit losses	716	63	49	828	—	828
Net finance receivables and net investment in operating leases (b)	112,208	23,517	4,778	140,503	(8,778)	131,725
Total assets (c)	125,074	27,620	5,435	158,129	—	158,129
2021						
Total revenue	\$ 8,911	\$ 878	\$ 461	\$ 10,250	\$ —	\$ 10,250
Income before income taxes	4,393	254	98	4,745	(14)	4,731
Other disclosures:						
Depreciation on vehicles subject to operating leases	1,615	11	—	1,626	—	1,626
Interest expense	2,348	275	221	2,844	(54)	2,999
Provision for/(Benefit from) credit losses	(333)	(10)	33	(310)	—	(310)
Net finance receivables and net investment in operating leases (b)	99,468	18,098	5,864	123,430	(5,913)	117,515
Total assets	107,409	20,837	6,699	134,945	—	134,945

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

(b) Excludes held-for-sale 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 15. SEGMENT AND GEOGRAPHIC INFORMATION (Continued)

Geographic Information

Key data, split geographically into the United States (which is our country of domicile), Canada, and Rest of world, for the years ended or at December 31 were as follows (in millions):

	2019	2020	2021
Total revenue			
United States	\$ 9,472	\$ 8,780	\$ 7,622
Canada	1,323	1,240	1,289
Rest of world	1,828	1,442	1,339
Total revenue	<u>\$ 12,623</u>	<u>\$ 11,462</u>	<u>\$ 10,250</u>
Net property and net investment in operating leases			
United States	\$ 24,123	\$ 22,891	\$ 20,886
Canada	3,328	3,588	4,246
Rest of world	420	395	259
Net property and net investment in operating leases	<u>\$ 27,871</u>	<u>\$ 26,874</u>	<u>\$ 25,391</u>

NOTE 16. SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

Selected financial data by calendar quarter were as follows (in millions):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2020					
Net income/(loss)	(6)	476	1,041	827	\$ 2,338

Our adoption of ASU 2019-12 resulted in the revised *Net income* numbers disclosed in the table above. For more information see Note 2.

NOTE 17. COMMITMENTS AND CONTINGENCIES

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

Lease Commitments

We lease various land, buildings, and equipment under agreements that expire over various contractual periods ranging from less than one year to 29 years. Many of our leases contain one or more options to extend. We include options that we are reasonably certain to exercise in our evaluation of the lease term after considering all relevant economic and financial factors. The leased ("right-of-use") assets in operating lease arrangements are presented in *Other assets* on our consolidated balance sheets.

For the majority of our leases, we do not separate the non-lease components (e.g., maintenance and operating services) from the lease components to which they relate. Instead, non-lease components are included in the measurement of the lease liabilities. We calculate the initial lease liability as the present value of fixed payments not yet paid and variable payments that are based on a market rate or an index (e.g., CPI), measured at commencement. The majority of our leases are discounted using our incremental borrowing rate because the rate implicit in the lease is not readily determinable. All other variable payments are expensed as incurred. Operating lease liabilities are reported in *Other liabilities and deferred revenue*.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. COMMITMENTS AND CONTINGENCIES (Continued)

The amounts contractually due on our operating lease liabilities at December 31, 2021 were as follows (in millions):

	2022	2023	2024	2025	2026	Thereafter	Total
Operating lease	\$ 19	\$ 17	\$ 16	\$ 13	\$ 10	\$ 10	\$ 85
Less: Present value discount							7
Total operating lease liabilities							\$ 78

Supplemental information related to operating leases for the years ended December 31 was as follows (in millions):

	2019	2020	2021
Operating and variable lease expense	21	25	28
Right-of-use assets obtained in exchange for operating lease liabilities	42	12	1
Weighted average remaining lease term for operating leases (in years)	7	6	5
Weighted average remaining discount rate for operating leases	3.1 %	3.3 %	3.5 %

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 \$102 million at December 31, 2020 and 2021, respectively. Of these values, \$62 million and \$19 million at December 31, 2020 and 2021, respectively, were counter-guaranteed by Ford to us. There were no recorded liabilities related to guarantees and limited indemnities at December 31, 2020 and 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 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 contract claim 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 17. 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 \$47 million at December 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 and a hearing on the appeal was held on January 13, 2022. On February 1, 2022, the Italian Council of State dismissed the ICA’s appeal.

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.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of January 31, 2022, Ford Motor Credit Company LLC ("Ford Credit," the "Company," "we," "our," "us") has the following securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (i) 3.350% Notes due Nine Months or More from the Date of Issue due August 20, 2026 (the "2026 Notes") and (ii) the following Notes issued pursuant to our Euro Medium-Term Notes Due Nine Months or More from Date of Issue program (collectively referred to herein as the "EMTN Notes"): Floating Rate Notes due December 7, 2022; 1.514% Notes due February 17, 2023; 0.623% Notes due June 28, 2023; Floating Rate Notes due November 15, 2023; 3.021% Notes due March 6, 2024; 2.748% Notes due June 14, 2024; 4.125% Notes due June 20, 2024; 1.744% Notes due July 19, 2024; Floating Rate Notes due December 1, 2024; 3.683% Notes due December 3, 2024; 1.355% Notes due February 7, 2025; 4.535% Notes due March 6, 2025; 3.250% Notes due September 15, 2025; 2.330% Notes due November 25, 2025; and 2.386% Notes due February 17, 2026. Each series of the Company's securities registered under Section 12 of the Exchange Act is listed on The New York Stock Exchange (the "NYSE").

DESCRIPTION OF DEBT SECURITIES

The following description of the Company's 2026 Notes and the EMTN Notes (2026 Notes and the EMTN Notes are sometimes referred to herein collective as the "Notes") is a summary and does not purport to be complete. This description is qualified in its entirety by reference to the Indenture, dated as of March 16, 2015, between Ford Motor Credit Company LLC and The Bank of New York Mellon, as trustee (the "Indenture"). Capitalized terms used in the following description and not otherwise defined herein shall have the meaning ascribed to them in the Indenture.

Generally

Our debt securities are issued in one or more series under an Indenture, dated as of March 16, 2015, between us and The Bank of New York Mellon, as Trustee (the "Trustee"). The Indenture may be supplemented from time to time. The Indenture is a contract between us and The Bank of New York Mellon acting as Trustee. The Trustee has two main roles. First, the Trustee can enforce debtholders' rights against us if an "Event of Default" described below occurs. Second, the Trustee performs certain administrative duties for us.

The 2026 Notes

We issued U.S.\$11,176,000 aggregate principal amount of the 2026 Notes on August 18, 2016. The maturity date of the 2026 Notes is August 20, 2026, and interest at a rate of 3.350% per annum is paid semi-annually on August 20 and February 20 of each year, beginning on February 20, 2017, and on the maturity date. The 2026 Notes became redeemable at our option on August 20, 2017 and semi-annually thereafter on 30 calendar days notice. As of February 1, 2022, U.S.\$10,097,000 aggregate principal amount of the 2026 Notes was outstanding.

EMTN Notes

The EMTN Notes referenced in the table below were all issued pursuant to our Euro Medium Term Note Program as described in the most recent Prospectus Supplement dated February 26, 2021.

NYSE Symbol	Title	Issue Date	Maturity Date	Principal Amount		Currency	Interest Payment Dates
				Issued	Outstanding		
F/24L	Floating Rate Notes due December 1, 2024	Dec. 1, 2017	Dec. 1, 2024	€600,000,000	€600,000,000	Euro	March 1, June 1, September 1, and December 1
F/22T	Floating Rate Notes due December 7, 2022	Feb. 7, 2018	Dec. 7, 2022	€750,000,000	€750,000,000	Euro	March 7, June 7, September 7, and December 7
F/25I	1.355% Notes due Feb. 7, 2025	Feb. 7, 2018	Feb. 7, 2025	€500,000,000	€500,000,000	Euro	February 7
F/23D	Floating Rate Notes due November 15, 2023	May 15, 2018	Nov. 15, 2023	€400,000,000	€400,000,000	Euro	February 15, May 15, August 15, and November 15
F/23E	0.623% Notes due June 28, 2023 (Yen)	June 28, 2018	June 28, 2023	¥5,500,000,000	¥5,500,000,000	Yen	June 28 and December 28
F/24M	3.021% Notes due Mar 6, 2024	Mar. 6, 2019	Mar. 6, 2024	€1,250,000,000	€1,250,000,000	Euro	March 6
F/25K	4.535% Notes due Mar 6, 2025 (Sterling)	Mar. 6, 2019	Mar. 6, 2025	£600,000,000	£600,000,000	Pound Sterling	March 6
F/23G	1.514% Note due Feb. 17, 2023 (Euro)	June 17, 2019	Feb. 17, 2023	€1,000,000,000	€1,000,000,000	Euro	February 17
F/26AB	2.386% Notes due Feb. 17, 2026	June 17, 2019	Feb. 17, 2026	€750,000,000	€750,000,000	Euro	February 17
F/24O	4.125% Notes due June 20, 2024	June 20, 2019	June 20, 2024	SGD\$300,000,000	SGD\$300,000,000	Singapore Dollar	June 20 and December 20
F/25L	2.330% Notes due November 25, 2025	Nov. 25, 2019	Nov. 25, 2025	€600,000,000	€600,000,000	Euro	November 25

<u>NYSE Symbol</u>	<u>Title</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Principal Amount</u>		<u>Currency</u>	<u>Interest Payment Dates</u>
				<u>Issued</u>	<u>Outstanding</u>		
F/24Q	3.683% Notes due December 3, 2024	Dec. 3, 2019	Dec. 3, 2024	A\$150,000,000	A\$150,000,000	Australian Dollar	June 3 and December 3
F/24S	2.748% Notes due June 14, 2024	Dec. 14, 2020	June 14, 2024	£750,000,000	£750,000,000	Pound Sterling	June 14
F/24R	1.744% Notes due July 19, 2024	Feb. 20, 2020	July 19, 2024	€850,000,000	€850,000,000	Euro	July 19
F/25M	3.250% Notes due September 15, 2025	Sept. 15, 2020	Sept. 15, 2025	€750,000,000	€750,000,000	Euro	September 15

General

The Indenture does not limit the amount of debt securities that may be issued under it. Therefore, additional debt securities may be issued under the Indenture.

Ranking

The Notes are unsecured obligations of Ford Credit and rank equally with Ford Credit's other unsecured and unsubordinated indebtedness.

Payment on the Notes

Principal (and premium, if any) and interest, if any, is paid by us in immediately available funds.

Interest

The Notes bear interest from their respective dates of issue.

Interest on the Notes is payable in arrears on each Interest Payment Date to the persons in whose names the Notes are registered at the close of business on the 15th day preceding each such Interest Payment Date.

Each interest payment on a Note includes interest accrued from, and including, the issue date or the last Interest Payment Date, as the case may be, to, but excluding, the following Interest Payment Date or the maturity date, as the case may be (each such time period an "Interest Period").

Fixed Rate Notes

Each Fixed Rate Note bears interest at a fixed interest rate per annum. Interest on Fixed Rate Notes is computed on the basis of a 360-day year of twelve 30-day months. If the maturity date or an Interest Payment Date for any Fixed Rate Note is not a Business Day, then the principal and interest for that Note is paid on the next Business Day, and no interest accrues from and after the maturity date or on such Interest Payment Date.

Floating Rate Notes

The prospectus or pricing supplement related to each Floating Rate Note indicates the spread which is added to or subtracted from (or which is applied as a multiplier) the relevant interest rate formula to determine the interest rate. The spreads for the outstanding Floating Rate Notes is as follows:

- The spread for the Floating Rate Notes due December 7, 2022 is 3-Month EURIBOR +42 basis points
- The spread for the Floating Rate Notes due November 15, 2023 is 3-Month EURIBOR +73 basis points
- The spread for the Floating Rate Notes due December 1, 2024 is 3-Month EURIBOR +70 basis points

A Floating Rate Note may have either of the following: a ceiling on the rate at which interest may accrue during any Interest Period (a “Maximum Interest Rate”), and a floor on the rate at which interest may accrue during any Interest Period, which floor may not be less than zero. In addition to any Maximum Interest Rate limitation, the interest rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law for general application.

Limitation on Liens

If Ford Credit or any Restricted Subsidiary (as defined in the Indenture) shall pledge or otherwise subject to any lien (as defined in the Indenture as a “Mortgage”) any of its property or assets to secure indebtedness for borrowed money, Ford Credit will secure or cause such Restricted Subsidiary to secure the debt securities equally and ratably with (or prior to) the indebtedness secured by such Mortgage. This restriction does not apply to Mortgages securing such indebtedness which shall not exceed 5 percent of Consolidated Net Tangible Assets (as defined in the Indenture) of Ford Credit and its consolidated subsidiaries in the aggregate at any one time outstanding and does not apply to:

- certain Mortgages created or incurred to secure financing of the export or marketing of goods outside the United States;
- Mortgages on accounts receivable payable in foreign currencies securing indebtedness incurred and payable outside the United States;
- Mortgages in favor of Ford Credit or any Restricted Subsidiary;
- Mortgages in favor of governmental bodies to secure progress, advance or other payments, or deposits with any governmental body required in connection with the business of Ford Credit or a Restricted Subsidiary;
- deposits made in connection with pending litigation;
- Mortgages existing at the time of acquisition of the assets secured thereby (including acquisition through merger or consolidation) and certain purchase money Mortgages; and
- Mortgages in connection with any Hedging Transaction (as defined in the Indenture);
- Mortgages in connection with, or pursuant to, any Qualified Securitization Transaction (as defined in the Indenture); and
- any extension, renewal or replacement of any Mortgage or Mortgages referred to in the foregoing clauses, inclusive.

Merger and Consolidation

The Indenture provides that no consolidation or merger of Ford Credit with or into any other corporation shall be permitted, and no sale or conveyance of its property as an entirety, or substantially as an entirety, may be made to another corporation, if, as a result thereof, any asset of Ford Credit or a Restricted Subsidiary would become subject to a Mortgage, unless the debt securities shall be equally and ratably secured with (or prior to) the indebtedness secured by such Mortgage, or unless such Mortgage could be created pursuant to Section 10.04 of the Indenture without equally and ratably securing the debt securities.

Events of Default and Notice Thereof

The Indenture defines an “Event of Default” as being any one of the following events:

- failure to pay interest for 30 days after becoming due;
- failure to pay principal or any premium for five Business Days after becoming due;
- failure to make a sinking fund payment for five days after becoming due;
- failure to perform any other covenant applicable to the debt securities for 90 days after notice;
- certain events of bankruptcy, insolvency or reorganization; and
- any other Event of Default provided in the prospectus supplement.

An Event of Default for a particular series of debt securities will not necessarily constitute an Event of Default for any other series of debt securities issued under the Indenture.

If an Event of Default occurs and continues, the Trustee or the holders of at least 25% of the total principal amount of the series may declare the entire principal amount (or, if they are Original Issue Discount Securities (as defined in the Indenture), the portion of the principal amount as specified in the terms of such series) of all of the debt securities of that series to be due and payable immediately. If this happens, subject to certain conditions, the holders of a majority of the total principal amount of the debt securities of that series can void the declaration.

The Indenture provides that within 90 days after default under a series of debt securities, the Trustee will give the holders of that series notice of all uncured defaults known to it. (The term “default” includes the events specified above without regard to any period of grace or requirement of notice.) The Trustee may withhold notice of any default (except a default in the payment of principal, interest or any premium) if it believes that it is in the interest of the holders.

Annually, Ford Credit must send to the Trustee a certificate describing any existing defaults under the Indenture.

Other than its duties in case of a default, the Trustee is not obligated to exercise any of its rights or powers under the Indenture at the request, order or direction of any holders, unless the holders offer the Trustee reasonable protection from expenses and liability. If they provide this reasonable indemnification, the holders of a majority of the total principal amount of any series of debt securities may direct the Trustee how to act under the Indenture.

Modification of the Indenture

With certain exceptions, Ford Credit’s rights and obligations and debtholders’ rights under a particular series of debt securities may be modified with the consent of the holders of not less than a majority in principal amount of those debt securities affected by such modification (voting as a single class). No modification of the principal or interest payment terms, and no modification reducing the percentage required for modifications, will be effective against a debtholder without such debtholder’s consent.

Global Securities

The debt securities of each series were issued in the form of one or more global certificates that are deposited with DTC, which acts as depository for the global certificates. Beneficial interests in global certificates are shown on, and transfers of global certificates are effected only through, records maintained by DTC and its participants. Therefore, if a debtholder wishes to own debt securities that are represented by one or more global certificates, debtholders can do so only indirectly or “beneficially” through an account with a broker, bank or other financial institution that has an account with DTC (that is, a DTC participant) or through an account directly with DTC if such debtholder is a DTC participant.

While the debt securities are represented by one or more global certificates:

- Debtholders will not be able to have the debt securities registered in such debtholder’s name.
 - Debtholders will not be able to receive a physical certificate for the debt securities.
 - Our obligations, as well as the obligations of the Trustee and any of our agents, under the debt securities will run only to DTC as the registered owner of the debt securities. For example, once we make payment to DTC, we will have no further responsibility for the payment even if DTC or a debtholder’s broker, bank or other financial institution fails to pass it on so that such debtholder receives it.
 - Debtholders’ rights under the debt securities relating to payments, transfers, exchanges and other matters are governed by applicable law and by the contractual arrangements between a debtholder and such debtholder’s broker, bank or other financial institution, and/or the contractual arrangements a debtholder or such debtholder’s broker, bank or financial institution has with DTC. Neither we nor the Trustee has any responsibility for the actions of DTC or such debtholder’s broker, bank or financial institution.
 - Debtholders may not be able to sell their interests in the debt securities to some insurance companies and others who are required by law to own their debt securities in the form of physical certificates.
 - Because the debt securities trade in DTC’s Same-Day Funds Settlement System, when debtholders buy or sell interests in the debt securities, payment for them is made in immediately available funds. This could affect the attractiveness of the debt securities to others.
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A global certificate generally can be transferred only as a whole, unless it is being transferred to certain nominees of the depository or it is exchanged in whole or in part for debt securities in physical form. If a global certificate is exchanged for debt securities in physical form, they are in denominations of \$1,000 and integral multiples thereof, or another denomination stated in the prospectus supplement.

Payment of Additional Amounts

All payments in respect of the Notes are made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or other governmental charges of whatsoever nature required to be deducted or withheld by the United States or any jurisdiction through which payment on a Note is made or in each case any political subdivision or taxing authority therein or thereof (each a "Relevant Taxing Jurisdiction"), unless such withholding or deduction is required by law.

In the event any withholding or deduction on payments in respect of the Notes for or on account of any present or future tax, assessment or other governmental charge is required to be deducted or withheld by a Relevant Taxing Jurisdiction, we will remit the full amount required to be deducted or withheld to the relevant authority in accordance with applicable law and pay such additional amounts on the Notes as will result in receipt by each beneficial owner of a Note that is not a U.S. Person (as defined below) of such amounts (after all such withholding or deduction, including on any additional amounts) as would have been received by such beneficial owner had no such withholding or deduction been required. We are not be required, however, to make any payment of additional amounts for or on account of:

- (a) any tax, assessment or other governmental charge that would not have been imposed but for (1) the existence of any present or former connection (other than a connection arising solely from the ownership of those Notes, the receipt of payments in respect of those Notes or exercise or enforcement of rights under the Notes) between that holder (or the beneficial owner for whose benefit such holder holds such Note), or between a fiduciary, settlor, beneficiary of, member or shareholder of, or possessor of a power over, that holder or beneficial owner (if that holder or beneficial owner is an estate, trust, partnership or corporation) and the United States, including that holder or beneficial owner, or that fiduciary, settlor, beneficiary, member, shareholder or possessor, being or having been a citizen or resident or treated as a resident of a Relevant Taxing Jurisdiction or being or having been engaged in trade or business or present in the Relevant Taxing Jurisdiction or having had a permanent establishment in the Relevant Taxing Jurisdiction or (2) the presentation of a Note for payment on a date more than 30 days after the later of the date on which that payment becomes due and payable and the date on which payment is duly provided for;
 - (b) any estate, inheritance, gift, sales, transfer, capital gains, excise, personal property, wealth or similar tax, assessment or other governmental charge;
 - (c) any tax, assessment or other governmental charge imposed on foreign personal holding company income or by reason of the beneficial owner's past or present status as a passive foreign investment company, a controlled foreign corporation, a foreign tax exempt organization or a personal holding company with respect to the United States or as a corporation that accumulates earnings to avoid U.S. federal income tax;
 - (d) any tax, assessment or other governmental charge which is payable otherwise than by withholding or deducting from payment of principal of or premium, if any, or interest on such Notes;
 - (e) only with respect to the June 2020 Notes, any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of and premium, if any, or interest on any Note if that payment can be made without withholding by any other paying agent;
 - (f) any tax, assessment or other governmental charge which would not have been imposed but for the failure of a beneficial owner or any holder of Notes to comply with our request or a request of our agent to satisfy certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the Relevant Taxing Jurisdiction of the beneficial owner or any holder of the Notes that such beneficial owner or holder is legally able to deliver (including, but not limited to, the requirement to provide Internal Revenue Service Forms W-8BEN, W-8BEN-E, W-8ECI, W-9 or any subsequent versions thereof or successor
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thereto, and including, without limitation, any documentation requirement under an applicable income tax treaty);

- (g) any tax, assessment or other governmental charge imposed on interest received by (1) a 10% shareholder (as defined in Section 871(h)(3)(B) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and the regulations that may be promulgated thereunder) of the Company or (2) a controlled foreign corporation that is related to Ford Credit within the meaning of Section 864(d)(4) of the Code, or (3) a bank receiving interest described in Section 881(c)(3)(A) of the Code, to the extent such tax, assessment or other governmental charge would not have been imposed but for the beneficial owner's status as described in clauses (1) through (3) of this paragraph (g);
- (h) only with respect to the June 2020 Notes, to any withholding or deduction that is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, any European Union Directive on the taxation of savings;
- (i) any tax, assessment or other governmental charge required to be withheld or deducted under Sections 1471 through 1474 of the Code (or any amended or successor version of such Sections) ("FATCA"), any regulations or other guidance thereunder, or any agreement (including any intergovernmental agreement) entered into in connection therewith; or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement in respect of FATCA; or
- (j) any combination of the foregoing paragraphs (a), (b), (c), (d), (f), (g) and (i) (or with respect to the June 2020 Notes any combination of the foregoing paragraphs (a), (b), (c), (d), (e), (f), (g), (h) and (i))

nor will we pay any additional amounts to any beneficial owner or holder of certain Notes who is a fiduciary or partnership to the extent that a beneficiary or settlor with respect to that fiduciary or a member of that partnership or a beneficial owner thereof would not have been entitled to the payment of those additional amounts had that beneficiary, settlor, member or beneficial owner been the beneficial owner of those Notes.

As used in this section "Payment of Additional Amounts", "U.S. Person" means any individual who is a citizen or resident of the United States for U.S. federal income tax purposes, a corporation, partnership or other entity created or organized in or under the laws of the United States, any state of the United States or the District of Columbia (other than a partnership that is not treated as a United States person under any applicable U.S. Treasury regulations), or any estate or trust the income of which is subject to United States federal income taxation regardless of its source.

Optional Redemption, Repayment and Repurchase

If (a) as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined under the heading "Payment of Additional Amounts") , or any change in, or amendment to, an official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective on or after the date of the prospectus with respect to the Notes, Ford Credit becomes or will become obligated to pay additional amounts (as described herein under the heading "Payment of Additional Amounts") or (b) any act is taken by a taxing authority of a Relevant Taxing Jurisdiction on or after the date of the prospectus with respect to the Notes, whether or not such act is taken with respect to Ford Credit or any affiliate of Ford Credit, that results in a substantial probability that Ford Credit will or may be required to pay such additional amounts on one or more series of Notes, then Ford Credit may, at its option, redeem such Notes, as a whole but not in part, upon not less than 60 days' nor more than 90 days' notice at 100% of their principal amount, together with interest accrued thereon to the date fixed for redemption (or, in the case of Notes with original issue discount, at their accreted value); *provided* that Ford Credit determines, in its business judgment (determined in good faith), that the obligation to pay such additional amounts cannot be avoided by the use of reasonable measures available to Ford Credit (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable and would not cause Ford Credit to incur material additional out-of-pocket costs, but not including assignment of the obligation to make payment with respect to the Notes).

No redemption above may be made unless Ford Credit shall have received an opinion of independent counsel to the effect that an act taken by a taxing authority of the United States results in a substantial probability that it will or may be required to pay the additional amounts described herein under the heading "Payment of Additional Amounts" and Ford Credit shall have delivered to the Trustee a certificate, signed by a duly authorized officer, stating that based on such opinion Ford Credit is entitled to redeem the relevant Notes pursuant to their terms.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ford Motor Credit Company LLC Registration Statement Nos. 333-253293 and 333-241502 on Form S-3

We hereby consent to the incorporation by reference in the aforementioned Registration Statements of Ford Motor Credit Company LLC of our report dated February 3, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
February 3, 2022

FORD MOTOR CREDIT COMPANY LLC

Certificate of Secretary

The undersigned, Marlene M. Martel, Secretary of FORD MOTOR CREDIT COMPANY LLC, a Delaware limited liability company (the "Company"), DOES HEREBY CERTIFY that the following resolutions were duly adopted by the Board of Directors of the Company by written consent dated as of February 3, 2022, and such resolutions have not been amended, modified, rescinded, or revoked and are in full force and effect on the date hereof.

WITNESS my hand and the seal of the Company this 3rd day of February, 2021.

/s/ Marlene M. Martel

Marlene M. Martel

Secretary

(Company Seal)

**FORD MOTOR CREDIT COMPANY LLC
RESOLUTIONS**

RESOLVED, That preparation of an annual report of the Company on Form 10-K for the year ended December 31, 2021, including exhibits or financial statements and schedules and other documents in connection therewith (collectively, the "*Annual Report*"), to be filed with the Securities and Exchange Commission (the "*Commission*") under the Securities Exchange Act of 1934, as amended, be and it hereby is in all respects authorized and approved; that the directors and appropriate officers of the Company, and each of them, be and hereby are authorized to sign and execute on their own behalf, or in the name and on behalf of the Company, or both, as the case may be, such Annual Report, and any and all amendments thereto, with such changes therein as such directors and officers may deem necessary, appropriate or desirable, as conclusively evidenced by their execution thereof; and that the appropriate officers of the Company, and each of them, be and hereby are authorized to cause such Annual Report and any such amendments, so executed, to be filed with the Commission.

RESOLVED, That each officer and director who may be required to sign and execute such Annual Report or any amendment thereto or document in connection therewith (whether in the name and on behalf of the Company, or as an officer or director of the Company, or otherwise), be and hereby is authorized to execute a power of attorney appointing L.M. Duffy, M.B. Harris, M.M. Martel, B.E. Schaaf, D.J. Witten, C.A. Yee, and C.B. Ziegeler, and each of them, severally, as his or her true and lawful attorney or attorneys to sign in his or her name, place, and stead in any such capacity such Annual Report and any and all amendments thereto and documents in connection therewith, and to file the same with the Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform in the name and on behalf of each of said officers and directors who shall have executed such power of attorney, every act whatsoever which such attorneys, or any of them, may deem necessary, appropriate or desirable to be done in connection therewith as fully and to all intents and purposes as such officers or directors might or could do in person.

**POWER OF ATTORNEY WITH RESPECT TO
ANNUAL REPORT OF FORD MOTOR CREDIT COMPANY LLC ON
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2021**

KNOW ALL MEN BY THESE PRESENTS that each person that is a director of FORD MOTOR CREDIT COMPANY LLC, does hereby constitute and appoint L.M. Duffy, M.B. Harris, M.M. Martel, B.E. Schaaf, D.J. Witten, C.A. Yee, and C.B. Ziegeler, and each of them, severally, as his or her true and lawful attorney and agent at any time and from time to time to do any and all acts and things and execute, in his or her name (whether on behalf of FORD MOTOR CREDIT COMPANY LLC, or as an officer or director of FORD MOTOR CREDIT COMPANY LLC, or by attesting the seal of FORD MOTOR CREDIT COMPANY LLC, or otherwise) any and all instruments which said attorney and agent may deem necessary or advisable in order to enable FORD MOTOR CREDIT COMPANY LLC to comply with the Securities Exchange Act of 1934, as amended, and any requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing of the Annual Report of FORD MOTOR CREDIT COMPANY LLC on Form 10-K for the year ended December 31, 2021 and any and all amendments thereto, as heretofore duly authorized by the Board of Directors of FORD MOTOR CREDIT COMPANY LLC, including specifically but without limitation thereto, power and authority to sign his or her name (whether on behalf of FORD MOTOR CREDIT COMPANY LLC, or as an officer or director of FORD MOTOR CREDIT COMPANY LLC, or by attesting the seal of FORD MOTOR CREDIT COMPANY LLC, or otherwise) to such instruments and to such Annual Report and to any such amendments to be filed with the Securities and Exchange Commission, or any of the exhibits or financial statements and schedules filed therewith, and to file the same with the Securities and Exchange Commission; and such Director does hereby ratify and confirm all that said attorneys and agents, and each of them, shall do or cause to be done by virtue hereof. Any one of said attorneys and agents shall have, and may exercise, all the powers hereby conferred.

IN WITNESS WHEREOF, each of the undersigned has signed his or her name hereto as of the 3rd day of February, 2022.

/s/ David W. McClelland

D.W. McClelland

/s/ Narpal S. Ahluwalia

N.S. Ahluwalia

/s/ N. Joy Falotico

N.J. Falotico

/s/ Marion B. Harris

M.B. Harris

/s/ Brian E. Schaaf

B.E. Schaaf

/s/ David A. Webb

D.A. Webb

CERTIFICATION

I, Marion B. Harris, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 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: February 3, 2022

/s/ Marion B. Harris

Marion B. Harris
President and Chief Executive Officer

CERTIFICATION

I, Brian E. Schaaf, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 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: February 3, 2022

/s/ Brian E. Schaaf

Brian E. Schaaf, Executive Vice President,
Chief Financial Officer, Treasurer, and Strategy

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Marion B. Harris, 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 Annual Report on Form 10-K for the year ended December 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: February 3, 2022

/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 Annual Report on Form 10-K for the year ended December 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: February 3, 2022

/s/ Brian E. Schaaf
Brian E. Schaaf, Executive Vice President,
Chief Financial Officer, Treasurer, and Strategy