

# Chief Executive Officer's Statement



It gives me great pleasure to report another strong set of results for FCE. Throughout 2016 FCE successfully executed our strategy of controlled growth. This has enabled it to support Ford with funding products that generate satisfied and loyal customers, whilst also ensuring FCE effectively manages risk and complies with regulatory requirements. I am particularly proud that FCE and our partners finance almost four out of

every ten new Ford vehicles sold across Europe. As a consequence, FCE's total net loans and advances have grown by about £6 billion since 2012. This has been achieved whilst maintaining a low credit loss ratio of 0.11%, demonstrating our focus on control and risk management.

These results were delivered by a highly professional employee team working across Europe. I'd like to take this opportunity to thank them for their hard work and dedication.

Highlights of FCE's performance in 2016 include:

## Profitability

Profit before tax of £178 million is £39 million lower than 2015. The lower profit is mainly due to a one-time indemnification of FCE from a pension deficit in a Ford-sponsored retirement plan, partially offset by growth in receivables.

FCE remains strongly capitalised and is well positioned to comply with capital requirements.

## Operational Effectiveness

The Manchester Business Centre (MBC) now manages our dealer credit and wholesale administration functions for Ford dealers across nine European locations: the Czech Republic, Belgium, France, Hungary, Italy, the Netherlands, Spain, Portugal and the UK. In addition to serving the dealers, the MBC now services retail customers in the UK. The UK customer service centre in St Albans was transitioned to the MBC during the year.

The benefits are becoming even more apparent as we progress. Centralising will enable operations to effectively respond to workload spikes. In addition, we anticipate being able to provide extended hours of operation and deliver a more cost effective and efficient operating structure.

## Sales

FCE continued to increase our share of Ford's registrations during the year, and financed 39.5% in 2016 compared with 39.2% in 2015. Our close integration with Ford in each European location makes Ford's products more accessible to retail and fleet customers.

In addition, we continue to work with a range of carefully selected partner organisations to deliver products including

insurance and full service leasing. This approach ensures we have a full range of automotive financial services and allows us to deepen and strengthen relationships with our customers across our European network.

## Funding

FCE successfully implemented our funding plan for 2016 consistent with our strategy of managing funding costs while unencumbering our balance sheet and reducing risk through increased diversity. This included an inaugural issuance of public retail securitisation debt in the UK.

In 2017 FCE will launch retail deposits in the UK, increasing the diversification of our funding and offering a new product to customers.

## Customer Service

Customer and dealer satisfaction, as measured by FCE's proprietary surveys, continue to reflect a high level of satisfaction with the company's services. Treating Customers Fairly remains central to FCE's values.

FCE continues to invest in technology that improves the experience of our customers and Ford's dealers either within the showroom or online.

## Outlook

Looking forward, FCE plans to continue to consistently execute our strategy of controlled growth, and I believe our relationship with Ford and strong balance sheet mean we are well placed to adapt to political uncertainty. The UK electorate's decision to leave the EU has added uncertainty to FCE's business environment, however, FCE is in the process of developing plans, and I am confident we are up to the challenge.

FCE will continue to work closely with Ford Motor Company as it plans its vehicle launches for 2017, including an exciting new Fiesta, and will provide Ford's customers with relevant finance and insurance offers. By helping Ford sell more vehicles, more often, to more satisfied customers, FCE will continue to increase its share of Ford's sales, generating a growing portfolio of performing loans and delivering enhanced value to Ford, its dealers and its customers.

Nick Rothwell,  
Chief Executive Officer, FCE Bank plc  
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