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		Acronym (if applicable)	AC
	<i>Audit Committee</i> FCE Bank plc	Version Number	1
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1. Overview


- 1.1 The Audit Committee (the “**Committee**”) is the delegated committee of the Board of Directors (the “**Board**”) of FCE Bank plc (“**FCE**” or the “**Company**”) responsible for determining the application of financial reporting, risk management and internal control principles, and for monitoring the effectiveness of internal and external audits.

2. Members

- 2.1 Members shall be appointed by the Board in consultation with the Audit Committee Chairman (“**Committee Chairman**”). The Committee or any nominated Committee thereof, shall be made up of at least three members.
- 2.2 Membership shall comprise all of the independent non-executive directors.
- 2.3 At least one member of the audit committee must have competence in accounting and/or auditing.
- 2.4 The members of the audit committee as a whole must have competence relevant to the sector in which the firm is operating.
- 2.5 The Chairman of the Board shall not be a member of the Committee.
- 2.6 Appointments to the Committee shall be reviewed annually by the Board as part of the review of the Constitution and Terms of Reference of all Board Committees.
- 2.7 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

3. Attendees

- 3.1 Only members of the Committee have the right to attend Committee meetings. The following shall normally be invited to attend meetings but shall not contribute towards constituting a quorum:
- 3.1.1 CEO
 - 3.1.2 Executive Director, Finance
 - 3.1.3 Chief Risk Officer
 - 3.1.4 Director, Legal Affairs
 - 3.1.5 Company Secretary
 - 3.1.6 Representative(s) of the external auditors
 - 3.1.7 Manager, General Audit Office
 - 3.1.8 Manager, Internal Control Office
- 3.2 Any nominee shall be approved in advance at the discretion of the Committee Chairman. However, other individuals may be invited by the Committee Chairman to attend all or part of any meeting as and when appropriate.
- 3.3 The Company Secretary or their nominee shall act as the secretary of the Committee.

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4. Quorum Requirements

4.1 The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. Frequency of Meetings

5.1 The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle with one meeting being held immediately prior to submission of the annual financial statements to the Board, and otherwise as required.

5.1 The executive, normally through the Chairman of the Board, should inform the Committee Chairman (so that a special Committee meeting may be called, if deemed necessary), should there be an event, or sequence of events which may have 'material' consequences on the reported capital adequacy or net asset value of the Company.

6. Notice of Meetings

6.1 All meetings of the Committee shall be called by the Secretary of the Committee or a nominee or at the request of any of its members, or at the request of external or internal auditors if they consider additional meetings are necessary.


6.2 Unless otherwise agreed with the Committee Chairman, notice of each meeting confirming the venue, time, and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, wherever possible, at the same time.

7. Minutes of Meetings

7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

7.2 Members shall indicate to the Secretary any potential conflicts of interest at the beginning of each meeting and the Secretary shall minute them accordingly.

7.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee for comment and, once provisionally agreed by the members of the Committee, the draft minutes shall be presented to the next meeting for approval and shall then be signed by the Chairman of that meeting as a true record of the proceedings. Once agreed the minutes shall be circulated to all members of the Board.

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8. Duties

- 8.1 In establishing the duties of the Committee, the Board has had regard to the Prudential Regulation Authority Rulebook in relation to audit committees and considered the guidance issued by the Financial Reporting Council and the Institute of Corporate Secretaries and Administrators.
- 8.2 To support compliance with the Senior Management Arrangements, Systems and Controls, section within the appropriate regulators' Handbooks the Committee should carry out the duties below for the Company including its branches and its subsidiary undertakings and the group as a whole, as appropriate.
- 8.3 Furthermore, in establishing the duties of the Committee, the Board has had regard to the Polish Act on Statutory Auditors of 11 May 2017, which imposes on the Company an obligation to establish an audit committee to carry out the duties below in relation to the Polish branch.

9. Financial Reporting

9.1 The Committee shall:

- 9.1.1 monitor the financial reporting process and submits recommendations or proposals to ensure its integrity;
- 9.1.2 monitor the integrity of the financial statements of the Company, including its published annual reports and its Basel II Pillar 3 Declaration, and any other formal announcement relating to its financial performance, review significant financial reporting issues and judgements contained therein. The Committee may also review significant financial returns to regulators and any financial information contained in any other documents as it wishes; and
- 9.1.3 provide a forum for the discussion and resolution of areas of disagreement in relation to the statements and announcements e.g. between management and the external auditor.


9.2 The Committee may review and challenge where necessary:

- 9.2.1 the consistency of, and any material changes to, accounting policies both on a year on year basis and across the Company/Group;
- 9.2.2 the methods used and the treatment of significant or unusual transactions where different approaches are possible;
- 9.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 9.2.4 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
- 9.2.5 all material information presented with the financial statements, including the strategic report and the corporate governance statement (insofar as it relates to the audit and risk management); and
all material information in connection with corporate tax liabilities

10. Internal Controls and Risk Management Systems

10.1 The Committee shall:

- 10.1.1 monitor the effectiveness of the Company's internal quality control and risk management

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systems, and, where applicable, its internal audit, regarding the financial reporting of the firm, without breaching its independence; and

- 10.1.2 keep under review the effectiveness of the Company's internal control environment review and approve statements to be included in the annual report concerning internal controls and review any risk management statements approved by the Risk Committee, and review the effectiveness of the methods used.

11. Recovery and Resolution Planning (RRP)

- 11.1 The Audit Committee shall on an annual basis:
- 11.1.1 periodically review the Recovery Plan; and
 - 11.1.2 review the arrangements and processes for developing the RRP documents.

12. Whistleblowing and Fraud


- 12.1 The Audit Committee shall be informed of any significant events, in particular those impacting financial statements, arising from whistleblowing and fraud.

13. FCE Policies

- 13.1 The Committee shall, on an annual basis, or more frequently if deemed appropriate, review the following FCE policies **prior to recommending them to the Board for approval**:
- 13.1.1 PS03 – Provisioning Policy
 - 13.1.2 PS16 – Dividend Policy Statement
 - 13.1.3 PS19 – European Tax Policy
 - 13.1.4 PS26 - Internal Management and Public Disclosure of Inside Information
- 13.2 The Committee shall, on an annual basis, or earlier if deemed appropriate, **approve** the following FCE policies:
- 13.2.1 PS21 – Pillar 3 Disclosures

14. Internal Audit

- 14.1 The Committee shall:
- 14.1.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
 - 14.1.2 ensure co-ordination between the Internal Control Office, the General Audit Office and external auditors;
 - 14.1.3 consider and review the remit and the resources of the Company's internal audit function and ensure it has appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
 - 14.1.4 ensure the internal audit function has adequate standing and is free from management or other restrictions and able to exercise independent judgement;
 - 14.1.5 review and assess the annual internal audit plan;
 - 14.1.6 review appropriate reports on the Company from the Internal Control Office and the General Audit Office;
 - 14.1.7 review and monitor management's responsiveness to the findings and recommendations of the Internal Control Office and the General Audit Office including action plans where needed;

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14.1.8 meet the Heads of the Internal Control Office and the General Audit Office at least once a year without management being present to discuss their remit and any issues arising from the internal audits carried out. In addition, the heads of the Internal Control Office and the General Audit Office have the right of direct access to the Chairman of the Board and to the Committee; and

14.1.9 discuss problems/reservations/opportunities raised by Internal Control Office/Management Self-assessment Processes and internal audit.

15. External Auditor

15.1 The Committee shall:

15.1.1 develop and oversee the selection procedure for the appointment of the audit firm;

15.1.2 after consultation with parent company representatives where necessary, consider and make recommendations to the Board, which would be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment or removal of the Company's external auditor. If an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;

15.1.3 oversee the relationship with the external auditor including (but not limited to):


(i) approval of their remuneration and the analysis of fees for audit and non-audit services;

(ii) review of the terms of engagement, including any engagement letter issued at the start of each statutory audit and the scope of the audit;

(iii) assessing annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures, in doing so it will review:

- the continued independence and objectivity of the external auditors and the relationship with the auditor as a whole, including the suitability of and pre-approval of the provision of any non-audit services;
- any significant relationships the external auditor has with Ford and Ford affiliates;
- the external auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners and other related requirements;
- the performance of the external auditor and the effectiveness of the audit process including a report from the external auditor on their own internal quality procedures;
- any policy on the employment of former employees of the company's auditor and subsequent monitoring of this policy; and
- in particular, where the auditor performs external audit services for Ford affiliates, receive annual confirmation that a review has been undertaken by the Ford Audit Committee of the matters referred to above;

15.1.4 meet regularly with the external auditor, including once at the planning stage before the audit to discuss the nature and scope of the audit and once after the audit at the reporting

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stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;

16. Statutory Audit

16.1 The Committee shall:

16.1.1 Inform the Board of the outcome of the statutory audit and explain how it contributed to the integrity of financial reporting and what the role of the Committee was in that process;

16.1.2 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement; and,

16.1.3 monitor and review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:

- (i) a discussion of any major issues which arose during the audit;
- (ii) any accounting and audit judgements;
- (iii) levels of errors identified during the audit;
- (iv) significant adjustments resulting from the audit; and
- (v) any matters the auditor may wish to discuss (in the absence of management where necessary);

16.1.4 review the effectiveness of the statutory audit

16.1.5 review any representation letter(s) requested by the external auditor before they are recommended to management for signature; and

16.1.6 review the management letter and management's response to the auditor's findings and recommendations.

17. Miscellaneous

17.1 The Committee shall:

17.1.1 consider other topics as may be defined by the Board from time to time;

17.1.2 request and receive such other management reports deemed necessary by the Committee, either on an ad hoc or regular basis;

17.1.3 raise any issues that the Committee members may consider relevant;

17.1.4 give due consideration to laws and regulations including, inter alia, the Financial Conduct Authority and the Prudential Regulation Authority handbooks, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as appropriate;


17.1.5 review the co-ordination between the internal and external auditors;

17.1.6 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and

17.1.7 receive reports from the Disclosure Committee

18. Other Matters

18.1 The Committee shall:

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- 18.1.1 be informed by management, Internal Control Office, General Audit Office and/or the external auditor, should there be an event, or sequence of events which may have material consequences on the reported capital adequacy or net asset value of the Company;
- 18.1.2 have access to sufficient resources in order to carry out its duties, including access to the Legal and other departments for assistance as required; and
- 18.1.3 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.

19. Review and Reporting Responsibilities

- 19.1 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 19.2 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 19.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 19.4 Membership of the Committee and attendance will be noted in the annual report.

20. Authority

- 20.1 The Committee is authorised:
 - 20.1.1 to investigate any activity within its terms of reference;
 - 20.1.2 to seek any information it requires from any employee of the Company in order to perform its duties;
 - 20.1.3 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
 - 20.1.4 to call any employee to be questioned at a meeting of the Committee as and when required.

21. Risks Covered


- 21.1 Audit risks, Control risks.

22. Sub-committees/Working Groups

- 22.1 The Committee may call for the establishment of project based sub-committees and/or working groups, after consultation with the Chairman of the Board.

23. Annual Calendar of Work

- 23.1 The Committee normally will carry out its programme of work in accordance with the calendar below, however the list of activities outlined below is not exhaustive. The Committee may make alterations to this running order if it is deemed appropriate.

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OUTLINE OF ANNUAL PROGRAMME FOR AUDIT COMMITTEE MEETINGS

There will be four programmed Audit Committees each year to be held in March, June, September and November or adjacent months.

The agenda for each committee meeting will contain the following standing agenda items:

- Update from the Financial Director (including tax update)
- Update from the Legal Director
- Update from Internal Control Office
- Update from the General Auditors Office
- Significant matters update
- Private meeting between the Audit Committee and External Auditors
- Private meeting between the Audit Committee and GAO

The agenda for the following committee meetings will contain the following agenda items:

March

- Review draft Annual Accounts for previous calendar year ended 31 December and recommendation to the Board
- Review Management Letter
- Review external auditors' report and issues arising
- Review other published audit, control or financial reports or disclosures
- Approval of the Pillar 3 Disclosures
- Recommendation to the Board of the Appointment of Auditors
- Review arrangements for the Recovery and Resolution Plans
- PS16
- PS19 and Tax Strategy

June

- Approval of Remuneration Related Pillar 3 Disclosures
- Approval of GAO SLA
- External Auditor Audit Plan Review
- Periodic review of recovery plan
- Review of arrangements and processes for developing RRP documents
- PS03

September

- General Auditors Office annual internal audit plan
- Terms of Reference Review
- PS21
- PS26

November

- Accounting Policies and disclosure changes for the next annual accounts
- General Auditors Office Annual Review
- Annual review of performance of external auditor

Company Secretary 6 December 2018