
FCE Bank plc

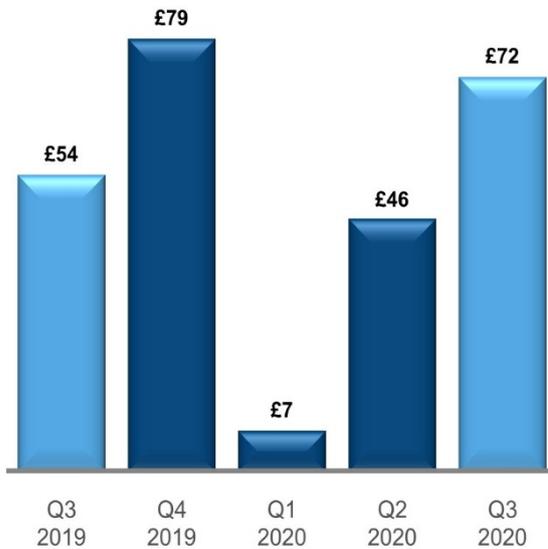
Q3 MANAGEMENT STATEMENT

For the quarter ended 30 September 2020

2020

Highlights (unaudited)

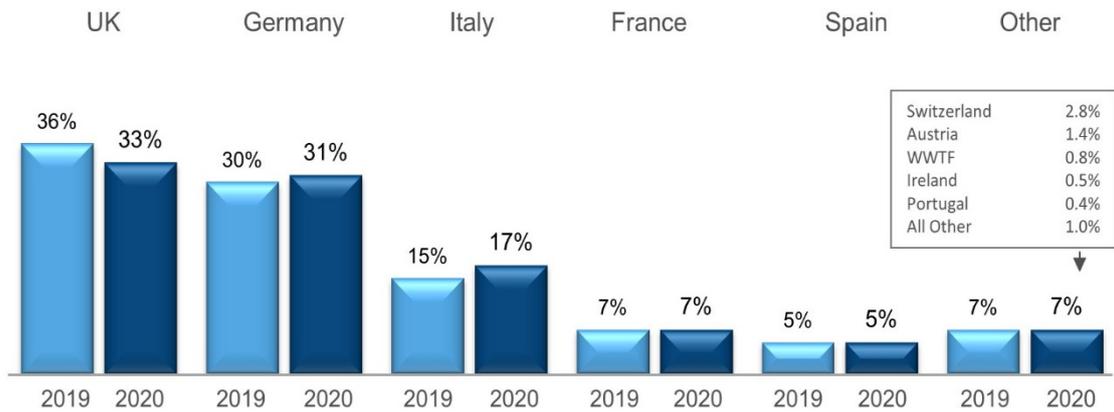
Earnings before tax (Mils)



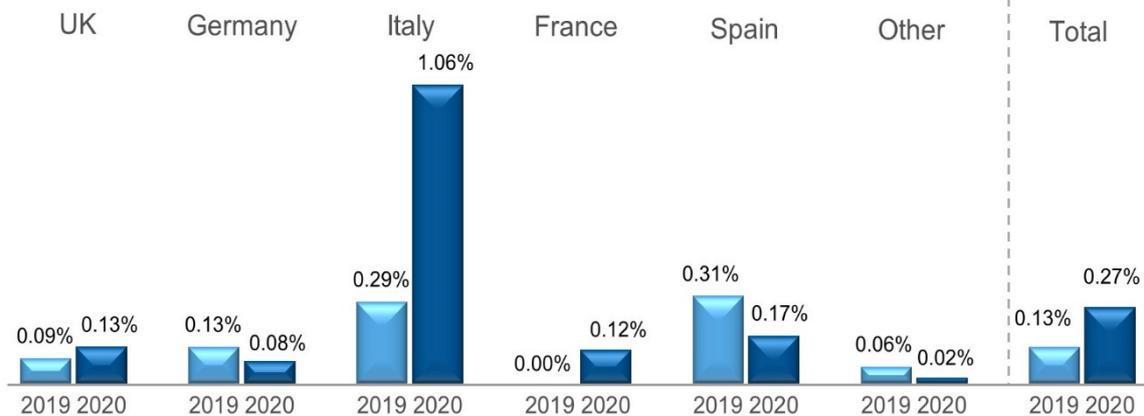
Funding structure – total net loans and advances to customers (Bils)



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



Annualised Q3 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)	Q3 2020	Q3 2019
Quarterly income statement data	(Mils)	(Mils)
Net interest income	£ 116	£ 134
Net fees and commissions income	9	10
Other operating income	48	129
Total income	£ 173	£ 273
Allowance for expected credit losses	£ -	£ (6)
Operating expenses	£ (63)	£ (76)
Depreciation on property and equipment	(33)	(130)
Fair value adjustments to financial instruments and gain or loss on foreign exchange	(5)	(7)
Profit before tax	£ 72	£ 54
Asset data		
Net loans and advances to customers	£ 15,845	£ 17,900
Total assets	19,403	20,841
Average net loans and advances for the quarter	16,211	18,025
Regulatory capital data		
Common equity tier 1 (CET1) capital	£ 2,850	£ 2,679
Own funds / Total capital	3,190	3,024
Common equity tier 1 (CET1) capital ratio	18.5%	16.1%
Total capital ratio	20.8%	18.2%

Business Highlights

Although European economies remained open throughout the third quarter following the COVID-19 lockdown, the recovery has been slow and economic activity remained below pre-COVID-19 levels. Governments and central banks continue to take actions to 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.

COVID-19 related changes in customer demand and lower Ford production resulted in a reduction in FCE's 'Net loans and advances to customers' to £16 billion, £2 billion lower than Q3 2019. FCE expects net loans and advances to customers to be in the range of £16.8 billion to £17.8 billion by the end of the year.

In Q3 2020, FCE recorded earnings before tax of £72 million, £18 million higher than Q3 2019. The improvement includes the non-recurrence of restructuring costs in 2019 and the reduction in credit loss reserves consistent with a smaller portfolio.

FCE's credit loss reserves are aligned with its expectation that the trend of higher credit losses seen in most of its major markets in Q3 will continue, as payment holidays and similar support provided to customers expire.

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 clearer.

As at 30 September 2020, customer deposits represented a total of £3.2 billion of funding. FCE's sources of liquidity include cash and cash equivalents, committed unsecured credit facilities,

committed securitisation capacity and assets eligible as collateral in ECB monetary policy transactions. 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 September 2020, total liquidity sources were £5.6 billion of which £4.4 billion were available for use.

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.

At 30 September 2020, FCE's long term debt credit ratings/outlooks were Ba2/Negative with Moody's (unchanged), BBB-/Negative with S&P (unchanged) and BB+/Negative with Fitch (unchanged).

Full Year Outlook

The COVID-19 outbreak continues to create significant economic uncertainty, partially mitigated by 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 Forecast (Bils)	2020 YTD Actual* (Bils)	2019 Actual (Bils)	2018 Actual (Bils)
- Unsecured Debt	£ -	-	£ -	£ -
- Securitisation	0.0 - 0.4	-	1.1	1.0
Total	£ 0.0 - 0.4	£ -	£ 1.1	£ 1.0

	Sep 2020 (Bils)	Dec 2019 (Bils)	Sep 2019 (Bils)
Liquidity Sources			
Cash and cash equivalents	£ 2.1	£ 1.5	£ 1.4
Committed unsecured credit facilities	1.0	1.0	1.0
Central Bank Eligible Assets*	0.4	-	-
Committed securitisation capacity	2.1	2.4	2.5
Total Liquidity Sources	£ 5.6	£ 4.9	£ 4.9
Utilisation of Liquidity			
Cash not available for use in FCE's day-to-day operations**	£ (0.4)	£ (0.3)	£ (0.3)
Committed unsecured credit facilities	(0.1)	(0.2)	(0.1)
Committed securitisation capacity	(0.3)	(1.9)	(1.9)
Total Utilisation of Liquidity	£ (0.8)	£ (2.4)	£ (2.3)
Gross Liquidity	£ 4.8	£ 2.5	£ 2.6
Securitisation capacity in excess of eligible receivables	£ (0.4)	£ (0.1)	£ (0.1)
Liquidity Available for Use	£ 4.4	£ 2.4	£ 2.5

* Central Bank eligible assets 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