
FCE Bank plc

REMUNERATION DISCLOSURE

For the year ended 31 December 2019



NO. 10

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Remuneration Policy

Introduction

This document includes information which is required to be disclosed in accordance with Pillar 3, as defined by the Capital Requirements Regulation Article 450. This document relates to those staff whose professional activities have a material impact on the firm's risk profile (Material Risk Takers).

A total of 108 individuals were categorised as being Material Risk Takers in 2019.

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

Background

FCE Bank plc (FCE) is a United Kingdom (UK) registered bank authorised by the Prudential Regulation Authority (PRA). FCE is a direct subsidiary of FCSH GmbH (FCSH), which in turn is a direct 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).

In this document, Ford Motor Company is referred to as "the Shareholder". FCE's remuneration policy reflects that of the Shareholder.

FCE is regulated by the Financial Conduct Authority (FCA) and PRA and is authorised to conduct a range of regulated activities within the UK and through a branch network in 8 other European countries, and is subject to consolidated supervision through varying EU directives.

On July 1, 2018, FCE established an operating subsidiary in Germany, Ford Bank GmbH regulated by BaFin and the Bundesbank.

The financial performance, key strengths and risks facing FCE are routinely considered when the Board reflects on remuneration matters. The Annual Accounts contain details of the financial performance of the Bank.

FCE seeks to deploy pay and benefit programmes which support the achievement of its objectives, reflecting its status as a regulated bank and its commitment to operate within its prescribed risk tolerances. In doing so, the RemCo adopts the Shareholder's remuneration policy where it is consistent with the Bank's status in respect of the Remuneration Code. Where the RemCo judges the remuneration policy to be contrary to the Bank's interests, or requires revision to meet legal or regulatory requirements, the RemCo will raise the matter with the Board, to enable discussions with 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's remuneration policy lies with the RemCo. Responsibility for the individual application of FCE's remuneration policy rests with its Executive Directors, with oversight by the RemCo.

Overview of Approach to Remuneration in FCE

The RemCo regularly reviews its remuneration to ensure it is affordable and competitive over the long term, attracts talent, incentivises high performance and good behaviours, and retains talent in a competitive market. It also benchmarks blue-chip companies across automotive and general industry, financial services 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 evaluated.

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

Remuneration matters in FCE are overseen by a Remuneration Committee (RemCo) of the Board of Directors. The Committee is formed of the 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 Bank's Remuneration Committee meeting on 10th June 2020.

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 in that they remain aligned with FCE's business requirements, financial position and are 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 that 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's Material Risk Takers.

- The RemCo has the delegated approval from the Board to approve the structure of awards made to FCE Material Risk Takers.
- Reviews the proposed compensation awards for FCE Material Risk Takers to ensure that they remain within tolerance of agreed compensation programme structures.
- Performs malus and clawback reviews as required.
- Risk Adjustment of the FCE Bonus Pool in line with FCE Risk Appetite framework.

Material Risk Takers are employees whose professional activities could have a material impact on the risk profile of the firm, as defined by Commission Delegated Regulation (EU) no 604/2014. The remuneration of Material Risk Takers is subject to the remuneration principles of the Remuneration Code.

The RemCo comprises four independent Non-Executive Directors. Support is provided by the Human Resources Director. The Chief Executive Officer and Chief Risk Officer are invited to attend when appropriate. The Chair of the Committee is a Non-Executive Director.

The Committee members are:

N Ceeney: Independent Non-Executive Director & RemCo Chair (appointed 17th October 2019)

J Callender: Senior Independent Non-Executive Director

J Reed: Independent Non-Executive Director

T Ferreira: Independent Non-Executive Director

S Taverne: Independent Non-Executive Director & RemCo Chair (resigned 16th October 2019)

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. Objectives are set, and assessed against, both financial and non-financial objectives, including compliance, risk management and leadership behaviours such as integrity.

Appraisals are conducted annually by an employee's people leader by ensuring a fair and accurate performance evaluation based on what was accomplished during the performance year and how it was achieved through the lens of our Ford Truths. To ensure an accurate account of work and behaviours, feedback from work partners is considered, and peer calibration discussions are held where appropriate.

As part of our annual compensation planning process, within predetermined budgets, people leaders make compensation decisions based on their employee's accomplishment against objectives and how their behaviours modelled our Ford truths.

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 validated by peer calibration meetings (where appropriate) comprising employees at a more senior level than the employees being evaluated. All people leader compensation award decisions require next level people leader approval. Awards made under the Bank's variable pay programme for senior managers (Annual Incentive Compensation Plan) and Long Term Incentive Programme are reviewed and approved by the Bank's Remuneration Committee, ensuring inputs from Risk and compliance are factored into employee compensation awards.

Robust control frameworks within the Bank 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 (Employees in Leadership Level 5 and above are eligible for AICP, Germany Leadership Level 6 are eligible for a local bonus plan)
- Time Based Restricted Stock Units which vest pro rata over 3 years (Employees in Leadership Level 5 and above)
- Performance Based Restricted Stock Units which vest over 3 years, and are linked to corporate performance (for the most senior of Management – Leadership Level 3 and above)

Deferred awards for Material Risk Takers 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.

Remuneration is delivered to Material Risk Takers in a way which is compliant with the requirements of the Regulators Remuneration Code.

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.

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 based on performance to objectives and behaviours and is subject to appropriate limits (capped at 2:1 variable to fixed ratio) as approved the shareholder on 1st January 2014. .

Remuneration Policy

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 performance across a calendar year, and payout is made the following year, dependent on achievement of targets. The bonus programme is fully flexible and may be cancelled if business targets are not met.

Eligible employees at this level amount to 4% (December 2019) of the Bank's total employees.

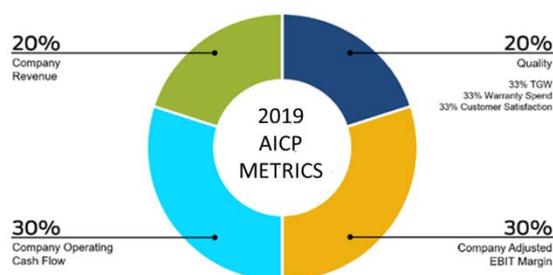
Under AICP, the Shareholder sets annual monetary target awards based on assumed 100% payout percentage for each employee based on their respective management level and the competitive market practices of his/her respective country. The sum of the target amounts across all employees, multiplied by the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

The AICP payout percentage is dependent 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 within this document.

The following performance metrics and respective weightings are used as the basis for determining FCE incentive award payouts.



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

The Remuneration Committee has the authority to reduce AICP if it determines that Risk Adjustments should be applied to the Bonus Pool (for further details see "Bonus Pool Risk Adjustments")

Local Bonus Plan Germany

Lower level management (Leadership Level 6) in Germany are eligible to participate in a locally negotiated bonus plan. Managers have flexibility to award between 0% to 150% of the bonus target award during the annual compensation planning process. Of the total 108 MRTs during 2019, 6 were eligible for this plan.

Bonus Pool Risk Adjustments

In order to ensure that FCE's remuneration is consistent with sound risk management, on an annual basis, the RemCo will conduct a Bonus Pool risk adjustment review, in order to determine if there has been any

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material or persistent breach of its Risk Appetite. This review includes the following types of risk:

- Financial (Earnings)
- Capital and Liquidity
- Operational and Infrastructure
- Business Conduct & Reputational

In line with the PRA/FCA guidelines, FCE defines its bonus pool as the sum of all the potential bonus awards within FCE following the application of the shareholder pay-out percentage.

In the event of a Bonus Pool reduction being required, an additional FCE Risk Adjustment Factor will be applied to individual bonus targets prior to determining individual bonus awards. Employees will be notified in the event such an adjustment is made.

Long Term Incentive Plan

Managers at mid-level and above participate in a global equity-based long-term incentive program comprising time-based and performance-based restricted stock units. This is known as the LTI Plan. As above, participating employees amount to 4% (December 2019) of the Bank's total employees.

The Plan is designed to reward and incentive LL5+ leaders for sustaining high performance over time. The Bank considers the LTI Plan an important retention tool for key skills.

- Time based restricted stock units (TB-RSUs) 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.
- Executive level Managers receive both TB-RSUs and performance based restricted stock units (PB-RSUs). Performance is measured through a mix of internal and external financial metrics over a three year period, at which point the RSU's vest.

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

The Shareholder sets US dollar target value awards for each management level. The number of Restricted

Stock Units (RSUs) 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 RSUs awarded to the employee.

Individual awards are discretionary, and are adjusted based upon an assessment of multiple factors, including performance versus peers over time, expertise & critical skills, feedback & behaviours, and potential for advancement & impact to the business in the future.

Vesting is subject to malus, and prudent financial control provisions are in line with the Remuneration Code.

Variable compensation for MRTs subject to remuneration code pay-out rules

The PRA and FCA have provided guidance for firms that divides them into three levels ("Proportionality Levels"). Over recent years FCE has been considered a Level 3 firm, as the size of its relevant total assets have been under £15 billion (based on a three year average). However, in 2018 Performance Year (2019 Pay-out), FCE exceeded the £15 billion threshold and is now considered a Level 2 firm.

As a proportionality level 2 firm, some employees may be subject to remuneration code pay out rules which include, bonus deferrals, payments in shares /instruments, malus and clawback provisions.

For the few senior managers for which these rules apply, the Total Variable pay that would otherwise be awarded through AICP and LTIP programmes, is restructured in order to meet the requirements of the remuneration code.

Employees are advised by the Company in the event this is applicable.

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-service and car benefits.

2019 Remuneration

Key Remuneration Data

The following data reflects base pay delivered in the performance year of 2019, and variable pay relating to performance in 2019 (delivered in 2020).

During the year, no Material Risk Taker received total remuneration in excess of 1 million Euros, which was confirmed to the Regulator as part of the High Earners reporting process.

	2019 Performance (2020 Payout) £ millions				2018 Performance (2019 Payout) £ millions			
	Number of staff	Fixed (base)	Variable (AICP)	Variable (LTIP)	Number of staff	Fixed (base)	Variable (AICP)	Variable (LTIP)
Remuneration								
Total Aggregate Remuneration	108	8.7	0.6	0.7	101	9.6*	0.9	0.9
Senior Managers	3	0.6	0.2	0.2	5	0.7	0.3	0.3
Material Risk Takers	105	8.1	0.4	0.5	96	8.9*	0.6	0.6
Other Disclosures								
Deferred Remuneration	1	-	0.08	0.08	1	-	0.09	0.09

* 2018 values restated following a change in calculation methodology vs prior year. No impact on other 2018 values nor performance years prior to 2018.