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

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2014

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission file number 1-6368

Ford Motor Credit Company LLC
(Exact name of registrant as specified in its charter)

Delaware
(State of organization)
One American Road, Dearborn, Michigan
(Address of principal executive offices)

38-1612444
(I.R.S. employer identification no.)
48126
(Zip code)

(313) 322-3000
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

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

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

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

REDUCED DISCLOSURE FORMAT

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

FORD MOTOR CREDIT COMPANY LLC
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended June 30, 2014

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
For the Periods Ended June 30, 2014 and 2013
(in millions)

	Second Quarter		First Half	
	2014	2013	2014	2013
	(unaudited)			
Financing revenue				
Operating leases	\$ 1,001	\$ 818	\$ 1,967	\$ 1,572
Retail financing	691	680	1,387	1,377
Dealer financing	424	385	817	763
Other	21	24	42	49
Total financing revenue	2,137	1,907	4,213	3,761
Depreciation on vehicles subject to operating leases	(742)	(553)	(1,447)	(1,034)
Interest expense	(673)	(682)	(1,339)	(1,365)
Net financing margin	722	672	1,427	1,362
Other revenue				
Insurance premiums earned	31	30	63	59
Other income, net (Note 11)	66	46	117	123
Total financing margin and other revenue	819	748	1,607	1,544
Expenses				
Operating expenses	281	240	531	490
Provision for credit losses (Note 4)	27	20	58	49
Insurance expenses	77	34	85	44
Total expenses	385	294	674	583
Income before income taxes	434	454	933	961
Provision for income taxes	170	179	357	322
Net income	\$ 264	\$ 275	\$ 576	\$ 639

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Periods Ended June 30, 2014 and 2013
(in millions)

	Second Quarter		First Half	
	2014	2013	2014	2013
	(unaudited)			
Net income	\$ 264	\$ 275	\$ 576	\$ 639
Other comprehensive income/(loss), net of tax (Note 10)				
Foreign currency translation	85	(51)	3	(238)
Total other comprehensive income/(loss), net of tax	85	(51)	3	(238)
Comprehensive income	\$ 349	\$ 224	\$ 579	\$ 401

The accompanying notes are part of the financial statements.

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

	June 30, 2014	December 31, 2013
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 6,825	\$ 9,424
Marketable securities	3,020	1,943
Finance receivables, net (Note 2)	86,718	81,636
Net investment in operating leases (Note 3)	19,875	18,277
Notes and accounts receivable from affiliated companies	794	1,077
Derivative financial instruments (Note 7)	673	585
Other assets (Note 8)	2,536	2,666
Total assets	\$ 120,441	\$ 115,608
LIABILITIES		
Accounts payable		
Customer deposits, dealer reserves, and other	\$ 1,182	\$ 1,445
Affiliated companies	526	211
Total accounts payable	1,708	1,656
Debt (Note 9)	103,038	98,693
Deferred income taxes	1,864	1,627
Derivative financial instruments (Note 7)	320	506
Other liabilities and deferred income (Note 8)	2,356	2,522
Total liabilities	109,286	105,004
SHAREHOLDER'S INTEREST		
Shareholder's interest	5,217	5,217
Accumulated other comprehensive income (Note 10)	720	717
Retained earnings	5,218	4,670
Total shareholder's interest	11,155	10,604
Total liabilities and shareholder's interest	\$ 120,441	\$ 115,608

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 sheet above. See Notes 5 and 6 for additional information on our VIEs.

	June 30, 2014	December 31, 2013
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 2,186	\$ 4,198
Finance receivables, net	43,085	45,796
Net investment in operating leases	9,012	8,116
Derivative financial instruments	3	5
LIABILITIES		
Debt	\$ 38,322	\$ 40,728
Derivative financial instruments	40	88

The accompanying notes are part of the financial statements.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDER'S INTEREST
For the Periods Ended June 30, 2014 and 2013
(in millions, unaudited)

	Shareholder's Interest	Accumulated Other Comprehensive Income (Note 10)	Retained Earnings	Total
Balance at December 31, 2013	\$ 5,217	\$ 717	\$ 4,670	\$ 10,604
Net income	—	—	576	576
Other comprehensive income/(loss), net of tax	—	3	—	3
Distributions	—	—	(28)	(28)
Balance at June 30, 2014	<u>\$ 5,217</u>	<u>\$ 720</u>	<u>\$ 5,218</u>	<u>\$ 11,155</u>
Balance at December 31, 2012	\$ 5,274	\$ 743	\$ 3,636	\$ 9,653
Net income	—	—	639	639
Other comprehensive income/(loss), net of tax	—	(238)	—	(238)
Distributions	—	—	(28)	(28)
Balance at June 30, 2013	<u>\$ 5,274</u>	<u>\$ 505</u>	<u>\$ 4,247</u>	<u>\$ 10,026</u>

The accompanying notes are part of the financial statements.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Periods Ended June 30, 2014 and 2013
(in millions)

	First Half	
	2014	2013
	(unaudited)	
Cash flows from operating activities		
Net income	\$ 576	\$ 639
Adjustments to reconcile net income to net cash provided by operations		
Provision for credit losses	58	49
Depreciation and amortization	1,842	1,438
Amortization of upfront interest supplements	(498)	(495)
Net change in deferred income taxes	238	60
Net change in other assets	292	23
Net change in other liabilities	(36)	692
All other operating activities	(17)	(229)
Net cash provided by/(used in) operating activities	2,455	2,177
Cash flows from investing activities		
Purchases of finance receivables (excluding wholesale and other)	(16,684)	(14,868)
Collections of finance receivables (excluding wholesale and other)	15,029	14,303
Purchases of operating lease vehicles	(6,357)	(5,737)
Liquidations of operating lease vehicles	3,246	1,988
Net change in wholesale receivables and other	(3,129)	(1,407)
Net change in notes receivable from affiliated companies	30	3
Purchases of marketable securities	(7,003)	(17,389)
Proceeds from sales and maturities of marketable securities	5,898	16,386
Settlements of derivatives	(62)	109
All other investing activities	44	(23)
Net cash provided by/(used in) investing activities	(8,988)	(6,635)
Cash flows from financing activities		
Proceeds from issuances of long-term debt	22,655	18,158
Principal payments on long-term debt	(15,228)	(11,505)
Change in short-term debt, net	(3,393)	(3,822)
Cash distributions to parent	(28)	(28)
All other financing activities	(66)	22
Net cash provided by/(used in) financing activities	3,940	2,825
Effect of exchange rate changes on cash and cash equivalents	(6)	(135)
Net increase/(decrease) in cash and cash equivalents	\$ (2,599)	\$ (1,768)
Cash and cash equivalents at January 1	\$ 9,424	\$ 9,189
Net increase/(decrease) in cash and cash equivalents	(2,599)	(1,768)
Cash and cash equivalents at June 30	\$ 6,825	\$ 7,421

The accompanying notes are part of the 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. ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information, and instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, these unaudited financial statements include all adjustments considered necessary for a fair statement of the results of operations and financial condition for interim periods for Ford Motor Credit Company LLC, its consolidated subsidiaries and consolidated VIEs in which Ford Motor Credit Company LLC is the primary beneficiary (collectively referred to herein as "Ford Credit," "we," "our," or "us"). Results for interim periods should not be considered indicative of results for any other interim period or for the full year. Reference should be made to the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2013 ("2013 Form 10-K Report"). We are an indirect, wholly owned subsidiary of Ford Motor Company ("Ford").

We reclassified certain prior period amounts in our consolidated financial statements to conform to the presentation in our 2013 Form 10-K Report.

Provision for Income Taxes

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

Adoption of New Accounting Standards

Income Taxes - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. On January 1, 2014, we adopted the new accounting standard that requires an unrecognized tax benefit to be presented as a decrease in a deferred tax asset where a net operating loss, a similar tax loss, or a tax credit carryforward exists, and certain criteria are met. The new accounting standard is consistent with our prior practice, thus the adoption did not impact our consolidated financial statements.

Foreign Currency Matters - Parent's Accounting for Cumulative Translation Adjustment. On January 1, 2014, we adopted the new accounting standard that clarifies the applicable guidance for a parent company's accounting for the release of the cumulative translation adjustment into net income upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The new accounting standard is consistent with our prior practice, thus the adoption did not impact our consolidated financial statements.

Liabilities - Obligations Resulting from Joint and Several Liability Arrangements. On January 1, 2014, we adopted the new accounting standard that provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements. The adoption of this accounting standard did not impact our consolidated financial statements or financial statement disclosures.

Accounting Standards Issued But Not Yet Adopted

Revenue - Revenue from Contracts with Customers. In May 2014, the Financial Accounting Standards Board ("FASB") issued a new accounting standard that requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The new standard supersedes virtually all present U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgments than the present standards and requires additional disclosures. The new accounting standard is effective as of January 1, 2017 and we are assessing the potential impact to our consolidated financial statements and financial statement disclosures.

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

NOTE 1. ACCOUNTING POLICIES (Continued)

Transfers and Servicing - Repurchase-to-Maturity Transactions, Repurchase Financings and Disclosures. In June 2014, the FASB issued a new accounting standard that changes the accounting for repurchase-to-maturity transactions and repurchase financing arrangements. The new standard also requires additional disclosures for certain transfers of financial assets with agreements that both entitle and obligate the transferor to repurchase the transferred assets from the transferee. The new accounting standard is effective as of January 1, 2015 and we do not expect it to have an impact on our consolidated financial statements.

Stock Compensation - Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. In June 2014, the FASB issued a new accounting standard that requires that a performance target that could be achieved after the requisite service period be treated as a performance condition that affects the vesting of the award. The new accounting standard is effective as of January 1, 2016 and we do not expect it to have an impact on our consolidated financial statements.

NOTE 2. FINANCE RECEIVABLES

We segment our North America and International portfolio of finance receivables into “consumer” and “non-consumer” receivables. The receivables are generally secured by the vehicles, inventory, or other property being financed.

Consumer Segment. Receivables in this portfolio segment 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 direct financing leases with retail customers, government entities, daily rental companies, and fleet customers.

Non-Consumer Segment. Receivables in this portfolio segment 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, finance the purchase of dealership real estate, and finance other dealer programs. Wholesale financing is approximately 95% of our dealer financing.
- *Other* – purchased receivables from Ford and its affiliates, primarily related to the sale of parts and accessories to dealers, receivables from Ford related loans, and certain used vehicles from daily rental fleet companies. These receivables are excluded from our credit quality reporting since the performance of this group of receivables is generally guaranteed by Ford.

Notes and accounts receivable from affiliated companies are presented separately on the balance sheet. 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 2. FINANCE RECEIVABLES (Continued)**Finance Receivables, Net**

Finance receivables, net were as follows (in millions):

	June 30, 2014			December 31, 2013		
	North America	International	Total Finance Receivables	North America	International	Total Finance Receivables
Consumer						
Retail financing, gross (a)	\$ 41,674	\$ 11,857	\$ 53,531	\$ 40,902	\$ 10,797	\$ 51,699
Less: Unearned interest supplements (b)	(1,355)	(252)	(1,607)	(1,255)	(247)	(1,502)
Consumer finance receivables	40,319	11,605	51,924	39,647	10,550	50,197
Non-Consumer						
Dealer financing (a)(c)	23,437	10,366	33,803	22,139	8,232	30,371
Other	952	366	1,318	1,050	375	1,425
Non-Consumer finance receivables	24,389	10,732	35,121	23,189	8,607	31,796
Total recorded investment	\$ 64,708	\$ 22,337	\$ 87,045	\$ 62,836	\$ 19,157	\$ 81,993
Recorded investment in finance receivables (d)	\$ 64,708	\$ 22,337	\$ 87,045	\$ 62,836	\$ 19,157	\$ 81,993
Less: Allowance for credit losses (e)	(252)	(75)	(327)	(280)	(77)	(357)
Finance receivables, net	\$ 64,456	\$ 22,262	\$ 86,718	\$ 62,556	\$ 19,080	\$ 81,636
Net finance receivables subject to fair value (f)			\$ 84,969			\$ 79,969
Fair Value			86,714			81,658

- (a) At June 30, 2014 and December 31, 2013, includes North America consumer receivables of \$20.8 billion and \$21.8 billion and non-consumer receivables of \$19.3 billion and \$18.9 billion, respectively, and International consumer receivables of \$5.9 billion and \$5.9 billion and non-consumer receivables of \$4.2 billion and \$5.0 billion, respectively, that have been sold for legal purposes in securitization transactions but continue to be reported in our consolidated financial statements. The 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 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. See Note 5 for additional information.
- (b) Ford-sponsored special financing programs attributable to retail financing.
- (c) At June 30, 2014 and December 31, 2013, includes \$65 million and \$67 million, respectively, of North America dealer financing receivables with entities (primarily dealers) that are reported as consolidated subsidiaries of Ford. At June 30, 2014 and December 31, 2013, includes \$540 million and \$399 million, respectively, of International dealer financing receivables with entities (primarily dealers) that are reported as consolidated subsidiaries of Ford. The associated vehicles that are being financed by us are reported as inventory on Ford's balance sheet.
- (d) At June 30, 2014 and December 31, 2013, excludes \$182 million and \$196 million, respectively, of accrued uncollected interest, which we report in *Other assets* on our balance sheet.
- (e) See Note 4 for additional information related to our allowance for credit losses.
- (f) At June 30, 2014 and December 31, 2013, excludes \$1.7 billion and \$1.7 billion, respectively, of certain receivables (primarily direct financing leases) that are not subject to fair value disclosure requirements.

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

NOTE 2. FINANCE RECEIVABLES (Continued)**Aging**

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. The recorded investment of consumer receivables greater than 90 days past due and still accruing interest was \$13 million and \$14 million at June 30, 2014 and December 31, 2013, respectively. The recorded investment of non-consumer receivables greater than 90 days past due and still accruing interest was \$6 million and \$21 million at June 30, 2014 and December 31, 2013, respectively.

The aging analysis of finance receivables balances was as follows (in millions):

	June 30, 2014			December 31, 2013		
	North America	International	Total	North America	International	Total
Consumer						
31-60 days past due	\$ 588	\$ 41	\$ 629	\$ 715	\$ 39	\$ 754
61-90 days past due	75	19	94	88	17	105
91-120 days past due	17	8	25	18	9	27
Greater than 120 days past due	32	25	57	37	26	63
Total past due	712	93	805	858	91	949
Current	39,607	11,512	51,119	38,789	10,459	49,248
Consumer finance receivables	40,319	11,605	51,924	39,647	10,550	50,197
Non-Consumer						
Total past due	8	102	110	49	40	89
Current	24,381	10,630	35,011	23,140	8,567	31,707
Non-Consumer finance receivables	24,389	10,732	35,121	23,189	8,607	31,796
Total recorded investment	<u>\$ 64,708</u>	<u>\$ 22,337</u>	<u>\$ 87,045</u>	<u>\$ 62,836</u>	<u>\$ 19,157</u>	<u>\$ 81,993</u>

Credit Quality

Consumer Segment. When originating all classes of consumer receivables, we use a proprietary scoring system that measures the credit quality of the receivables using several factors, such as credit bureau information, consumer credit risk scores (e.g., FICO score), and contract characteristics. In addition to our proprietary scoring system, we consider other individual consumer factors, such as employment history, financial stability, and capacity to pay.

Subsequent to 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.

Credit quality ratings for consumer receivables are based on our aging analysis. Refer to the aging table above. 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
- *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

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

NOTE 2. FINANCE RECEIVABLES (Continued)

Non-Consumer Segment. 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 taking into consideration 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. A dealer's risk rating does not reflect any guarantees or a dealer owner's net worth.

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
- *Group IV* – poor financial metrics, including dealers classified as uncollectible

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

We regularly review our model to confirm the continued business significance and statistical predictability of the factors and update the model to incorporate new factors or other information that improves its statistical predictability. 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 on factors such as the dealer's risk rating and our security position. Under our policies, on-site vehicle inventory audits of low-risk dealers are conducted as circumstances warrant. Audits of higher risk dealers are conducted with increased frequency based on risk ratings and our security position. We perform a credit review of each dealer at least annually and 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 our dealer financing receivables was as follows (in millions):

	June 30, 2014			December 31, 2013		
	North America	International	Total	North America	International	Total
Dealer financing						
Group I	\$ 19,978	\$ 5,500	\$ 25,478	\$ 18,424	\$ 5,450	\$ 23,874
Group II	3,128	3,285	6,413	3,289	2,092	5,381
Group III	281	1,488	1,769	424	649	1,073
Group IV	50	93	143	2	41	43
Total recorded investment	\$ 23,437	\$ 10,366	\$ 33,803	\$ 22,139	\$ 8,232	\$ 30,371

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

NOTE 2. FINANCE RECEIVABLES (Continued)

Impaired Receivables

Impaired consumer receivables include accounts that have been rewritten or modified in reorganization proceedings pursuant to the U.S. Bankruptcy Code that are considered to be Troubled Debt Restructurings (“TDRs”), as well as all accounts greater than 120 days past due. Impaired non-consumer receivables represent accounts with dealers that have weak or poor financial metrics or dealer financing that has been modified in TDRs. The recorded investment of consumer receivables that were impaired at June 30, 2014 and December 31, 2013 was \$419 million, or 0.8% of consumer receivables, and \$435 million, or 0.9% of consumer receivables, respectively. The recorded investment of non-consumer receivables that were impaired at June 30, 2014 and December 31, 2013 was \$170 million, or 0.5% of non-consumer receivables, and \$71 million, or 0.2% of non-consumer receivables, respectively. Impaired finance receivables are evaluated both collectively and specifically. See Note 4 for additional information related to the development of our allowance for credit losses.

Non-Accrual Receivables

The accrual of revenue is discontinued at the earlier of the time a receivable is determined to be uncollectible, at bankruptcy status notification, or greater than 120 days past due. Accounts may be restored to accrual status only when a customer settles all past-due deficiency balances and future payments are reasonably assured. For receivables in non-accrual status, subsequent financing revenue is recognized only to the extent a payment is received. Payments are generally applied first to outstanding interest and then to the unpaid principal balance.

The recorded investment of consumer receivables in non-accrual status was \$216 million, or 0.4% of consumer receivables, at June 30, 2014, and \$238 million, or 0.5% of consumer receivables, at December 31, 2013. The recorded investment of non-consumer receivables in non-accrual status was \$102 million, or 0.3% of non-consumer receivables, at June 30, 2014, and \$41 million, or 0.1% of non-consumer receivables, at December 31, 2013.

Troubled Debt Restructurings

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. The outstanding recorded investment at time of modification for consumer receivables that are considered to be TDRs was \$96 million, or 0.2%, and \$109 million, or 0.2%, of consumer receivables, during the periods ended June 30, 2014 and 2013, respectively. The annualized subsequent default rate of TDRs that were previously modified in TDRs within the last twelve months and resulted in repossession for consumer receivables was 6.0% and 6.0% of TDRs at June 30, 2014 and 2013, respectively. There were no non-consumer receivables involved in TDRs during the periods ended June 30, 2014 and 2013.

Finance receivables involved in TDRs are specifically assessed for impairment. An impairment charge is recorded as part of the provision to the allowance for credit losses for the amount that the recorded investment of the receivable exceeds its estimated fair value. Estimated fair value is based on either the present value of the expected future cash flows of the receivable discounted at the contract’s original effective interest rate, or for receivables where foreclosure is probable, the fair value of the collateral adjusted for estimated costs to sell. The allowance for credit losses related to all active consumer TDRs was \$22 million and \$22 million at June 30, 2014 and 2013, respectively. The allowance for credit losses related to all active non-consumer TDRs was de minimis during the periods ended June 30, 2014 and 2013.

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

NOTE 3. NET INVESTMENT IN OPERATING LEASES

Net investment in operating leases consist primarily of lease contracts for vehicles with retail customers, daily rental companies, government entities, and fleet customers with terms of 60 months or less.

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

	June 30, 2014	December 31, 2013
Vehicles, at cost, including acquisition costs	\$ 23,011	\$ 21,092
Less: Accumulated depreciation	(3,110)	(2,792)
Net investment in operating leases before allowance for credit losses (a)	19,901	18,300
Less: Allowance for credit losses	(26)	(23)
Net investment in operating leases	<u>\$ 19,875</u>	<u>\$ 18,277</u>

(a) At June 30, 2014 and December 31, 2013, includes net investment in operating leases of \$9.0 billion and \$8.1 billion, respectively, that have been included in securitization transactions but continue to be reported in our consolidated financial statements. These net investment in operating leases are available only for payment of the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions; they are not available to pay 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. See Note 5 for additional information.

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

NOTE 4. ALLOWANCE FOR CREDIT LOSSES

Following is an analysis of the allowance for credit losses related to finance receivables and net investment in operating leases for the periods ended June 30 (in millions):

	Second Quarter 2014				
	Finance Receivables			Net Investment in Operating Leases	Total Allowance
	Consumer	Non-Consumer	Total		
Allowance for credit losses					
Beginning balance	\$ 307	\$ 27	\$ 334	\$ 24	\$ 358
Charge-offs	(57)	(3)	(60)	(26)	(86)
Recoveries	34	1	35	18	53
Provision for credit losses	17	—	17	10	27
Other (a)	2	(1)	1	—	1
Ending balance	<u>\$ 303</u>	<u>\$ 24</u>	<u>\$ 327</u>	<u>\$ 26</u>	<u>\$ 353</u>
	First Half 2014				
	Finance Receivables			Net Investment in Operating Leases	Total Allowance
	Consumer	Non-Consumer	Total		
Allowance for credit losses					
Beginning balance	\$ 327	\$ 30	\$ 357	\$ 23	\$ 380
Charge-offs	(132)	(5)	(137)	(54)	(191)
Recoveries	68	6	74	32	106
Provision for credit losses	40	(7)	33	25	58
Other (a)	—	—	—	—	—
Ending balance	<u>\$ 303</u>	<u>\$ 24</u>	<u>\$ 327</u>	<u>\$ 26</u>	<u>\$ 353</u>
Analysis of ending balance of allowance for credit losses					
Collective impairment allowance	\$ 281	\$ 23	\$ 304	\$ 26	\$ 330
Specific impairment allowance	22	1	23	—	23
Ending balance	<u>303</u>	<u>24</u>	<u>327</u>	<u>26</u>	<u>\$ 353</u>
Analysis of ending balance of finance receivables and net investment in operating leases					
Collectively evaluated for impairment	51,505	34,951	86,456	19,901	
Specifically evaluated for impairment	419	170	589	—	
Recorded investment	<u>51,924</u>	<u>35,121</u>	<u>87,045</u>	<u>19,901</u>	
Ending balance, net of allowance for credit losses	<u>\$ 51,621</u>	<u>\$ 35,097</u>	<u>\$ 86,718</u>	<u>\$ 19,875</u>	

(a) Represents amounts related to translation adjustments.

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

NOTE 4. ALLOWANCE FOR CREDIT LOSSES (Continued)

	Second Quarter 2013				
	Finance Receivables			Net Investment in Operating Leases	Total Allowance
	Consumer	Non-Consumer	Total		
Allowance for credit losses					
Beginning balance	\$ 340	\$ 27	\$ 367	\$ 22	\$ 389
Charge-offs	(61)	(9)	(70)	(15)	(85)
Recoveries	38	2	40	13	53
Provision for credit losses	5	11	16	4	20
Other (a)	—	—	—	(1)	(1)
Ending balance	<u>\$ 322</u>	<u>\$ 31</u>	<u>\$ 353</u>	<u>\$ 23</u>	<u>\$ 376</u>

	First Half 2013				
	Finance Receivables			Net Investment in Operating Leases	Total Allowance
	Consumer	Non-Consumer	Total		
Allowance for credit losses					
Beginning balance	\$ 356	\$ 29	\$ 385	\$ 23	\$ 408
Charge-offs	(140)	(10)	(150)	(30)	(180)
Recoveries	76	3	79	24	103
Provision for credit losses	33	9	42	7	49
Other (a)	(3)	—	(3)	(1)	(4)
Ending balance	<u>\$ 322</u>	<u>\$ 31</u>	<u>\$ 353</u>	<u>\$ 23</u>	<u>\$ 376</u>

Analysis of ending balance of allowance for credit losses

Collective impairment allowance	\$ 300	\$ 27	\$ 327	\$ 23	\$ 350
Specific impairment allowance	22	4	26	—	26
Ending balance	<u>322</u>	<u>31</u>	<u>353</u>	<u>23</u>	<u>\$ 376</u>

Analysis of ending balance of finance receivables and net investment in operating leases

Collectively evaluated for impairment	46,759	29,541	76,300	16,222
Specifically evaluated for impairment	420	67	487	—
Recorded investment	<u>47,179</u>	<u>29,608</u>	<u>76,787</u>	<u>16,222</u>
Ending balance, net of allowance for credit losses	<u>\$ 46,857</u>	<u>\$ 29,577</u>	<u>\$ 76,434</u>	<u>\$ 16,199</u>

(a) Represents amounts related to translation adjustments.

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

NOTE 5. TRANSFERS OF RECEIVABLES

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

We engage in securitization transactions to fund operations and to maintain liquidity. Our securitization transactions are recorded as asset-backed debt and the associated assets are not derecognized and continue to be included in our financial statements.

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. 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. The debt is the obligation of our consolidated securitization entities and not the obligation of Ford Credit or our other subsidiaries.

Most of these securitization transactions utilize VIEs. See Note 6 for more information concerning VIEs. The following tables show the assets and debt related to our securitization transactions that were included in our financial statements (in billions):

	June 30, 2014				
	Finance Receivables and Net Investment in Operating Leases (a)				Related Debt
	Cash and Cash Equivalents	Before Allowance for Credit Losses	Allowance for Credit Losses	After Allowance for Credit Losses	
VIE (b)					
Retail financing	\$ 1.5	\$ 20.9	\$ 0.1	\$ 20.8	\$ 19.0
Wholesale financing	0.3	22.3	—	22.3	13.0
Finance receivables	1.8	43.2	0.1	43.1	32.0
Net investment in operating leases	0.4	9.0	—	9.0	6.3
Total VIE	<u>\$ 2.2</u>	<u>\$ 52.2</u>	<u>\$ 0.1</u>	<u>\$ 52.1</u>	<u>\$ 38.3</u>
Non-VIE					
Retail financing	\$ 0.3	\$ 5.8	\$ —	\$ 5.8	\$ 5.4
Wholesale financing	—	1.2	—	1.2	1.0
Finance receivables	0.3	7.0	—	7.0	6.4
Net investment in operating leases	—	—	—	—	—
Total Non-VIE	<u>\$ 0.3</u>	<u>\$ 7.0</u>	<u>\$ —</u>	<u>\$ 7.0</u>	<u>\$ 6.4</u>
Total securitization transactions					
Retail financing	\$ 1.8	\$ 26.7	\$ 0.1	\$ 26.6	\$ 24.4
Wholesale financing	0.3	23.5	—	23.5	14.0
Finance receivables	2.1	50.2	0.1	50.1	38.4
Net investment in operating leases	0.4	9.0	—	9.0	6.3
Total securitization transactions	<u>\$ 2.5</u>	<u>\$ 59.2</u>	<u>\$ 0.1</u>	<u>\$ 59.1</u>	<u>\$ 44.7</u>

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

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

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

NOTE 5. TRANSFERS OF RECEIVABLES (Continued)

	December 31, 2013				
	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
VIE (b)					
Retail financing	\$ 1.9	\$ 23.1	\$ 0.2	\$ 22.9	\$ 20.3
Wholesale financing	1.9	22.9	—	22.9	14.8
Finance receivables	3.8	46.0	0.2	45.8	35.1
Net investment in operating leases	0.4	8.1	—	8.1	5.6
Total VIE	<u>\$ 4.2</u>	<u>\$ 54.1</u>	<u>\$ 0.2</u>	<u>\$ 53.9</u>	<u>\$ 40.7</u>
Non-VIE					
Retail financing	\$ 0.2	\$ 4.6	\$ —	\$ 4.6	\$ 4.4
Wholesale financing	—	1.0	—	1.0	0.8
Finance receivables	0.2	5.6	—	5.6	5.2
Net investment in operating leases	—	—	—	—	—
Total Non-VIE	<u>\$ 0.2</u>	<u>\$ 5.6</u>	<u>\$ —</u>	<u>\$ 5.6</u>	<u>\$ 5.2</u>
Total securitization transactions					
Retail financing	\$ 2.1	\$ 27.7	\$ 0.2	\$ 27.5	\$ 24.7
Wholesale financing	1.9	23.9	—	23.9	15.6
Finance receivables	4.0	51.6	0.2	51.4	40.3
Net investment in operating leases	0.4	8.1	—	8.1	5.6
Total securitization transactions	<u>\$ 4.4</u>	<u>\$ 59.7</u>	<u>\$ 0.2</u>	<u>\$ 59.5</u>	<u>\$ 45.9</u>

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

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

Interest expense related to securitization debt for the periods ended June 30 was as follows (in millions):

	Second Quarter		First Half	
	2014	2013	2014	2013
VIE	\$ 126	\$ 145	\$ 252	\$ 296
Non-VIE	22	18	43	35
Total securitization transactions	<u>\$ 148</u>	<u>\$ 163</u>	<u>\$ 295</u>	<u>\$ 331</u>

Certain of our securitization entities enter into derivative transactions to mitigate interest rate exposure, primarily resulting from fixed-rate assets securing floating-rate debt and, in certain instances, currency exposure resulting from assets in one currency and debt in another currency. In many instances, the counterparty enters into offsetting derivative transactions with us to mitigate its interest rate risk resulting from derivatives with 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 were as follows (in millions):

	June 30, 2014		December 31, 2013	
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
Derivatives of the VIEs	\$ 3	\$ 40	\$ 5	\$ 88
Derivatives related to the VIEs	11	15	23	30
Other securitization related derivatives	2	8	5	7
Total exposures related to securitization	<u>\$ 16</u>	<u>\$ 63</u>	<u>\$ 33</u>	<u>\$ 125</u>

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

NOTE 5. TRANSFERS OF RECEIVABLES (Continued)

Derivative expense/(income) related to our securitization transactions for the periods ended June 30 was as follows (in millions):

	Second Quarter		First Half	
	2014	2013	2014	2013
VIEs	\$ (2)	\$ (1)	\$ 18	\$ (93)
Related to the VIEs	6	7	—	10
Other securitization related derivatives	11	(2)	15	(1)
Total derivative expense/(income) related to securitization	\$ 15	\$ 4	\$ 33	\$ (84)

NOTE 6. VARIABLE INTEREST ENTITIES

A VIE is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The primary beneficiary has 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. Nearly all of our VIEs are special purpose entities used for our securitizations.

We have the power to direct the 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.

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. Conversely, 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.

VIEs of Which We Are the Primary Beneficiary

We use special purpose entities to issue asset-backed securities in transactions to public and private investors, bank conduits, and government-sponsored entities or others who obtain funding from government programs. We have deemed most of these special purpose entities to be VIEs. The asset-backed securities are backed by finance receivables and interests in net investments in operating leases. The assets continue to be consolidated by us. We retain interests in our securitization VIEs, including subordinated securities issued by the VIEs, rights to cash held for the benefit of the securitization investors, and rights 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.

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
- 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.

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

NOTE 6. VARIABLE INTEREST ENTITIES (Continued)

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.

VIEs that are exposed to interest rate or currency risk have reduced their risks by entering into derivative transactions. In certain instances, we have entered into offsetting derivative transactions with the VIE to protect the VIE from the risks that are not mitigated through the derivative transactions between the VIE and its external counterparty. In other instances, we have entered into derivative transactions with the counterparty to protect the counterparty from risks absorbed through its derivative transactions with the VIEs.

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 balances of cash related to these contributions were \$0 at June 30, 2014 and December 31, 2013, and ranged from \$0 to \$242 million during the first half of 2014.

See Note 5 for information on the financial position and financial performance of our VIEs and Notes 7 and 12 for additional information regarding derivatives.

VIEs of Which We Are Not the Primary Beneficiary

We have an investment in Forso Nordic AB, a joint venture determined to be a VIE of which we are not the primary beneficiary. The joint venture provides retail and dealer financing in its local markets and is financed by external debt and additional subordinated debt provided by the joint venture partner. The operating agreement indicates that the power to direct economically significant activities is shared with the joint venture partner, and the obligation to absorb losses or right to receive benefits resides primarily with the joint venture partner. Our investment in the joint venture is accounted for as an equity method investment and is included in *Other assets*. Our maximum exposure to any potential losses associated with this VIE is limited to our equity investment and amounted to \$72 million and \$72 million at June 30, 2014 and December 31, 2013, respectively.

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

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, our operations are exposed to global market risks, including the effect of changes in interest rates and foreign currency exchange rates. To manage these risks, we enter into various derivative contracts:

- Interest rate contracts including swaps, caps, and floors that are used to manage the effects of interest rate fluctuations;
- Foreign currency exchange contracts 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.

Our derivatives are over-the-counter customized derivative transactions and are not exchange traded. We review our hedging program, derivative positions, and overall risk management strategy on a regular basis.

Derivative assets and derivative liabilities are recorded in *Derivative financial instruments* on our balance sheet at fair value and presented on a gross basis.

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. Cash flows and the profit impact associated with designated hedges are reported in the same category as the underlying hedged item.

Some derivatives do not qualify for hedge accounting; for others, we elect not to apply hedge accounting. Regardless, we only enter into transactions that we believe will be highly effective at offsetting the underlying economic risk. We report net interest settlements and accruals and changes in the fair value of derivatives not designated as hedging instruments in *Other income, net*. Cash flows associated with non-designated or de-designated derivatives are reported in *Net cash provided by/(used in) investing activities* in our statement of cash flows.

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 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. If the hedge relationship is deemed to be highly effective, we record the changes in the fair value of the hedged debt related to the risk being hedged in *Debt* with the offset in *Other income, net*. The change in fair value of the related derivative (excluding accrued interest) also is recorded in *Other income, net*.

Net interest settlements and accruals on fair value hedges are excluded from the assessment of hedge effectiveness. We report net interest settlements and accruals in *Interest expense*. We report foreign currency revaluation on accrued interest in *Other income, net*. The cash flows associated with fair value hedges are reported in *Net cash provided by/(used in) operating activities* in our statement of cash flows.

Hedge ineffectiveness is the difference between the change in fair value of the derivative instrument and the change in fair value of the hedged item attributable to changes in the benchmark interest rate. Ineffectiveness is recorded directly to income.

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 amortized over its remaining life.

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

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

The following table summarizes by hedge designation the pre-tax gains/(losses) recognized in income for the periods ended June 30 (in millions):

	Second Quarter		First Half	
	2014	2013	2014	2013
Fair value hedges				
Interest rate contracts				
Net interest settlements and accruals excluded from the assessment of hedge effectiveness	\$ 72	\$ 62	\$ 141	\$ 123
Ineffectiveness (a)	5	(24)	10	(30)
Total	\$ 77	\$ 38	\$ 151	\$ 93
Derivatives not designated as hedging instruments				
Interest rate contracts	\$ (9)	\$ (4)	\$ (27)	\$ (2)
Foreign currency exchange contracts (b)	(25)	8	(30)	83
Cross-currency interest rate swap contracts (b)	(11)	(44)	(16)	94
Total	\$ (45)	\$ (40)	\$ (73)	\$ 175

(a) For the second quarter of 2014 and 2013, hedge ineffectiveness reflects change in fair value on derivatives of \$162 million gain and \$477 million loss, respectively, and change in value on hedged debt attributable to the change in benchmark interest rate of \$157 million loss and \$453 million gain, respectively. For the first half of 2014 and 2013, hedge ineffectiveness reflects change in fair value on derivatives of \$267 million gain and \$568 million loss, respectively, and change in value on hedged debt attributable to the change in benchmark interest rate of \$257 million loss and \$538 million gain, respectively.

(b) Gains/(Losses) related to foreign currency derivatives were mostly offset by net revaluation impacts on foreign denominated debt, which were also recorded in *Other income, net*.

Balance Sheet Effect of Derivative Financial Instruments

The following table summarizes the notional amount and estimated fair value of our derivative financial instruments (in millions):

	June 30, 2014			December 31, 2013		
	Notional	Fair Value of Assets	Fair Value of Liabilities	Notional	Fair Value of Assets	Fair Value of Liabilities
Fair value hedges						
Interest rate contracts	\$ 22,559	\$ 479	\$ 61	\$ 18,778	\$ 360	\$ 179
Derivatives not designated as hedging instruments						
Interest rate contracts	60,108	192	91	69,863	224	126
Foreign currency exchange contracts (a)	2,082	2	20	2,410	1	25
Cross-currency interest rate swap contracts	2,754	—	148	2,620	—	176
Total derivatives not designated as hedging instruments	64,944	194	259	74,893	225	327
Total derivative financial instruments	\$ 87,503	\$ 673	\$ 320	\$ 93,671	\$ 585	\$ 506

(a) Includes 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)

Notional amounts are presented on a gross basis. The notional amounts of the derivative financial instruments do not represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates or foreign currency exchange rates.

Counterparty Risk

The use of derivatives exposes us to the risk that a counterparty may default on a derivative contract. We establish exposure limits for each counterparty to minimize this risk and provide counterparty diversification. Substantially all of our derivative exposures are with counterparties that have an investment grade rating. The aggregate fair value of derivative instruments in asset positions at June 30, 2014 was \$673 million, representing the maximum loss we would recognize at that date if all counterparties failed to perform as contracted. We enter into master agreements with counterparties that may allow for netting of exposures in the event of default or termination of the counterparty agreement due to breach of contract.

The gross and net amounts of derivative assets and liabilities were as follows (in millions):

	June 30, 2014		December 31, 2013	
	Fair Value of Assets	Fair Value of Liabilities	Fair Value of Assets	Fair Value of Liabilities
Gross derivative amounts recognized in the balance sheet	\$ 673	\$ 320	\$ 585	\$ 506
Gross derivative amounts not offset in the balance sheet that are eligible for offsetting	(237)	(237)	(296)	(296)
Net amount	<u>\$ 436</u>	<u>\$ 83</u>	<u>\$ 289</u>	<u>\$ 210</u>

We may receive or pledge cash collateral with certain counterparties based on our net position with regard to foreign currency derivative contracts. As of June 30, 2014 and December 31, 2013, we did not receive or pledge any cash collateral.

We include an adjustment for non-performance risk in the measurement of fair value of derivative instruments. Our adjustment for non-performance risk is relative to a measure based on an unadjusted inter-bank deposit rate (e.g., LIBOR). At June 30, 2014 and December 31, 2013, our adjustment increased derivative assets by \$1 million and \$2 million, respectively, and decreased our derivative liabilities by \$5 million and \$25 million, respectively. See Note 12 for additional information regarding valuation methodologies.

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

NOTE 8. OTHER ASSETS AND OTHER LIABILITIES AND DEFERRED INCOME

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

Other assets were as follows (in millions):

	June 30, 2014	December 31, 2013
Accrued interest and other non-finance receivables (a)	\$ 858	\$ 1,010
Collateral held for resale, at net realizable value	415	399
Restricted cash (b)	113	169
Deferred charges	253	252
Deferred charges – income taxes	186	184
Prepaid reinsurance premiums and other reinsurance receivables	370	340
Investment in non-consolidated affiliates	139	133
Property and equipment, net of accumulated depreciation (c)	120	120
Other	82	59
Total other assets	<u>\$ 2,536</u>	<u>\$ 2,666</u>

- (a) Includes the gross value of repurchase agreements where we are the transferee of \$0 and \$227 million at June 30, 2014 and December 31, 2013, respectively. The gross value of the offsetting liabilities are reported in *Customer deposits, dealer reserves, and other* on our balance sheet.
- (b) 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. Restricted cash does not include required minimum balances or cash securing debt issued through securitization transactions.
- (c) Accumulated depreciation was \$328 million and \$343 million at June 30, 2014 and December 31, 2013, respectively.

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

	June 30, 2014	December 31, 2013
Interest payable	\$ 575	\$ 615
Tax related payables to Ford and affiliated companies	736	941
Unrecognized tax benefits	119	101
Unearned insurance premiums	380	350
Other	546	515
Total other liabilities and deferred income	<u>\$ 2,356</u>	<u>\$ 2,522</u>

In the first half of 2014 and in the year ended December 31, 2013, we paid \$262 million and \$288 million, respectively, to Ford to settle tax related payables which were reflected in *Other liabilities and deferred income*. The payment in the first half of 2013 reduced the liability for unrecognized tax benefits reflecting the settlement of tax deficiencies related to the 2008 and 2009 tax years.

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

NOTE 9. DEBT

We have a commercial paper program with qualified institutional investors. We also obtain other short-term funding from the issuance of demand notes to retail investors through our floating rate demand notes program. 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 U.S. 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 recorded on our balance sheet at par value adjusted for unamortized discount or premium (with the exception of fair value adjustments related to debt in designated hedge relationships; see Note 7 for further policy 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 generally are capitalized and amortized over the life of the debt or put date and recorded in *Interest expense* using the effective interest method. Gains and losses on the extinguishment of debt are recorded in *Other income, net*.

Interest rates and debt outstanding were as follows (in millions):

	Interest Rates				Debt	
	Average Contractual		Average Effective		June 30, 2014	December 31, 2013
	2014	2013	2014	2013		
Short-term debt						
Asset-backed commercial paper	—	0.2%			\$ —	\$ 3,364
Floating rate demand notes	1.1%	1.1%			5,445	5,319
Other asset-backed short-term debt	0.7%	0.7%			1,478	1,963
Commercial paper	0.8%	0.9%			2,289	2,003
Other short-term debt	6.1%	5.3%			2,410	2,372
Total short-term debt	2.0%	1.5%	2.1%	1.5%	11,622	15,021
Long-term debt						
Unsecured debt						
Notes payable within one year					8,662	4,479
Notes payable after one year					39,222	38,617
Asset-backed debt						
Notes payable within one year					17,776	17,322
Notes payable after one year					25,486	23,238
Unamortized discount					(64)	(87)
Fair value adjustments					334	103
Total long-term debt	2.8%	3.0%	2.9%	3.2%	91,416	83,672
Total debt	2.7%	2.8%	2.8%	3.0%	\$ 103,038	\$ 98,693
Fair value of debt					\$ 106,019	\$ 101,866

With the exception of commercial paper, which is issued at a discount, 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. Fair value adjustments relate to designated fair value hedges of unsecured debt.

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

NOTE 9. DEBT (Continued)

The fair value of debt reflects interest accrued but not yet paid of \$561 million and \$618 million at June 30, 2014 and December 31, 2013, respectively. Interest accrued is reported in *Other liabilities and deferred income* for outside debt and *Accounts payable - affiliated companies* for debt with affiliated companies. The fair value of debt also includes \$10.1 billion and \$9.7 billion of short-term debt at June 30, 2014 and December 31, 2013, respectively, carried at cost, which approximates fair value. See Note 12 for additional information.

Debt with affiliated companies included in the above table was as follows (in millions):

	June 30, 2014	December 31, 2013
Other short-term debt	\$ 14	\$ 27
Notes payable within one year	299	4
Notes payable after one year	38	307
Total debt with affiliated companies	<u>\$ 351</u>	<u>\$ 338</u>

Debt Repurchases and Calls. From time to time and based on market conditions, we may repurchase or call some of our outstanding unsecured and asset-backed debt. If we have excess liquidity and it is an economically favorable use of our available cash, we may repurchase or call debt at a price lower or higher than its carrying value, resulting in a gain or loss on extinguishment.

In the second quarter and first half of 2014, through market transactions, we called an aggregate principal amount of \$21 million and \$216 million, respectively, (of which none were maturing in 2014) of our unsecured debt. As a result, in the second quarter and first half of 2014, we recorded a de minimis pre-tax loss and \$2 million pre-tax loss, respectively, net of unamortized premiums, discounts, and fees in *Other income, net*. There were no repurchase or call transactions for asset-backed debt during the second quarter and first half of 2014.

In the second quarter and first half of 2013, through market transactions, we called an aggregate principal amount of \$130 million and \$163 million, respectively, (of which none were maturing in 2013) of our unsecured debt. As a result, in the second quarter and first half of 2013, we recorded a pre-tax loss of \$1 million, net of unamortized premiums, discounts, and fees in *Other income, net*. There were no repurchase or call transactions for asset-backed debt during the second quarter and first half of 2013.

Debt Maturities. Short-term and long-term debt matures at various dates through 2048. At June 30, 2014, maturities were as follows (in millions):

	2014 (a)	2015 (b)	2016	2017	2018	Thereafter (c)	Total
Unsecured debt	\$ 10,788	\$ 10,562	\$ 9,870	\$ 9,012	\$ 6,030	\$ 11,766	\$ 58,028
Asset-backed debt	9,826	16,312	10,735	5,111	697	2,059	44,740
Total	20,614	26,874	20,605	14,123	6,727	13,825	102,768
Unamortized (discount)/premium							(64)
Fair value adjustments							334
Total debt							<u>\$ 103,038</u>

(a) Includes \$10,171 million for short-term and \$10,443 million for long-term debt.

(b) Includes \$1,451 million for short-term and \$25,423 million for long-term debt.

(c) Includes \$11,750 million of unsecured debt maturing between 2019 and 2024 with the remaining balance maturing after 2031.

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

NOTE 10. ACCUMULATED OTHER COMPREHENSIVE INCOME

The changes in the accumulated balance of AOCI for the periods ended June 30 were as follows (in millions):

	Second Quarter		First Half	
	2014	2013	2014	2013
Foreign currency translation				
Beginning balance	\$ 635	\$ 556	\$ 717	743
Net gain/(loss) on foreign currency translation	85	(51)	3	(238)
Other comprehensive income/(loss), net of tax	85	(51)	3	(238)
Ending balance	<u>\$ 720</u>	<u>\$ 505</u>	<u>\$ 720</u>	<u>\$ 505</u>
Total AOCI ending balance at June 30	\$ 720	\$ 505	\$ 720	\$ 505

NOTE 11. OTHER INCOME

Other income consists of various line items that are combined on the income statement due to their respective materiality compared with other individual income and expense items.

The amounts included in *Other income, net* were as follows for the periods ended June 30 (in millions):

	Second Quarter		First Half	
	2014	2013	2014	2013
Gains/(Losses) on derivatives (a)	(40)	(64)	(63)	145
Currency revaluation gains/(losses) (a)	31	37	38	(171)
Interest and investment income	15	5	29	20
Interest income/(expense) on income taxes	(3)	—	(11)	—
Insurance fee income	15	14	41	30
Other	48	54	83	99
Total other income, net	<u>\$ 66</u>	<u>\$ 46</u>	<u>\$ 117</u>	<u>\$ 123</u>

(a) Currency revaluation gains/(losses) primarily related to foreign denominated debt were mostly offset by gains/(losses) on derivatives. See Note 7 for detail by derivative instrument and risk type.

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

NOTE 12. FAIR VALUE MEASUREMENTS

Cash equivalents, marketable securities, and derivative financial instruments are presented in our financial statements on a recurring basis at fair value, while other assets and liabilities are measured at fair value on a nonrecurring basis such as when we have an asset impairment. We did not have any material nonrecurring fair value items in the quarter. There have been no changes to the types of inputs used or valuation techniques since year end.

Input Hierarchy of Items Measured at Fair Value on a Recurring Basis

The following table categorizes the fair values of items measured at fair value on a recurring basis on our balance sheet, none of which are Level 3 (in millions):

	June 30, 2014			December 31, 2013		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets						
Cash equivalents-financial instruments						
Non-U.S. government and agencies	\$ —	\$ 365	\$ 365	\$ —	\$ 24	\$ 24
Total cash equivalents-financial instruments (a)	—	365	365	—	24	24
Marketable securities						
U.S. government and agencies	43	862	905	418	25	443
Non-U.S. government and agencies	—	519	519	—	184	184
Corporate debt	—	1,558	1,558	—	1,273	1,273
Other marketable securities	—	38	38	—	43	43
Total marketable securities	43	2,977	3,020	418	1,525	1,943
Derivative financial instruments (b)	—	673	673	—	585	585
Total assets at fair value	<u>\$ 43</u>	<u>\$ 4,015</u>	<u>\$ 4,058</u>	<u>\$ 418</u>	<u>\$ 2,134</u>	<u>\$ 2,552</u>
Liabilities						
Derivative financial instruments (b)	\$ —	\$ 320	\$ 320	\$ —	\$ 506	\$ 506
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 320</u>	<u>\$ 320</u>	<u>\$ —</u>	<u>\$ 506</u>	<u>\$ 506</u>

(a) Excludes time deposits, certificates of deposit, and money market accounts reported at par value on our balance sheet totaling \$4.5 billion and \$6.6 billion at June 30, 2014 and December 31, 2013, respectively. In addition to these cash equivalents, we also had cash on hand totaling \$1.9 billion and \$2.8 billion at June 30, 2014 and December 31, 2013, respectively.

(b) See Note 7 for additional information regarding derivative financial instruments.

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

NOTE 13. 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 divide our business segments based on geographic regions: the North America Segment (includes operations in the United States and Canada) and the International Segment (includes operations in all other countries).

We measure the performance of our segments primarily on an income before income taxes basis, after excluding the impact to earnings from gains and losses related to market valuation adjustments to derivatives primarily related to movements in interest rates. These adjustments are included in unallocated risk management and are excluded in assessing our North America and International Segment performance, because they are carried out on a centralized basis at the corporate level, with only certain elements allocated to these segments. We also adjust segment performance to re-allocate interest expense between the North America and International Segments reflecting debt and equity levels proportionate to their product risk. Receivables for the North America and International Segments are presented on a managed basis. Management believes that managed receivables is the appropriate measurement of business growth, as it closely approximates the customers' outstanding balance on the receivables, which is the basis for earning revenue. As a result, managed receivables equals total net finance receivables and net investment in operating leases, excluding unearned interest supplements and residual support, allowance for credit losses, and other (primarily accumulated supplemental depreciation).

Key operating data for our business segments for the periods ended or at June 30 were as follows (in millions):

			Unallocated/Eliminations			Total
	North America Segment	International Segment	Unallocated Risk Management	Adjustment to Receivables (a)	Total Unallocated/ Eliminations	
Second Quarter 2014						
Total revenue (b)	\$ 1,818	\$ 419	\$ (3)	\$ —	\$ (3)	\$ 2,234
Income before income taxes	317	120	(3)	—	(3)	434
Other disclosures						
Depreciation on vehicles subject to operating leases	732	10	—	—	—	742
Interest expense	511	162	—	—	—	673
Provision for credit losses	17	10	—	—	—	27
Second Quarter 2013						
Total revenue (b)	\$ 1,638	\$ 370	\$ (25)	\$ —	\$ (25)	\$ 1,983
Income before income taxes	391	88	(25)	—	(25)	454
Other disclosures						
Depreciation on vehicles subject to operating leases	544	9	—	—	—	553
Interest expense	523	159	—	—	—	682
Provision for credit losses	4	16	—	—	—	20

(a) Includes unearned interest supplements and residual support, allowances for credit losses, and other (primarily accumulated supplemental depreciation).

(b) Represents *Total financing revenue*, *Insurance premiums earned*, and *Other income, net*.

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

NOTE 13. SEGMENT INFORMATION (Continued)

			Unallocated/Eliminations			Total
	North America Segment	International Segment	Unallocated Risk Management	Adjustment to Receivables (a)	Total Unallocated/ Eliminations	
First Half 2014						
Total revenue (b)	\$ 3,587	\$ 820	\$ (14)	\$ —	\$ (14)	\$ 4,393
Income before income taxes	695	252	(14)	—	(14)	933
Other disclosures						
Depreciation on vehicles subject to operating leases	1,427	20	—	—	—	1,447
Interest expense	1,023	316	—	—	—	1,339
Provision for credit losses	46	12	—	—	—	58
Net finance receivables and net investment in operating leases	87,583	22,992	—	(3,982)	(3,982)	106,593
Total assets	93,367	27,074	—	—	—	120,441
First Half 2013						
Total revenue (b)	\$ 3,220	\$ 739	\$ (16)	\$ —	\$ (16)	\$ 3,943
Income before income taxes	798	179	(16)	—	(16)	961
Other disclosures						
Depreciation on vehicles subject to operating leases	1,020	14	—	—	—	1,034
Interest expense	1,040	325	—	—	—	1,365
Provision for credit losses	26	23	—	—	—	49
Net finance receivables and net investment in operating leases	77,880	17,934	—	(3,182)	(3,182)	92,632
Total assets	84,399	22,715	—	—	—	107,114

(a) Includes unearned interest supplements and residual support, allowances for credit losses, and other (primarily accumulated supplemental depreciation).

(b) Represents *Total financing revenue*, *Insurance premiums earned*, and *Other income, net*.

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

NOTE 14. COMMITMENTS AND CONTINGENCIES

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

Guarantees and Indemnifications

Guarantees and indemnifications are recorded at fair value at their inception. We regularly review our performance risk under these arrangements, and in the event it becomes probable we will be required to perform under the guarantee or indemnification, the amount of probable payment is recorded.

In some cases, we have guaranteed debt and other financial obligations of unconsolidated affiliates, including Ford. Expiration dates vary, and guarantees will terminate on payment and/or cancellation of the obligation. A payment by us would be triggered by failure of the guaranteed party to fulfill its obligation covered by the guarantee. In some circumstances, we are entitled to recover from Ford or an affiliate of Ford 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.

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; dealers and other commercial contractual relationships; and financial matters, such as securitizations. Performance under these indemnities generally would be triggered by a breach of terms of the contract or by 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.

The maximum potential payments under these guarantees and limited indemnities totaled \$140 million and \$100 million at June 30, 2014 and December 31, 2013, respectively. Of these values, \$134 million at June 30, 2014 and \$96 million at December 31, 2013, were counter-guaranteed by Ford to us. The carrying value of recorded liabilities related to guarantees and limited indemnities were de minimis at June 30, 2014 and December 31, 2013.

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; dealers 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.

Litigation and claims are accrued 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 of our prevailing, and the severity of any potential loss. We reevaluate and update our accruals as matters progress over time.

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

NOTE 14. COMMITMENTS AND CONTINGENCIES (Continued)

For nearly all of our matters, where our historical experience with similar matters is of limited value (i.e., “non-pattern matters”), we evaluate matters 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 to us and could require us to pay damages or make other expenditures in amounts or a range of amounts that cannot be estimated at June 30, 2014. We do not reasonably expect, based on our analysis, that such matters would have a material effect on future financial statements for a particular year, although such an outcome is possible.

As noted, the litigation process is subject to many uncertainties, and the outcome of individual litigated 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.

Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying consolidated balance sheet of Ford Motor Credit Company LLC and its subsidiaries (the "Company") as of June 30, 2014 and December 31, 2013, and the related consolidated statements of income and of comprehensive income for the three-month and six-month periods ended June 30, 2014 and 2013 and the consolidated statements of shareholder's interest and of cash flows for the six-month periods ended June 30, 2014 and 2013. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of income, of comprehensive income, of shareholder's interest, and of cash flows for the year then ended (not presented herein), and in our report dated February 18, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2013, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Detroit, Michigan
July 31, 2014

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Results of Operations

Overview

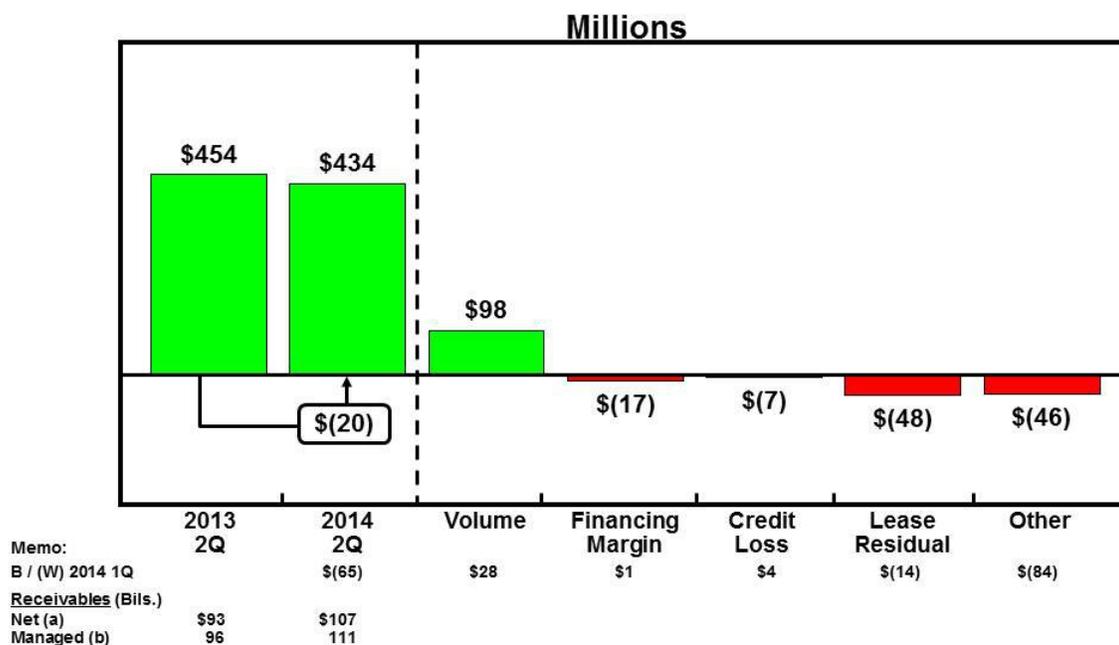
In general, we measure period-to-period changes in pre-tax profit using the causal factors listed below:

- **Volume** – Volume is reflected within *Net financing margin* on the income statement.
 - Volume primarily measures changes in net financing margin driven by changes in average finance receivables and net investment in operating leases at prior period financing margin yield (defined below in financing margin).
 - Volume changes are primarily driven by the volume of new and used vehicle sales and leases, the extent to which we purchase retail installment sale and 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 for the purchase of retail installment sale and lease contracts and to provide wholesale financing.
- **Financing Margin** – Financing margin is reflected within *Net financing margin* on the income statement.
 - Financing margin variance is the period-to-period change in financing margin yield multiplied by the present period average receivables. Financing margin yield equals revenue, less interest expense and scheduled depreciation for the period, divided by average 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 as the *Provision for credit losses* on the income statement.
 - Credit loss measures changes in the provision for credit losses. For analysis purposes, management splits the provision for credit losses primarily 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 economic conditions. For additional information on the allowance for credit losses, refer to the “Critical Accounting Estimates – Allowance for Credit Losses” section of Item 7 of Part II of our 2013 Form 10-K Report.
- **Lease Residual** – Lease Residual is reflected within *Depreciation on vehicles subject to operating leases* on the income statement.
 - Lease residual measures changes to residual performance. 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 of the vehicles sold. Changes in accumulated supplemental depreciation are primarily driven by changes in our estimate of the number of vehicles that will be returned to us and sold, and changes in our estimate of the expected auction value at the end of the lease term. For additional information on accumulated supplemental depreciation, refer to the “Critical Accounting Estimates – Accumulated Depreciation on Vehicles Subject to Operating Leases” section of Item 7 of Part II of our 2013 Form 10-K Report.
- **Other** – Primarily includes *Operating expenses*, *Other revenue*, and *Insurance expenses* on the income statement.
 - 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 revenue 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.

Second Quarter 2014 Compared with Second Quarter 2013

On a pre-tax basis we earned \$434 million in the second quarter of 2014, compared with \$454 million a year ago. The following chart shows the factors that contributed to the lower pre-tax profit:

2014 SECOND QUARTER PRE-TAX RESULTS COMPARED WITH 2013



- (a) Net receivables reflect net finance receivables and net investment in operating leases reported on Ford Credit's balance sheet. The prior period was revised to conform to the presentation in our 2013 Form 10-K Report.
- (b) Managed receivables equal net receivables, excluding unearned interest supplements and residual support, allowance for credit losses, and other (primarily accumulated supplemental depreciation). The prior period was revised to conform to the presentation in our 2013 Form 10-K Report.

The lower pre-tax profit for the second quarter of 2014 compared to a year ago is more than explained by a higher level of insurance losses from storm damage to dealer inventory, included in Other.

Volume was higher, reflecting increases in nearly all products: leasing in North America, and both consumer and non-consumer finance receivables in all geographic segments. The higher volume was largely offset by unfavorable lease residual performance related to expectations of lower auction values in the North America lease portfolio, and all of the other factors.

As shown in the memo, our pre-tax profit was lower compared with the first quarter, more than explained by the insurance losses in the second quarter.

Results of operations by business segment and unallocated risk management for the periods ended June 30 are shown below (in millions). For additional information, see Note 13 of our Notes to the Financial Statements.

	Second Quarter			First Half		
	2014	2013	2014 Over/(Under) 2013	2014	2013	2014 Over/(Under) 2013
Income before income taxes						
North America Segment	\$ 317	\$ 391	\$ (74)	\$ 695	\$ 798	\$ (103)
International Segment	120	88	32	252	179	73
Unallocated risk management	(3)	(25)	22	(14)	(16)	2
Income before income taxes	<u>\$ 434</u>	<u>\$ 454</u>	<u>\$ (20)</u>	<u>\$ 933</u>	<u>\$ 961</u>	<u>\$ (28)</u>

North America Segment

The decrease in the North America Segment pre-tax profit for the second quarter is primarily explained by a higher level of insurance losses from storm damage to dealer inventory and higher depreciation on our lease portfolio due to expectations of lower auction values. A partial offset is higher volume driven by increases in leasing and consumer finance receivables reflecting improved Ford Credit financing share, and increases in non-consumer finance receivables reflecting higher dealer stocks.

The decrease in the North America Segment pre-tax profit for the first half of 2014 is primarily explained by higher depreciation on our lease portfolio due to expectations of lower auction values, lower financing margin, and higher insurance storm losses. A partial offset is higher volume driven by increases in leasing and consumer finance receivables reflecting improved Ford Credit financing share, and increases in non-consumer finance receivables reflecting higher dealer stocks.

International Segment

The increase in the International Segment pre-tax profit for the second quarter and the first half of 2014 is attributed to Europe and China, primarily explained by higher volume driven by an increase in consumer and non-consumer finance receivables.

Unallocated Risk Management

The improvement in unallocated risk management for the second quarter of 2014 primarily reflects favorable performance in market valuation adjustments to derivatives. For additional information, see Notes 7 and 12 of our Notes to the Financial Statements.

Contract Placement Volume and Financing Share

Total worldwide consumer financing contract placement volumes for new and used vehicles for the periods ended June 30 were as follows (in thousands):

	Second Quarter		First Half	
	2014	2013	2014	2013
North America Segment				
United States	306	268	590	540
Canada	40	40	64	65
Total North America Segment	346	308	654	605
International Segment				
Europe	120	109	232	212
Other International	31	18	66	36
Total International Segment	151	127	298	248
Total contract placement volume	497	435	952	853

Shown below are our financing shares of new Ford- and Lincoln-brand vehicles sold by dealers in the United States and new Ford-brand vehicles sold by dealers in Europe for the periods ended June 30.

Also shown below are our wholesale financing shares of new Ford- and Lincoln-brand vehicles acquired by dealers in the United States, excluding fleet, and new Ford-brand vehicles acquired by dealers in Europe for the periods ended June 30:

	Second Quarter		First Half	
	2014	2013	2014	2013
United States				
Financing share				
Retail installment and lease	40%	34%	42%	37%
Wholesale	77	77	77	77
Europe				
Financing share				
Retail installment and lease	36%	33%	35%	34%
Wholesale	98	98	98	98

North America Segment

The increases in total contract placement volume for the second quarter and first half of 2014 primarily reflect higher financing share of new Ford and Lincoln vehicles. The increases in Ford and Lincoln retail financing share for the second quarter and first half of 2014 primarily reflect changes in Ford's marketing programs that favored us.

International Segment

The increases in total contract placement volume for the second quarter and first half of 2014 primarily reflect growth in sales of new Ford vehicles in Europe and in China, and Ford Credit's re-entry into consumer financing in Mexico in the fourth quarter of 2013.

Financial Condition

Finance Receivables and Operating Leases

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

	June 30, 2014	December 31, 2013
Net Receivables		
Finance receivables – North America Segment		
Consumer - Retail financing	\$ 41.7	\$ 40.9
Non-Consumer		
Dealer Financing (a)	23.4	22.1
Other	1.0	1.0
Total finance receivables - North America Segment (b)	66.1	64.0
Finance receivables – International Segment		
Consumer - Retail financing	11.8	10.8
Non-Consumer		
Dealer Financing (a)	10.4	8.3
Other	0.3	0.4
Total finance receivables - International Segment (b)	22.5	19.5
Unearned interest supplements	(1.6)	(1.5)
Allowance for credit losses	(0.3)	(0.4)
Finance receivables, net	86.7	81.6
Net investment in operating leases (b)	19.9	18.3
Total net receivables	\$ 106.6	\$ 99.9
Managed Receivables		
Total net receivables	\$ 106.6	\$ 99.9
Unearned interest supplements and residual support	3.5	3.1
Allowance for credit losses	0.4	0.4
Other, primarily accumulated supplemental depreciation	0.1	—
Total managed receivables	\$ 110.6	\$ 103.4

- (a) Dealer financing primarily includes wholesale loans to dealers to finance the purchase of vehicle inventory. For additional information, see Note 2 of our Notes to the Financial Statements.
- (b) At June 30, 2014 and December 31, 2013, includes consumer receivables before allowance for credit losses of \$26.7 billion and \$27.7 billion and non-consumer receivables before allowance for credit losses of \$23.5 billion and \$23.9 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 June 30, 2014 and December 31, 2013, includes net investment in operating leases before allowance for credit losses of \$9.0 billion and \$8.1 billion, respectively, that have been included in securitization transactions but continue to be reported in our consolidated financial statements. The receivables and net investment in operating leases are available only for payment of the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions; they are not available to pay 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. For additional information on our securitization transactions, refer to the "Securitization Transactions" and "On-Balance Sheet Arrangements" sections of Item 7 of Part II of our 2013 Form 10-K Report and Note 5 of our Notes to the Financial Statements for the period ended June 30, 2014.

Managed receivables at June 30, 2014 increased from year-end 2013, primarily driven by increases in non-consumer and consumer finance receivables in all geographic segments and leasing in the North America Segment.

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 risk has a significant impact on our business. We actively manage the credit risk of our consumer (retail financing and operating lease) and non-consumer (dealer financing) receivables to balance our level of risk and return. The allowance for credit losses (also referred to as the credit loss reserve) is our estimate of the probable credit losses inherent in receivables and leases at the date of our balance sheet. The allowance for credit losses is estimated using a combination of models and management judgment, and is based on such factors as portfolio quality, historical loss performance, and receivable levels. Consistent with our normal practices and policies, we assess the adequacy of our allowance for credit losses quarterly and regularly evaluate the assumptions and models used in establishing the allowance. A description of our allowance setting process is provided in the "Critical Accounting Estimates – Allowance for Credit Losses" section of Item 7 of Part II of our 2013 Form 10-K Report.

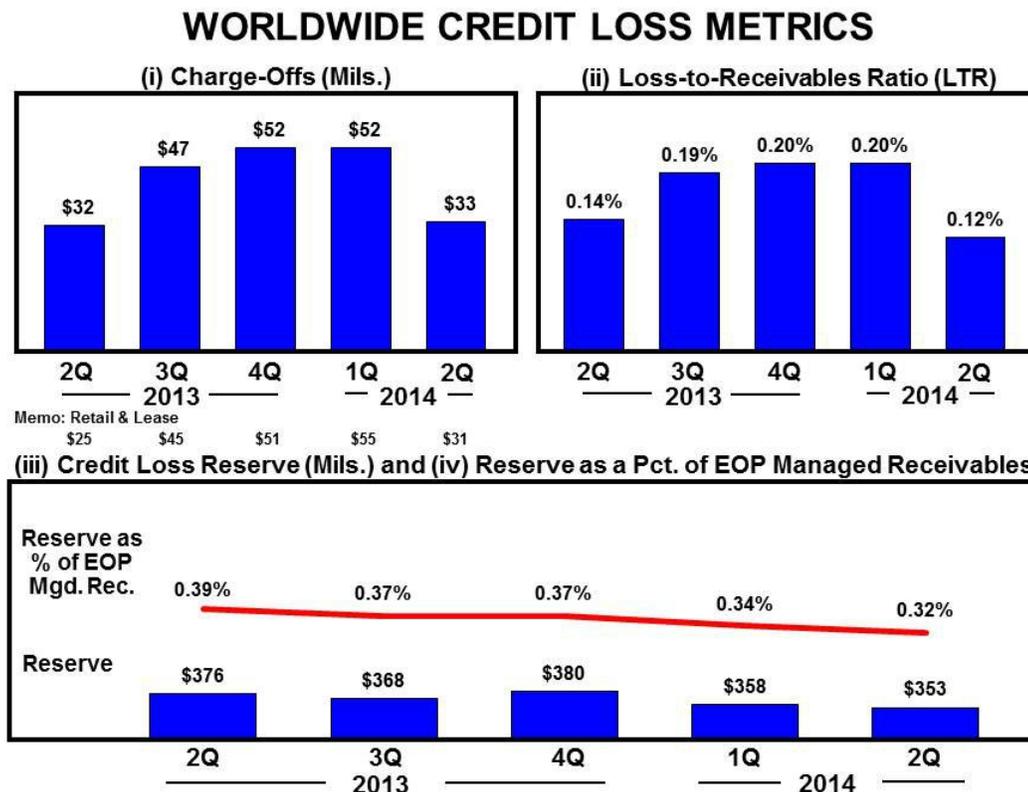
Most of our charge-offs are related to retail finance and operating lease contracts. Charge-offs result from the number of vehicle repossessions, the unpaid balance outstanding at the time of repossession, the auction price of repossessed vehicles, and other charge-offs. We also incur credit losses on our dealer financing, but default rates for these receivables historically have been substantially lower than those for retail finance and operating lease contracts. For additional information on severity, refer to the "Critical Accounting Estimates – Allowance for Credit Losses" section of Item 7 of Part II of our 2013 Form 10-K Report.

In purchasing retail finance and operating lease contracts, we use a proprietary scoring system that classifies contracts using several factors, such as credit bureau information, consumer credit risk scores (e.g., FICO score), and contract characteristics. In addition to our proprietary scoring system, we consider other factors, such as employment history, financial stability, and capacity to pay. At June 30, 2014 and December 31, 2013, we classified between 5% and 6% of the outstanding U.S. retail finance and operating lease contracts in our portfolio as high risk at contract inception. For additional information on the quality of our receivables, see Note 2 of our Notes to the Financial Statements.

Credit Loss Metrics

Worldwide

The following charts show (i) quarterly trends of charge-offs (credit losses, net of recoveries), (ii) loss-to-receivables ratios (charge-offs on an annualized basis divided by average end-of-period ("EOP") managed receivables), (iii) credit loss reserve, and (iv) our credit loss reserve as a percentage of EOP managed receivables:



Year-over-year charge-offs were largely unchanged. Quarter-over-quarter charge-offs were down \$19 million, consistent with normal seasonality.

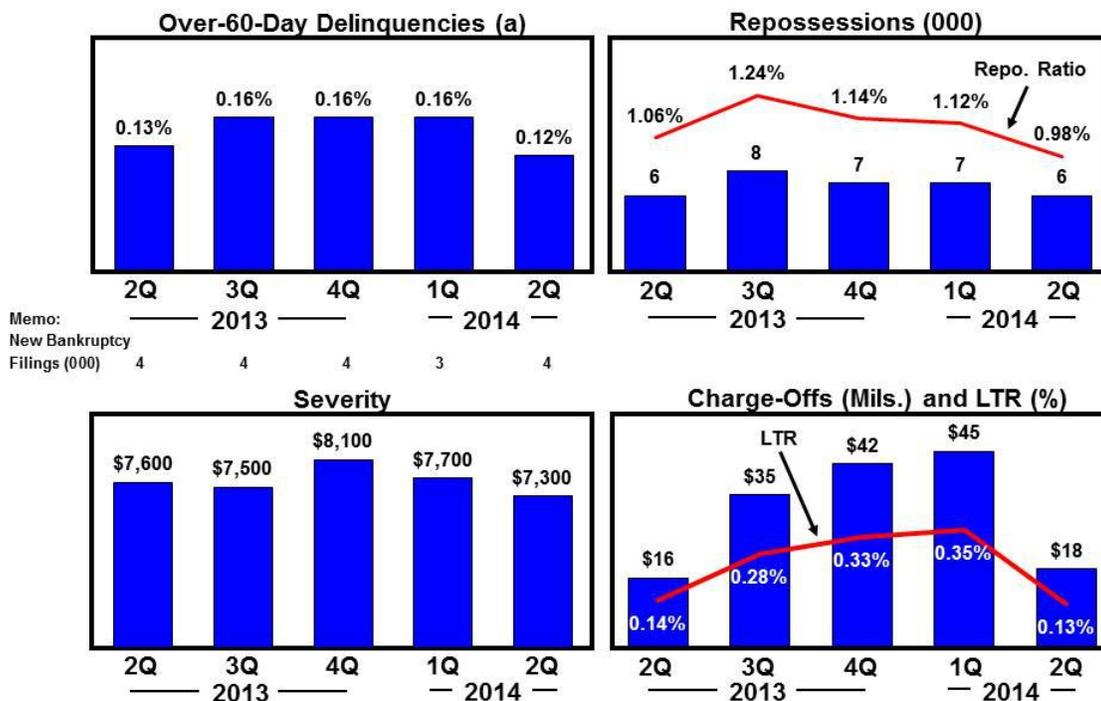
The loss-to-receivables ratio was two basis points lower than the same period a year ago, and eight basis points lower than the prior quarter. The loss-to-receivables ratio of 12 basis points is well below the 10-year average of 54 basis points.

The credit loss reserve was \$353 million, down \$23 million from a year ago, reflecting the continuation of low losses.

U.S. Ford- and Lincoln-Brand Retail Installment and Operating Lease

The following charts show the credit loss drivers for our U.S. Ford- and Lincoln-brand retail financing and operating lease portfolio, which comprised 71% of our worldwide consumer portfolio at June 30, 2014:

U.S. RETAIL AND LEASE CREDIT LOSS DRIVERS



(a) Excluding bankruptcies

Ford Credit remains consistent in its origination practices.

Over-60-day delinquencies were 0.12%, consistent with the prior year.

Repossessions in the second quarter of 2014 were 6,000 units, or 0.98% of average accounts outstanding, down eight basis points from a year ago and down 14 basis points from the first quarter of 2014. This is our lowest repossession ratio on record.

Severity was \$7,300 in the second quarter of 2014, down \$300 from the same period a year ago and down \$400 from the prior quarter. These improvements primarily reflect higher auction values.

Second quarter 2014 charge-offs and LTR were consistent with the prior year, and down significantly from the first quarter, consistent with normal seasonality.

Residual Risk

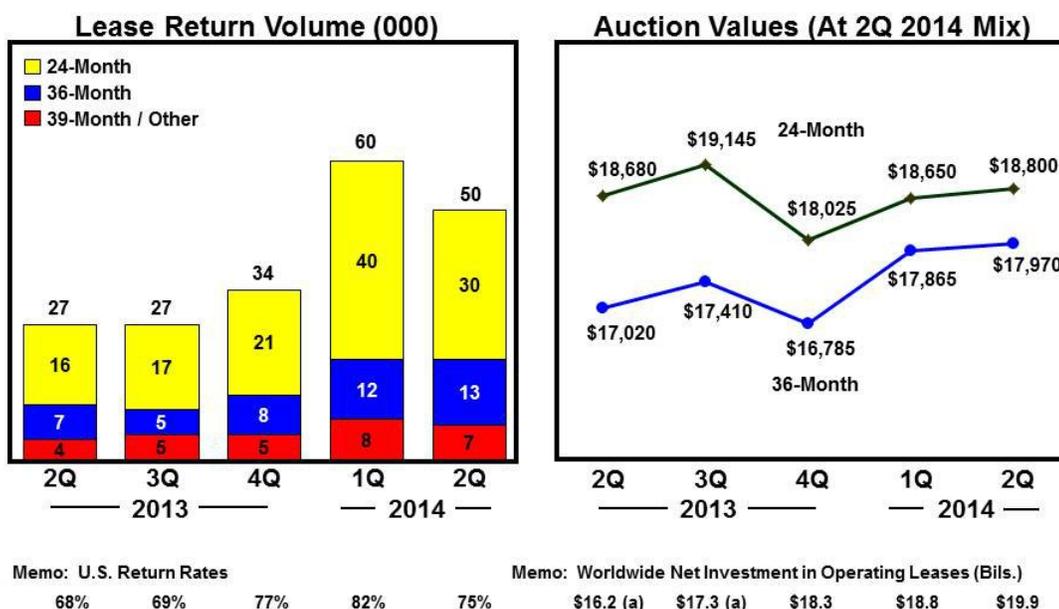
We are exposed to residual risk on operating leases and similar balloon payment products where the customer may return the financed vehicle to us. Residual risk is the possibility that the amount we obtain from returned vehicles will be less than our estimate of the expected residual value for the vehicle.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

For additional information on our residual risk on operating leases, refer to the "Critical Accounting Estimates – Accumulated Depreciation on Vehicles Subject to Operating Leases" section of Item 7 of Part II of our 2013 Form 10-K Report.

U.S. Ford- and Lincoln-Brand Operating Lease Experience

The following charts show return volumes and auction values at constant second quarter 2014 vehicle mix for vehicles returned in the respective periods. The U.S. operating lease portfolio accounted for about 87% of our total net investment in operating leases at June 30, 2014.

U.S. LEASE RESIDUAL PERFORMANCE



(a) During the fourth quarter of 2013, Ford Credit changed its accounting method to include unearned operating lease interest supplements and residual support in Net Investment in Operating Leases. These periods were revised to conform to the presentation in our 2013 Form 10-K Report.

Lease return volumes in the second quarter of 2014 were 23,000 units higher than the same period last year, primarily reflecting higher lease placements in 2011 and 2012 compared with prior years. The second quarter lease return rate was 75%, up seven percentage points compared with the same period last year, primarily reflecting a higher percent of vehicles with a lease-end purchase price above market value.

In the second quarter of 2014, our auction values for 24-month contracts increased by about \$100 while 36-month average auction values increased by about \$1,000 compared to the same period last year, consistent with industry trends. The differences in 24-month and 36-month auction value increases primarily reflect differences in vehicle content. Both our 24-month and 36-month auction values increased from the first quarter of 2014, consistent with industry trends.

Our worldwide net investment in operating leases was \$19.9 billion at the end of the second quarter of 2014, up about \$1.6 billion from year-end 2013, and up \$3.7 billion from a year ago.

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 U.S. Securities and Exchange Commission:

- DBRS Limited ("DBRS");
- Fitch, Inc. ("Fitch");
- Moody's Investors Service, Inc. ("Moody's"); and
- Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("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 particular securities we issue, based on information provided by Ford, other sources, and us. 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. Lower credit ratings generally result in higher borrowing costs and reduced access to capital markets. Credit ratings assigned to us from all of the NRSROs are closely associated with their opinions on Ford.

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

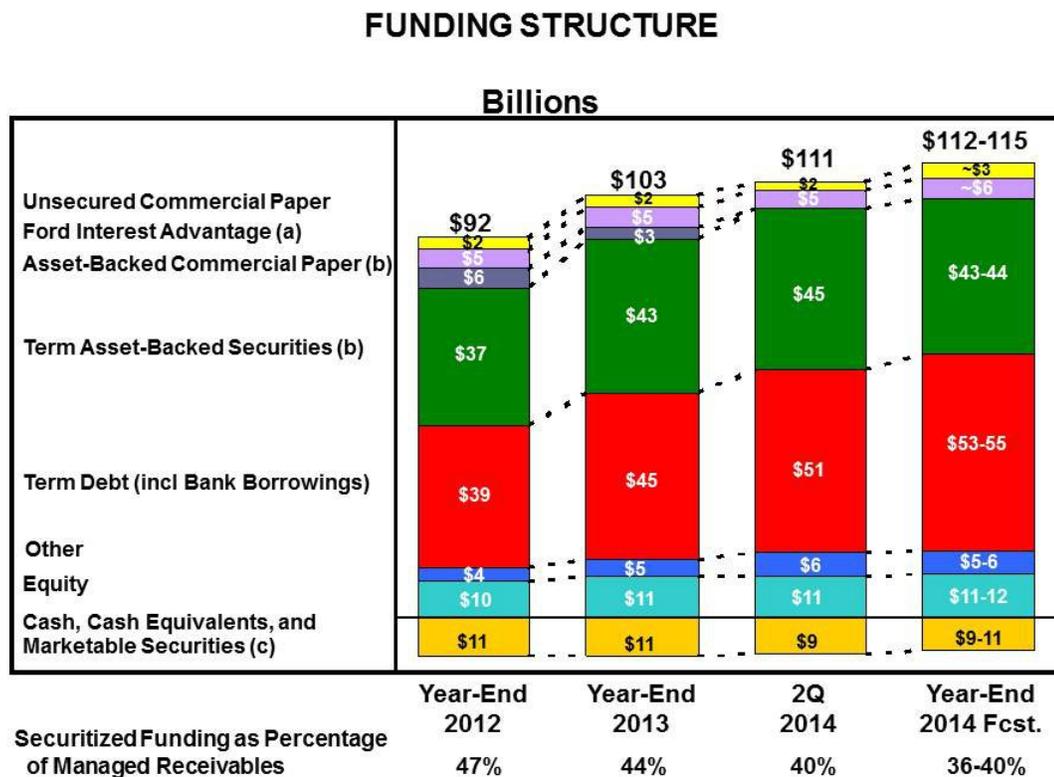
	NRSRO RATINGS		
	Ford Credit		
	Long-Term Senior Unsecured	Short -Term Senior Unsecured (a)	Outlook / Trend
DBRS	BBB (low)	R-3	Stable
Fitch	BBB-	F3	Positive
Moody's	Baa3	P-3	Stable
S&P (b)	BBB-	A-3	Stable

(a) Ford Credit received short-term ratings for its commercial paper program of A-3 from S&P on June 27, 2014, P-3 from Moody's on June 26, 2014, and F3 from Fitch on April 8, 2014.

(b) S&P assigns FCE Bank plc ("FCE") a long-term senior unsecured credit rating of BBB, maintaining a one-notch differential compared with Ford Credit. On May 22, 2014, S&P raised the outlook on FCE from negative to stable, reflecting its view that U.K. banking industry risk has stabilized.

Funding

Our funding strategy remains focused on diversification, and we plan to continue accessing a variety of markets, channels, and investors. The following chart shows the trends in the funding for our managed receivables:



- (a) The Ford Interest Advantage program consists of our floating rate demand notes.
 (b) Obligations issued in securitization transactions that are payable only out of collections on the underlying securitized assets and related enhancements.
 (c) Excludes marketable securities related to insurance activities.

At the end of the second quarter of 2014, managed receivables were \$111 billion, and we ended the quarter with about \$9 billion in cash. Securitized funding was 40% of managed receivables.

We are projecting 2014 year-end managed receivables of \$112 billion to \$115 billion and securitized funding as a percentage of managed receivables in the range of 36% to 40%. This percentage will continue to decline going forward.

Public Term Funding Plan

The following table illustrates our planned issuances for full-year 2014, our public term funding issuances through July 30, 2014, and our funding issuances for full-year 2013 and 2012 (in billions), excluding short-term funding programs:

	Public Term Funding Plan			
	2014		Full-Year 2013	Full-Year 2012
	Full-Year Forecast	Through July 30		
Unsecured	\$ 10-13	\$ 8	\$ 11	\$ 9
Securitized (a)	14-16	10	14	14
Total	\$ 24-29	\$ 18	\$ 25	\$ 23

(a) Includes Rule 144A offerings.

Through July 30, 2014, we completed \$18 billion of public term funding in the United States, Canada, Europe, and China, including about \$8 billion of unsecured debt and \$10 billion of securitizations. In the United States, we completed

our inaugural revolving securitization under the Ford Credit Revolving Extended Variable-utilization program (FordREV), a \$1 billion transaction with a 5-year maturity. Under this program, the asset-backed security may be supported by a combination of a revolving portfolio of retail receivables and cash collateral. Any accumulated cash collateral in the program is available through future sales of receivables, subject to certain eligibility and asset performance criteria.

For 2014, we project full-year public term funding in the range of \$24 billion to \$29 billion, consisting of \$10 billion to \$13 billion of unsecured debt and \$14 billion to \$16 billion of public securitizations.

Liquidity

We define gross liquidity as cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities) and capacity (which includes our credit facilities and asset-backed funding facilities), less utilization of liquidity. Utilization of liquidity is the amount funded under our liquidity sources and also includes the cash and cash equivalents required to support securitization transactions. Securitization cash is cash held for the benefit of the securitization investors (for example, a reserve fund). Liquidity available for use is defined as gross liquidity less asset-backed capacity in excess of eligible receivables and cash related to FordREV which can be accessed through future sales of receivables.

The following table illustrates our liquidity programs and utilization (in billions):

	June 30, 2014	December 31, 2013
Liquidity Sources		
Cash (a)	\$ 9.3	\$ 10.8
Committed ABS lines (b)	33.5	29.4
FCAR bank lines	—	3.5
FCE/Other unsecured credit facilities	1.7	1.6
Ford revolving credit facility allocation	2.0	—
Total liquidity sources	<u>46.5</u>	<u>45.3</u>
Utilization of Liquidity		
Securitization cash (c)	(2.5)	(4.4)
Committed ABS lines	(16.1)	(14.7)
FCAR bank lines	—	(3.3)
FCE/Other unsecured credit facilities	(0.1)	(0.4)
Ford revolving credit facility allocation	—	—
Total utilization of liquidity	<u>(18.7)</u>	<u>(22.8)</u>
Gross liquidity	<u>27.8</u>	<u>22.5</u>
Adjustments (d)	(0.9)	(1.1)
Net liquidity available for use	<u>\$ 26.9</u>	<u>\$ 21.4</u>

(a) Cash, cash equivalents, and marketable securities (excludes marketable securities related to insurance activities).

(b) Committed ABS lines are subject to availability of sufficient assets and ability to obtain derivatives to manage interest rate risk.

(c) Used only to support on-balance sheet securitization transactions.

(d) Adjustments include other committed ABS lines in excess of eligible receivables and certain cash within FordREV available through future sales of receivables.

At June 30, 2014, we had \$46.5 billion of committed capacity and cash diversified across a variety of markets and platforms. The utilization of our liquidity totaled \$18.7 billion at quarter end, compared with \$22.8 billion at year-end 2013. The decrease of \$4.1 billion reflects lower securitization cash and the termination of our FCAR program.

We ended the quarter with gross liquidity of \$27.8 billion. Adjustments of \$0.9 billion included other committed ABS lines in excess of eligible receivables and certain cash within FordREV available through future sales of receivables. Total liquidity available for use continues to remain strong at \$26.9 billion at quarter end, \$5.5 billion higher than year-end 2013. We are focused on maintaining liquidity levels that meet our business and funding requirements through economic cycles.

Cash, Cash Equivalents, and Marketable Securities. At June 30, 2014, our cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities) totaled \$9.3 billion, compared with \$10.8 billion at year-end 2013. 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 maintained primarily as highly liquid investments, which provide liquidity for our short-term funding needs and give us flexibility in the use of our other funding programs. Our cash, cash equivalents, and marketable securities are held primarily in highly liquid investments, which provide for anticipated and unanticipated cash needs. Our cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities) primarily include U.S. Treasury obligations, federal agency securities, bank time deposits with investment-grade institutions and non-U.S. central banks, corporate investment-grade securities, A-1/P-1 (or higher) rated commercial paper, debt obligations of a select group of non-U.S. governments, non-U.S. government agencies, supranational institutions, and money market funds that carry the highest possible ratings.

The maturity of these investments ranges from about 90 days to up to about one year and is adjusted based on market conditions and liquidity needs. We monitor our cash levels and average maturity on a daily basis. Cash, cash equivalents, and marketable securities include amounts to be used only to support our securitization transactions of \$2.5 billion and \$4.4 billion at June 30, 2014 and December 31, 2013, respectively.

Our substantial liquidity and cash balance have provided us the opportunity to selectively call and repurchase our unsecured and asset-backed debt through market transactions. In the second quarter and first half of 2014, we called an aggregate principal amount of \$21 million and \$216 million, respectively, (of which none were maturing in 2014) of our unsecured debt.

Committed Liquidity Programs. We and our subsidiaries, including FCE, have entered into agreements with a number of bank-sponsored asset-backed commercial paper conduits ("conduits") and other financial institutions. Such counterparties are contractually committed, at our option, to purchase from us eligible retail or wholesale assets or to purchase or make advances under asset-backed securities backed by retail financing, operating leases, or wholesale financing assets for proceeds of up to \$33.5 billion (\$21.8 billion of retail financing, \$7.2 billion of wholesale financing, and \$4.5 billion of operating lease assets) at June 30, 2014, of which \$5.8 billion are commitments to FCE. These committed liquidity programs have varying maturity dates, with \$20.9 billion (of which \$5.2 billion relates to FCE commitments) having maturities within the next 12 months and the remaining balance having maturities in 2015 and 2016. We plan to achieve capacity renewals to protect our global funding needs, optimize capacity utilization, and maintain sufficient liquidity.

Our ability to obtain funding under these programs is subject to having a sufficient amount of assets eligible for these programs as well as our ability to obtain interest rate hedging arrangements for certain securitization transactions. Our capacity in excess of eligible receivables protects us against the risk of lower than planned renewal rates. At June 30, 2014, \$16.1 billion of these commitments were in use. 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.

Credit Facilities. At June 30, 2014, we and our majority-owned subsidiaries had \$3.7 billion of contractually committed unsecured credit facilities with financial institutions, including the Amended FCE Credit Agreement (as defined below) and the allocation under Ford's revolving credit facility (as defined below). At June 30, 2014, \$3.6 billion was available for use.

Effective June 27, 2014, FCE and the lenders under its syndicated credit facility amended the facility (the "Amended FCE Credit Agreement"), pursuant to which maturity was extended to October 25, 2017 and total commitments were increased to £760 million (equivalent to \$1.3 billion at June 30, 2014). The Amended FCE Credit Agreement contains certain covenants, including an obligation for FCE to maintain its ratio of regulatory capital to risk-weighted assets at no less than the applicable regulatory minimum, and for the support agreement between FCE and Ford Credit to remain in full force and effect (and enforced by FCE to ensure that its net worth is maintained at no less than \$500 million). In addition to customary payment, representation, bankruptcy, and judgment defaults, the Amended FCE Credit Agreement contains cross-payment and cross-acceleration defaults with respect to other debt.

Lenders under the Ford Second Amended and Restated Credit Agreement dated as of April 30, 2014 ("Ford's revolving credit facility") have commitments totaling \$12.2 billion, with about \$9 billion maturing on April 30, 2019 and about \$3 billion maturing on April 30, 2017. Ford has allocated \$2 billion of commitments to us under Ford's revolving credit facility to grow our overall liquidity, supporting growth and expanded funding programs.

Liquidity Risks

Refer to the "Liquidity" section of Item 7 of Part II of our 2013 Form 10-K Report for a list of factors that could affect our liquidity.

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 (in billions, except for ratios):

	June 30, 2014	December 31, 2013
Total debt (a)	\$ 103.0	\$ 98.7
Equity	11.2	10.6
Financial statement leverage (to 1)	9.2	9.3

(a) Includes debt issued in securitization transactions and payable only out of collections on the underlying securitized assets and related enhancements. 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.

The following table shows the calculation of our managed leverage (in billions, except for ratios):

	June 30, 2014	December 31, 2013
Total debt (a)	\$ 103.0	\$ 98.7
Adjustments for cash, cash equivalents, and marketable securities (b)	(9.3)	(10.8)
Adjustments for derivative accounting (c)	(0.3)	(0.2)
Total adjusted debt	<u>\$ 93.4</u>	<u>\$ 87.7</u>
Equity	\$ 11.2	\$ 10.6
Adjustments for derivative accounting (c)	(0.4)	(0.3)
Total adjusted equity	<u>\$ 10.8</u>	<u>\$ 10.3</u>
Managed leverage (to 1) (d)	8.6	8.5

(a) Includes debt issued in securitization transactions and payable only out of collections on the underlying securitized assets and related enhancements. 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.

(b) Excludes marketable securities related to insurance activities.

(c) Primarily related to market valuation adjustments to derivatives due to movements in interest rates. Adjustments to debt are related to designated fair value hedges and adjustments to equity are related to retained earnings.

(d) Equals total adjusted debt over total adjusted equity.

We plan our managed leverage by considering prevailing market conditions and the risk characteristics of our business. At June 30, 2014, our managed leverage was 8.6:1, compared with 8.5:1 at December 31, 2013. For information on our planned distributions, refer to the "Outlook" section below.

Outlook

For the full year, we now expect pre-tax profit to be higher than 2013, improved from about equal to or higher than 2013. We also now expect year-end managed receivables of \$112 billion to \$115 billion, up from prior guidance of about \$110 billion. We continue to expect managed leverage in the range of 8:1 to 9:1, and distributions to our parent of about \$250 million.

Risk Factors

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:

- Decline in industry sales volume, particularly in the United States or Europe, due to financial crisis, recession, geopolitical events, or other factors;
- Decline in Ford's market share or failure to achieve growth;
- Lower-than-anticipated market acceptance of Ford's new or existing products;
- Market shift away from sales of larger, more profitable vehicles beyond Ford's current planning assumption, particularly in the United States;
- An increase in or continued volatility of fuel prices, or reduced availability of fuel;
- Continued or increased price competition resulting from industry excess capacity, currency fluctuations, or other factors;
- Fluctuations in foreign currency exchange rates, commodity prices, and interest rates;
- Adverse effects resulting from economic, geopolitical, or other events;
- Economic distress of suppliers that may require Ford to provide substantial financial support or take other measures to ensure supplies of components or materials and could increase costs, affect liquidity, or cause production constraints or disruptions;
- Work stoppages at Ford or supplier facilities or other limitations on production (whether as a result of labor disputes, natural or man-made disasters, tight credit markets or other financial distress, production constraints or difficulties, or other factors);
- Single-source supply of components or materials;
- Labor or other constraints on Ford's ability to maintain competitive cost structure;
- Substantial pension and postretirement health care and life insurance liabilities impairing liquidity or financial condition;
- Worse-than-assumed economic and demographic experience for postretirement benefit plans (e.g., discount rates or investment returns);
- Restriction on use of tax attributes from tax law "ownership change;"
- The discovery of defects in vehicles resulting in delays in new model launches, recall campaigns, or increased warranty costs;
- Increased safety, emissions, fuel economy, or other regulations resulting in higher costs, cash expenditures, and/or sales restrictions;
- Unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, perceived environmental impacts, or otherwise;
- A change in requirements under long-term supply arrangements committing Ford to purchase minimum or fixed quantities of certain parts, or to pay a minimum amount to the seller ("take-or-pay" contracts);
- Adverse effects on results from a decrease in or cessation or clawback of government incentives related to investments;
- Inherent limitations of internal controls impacting financial statements and safeguarding of assets;
- Cybersecurity risks to operational systems, security systems, or infrastructure owned by Ford, Ford Credit, or a third-party vendor or supplier;
- Failure of financial institutions to fulfill commitments under committed credit and liquidity facilities;
- Inability of Ford Credit to access debt, securitization, or derivative markets around the world at competitive rates or in sufficient amounts, due to credit rating downgrades, market volatility, market disruption, regulatory requirements, or other factors;
- Higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles;
- Increased competition from banks or other financial institutions seeking to increase their share of financing Ford vehicles; and
- New or increased credit, consumer, or data protection or other regulations resulting in higher costs and/or additional financing restrictions.

We cannot be certain that any expectation, forecast, or assumption made in preparing forward-looking statements will prove accurate, or that any projection will be realized. It is to be expected that there may be differences between projected and actual results. Our forward-looking statements speak only as of the date of their initial issuance, and we do not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events, or otherwise. For additional discussion, see "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2013, as updated by our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Accounting Standards Issued But Not Yet Adopted

For information on accounting standards issued but not yet adopted, see Note 1 of our Notes to the Financial Statements.

Other Financial Information

The interim financial information included in this Quarterly Report on Form 10-Q for the periods ended June 30, 2014 and 2013 has not been audited by PricewaterhouseCoopers LLP ("PwC"). In reviewing such information, PwC has applied limited procedures in accordance with professional standards for reviews of interim financial information. Readers should restrict reliance on PwC's reports on such information accordingly. PwC is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for its reports on interim financial information, because such reports do not constitute "reports" or "parts" of registration statements prepared or certified by PwC within the meaning of Sections 7 and 11 of the Securities Act of 1933.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

In our 2013 Form 10-K Report, we discuss in greater detail our market risk, counter-party risk, credit risk, residual risk, liquidity risk, and operating risk.

To provide a quantitative measure of the sensitivity of our pre-tax cash flow to changes in interest rates, we use interest rate scenarios that assume a hypothetical, instantaneous increase or decrease of one percentage point in all interest rates across all maturities (a "parallel shift"), as well as a base case that assumes that all interest rates remain constant at existing levels. The differences in pre-tax cash flow between these scenarios and the base case over a twelve-month period represent an estimate of the sensitivity of our pre-tax cash flow. Under this model, we estimate that at June 30, 2014, all else constant, such an increase in interest rates would increase our pre-tax cash flow by \$16 million over the next 12 months, compared with an increase of \$63 million at December 31, 2013. In reality, interest rate changes are rarely instantaneous or parallel and rates could move more or less than the one percentage point assumed in our analysis. As a result, the actual impact to pre-tax cash flow could be higher or lower than the results detailed above.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. Bernard B. Silverstone, our Chairman of the Board and Chief Executive Officer ("CEO"), and Michael L. Seneski, our Chief Financial Officer ("CFO") and Treasurer, have performed an evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of June 30, 2014, and each has concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by SEC rules and forms, and that such information is accumulated and communicated to the CEO and CFO to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting. There were no changes in the internal control over financial reporting during the quarter ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 5. *OTHER INFORMATION.*

We have none to report.

ITEM 6. *EXHIBITS.*

Exhibits: please refer to the Exhibit Index on page 50.

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

SIGNATURE

Pursuant to the requirements of 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/ Michael L. Seneski
Michael L. Seneski
Chief Financial Officer and Treasurer

Date: July 31, 2014

EXHIBIT INDEX

Designation	Description	Method of Filing
Exhibit 12	Ford Motor Credit Company LLC and Subsidiaries Calculation of Ratio of Earnings to Fixed Charges.	Filed with this Report
Exhibit 15	Letter of PricewaterhouseCoopers LLP, dated July 31, 2014, relating to financial information.	Filed with this Report
Exhibit 31.1	Rule 15d-14(a) Certification of CEO.	Filed with this Report
Exhibit 31.2	Rule 15d-14(a) Certification of CFO.	Filed with this Report
Exhibit 32.1	Section 1350 Certification of CEO.	Furnished with this Report
Exhibit 32.2	Section 1350 Certification of CFO.	Furnished with this Report
Exhibit 99	Items 2 - 4 of Part I and Items 1 and 2 of Part II of Ford Motor Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014.	Incorporated herein by reference to Ford Motor Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014. File No. 1-3950.
Exhibit 101.INS	XBRL Instance Document	*
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	*

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

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES
(in millions)

	First Half 2014
Earnings	
Income before income taxes	\$ 933
Add/(Deduct):	
Equity in net income of affiliated companies	(15)
Dividends from affiliated companies	—
Fixed charges	1,343
Earnings	\$ 2,261
 Fixed charges	
Interest expense	\$ 1,339
Interest portion of rental expense (a)	4
Total fixed charges	\$ 1,343
 Ratios	
Ratio of earnings to fixed charges	1.68

(a) One-third of all rental expense is deemed to be interest.

July 31, 2014

Securities and Exchange Commission
100 F Street, N.E.
Washington DC 20549

Re: Ford Motor Credit Company LLC Registration Statement Nos. 333-194069 and 333-180342 on Form S-3

Commissioners:

We are aware that our report dated July 31, 2014 on our review of interim financial information of Ford Motor Credit Company LLC (the "Company") for the three-month and six-month periods ended June 30, 2014 and 2013 and included in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2014 is incorporated by reference in the aforementioned Registration Statements.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Detroit, Michigan

CERTIFICATION

I, Bernard B. Silverstone, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 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: July 31, 2014

/s/ Bernard B. Silverstone

Bernard B. Silverstone

Chairman of the Board and Chief Executive Officer

CERTIFICATION

I, Michael L. Seneski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 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: July 31, 2014

/s/ Michael L. Seneski

Michael L. Seneski

Chief Financial Officer and Treasurer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

1. the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, 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: July 31, 2014

/s/ Bernard B. Silverstone

Bernard B. Silverstone

Chairman of the Board and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

1. the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, 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: July 31, 2014

/s/ Michael L. Seneski _____

Michael L. Seneski

Chief Financial Officer and Treasurer