FCE Bank plc

REMUNERATION DISCLOSURE

for the year ended 31 December 2012

2012

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Introduction

This disclosure includes information which is required to be disclosed in accordance with the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA)'s prudential sourcebook for banks, building societies and investment firms (BIPRU 11.5.18). A total of 25 individuals were "Code Staff “in 2012. Code Staff are employees whose professional activities could have a material impact on the Bank's risk profile.

FCE (the Bank) confirms that it meets the requirements of the regulators Remuneration Code in all its aspects.

Background

FCE is a United Kingdom ('UK') registered bank authorised by the PRA and regulated by the FCA and PRA. FCE is a wholly owned subsidiary of Ford Credit International (FCI). FCI is wholly owned by Ford Motor Credit Company LLC (Ford Credit), which in turn is wholly owned by Ford Motor Company (Ford). FCE is authorised by the regulator to carry out a range of regulated activities within the UK and through a branch network in ten other European countries, and is subject to consolidated supervision by the FCA and PRA. The FCA and PRA are FCE's home regulator for all its branch operations. In this document, Ford Motor Company is referred to as “the Shareholder”. FCE’s remuneration policy reflects that of the Shareholder.

The financial performance, key strengths and risks facing FCE are routinely considered when the Board reflects on remuneration matters. The Interim Accounts and Annual Accounts contain details of the Financial performance of the Bank. A Remuneration Committee (RemCo) was introduced in 2011.

FCE’s RemCo has in mind the Bank’s status, as set out earlier in this section, in considering the Bank’s remuneration policy. The intent of the RemCo is to adopt the Shareholder's remuneration policy as long as it is consistent with the Bank’s status in respect of Sysc.19. If circumstances were to arise whereby the RemCo judged the remuneration policy to be contrary to the Bank’s interests, then dialogue would take place between the RemCo, the Board and the Shareholder to resolve the matter.

In this respect, the RemCo’s approach to remuneration policy sits within the same legal and fiduciary context as the Board’s responsibilities for other business matters. The overall governance of FCE remuneration policy lies with the RemCo, which is a Committee of the Board whose members include the four non-executive directors. Responsibility for the individual application of FCE’s remuneration policy rests with its executive directors and is implemented through a structure of personnel committees.

Overview of Approach to Remuneration in FCE

FCE deploys affordable, proportionate, pay and benefit programmes which enable the achievement of its objectives, reflecting its status as a captive finance company and its commitment to operate within its prescribed risk tolerances. The Board regularly reviews its remuneration to ensure it is affordable and competitive over the long term, to support talent attraction, incentivisation and retention in a competitive market, whilst ensuring it does not encourage inappropriate behaviours. It also benchmarks blue-chip companies across automotive, general industry and other sectors on pay and benefits.

The Bank is mindful of its banking status and its regulatory and compliance responsibilities in respect of its remuneration policy. Remuneration practices are based on robust performance management processes, which themselves involve assessing management behaviours, particularly as they relate to key Bank priorities such as lending risk, compliance and ethical business values. Conflict of interest is avoided by ensuring performance ratings and compensation decisions are made by a committee comprising managers at least one grade more senior than the grade of the employee being assessed. Shareholder representatives determine the remuneration of the Bank's most senior management, and the introduction of the RemCo ensures the independent Non-Executive Directors are able to confirm that all actions which are taken are in the best interests of the Bank.

The Bank has a strong commitment to Diversity, Inclusion and Equal Opportunity. Ensuring compliance with equal pay legislation is a core element of its compensation philosophy

Remuneration Policy

Governance and Decision Making

In line with the guidance provided within the FSA's Policy Statement on the Remuneration Code (PS 10/20 December 2010), remuneration matters in FCE are overseen by a RemCo of the Board of Directors. The Committee includes the independent non-executive directors. No employee is permitted to participate in discussions or decisions which directly relate to their own remuneration. FCE's Remuneration Policy Statement is reviewed annually and most recently was approved at the meeting of the Bank's Board of Directors in December, 2012.

As detailed in the Introduction, the Bank's remuneration policy reflects the global policy of its Shareholder. The intent of the RemCo is to adopt the Shareholder's remuneration policy, within the context of the Board's legal and regulatory responsibilities. The Legal Affairs Director, Executive Director Chief Risk Officer and the Human Resources Director provide subject matter expertise to the RemCo in its consideration of the Bank's remuneration policy.

The RemCo draws on the experience and knowledge of the independent Non-Executive Directors from their professional experience and remuneration oversight roles in other firms. The RemCo receives regular reports from the Risk function during the year which includes risk exposure against agreed limits, and reviews financial data which includes forecast remuneration. This is done to ensure that remuneration is consistent with sound risk management. The RemCo ensures that the remuneration actions do not negatively impact the Bank's capital adequacy requirements.

The RemCo undertakes the following role:

- Reviews the applicable compensation structures and processes, including impact on FCE Code Staff employees, in order to determine that they are appropriate to FCE's business requirements, financial position and within the Board's established Risk Appetite.
- Reviews and provides feedback on the individual objectives of FCE executives.
- Ensures that FCE is complying with the necessary regulatory requirements and remuneration does not encourage inappropriate risk-taking.
- Provides an independent forum for the independent Non Executive Directors to reflect on and provide feedback on the performance of FCE Code Staff.
- The RemCo has the delegated approval from the Board to approve the structure of awards made to FCE Code Staff.
- Reviews the proposed compensation awards for FCE Code Staff, presented to the Committee by the Chairman of FCE, to ensure they remain within tolerance of agreed compensation programme structures.
- Performs malus reviews as required.

Code Staff are employees whose professional activities could have a material impact on the risk profile of the firm. The remuneration of Code Staff is subject to the remuneration principles of the Remuneration Code. References to the structure of remuneration for Code Staff in this report exclude Code Staff whose total remuneration falls within the Code's de minimis provision.

The RemCo includes two Executive Directors, FCE Chairman and the Executive Director, Chief Risk Officer - with support from the HR Director and four independent Non-Executive Directors. The Chair of the Committee is a Non-Executive Director.

There were three meetings of the Committee in 2012. Current members are:

Mr N Rothwell	Chairman	Mr A Romer-Lee	Senior Independent Non-Executive Director
Mr J Coffey	Executive Director, Chief Risk Officer	Ms C Bindert	Independent Non-Executive Director
		Mr J Callender	Independent Non-Executive Director
		Ms S Taverne	Independent Non-Executive Director

Remuneration Policy

The Link between Pay and Performance

The Bank uses a robust Objective Setting process to ensure alignment of individual objectives to support the achievement of business strategy and goals across and through the organisation. The Bank uses a sound Performance Evaluation Process which includes a "balanced scorecard" approach to set individual short term, and longer term objectives. Employees are set, and assessed against, both financial and non-financial objectives, including compliance, risk management and behaviours such as integrity.

Appraisals are conducted annually, in December, by an employee's immediate supervisor. The appraisal rating directly drives his/her discretionary pay award(s). An interim review is also conducted at mid-year. Individual base pay increases and cash bonus are based on performance against balanced scorecard objectives, including behaviours. Individual stock awards are based on an assessment of future contribution to the business, taking into account level and consistency of past performance. Both relative and absolute individual performance is considered in the appraisal process.

The Bank's performance management and compensation philosophies, including its bonus programme, are structured to support the achievement of the Bank's ongoing business objectives by rewarding achievement of objectives linked directly to its strategic business priorities as identified in its Business Plan. These strategic priorities are cascaded through annualised objectives and policy deployment.

Conflict of interest is avoided by decisions on performance and remuneration being made by Personnel Committees comprising employees at a more senior level than the employees being evaluated. In addition, Personnel Committees include functional heads of the Legal, Compliance and Risk functions to ensure inputs on these key areas are factored into employee evaluations.

Robust control frameworks within the business ensure that business is conducted within planned risk appetites and the RemCo receives regular updates on risk and compliance. The impact of variable remuneration is included in the regular financial planning reviews presented to the RemCo and the Board throughout the year.

Composition of Remuneration Programmes

Variable compensation comprises:

- Cash bonus
- Time Restricted Stock Units which vest pro rata over 3 years
- For the most senior executives, Stock Option awards which vest pro rata over 3 years and have a 10 year term.

Deferred awards for Code Staff include malus provisions which may be applied in the event of employee misconduct or where the business has suffered a material failure of risk management.

Code Staff Remuneration is delivered in a way which is compliant with the requirements (including deferral and retention) of the Regulators Remuneration Code. This includes delivering immediately vesting shares (with retention requirements), deferred bonus and the application of malus and clawback provisions.

The Remuneration Policy applies the same overarching principles and practices to all employees, though the exact structure and quantum of individual packages varies by business, geography and role.

Communication

The Bank is committed to clear and timely communication of its compensation policy and practices. This includes clarity on which business behaviours will positively affect awards, and which will not. The Bank reviews, as required, the content and method of communication in order to increase employee understanding and engagement.

2012 Remuneration

Key Remuneration Elements

The following remuneration elements are discretionary. Programmes may be cancelled if business circumstances require it. Discretionary awards may be withdrawn if the relevant employee is found to have behaved in a manner contrary to the interests of the Bank. The individual's variable remuneration is subject to absolute caps and not geared to volume or any other individual metric or objective.

Base Pay Adjustments : Pay for Performance Programmes

For the majority of the Bank's employees, base pay is the most significant element of total remuneration, they do not have any variable remuneration. Pay for Performance is fundamental to the Bank's remuneration philosophy and applies to the base pay increases for all employees, and variable pay where it is in place. We reward individuals for performance and contribution to business success.

Pay for Performance programmes are considered annually, taking into account factors including business results, affordability, external competitiveness, mandated/negotiated increases and inflation. Pay for Performance programmes make base pay adjustments and are typically effective April 1 and communicated in the first quarter. The Bank has the discretion to defer or cancel awards depending on business circumstances.

Individual base pay increases are based on performance against balanced scorecard objectives, including behaviours, and will also be influenced by an employee's position in the salary range.

Annual Incentive Compensation Plan (Bonus)

AICP is a global incentive programme designed to align Ford Motor Company and business unit performance on key business metrics in a way which enables it to operate profitably, finance its business plan and improve the overall balance sheet.

Managers at mid level and above participate in the Annual Incentive Compensation Plan (AICP) of the Ford Motor Company. The awards are made on a discretionary basis and based upon performance of the business. The awards are made for a performance across a calendar year, and payout is made the following year, dependant on achievement of targets. Code Staff will receive a portion of the bonus deferred in line with the Regulators Remuneration Code requirements.

The bonus programme is fully flexible and may be cancelled if business targets are not met. Eligible employees at this level amount to 3% (October 2012) of the Bank's total employees.

Under AICP, the Shareholder sets annual monetary target awards based on assumed 100% payout percentage for each employee based on their respective management level and the competitive market practices of his/her respective country. The sum of the target amounts across all employees, multiplied by the AICP payout percentage, represents the overall cost of the programme.

The AICP payout percentage is dependant on the overall performance of the Shareholder and calculated on a predetermined formula. A minimum level of performance is required on all metrics. This means that achievement is required across the entire AICP "scorecard" to generate a bonus.

The AICP programme makes payments as a cash bonus, share programmes are detailed separately below. The following performance metrics and respective weightings are used as the basis for determining FCE incentive award payouts:

AICP metrics	**2012 metrics (2013 payout)**	**2011 metrics (2012 payout)**
Total Ford Motor Company pre-tax profits	35.00%	35.00%
Total Automotive operating-related cash flow	35.00%	35.00%
Ford of Europe cost performance	10.00%	10.00%
Ford of Europe market share	10.00%	10.00%
Ford of Europe quality	10.00%	10.00%

The actual payout is based upon individual performance assessment (details of which are contained in the section "Link between pay and Performance, above).

2012 Remuneration

Long Term Incentive Plan

Managers at mid level and above participate in a global equity-based long-term incentive program comprising time-based restricted stock units and, for some at the most senior level, stock options. This is known as the LTI Plan. As above, participating employees amount to 3% of the Bank's total employees.

The Plan is designed to reward likely future contribution to the Bank's business and strategic priorities. The Bank considers the LTI Plan an important retention tool for key skills. The restricted stock units vest over a three-year period, 33% after the first year, 33% after the second year, and 34% after the third year. The restriction period adds a longer-term element to focus behaviour and decision-making beyond the present year. Stock options vest over three years and have a ten-year term.

Dividends that may be awarded would normally be awarded as additional shares.

Code Staff who receive restricted stock units receive a proportion of their stock awards which vest immediately and are subject to a retention clause in order to comply with terms of the Regulators Remuneration Code. In such cases, their AICP (bonus) is adjusted to award a portion in the award year and the remaining deferred over 3 years.

The Shareholder sets US dollar target value awards for each management level. The number of Restricted Stock Units (RSU's) and stock options awarded to an employee is determined based on the Fair Market value and Black Scholes value, respectively, of Ford Motor Company common stock on the date of grant. Specifically, the dollar value of the RSU grant is divided by the Fair Market Value on the grant date to determine the number of RSU's awarded to the employee. Similarly, the value of the stock option grant is divided by the Black Scholes value on the grant date to determine the number of stock options.

Individual awards are discretionary, and are adjusted based upon an assessment of the individual employee's likely future contribution to the success of the business. Vesting is subject to malus, and prudent financial control provisions are in line with the Remuneration Code.

Other Benefits

The Bank develops benefits in line with its overall strategy and philosophy on offering competitive employee remuneration packages in each home market. Benefit packages will vary by role, differ between countries and may include pension schemes, healthcare, death-in-service and car benefits. Benefits accorded to Code Staff are similar to those given to other staff.

2012 Remuneration

Key Remuneration Data

The following data is in respect of performance during the year 2012, paid in 2013. The data is reported in respect of 2012 Code Staff (25), all of whom who are categorised by FCE as Senior Management.

		2012 metrics (2013 payout)		2011 metrics (2012 payout)
		£ mil		**£ mil**
Aggregate 2012 remuneration of Code Staff 2012 Remuneration Awarded	**£**	**3.54**	**£**	**3.48**

FCE Bank plc
Remuneration Disclosures
For the year ended 31 December 2012