



FordCredit

Capital Management Strategy

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DISCUSSION AGENDA

1. Introduction
2. FUEL Notes Overview
3. The Situation
4. The Remedy
5. The Benefits

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INTRODUCTION

- Our **ONE FORD** plan is working – consumers’ perceptions about Ford continue to strengthen, thanks to our ongoing introduction of new products that are leading in quality, fuel efficiency, safety, smart design and value
- Ford had a great 2010 with \$8.3 billion in pre-tax profit* and \$4.4 billion of Automotive operating cash flow and we expect 2011 to be even better. In the First Half 2011, Ford reported \$5.7 billion in pre-tax profit* and \$4.5 billion of automotive operating cash flow
- Ford Credit results continue to be strong with 2010 pre-tax profits* of \$3.1 billion and First Half 2011 pre-tax profits* of \$1.3 billion
- Since the end of 2009, Ford has strengthened its balance sheet by reducing its Automotive debt by approximately \$20 billion
- Based on our continued performance and balance sheet improvements, Ford and Ford Credit have been upgraded by all four ratings agencies in the last year with commentary suggesting more upgrades possible
- Our positive momentum together with improvements in our ratings led to our plan to establish a new funding program, the Ford Upgrade Exchange Linked Notes (“FUEL Notes”)



* Excluding special items

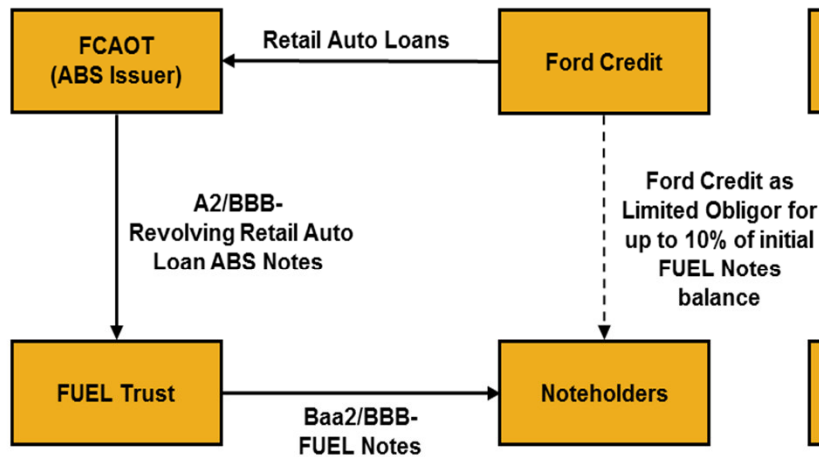
FUEL NOTES OVERVIEW

- **The FUEL Notes program was designed to help Ford Credit cost-effectively transition to an investment grade capital structure and further diversify its investor base**
- **FUEL Notes are a first-of-a-kind security that combine the strengths of Ford Credit's retail ABS program with its traditional unsecured debt offerings**
- **FUEL Notes offer investors the opportunity to take advantage of an investment grade offering while receiving the downside protection of a high-quality asset-backed structure**
 - **At issuance, FUEL Notes are investment grade and benefit from collateral consistent with Ford Credit's prime retail ABS bonds**
 - **Upon upgrade of Ford Credit to investment grade ratings by two of three agencies (Moody's, S&P and Fitch), the FUEL Notes will be mandatorily exchanged for Ford Credit senior unsecured bonds**
 - **The senior unsecured bonds will have the same maturity and interest rate as the FUEL Notes and upon registration will be indistinguishable from Ford Credit's other unsecured debt**

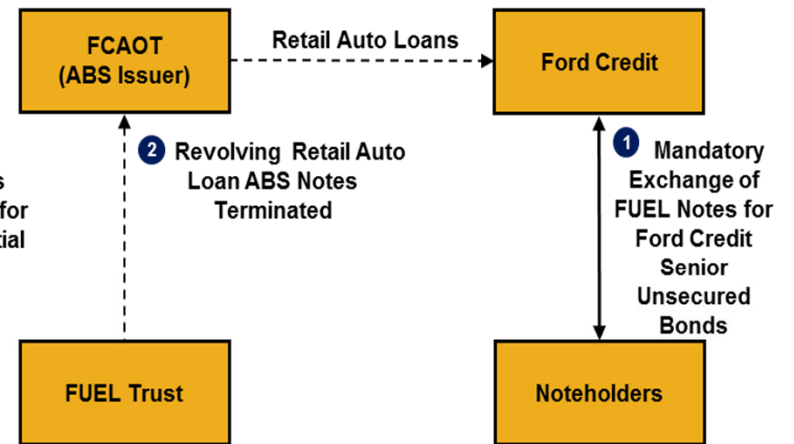


FUEL NOTES OVERVIEW (cont.)

Ford Credit Rated Below Investment Grade



Ford Credit Upgrade to Investment Grade



- **ABS Notes**
 - 5-year revolving period during which additional retail auto loans are sold to ABS issuer to maintain collateral pool balance while satisfying concentration limits
- **FUEL Notes sources of funds**
 - ABS Notes backed by a revolving pool of prime retail auto loans
 - Ford Credit, as Limited Obligor, for up to 10% of initial FUEL Notes balance in the case of payment shortfalls
- **Mandatory exchange of FUEL Notes for Ford Credit senior unsecured bonds with the same maturity and coupon upon an investment grade rating event**
 - Investment grade rating event occurs when two of Moody's, S&P and Fitch rate Ford Credit senior unsecured debt at least Baa3, BBB- or BBB-, respectively



THE SITUATION

Capital Structure

- **Key to determining whether a captive finance company warrants an investment grade rating is its relationship with the OEM, though the captive's capital structure and asset encumbrance are also important**
- **Throughout the financial crisis, Ford Credit heavily relied on ABS to cost-effectively fund the business and support Ford's dealers and customers, resulting in higher asset encumbrance levels**
- **Over the last several years, Ford Credit's ABS funding as a percentage of managed receivables has generally been between 50% and 60% and we are targeting to reduce this to 35% by mid-decade**
- **The natural solution to reducing asset encumbrance by issuing unsecured debt presents challenges in terms of cost and capacity**

Investor Base

- **Some high-grade investors have not been able to participate in Ford Credit unsecured debt offerings since Ford Credit lost its investment grade ratings in 2006**
- **Ford Credit sought to reintroduce itself to these high-grade investors prior to achieving investment grade ratings**



THE REMEDY

Capital Structure

- The FUEL Notes program is a cost-effective solution designed to help Ford Credit reduce its asset encumbrance ratio as it focuses on becoming investment grade
- Upon upgrade to investment grade*, the secured FUEL Notes are mandatorily exchanged for Ford Credit senior unsecured bonds and the underlying ABS structure supporting the FUEL Notes is terminated
 - Reduces Ford Credit's asset encumbrance ratio at a key time (i.e., when it transitions to investment grade ratings)
- Since FUEL Notes are rated investment grade by Moody's and S&P (Baa2/BBB-) due to the benefit of collateral, Ford Credit can issue FUEL Notes at rates significantly inside a comparable unsecured debt offering
- *"The transaction is a positive development for Ford Credit because the mandatory exchange frees the underlying pool of prime retail auto loans from the lien of ABS bondholders, which improves Ford Credit's financial flexibility by increasing the size of its unencumbered assets... In determining whether or not Ford Credit can achieve an investment grade rating, we will consider the fact that upon achieving the rating, more assets become free of encumbrance."*

-- Moody's (May 11, 2011)

* Ford Credit unsecured upgraded to investment grade by two of Moody's, S&P and Fitch

THE REMEDY (cont.)

Investor Base

- **Given the investment grade ratings of FUEL Notes, some investors (e.g., insurance companies) who previously could not purchase Ford Credit unsecured debt offerings could purchase FUEL Notes**
- **Reaching investors who otherwise could not purchase Ford Credit unsecured debt provides Ford Credit two principal advantages:**
 - **It expands and further diversifies Ford Credit's investor base, which is important given Ford Credit's position as one of the largest issuers of debt in the capital markets**
 - **It allows Ford Credit to engage the high-grade investor earlier than otherwise possible, which should improve execution once Ford Credit achieves investment grade ratings**
- *"If you couldn't buy non-investment grade and you think Ford will do well, then you wanted to be in this deal. We were involved," said one investor based in New York.*

-- International Financing Review (April 17, 2011)



THE BENEFITS

Capital Structure

- ***Lower Asset Encumbrance:*** When the FUEL Notes are mandatorily exchanged for unsecured bonds, the underlying ABS is terminated, reducing Ford Credit's asset encumbrance ratio at a key time
- ***Lower Funding Cost:*** Through Q3 2011 Ford Credit had issued \$2.5 billion of FUEL Notes, providing a lifetime savings of about \$90 million when compared to a comparable unsecured debt offering

Investor Base

- ***Investor Base Expansion:*** Engaging investment grade only investors prior to Ford Credit achieving investment grade ratings creates a more informed investor base and should enhance future unsecured execution
 - **High-grade participation was between 80% and 90% for the first two FUEL transactions (significantly higher than our recent unsecured transactions)**



THE BENEFITS (cont.)

Positive Market Signaling

- ***Confidence in Plan:*** Ford Credit is using retail assets to issue FUEL Notes instead of more efficient and lower cost ABS, because it is confident in achieving investment grade ratings
 - Tangible evidence of strong signaling effect materialized when Ford Credit's unsecured bonds rallied by approximately 40 bps as the first FUEL issuance was being marketed
 - Signaling impact is a qualitative, but very important, benefit as opportunities to convey a view to the market regarding corporate trajectory through a transaction are rare
- *"Ford is signaling to all that it's trying to get to investment grade..."*
-- *WSJ (April 13, 2011)*

**The Aggregate Benefits Provided By The FUEL Notes Program
Are An Important Tool In Helping Ford Credit Achieve Its
Objective Of Returning To Investment Grade**

