
FCE Bank plc

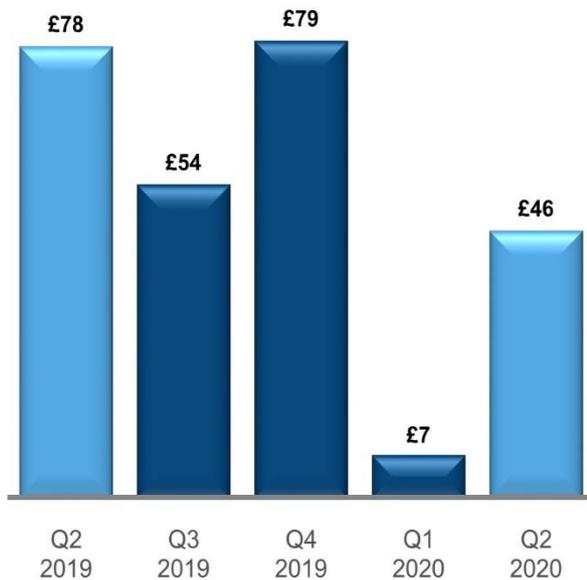
Q2 MANAGEMENT STATEMENT

For the quarter ended 30 June 2020

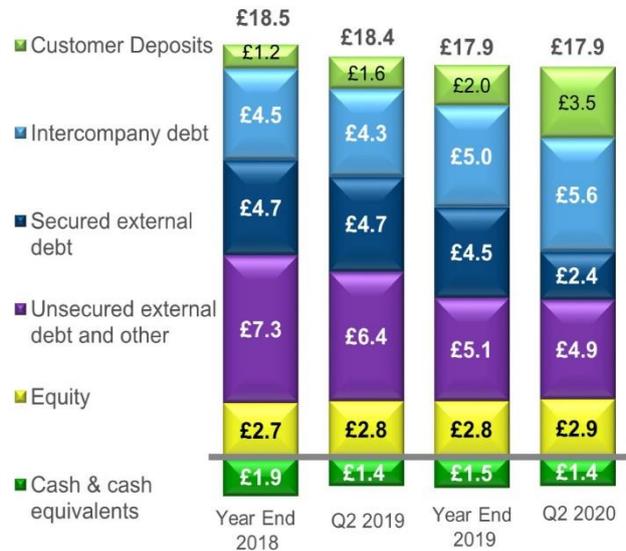
2020

Highlights (unaudited)

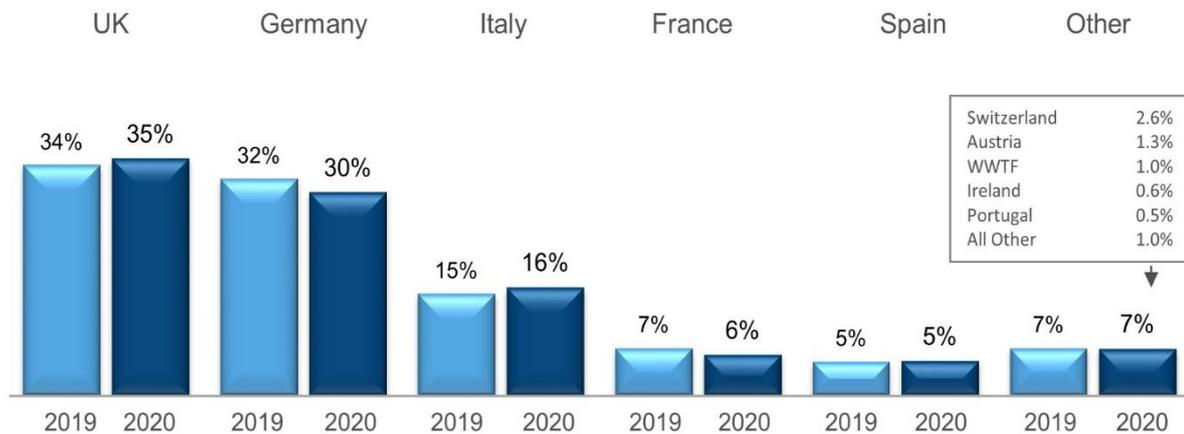
Earnings before tax (Mils)



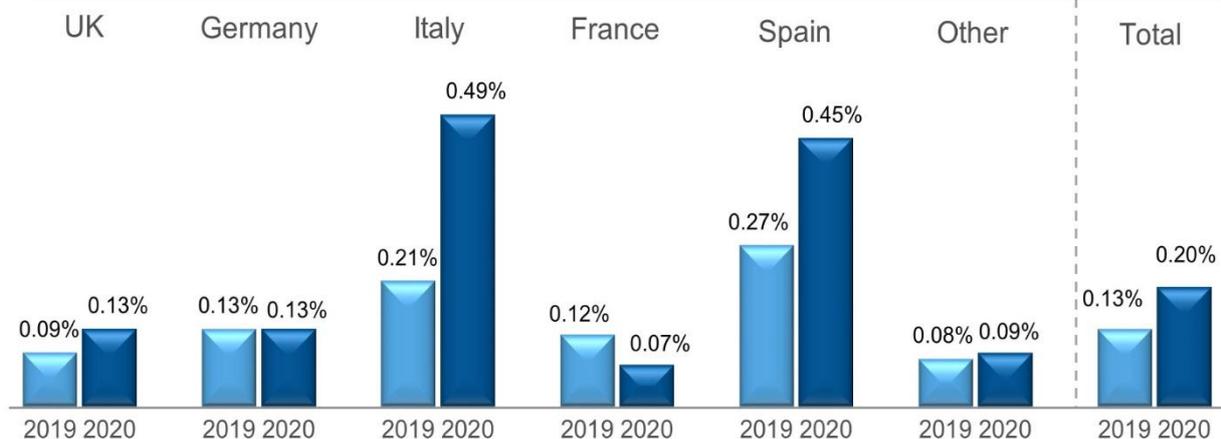
Funding structure – total net loans and advances to customers (Bils)



Net loans and advances to customers at 30 June 2020 compared to 30 June 2019



Annualised Q2 net credit losses / average net loans and advances to customers



This management statement is based on unaudited preliminary data. Final data will be included in FCE's 2020 Annual Report.

Management Statement

Key financial data (unaudited)	Q2 2020	Q2 2019
	(Mils)	(Mils)
Quarterly income statement data		
Net interest income	£ 114	£ 125
Net fees and commissions income	18	18
Other operating income	49	115
Total income	£ 181	£ 258
Allowance for expected credit losses	£ (13)	£ (5)
Operating expenses	£ (73)	£ (65)
Depreciation on property and equipment	(40)	(103)
Fair value adjustments to financial instruments and gain or loss on foreign exchange	(9)	(7)
Profit before tax	£ 46	£ 78
Asset data		
Net loans and advances to customers	£ 17,886	£ 18,426
Total assets	20,503	21,393
Average net loans and advances for the quarter	17,694	17,856
Regulatory capital data		
Common equity tier 1 (CET1) capital	£ 2,839	£ 2,569
Own funds / Total capital	3,183	2,926
Common equity tier 1 (CET1) capital ratio	17.0%	14.9%
Total capital ratio	19.0%	17.0%

Business Highlights

Since the shutdown implemented in March in response to the COVID-19 outbreak across Europe both vehicle production and sales have recommenced, with dealerships re-opening in May. However, the recovery is slow and economic activity remains below pre-COVID levels. In response, governments and central banks continue to take actions to stimulate demand and mitigate the impact on both businesses and consumers. FCE Bank plc (FCE) has maintained its focus on safeguarding our employees, customers and dealers; including providing financial support, where appropriate. This has included the timely implementation of government mandated payment holidays and similar actions.

In Q2 2020 FCE recorded earnings before tax of £46 million, £32 million lower than Q2 2019, reflecting the impact of COVID-19 on margin and credit losses.

FCE's credit loss reserves are aligned with its expectation that the trend of higher credit losses seen in some of its major markets in Q2 will continue, as payment holidays and similar support provided to customers expire.

FCE's 'Net loans and advances to customers' were £17.9 billion, in line with Q2 2019. At year-end 2020, FCE anticipates 'Net loans and advances to customers' to be in the range of £17.1 billion to £18.1 billion.

Funding and Liquidity

Our funding strategy remains focused on diversification, and we plan to continue accessing a variety of markets, channels, and investors, including government-sponsored funding programs. These diverse sources of liquidity will provide FCE with flexibility to adapt its plans as the impact of COVID-19 on investor behaviours and pricing becomes clear.

As at 30 June 2020, customer deposits represented a total of £3.5 billion of funding.

FCE's sources of liquidity include cash and cash equivalents, committed unsecured credit facilities and committed securitisation capacity. Liquidity available for use will fluctuate based on factors which include changes in receivables levels and execution and maturity of capital market transactions. At 30 June 2020, FCE had £3.6 billion of liquidity available for use.

Total liquidity sources were £4.6 billion. The utilisation of liquidity totalled £0.8 billion, and securitisation capacity not available for use was £0.2 billion at 30 June 2020.

FCE remains strongly capitalised. Its 2020 dividend planning will take into account the evolving outlook for the impact of the COVID-19 pandemic on European economies, expected receivables levels and governmental guidance, whilst ensuring that FCE maintains a capital ratio that at all times exceeds regulatory requirements and internal targets.

As at 30 June 2020, FCE's long term debt credit ratings/outlooks were Ba2/Negative with Moody's (changed from Ba2/Under Review), BBB-/Negative from S&P (changed from BBB-/Stable) and BB+/Negative from Fitch (changed from BBB-/Negative).

Full Year Outlook

The COVID-19 outbreak has created significant economic uncertainty for the remainder of 2020, partially mitigated by the impact of government actions taken in response. FCE remains committed to continuing to support its customers and employees. Its strong capital, funding and liquidity position means it is well placed to profitably manage the challenges ahead.

In countries where FCE operates branches that rely upon passported regulatory permissions from the UK, it has established plans in conjunction with local regulators to enable continued operations following the end of the Brexit transition period at the end of 2020.

Management Statement

Public Term Funding Plan	2020		2019 Actual (Bils)	2018 Actual (Bils)
	Forecast (Bils)	YTD Actual* (Bils)		
- Unsecured Debt	£ -	-	£ -	£ -
- Securitisation	0.0 - 0.4	-	1.1	1.0
Total	£ 0.0 - 0.4	£ -	£ 1.1	£ 1.0

	Jun 2020 (Bils)	Dec 2019 (Bils)	Jun 2019 (Bils)
Liquidity Sources			
Cash and cash equivalents	£ 1.4	£ 1.5	£ 1.5
Committed unsecured credit facilities	1.0	1.0	1.0
Committed securitisation capacity*	2.2	2.4	2.5
Total Liquidity Sources	£ 4.6	£ 4.9	£ 5.0
Utilisation of Liquidity			
Cash not available for use in FCE's day-to-day operations**	£ (0.3)	£ (0.3)	£ (0.4)
Committed unsecured credit facilities	(0.1)	(0.2)	(0.4)
Committed securitisation capacity*	(0.4)	(1.9)	(2.3)
Total Utilisation of Liquidity	£ (0.8)	£ (2.4)	£ (3.1)
Gross Liquidity	£ 3.8	£ 2.5	£ 1.9
Securitisation capacity in excess of eligible receivables	£ (0.2)	£ (0.1)	£ (0.1)
Liquidity Available for Use	£ 3.6	£ 2.4	£ 1.8

* Committed securitisation capacity excludes FCE's access to the Bank of England's Discount Window Facility

** Cash not available for use in day-to-day operations which primarily includes cash associated with securitisation transactions