

## Chair's Statement



I am pleased to report that FCE continues to have an unwavering focus on its strategic mission to support the sales of Ford Motor Company's vehicles through dealerships across Europe. The successful execution of that strategy generated a profit of £178 million. This and other metrics are discussed in the Chief Executive Officer's statement.

These strong results are the output of a carefully developed business plan that was approved by the Board, plus the strategic initiatives that flow from that plan and the improved business performance of Ford of Europe. I welcome this chance to thank FCE's executive team and its employees for their hard work in support of Ford's sales.

As this is my first statement as Chair, I welcome this opportunity to thank, on behalf of the entire board, Joy Falotico for her leadership as Chair, a role she relinquished following her appointment as Ford Motor Credit Company's Chairman and CEO. It is an honour for me to succeed Joy and I look forward to using the experience I have gained, in both executive and non-executive roles, since I joined FCE's board in 2011 as I chair our future meetings.

### Oversight

In addition to setting FCE's strategic direction, the Board has maintained its oversight of a number of important functions and initiatives. This includes planning FCE's near and long-term capital and liquidity, as well as continuing to refine and develop the bank's appetite for risk.

One new risk that FCE is facing, like all companies with pan-European business interests, is the uncertainty generated by the United Kingdom's decision to leave the European Union – Brexit.

Both Ford and FCE face risks from Brexit, the most important of which for FCE is the future of the EU bank passporting system. This enables FCE to use its UK bank licence to provide its services in many EU states without needing further authorisation. As we do not know what the future of passporting will be, we are developing robust contingency plans so that FCE can continue to support Ford's sales in any eventuality.

### Effectiveness

In addition to thanking FCE's executive team and employees, I commend our four independent Non-Executive Directors (NEDs) for their valued expertise and insights. Their individual and collective contributions support our continuous journey to enhance the effectiveness of the company and our Board.

Our Senior Independent Director is John Callender. He chairs the Risk Committee that continues, among its other responsibilities, to lead the evolution of the bank's Capital

Plan. As FCE is acutely aware of the opportunities and risks that fast changing technology brings, this committee is developing FCE's cyber-resilience strategy.

The Remuneration Committee of FCE exercises appropriate oversight of the Company's remuneration and talent management policies. It is chaired by Suzanna Taverne, who has been a NED of the company for nine years. At this point it is usual for a NED to step down from the Board. However, given the uncertainty created by Brexit and the importance of continuity during this critical time of contingency planning, we have mutually agreed that Suzanna will stay on the Board for an additional year.

John Reed, NED, chairs FCE's Audit Committee that monitors the effectiveness of internal and external audits as well as FCE's application of financial reporting, risk management and internal control principles. In 2016 the committee has enhanced FCE's efficiency and effectiveness by combining its annual financial statements and Pillar 3 documents. Further, it decided, following the introduction of new rules, to replace the bank's interim financial statements with management statements that provide key investor data.

We continue to be grateful to Charlotte Morgan, NED, who has now been a member of the Board for more than two years. Charlotte's extensive financial services experience is much appreciated by the team and she, like each of our NEDs, brings the fresh perspectives that help drive the continuous improvement of the Board.

In 2015 the directors engaged Egon Zehnder Limited to carry out a Board effectiveness. During 2016, they reviewed our progress towards their recommendations, as well as the enhancement plans that we developed and implemented. The Board was very pleased to note many positive outcomes.

### Compliance

In my new role as Chair, I will ensure that FCE continues to be, in all its work, committed to ensuring that it is in full compliance with its regulators' requirements. Our culture of compliance includes embedding the Senior Managers Regime that reinforces FCE's business culture based on skilled, competent managers who are fully accountable for their actions.

### Outlook

As we look forward to 2017, the other Directors and I have every confidence in FCE's experienced and diverse team of leaders and employees. They are well positioned to continue to support Ford's sales across Europe, and Ford's transformation from being an auto company to an auto and a mobility company. On behalf of the Board, I thank the team for their diligence and hard work during 2016, and I wish them every success in the year ahead.

Tom Schneider  
Chair, FCE Bank plc  
23 March 2017