

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

**NOTE 12. NET INVESTMENT IN OPERATING LEASES**

*Net investment in operating leases* consists primarily of lease contracts for vehicles with individuals, daily rental companies, government entities, and fleet customers. Assets subject to operating leases are depreciated using the straight-line method over the term of the lease to reduce the asset to its estimated residual value. Estimated residual values are based on assumptions for used vehicle prices at lease termination and the number of vehicles that are expected to be returned. 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.

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

	2021	2022
<b>Company excluding Ford Credit</b>		
Vehicles, net of depreciation	\$ 1,194	\$ 951
<b>Ford Credit Segment</b>		
Vehicles, at cost (a)	29,982	26,055
Accumulated depreciation	( 4,815 )	( 4,234 )
<b>Total Ford Credit Segment</b>	<b>25,167</b>	<b>21,821</b>
<b>Total</b>	<b>\$ 26,361</b>	<b>\$ 22,772</b>

(a) Includes Ford Credit's operating lease assets of \$ 7.5 billion and \$ 12.5 billion at December 31, 2021 and 2022, respectively, that have been included in securitization transactions. These net investments in operating leases are available only for payment of the debt or other obligations issued or arising in the securitization transactions; they are not available to pay other obligations or the claims of other creditors.

**Ford Credit Segment**

Included in *Ford Credit interest, operating, and other expense* is operating lease depreciation expense, which includes gains and losses on disposal of assets 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. Operating lease depreciation expense for the years ended December 31 was as follows (in millions):

	2020	2021	2022
Operating lease depreciation expense	\$ 3,235	\$ 1,626	\$ 2,240

The amounts contractually due on operating leases at December 31, 2022 were as follows (in millions):

	2023	2024	2025	2026	Thereafter	Total
Operating lease payments	\$ 3,324	\$ 1,944	\$ 803	\$ 164	\$ 11	\$ 6,246