

FORD CREDIT SEGMENT

The Ford Credit segment is comprised of the Ford Credit business on a consolidated basis, which is primarily vehicle-related financing and leasing activities.

Ford Credit offers a wide variety of automotive financing products to and through automotive dealers throughout the world. The predominant share of Ford Credit's business consists of financing our vehicles and supporting our dealers. Ford Credit earns its revenue primarily from payments made under retail installment sale and finance lease (retail financing) and operating lease contracts that it originates and purchases; interest rate supplements and other support payments from us and our affiliates; and payments made under dealer financing programs.

As a result of these financing activities, Ford Credit has a large portfolio of finance receivables and operating leases which it classifies 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 our 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. Ford Credit makes 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. Ford Credit also purchases receivables generated by us and our affiliates, primarily related to the sale of parts and accessories to dealers and certain used vehicles from daily rental fleet companies. Ford Credit also provides financing to us for vehicles that we lease to our employees.

The majority of Ford Credit's business is in the United States and Canada. Outside of the United States, Europe is Ford Credit's largest operation. Ford Credit's European operations are managed primarily through its United Kingdom-based subsidiary, FCE Bank plc (“FCE”). Within Europe, Ford Credit's largest markets are the United Kingdom and Germany.

See Item 7 and Notes 10 and 12 of the Notes to the Financial Statements for a detailed discussion of Ford Credit's receivables, credit losses, allowance for credit losses, loss-to-receivables ratios, funding sources, and funding strategies. See Item 7A for a discussion of how Ford Credit manages its financial market risks.

We routinely sponsor special retail financing and lease incentives to dealers' customers who choose to finance or lease our vehicles from Ford Credit. In order to compensate Ford Credit for the lower interest or lease payments offered to the retail customer, we pay the discounted value of the incentive directly to Ford Credit when it originates the retail finance or lease contract with the dealer's customer. These programs increase Ford Credit's financing volume and share. See Note 2 of the Notes to the Financial Statements for information about our accounting for these programs.

We have a Third Amended and Restated Relationship Agreement with Ford Credit, pursuant to which, if Ford Credit's financial statement leverage for a calendar quarter were to be higher than 12.5:1 (as reported in its most recent periodic report), Ford Credit could require us to make or cause to be made a capital contribution to it in an amount sufficient to have caused such financial statement leverage to have been 12.5:1. No capital contributions have been made pursuant to this agreement. In a separate agreement with FCE, Ford Credit has agreed to maintain FCE's net worth in excess of \$500 million. No payments have been made pursuant to that agreement.

Ford Credit files periodic reports with the SEC that contain additional information regarding Ford Credit. The reports are available through Ford Credit's website located at www.fordcredit.com/investor-center and can also be found on the SEC's website located at www.sec.gov.

The foregoing information regarding Ford Credit's website and its content is for convenience only and not deemed to be incorporated by reference into this Report nor filed with the SEC.